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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 6-K**

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**Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

April 26, 2016

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**NXP Semiconductors N.V.**  
(Exact name of registrant as specified in charter)

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**The Netherlands**  
(Jurisdiction of incorporation or organization)

**60 High Tech Campus, 5656 AG, Eindhoven, The Netherlands**  
(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F       Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1).

Yes       No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7).

Yes       No

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes       No

Name and address of person authorized to receive notices  
and communications from the Securities and Exchange Commission

Dr. Jean A.W. Schreurs  
60 High Tech Campus  
5656 AG Eindhoven – The Netherlands

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This report contains NXP Semiconductors N.V.'s press release dated April 26, 2016 entitled: "NXP Semiconductors Reports First Quarter 2016 Results", NXP Semiconductors Investor Presentation - April 2016, and the interim report of NXP Semiconductors N.V. for the period ended April 3, 2016, which shall be incorporated by reference into our shelf registration statement on Form F-3 filed on March 4, 2016 (File No. [333-209942](#)) and any prospectus or prospectus supplement that form part thereof.

Exhibits

1. Press release dated April 26, 2016 entitled: "NXP Semiconductors Reports First Quarter 2016 Results".
2. NXP Semiconductors Investor Presentation - April 2016.
3. Interim report of NXP Semiconductors N.V. for the period ended April 3, 2016.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized at Eindhoven, on the 26<sup>th</sup> day of April 2016.

**NXP Semiconductors N.V.**

/s/ D. Durn

D. Durn, CFO



### NXP Semiconductors Reports First Quarter 2016 Results

	Q1 2016
Revenue	\$2,224 million
GAAP Gross margin	26.8%
GAAP Operating margin	-21.2%
GAAP Diluted earnings per share	(\$1.16)
Non-GAAP Gross margin	50.0%
Non-GAAP Operating margin	23.3%
Non-GAAP Diluted earnings per share	\$1.14

**Eindhoven, The Netherlands, April 26, 2016** – NXP Semiconductors N.V. (NASDAQ: NXPI) today reported financial results for the first quarter 2016, ended April 3, 2016, and provided guidance for the second quarter of 2016.

“NXP finished the first quarter of 2016 with strong performance and the merger of NXP and Freescale is proceeding smoothly. I am pleased that we achieved our objectives in the first 90 days, and we are on track to achieve our cost synergy targets as laid out at the time of the merger announcement. Our major accomplishments include the integration of our customer facing teams, clear alignment within our internal product development groups, and very positive progress on the integration of our operations and supply organizations. Customer response to the merger continues to be outstanding,” said Richard Clemmer, NXP Chief Executive Officer.

“Looking at our reported results for the first quarter of 2016, revenue was \$2.22 billion, an increase of 52 percent year-on-year, and an increase of 38 percent versus the prior quarter. HPMS segment revenue was \$1.9 billion, an increase of 73 percent year-on-year, and an increase of 46 percent from the prior quarter. Standard Product segment revenue was \$274 million, a decrease of 15 percent year-on-year and an increase of one percent from the prior quarter. Our GAAP diluted net loss per share was (\$1.16), primarily due to merger related accounting, and our non-GAAP diluted earnings per share of \$1.14 was near the high end of our guidance, as a result of positive product mix and our driving early merger-related operational successes. During the quarter we repaid \$200 million of debt and we returned cash to shareholders by taking advantage of what we believe was dislocation in the equity markets relative to our share price, by repurchasing \$298 million or approximately 4.1 million shares of our stock.

“On a comparable basis, taking into account previous product line divestitures, our year on year revenue trends reflect the semiconductor industry weakness that accelerated throughout the second half of 2015, and affected both NXP and Freescale. On a comparable basis, revenue was down approximately 11 percent year on year. We believe we have begun to see incremental positive trends in a number of our businesses, with comparable sequential revenue up approximately two percent into the first quarter. While we anticipate many of the headwinds experienced in the second half of 2015 should begin to generally subside in the coming quarters, the overall demand environment currently continues to be subdued.

“In summary, I am very pleased with the significant progress we have made. The integration of the two companies is on track to provide our customers with more complete leadership solutions, and achieve our stated goals. We are even more excited about the long-term potential of the new NXP. I continue to be extremely proud of all our employees, and want to thank them for their intense focus, unrelenting hard work and positive mindset. We are creating a company which is superbly positioned in our target markets,” said Clemmer.

**Summary of Reported First Quarter 2016 Results (\$ millions, except diluted EPS, unaudited)**

	Q1 2016	Q4 2015	Q1 2015	Q - Q	Y - Y
Product Revenue	\$2,185	\$1,577	\$1,427	38.6%	53.1%
Corporate & Other	\$ 39	\$ 29	\$ 40	34.5%	-2.5%
<b>Total Revenue</b>	<b>\$2,224</b>	<b>\$1,606</b>	<b>\$1,467</b>	<b>38.48%</b>	<b>51.6%</b>
<b>GAAP Gross Profit</b>	<b>\$ 597</b>	<b>\$ 619</b>	<b>\$ 704</b>	<b>-3.6%</b>	<b>-15.2%</b>
Gross Profit Adjustments (1)	\$ (515)	\$ (187)	\$ (7)		
<b>Non-GAAP Gross Profit</b>	<b>\$ 1,112</b>	<b>\$ 806</b>	<b>\$ 711</b>	<b>38.0%</b>	<b>56.4%</b>
GAAP Gross Margin	26.8%	38.5%	48.0%		
Non-GAAP Gross Margin	50.0%	50.2%	48.5%		
<b>GAAP Operating Income</b>	<b>\$ (471)</b>	<b>\$1,013</b>	<b>\$ 295</b>	<b>NM</b>	<b>NM</b>
Operating Income Adjustments (1)	(990)	580	(90)		
<b>Non-GAAP Operating Income</b>	<b>\$ 519</b>	<b>\$ 433</b>	<b>\$ 385</b>	<b>19.9%</b>	<b>34.8%</b>
GAAP Operating Margin	-21.2%	63.1%	20.1%		
Non-GAAP Operating Margin	23.3%	27.0%	26.2%		
<b>GAAP Net Income / (Loss)</b>	<b>\$ (398)</b>	<b>\$ 972</b>	<b>\$ (107)</b>	<b>NM</b>	<b>NM</b>
Net Income Adjustments (1)	(799)	631	(435)		
<b>Non-GAAP Net Income / (Loss)</b>	<b>\$ 401</b>	<b>\$ 341</b>	<b>\$ 328</b>	<b>17.6%</b>	<b>22.3%</b>
<b>GAAP EPS</b>	<b>\$ (1.16)</b>	<b>\$ 3.56</b>	<b>\$ (0.46)</b>	<b>NM</b>	<b>NM</b>
EPS Adjustments (1)	\$ (2.30)	\$ 2.31	\$ (1.81)		
<b>Non-GAAP EPS</b>	<b>\$ 1.14</b>	<b>\$ 1.25</b>	<b>\$ 1.35</b>	<b>-8.8%</b>	<b>-15.6%</b>

Please see "Non-GAAP Financial Measures" on page 3 of this release.

**Additional Information for the First Quarter 2016:**

- On March 9, 2016 NXP redeemed an aggregate principal amount of \$200 million of its \$500 million outstanding 3.5 percent senior notes due 2016.
- During the first quarter of 2016, NXP repurchased approximately 4.1 million shares for a total cost of approximately \$298 million.
- During the first quarter of 2016, SSMC, NXP's consolidated joint-venture wafer fab with TSMC, reported first quarter 2016 operating income of \$27 million, EBITDA of \$42 million and a closing cash balance of \$528 million.
- During the first quarter of 2016, utilization in the combined NXP wafer-fabs averaged 90 percent.

**Supplemental Information (\$ millions, unaudited) (1, 2, 3, 4)**

	Q1 2016		Q4 2015		Q1 2015		Q1 2016		Q1 2016	
	As Reported	As Reported	As Reported	Combined Adj. Revenue	As Reported	Combined Adj. Revenue	Q-Q	Y-Y	Q - Q	Y-Y
Automotive	\$ 805	\$ 422	\$ 740	\$ 302	\$ 795	91%	167%	9%	1%	
Secure Identification Solutions (SIS)	\$ 212	\$ 225	\$ 225	\$ 222	\$ 222	-6%	-5%	-6%	-5%	
Secure Connected Devices (SCD)	\$ 471	\$ 379	\$ 518	\$ 289	\$ 525	24%	63%	-9%	-10%	
Secure Interface & Infrastructure (SI&I)	\$ 423	\$ 280	\$ 375	\$ 291	\$ 564	51%	45%	13%	-25%	
<b>High Performance Mixed Signal (HPMS)</b>	<b>\$ 1,911</b>	<b>\$ 1,306</b>	<b>\$ 1,858</b>	<b>\$ 1,104</b>	<b>\$ 2,106</b>	<b>46%</b>	<b>73%</b>	<b>3%</b>	<b>-9%</b>	
Standard Products (STDP)	\$ 274	\$ 271	\$ 281	\$ 323	\$ 327	1%	-15%	-3%	-16%	
<b>Product Revenue</b>	<b>\$ 2,185</b>	<b>\$ 1,577</b>	<b>\$ 2,139</b>	<b>\$ 1,427</b>	<b>\$ 2,433</b>	<b>39%</b>	<b>53%</b>	<b>2%</b>	<b>-10%</b>	
Corporate & Other	\$ 39	\$ 29	\$ 36	\$ 40	\$ 57	34%	-3%	9%	-32%	
<b>Total Revenue</b>	<b>\$ 2,224</b>	<b>\$ 1,606</b>	<b>\$ 2,175</b>	<b>\$ 1,467</b>	<b>\$ 2,490</b>	<b>38%</b>	<b>52%</b>	<b>2%</b>	<b>-11%</b>	

Note:

- As a result of the Freescale Semiconductor ("Freescale") Merger, NXP has included previously reported Freescale product group revenue into its various existing High Performance Mixed Signal (HPMS) and Standard Products (STDP) segments. As of the fourth quarter 2015, the NXP HPMS business lines include the following (1) Automotive, which includes revenue from Freescale's Automotive MCU and Analog & Sensor product groups; (2) Secure Connected Devices, which includes revenue from Freescale's Microcontroller product group; and (3) Secure Interface & Infrastructure, previously known as Secure Interface & Power which includes revenue from Freescale's Digital Networking and RF product groups. Additionally, certain portions of Freescale's Analog & Sensor product group and Other revenue is apportioned to various NXP business lines consistent with NXP's prior product and revenue classification approach, this included product-functionality alignment as well as intellectual property (IP) sales and licensing revenue.
- The preceding table sets forth our unaudited combined adjusted quarterly financial information, including estimates of segment and relative business line allocations, for the three month periods ended April 3, 2015, December 31, 2015 in addition to the as reported information for the three month period ended April 3, 2016. This combined adjusted financial information has been derived from the audited consolidated financial statements of NXP for the years ended December 31, 2015 and the unaudited condensed consolidated financial statements of Freescale for the period ended April 3, 2015. In each case, we have excluded revenue generated in our RF Power business, which was divested in connection with the closing of the Freescale Merger on December 7, 2015, and our Bi-Polar business, which was divested on November 9, 2015 but have not otherwise made adjustments to the historical figures. In addition, the following information does not give effect to the financial impact on our statement of operations for any other acquisitions or divestitures made by NXP or Freescale during the periods presented. The unaudited combined adjusted financial information and segment allocation in the preceding table represent NXP management's current estimate of the combined financial information based on historical financial information of NXP and Freescale. This unaudited combined adjusted financial information has been presented for informational purposes only and is not necessarily indicative of what the combined company's results of operations actually would have been had the Freescale Merger been completed as of the dates indicated. In addition, the unaudited combined adjusted financial

*information does not purport to project the future financial position or results of operations of the combined company and do not reflect synergies that might be achieved from the combined operations.*  
*The unaudited combined adjusted financial information in the preceding table has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act or US GAAP. Neither the assumptions underlying the adjustments nor the resulting adjusted financial information have been audited or*

reviewed in accordance with any generally accepted auditing standards. The information presented should be read in conjunction with the historical consolidated financial statements of NXP and Freescale, which are filed with the SEC.

3. Combined adjusted revenue is the combined consolidated revenue of NXP and Freescale for each of the quarterly periods presented. The information excludes the divestment of previously announced business and the creation of joint-ventures. The unaudited adjusted financial information has been prepared for comparative purposes only and does not purport to be indicative of the revenue performance that would have been achieved had the acquisition taken place at the beginning of the periods shown. In addition, this information is not intended to be a projection of future results from the combined operations.
4. Combined adjusted product revenue is the combination of revenue from the High Performance Mixed Signal (HPMS) and Standard Products (STDP) segments. Percent of quarterly total amounts may not add to 100 percent due to rounding

**Guidance for the Second Quarter 2016: (\$ millions)**<sup>(1)</sup>

	Low	Mid	High
<b>Product Revenue</b>	<b>\$2,247</b>	<b>\$2,297</b>	<b>\$2,347</b>
Q-Q	3%	5%	7%
Other Revenue	\$ 48	\$ 48	\$ 48
<b>Total Revenue</b>	<b>\$2,295</b>	<b>\$2,345</b>	<b>\$2,395</b>
Q-Q	3%	5%	8%
<b>Non-GAAP Gross Profit</b>	<b>\$1,137</b>	<b>\$1,172</b>	<b>\$1,209</b>
Non-GAAP Gross Margin	49.5%	50.0%	50.5%
<b>Non-GAAP Operating Income</b>	<b>\$ 573</b>	<b>\$ 592</b>	<b>\$ 614</b>
Non-GAAP Operating Margin	25.0%	25.3%	25.6%
Interest Expense	\$ (88)	\$ (88)	\$ (88)
Cash Taxes	\$ (17)	\$ (18)	\$ (19)
Non-controlling Interest	\$ (13)	\$ (14)	\$ (15)
<b>Non-GAAP Net Income</b>	<b>\$ 455</b>	<b>\$ 472</b>	<b>\$ 492</b>
Ave. Diluted Shares	351	351	351
<b>Non - GAAP EPS</b>	<b>\$ 1.30</b>	<b>\$ 1.35</b>	<b>\$ 1.40</b>

Note (1): NXP has based the guidance included in this release on judgments and estimates that management believes are reasonable given its assessment of historical trends and other information reasonably available as of the date of this release. Please note:

- The guidance included in this release consists of predictions only, and is subject to a wide range of known and unknown risks and uncertainties, many of which are beyond NXP's control. The guidance included in this release should not be regarded as representations by NXP that the estimated results will be achieved. Actual results may vary materially from the guidance we provide today. In relation to the use of non-GAAP financial information see the note regarding "Use of Non-GAAP Financial Information" elsewhere in this release. For the factors, risks and uncertainties to which judgments, estimates and forward-looking statements generally are subject see the note regarding "Forward-looking Statements."
- We undertake no obligation to publicly update or revise any forward-looking statements, including the guidance set forth herein, to reflect future events or circumstances. Considering the uncertain magnitude and variability of the foreign exchange consequences upon "PPA effects", "restructuring costs", "other incidental items" and any interest expense or taxes in future periods, management believes that GAAP financial measures are not available for NXP without unreasonable efforts on a forward-looking basis.

**Non-GAAP Financial Measures**

In addition to providing financial information on a basis consistent with U.S. generally accepted accounting principles ("GAAP"), NXP also provides the following selected financial measures on a non-GAAP basis: (i) Gross profit, (ii) Gross margin, (iii) Research and development, (iv) Selling, general and administrative, (v) Other income, (vi) Operating income (loss), (vii) Operating margin, (viii) Financial Income (expense), (ix) Cash tax expense, (x) Results relating to equity-accounted investees, (xi) Net income (loss), (xii) Net income (loss) attributable to stockholders, (xiii) Weighted average shares –diluted, (xiv) Diluted net income (loss) attributable to stockholders per share, (xv) EBITDA, adjusted EBITDA and trailing 12 month adjusted EBITDA, and (xvi) non-GAAP free cash flow. The non-GAAP information excludes the amortization of acquisition related intangible assets, the purchase accounting effect on inventory and property, plant and equipment, merger related costs (including integration costs), certain items related to divestitures, share-based compensation expense, restructuring and asset impairment charges, process and product transfer costs, non-cash interest expense on convertible notes, extinguishment of debt, changes in the fair value of the warrant liability prior to January 1, 2016, foreign exchange gains and losses and the non-cash impact on income tax expense.

Management does not believe that these items are reflective of the Company's underlying performance. The presentation of these and other similar items in NXP's non-GAAP financial results should not be interpreted as implying that these items are non-recurring, infrequent or unusual. NXP believes this non-GAAP financial information provides additional insight into the Company's on-going performance and has therefore chosen to provide this information to investors for a more consistent basis of comparison and to help them evaluate the results of the Company's on-going operations and enable more meaningful period to period comparisons. These non-GAAP measures are provided in addition to, and not as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. Reconciliations of these non-GAAP measures to the most comparable measures calculated in accordance with GAAP are provided in the financial statements portion of this release in a schedule entitled "Financial Reconciliation of GAAP to non-GAAP Results (unaudited)." Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at [www.nxp.com/investor](http://www.nxp.com/investor) for additional information relative to our Non-GAAP Financial Measures.

## **Conference Call and Webcast Information**

NXP will host a conference call on April 26, 2016 at 8:00 a.m. U.S. Eastern Time (2:00 p.m. Central European Time) to discuss its first quarter 2016 results and provide an outlook for the second quarter of 2016.

Interested parties may join the conference call by dialing 1 – 888 – 603 – 7644 (within the U.S.) or 1 – 484 – 747 - 6631 (outside of the U.S.). The participant pass-code is 86628130. To listen to a webcast of the event, please visit the Investor Relations section of the NXP website at [www.nxp.com/investor](http://www.nxp.com/investor). The webcast will be recorded and available for replay shortly after the call concludes.

## **About NXP Semiconductors**

NXP Semiconductors N.V. (NASDAQ: NXPI) enables secure connections and infrastructure for a smarter world, advancing solutions that make lives easier, better and safer. As the world leader in secure connectivity solutions for embedded applications, NXP is driving innovation in the secure connected vehicle, end-to-end security & privacy and smart connected solutions markets. Built on more than 60 years of combined experience and expertise, the company has 45,000 employees in more than 35 countries and posted revenue of \$6.1 billion in 2015. Find out more at [www.nxp.com](http://www.nxp.com).

## **Forward-looking Statements**

This document includes forward-looking statements which include statements regarding NXP's business strategy, financial condition, results of operations, and market data, as well as any other statements which are not historical facts. By their nature, forward-looking statements are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. These factors, risks and uncertainties include the following: market demand and semiconductor industry conditions; the ability to successfully introduce new technologies and products; the end-market demand for the goods into which NXP's products are incorporated; the ability to generate sufficient cash, raise sufficient capital or refinance corporate debt at or before maturity; the ability to meet the combination of corporate debt service, research and development and capital investment requirements; the ability to accurately estimate demand and match manufacturing production capacity accordingly or obtain supplies from third-party producers; the access to production capacity from third-party outsourcing partners; any events that might affect third-party business partners or NXP's relationship with them; the ability to secure adequate and timely supply of equipment and materials from suppliers; the ability to avoid operational problems and product defects and, if such issues were to arise, to correct them quickly; the ability to form strategic partnerships and joint ventures and to successfully cooperate with alliance partners; the ability to win competitive bid selection processes to develop products for use in customers' equipment and products; the ability to successfully establish a brand identity; the ability to successfully hire and retain key management and senior product architects; and, the ability to maintain good relationships with our suppliers. In addition, this document contains information concerning the semiconductor industry and NXP's business segments generally, which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which the semiconductor industry, NXP's market segments and product areas may develop. NXP has based these assumptions on information currently available, if any one or more of these assumptions turn out to be incorrect, actual market results may differ from those predicted. While NXP does not know what impact any such differences may have on its business, if there are such differences, its future results of operations and its financial condition could be materially adversely affected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak to results only as of the date the statements were made. Except for any ongoing obligation to disclose material information as required by the United States federal securities laws, NXP does not have any intention or obligation to publicly update or revise any forward-looking statements after we distribute this document, whether to reflect any future events or circumstances or otherwise. For a discussion of potential risks and uncertainties, please refer to the risk factors listed in our SEC filings. Copies of our SEC filings are available on our Investor Relations website, [www.nxp.com/investor](http://www.nxp.com/investor) or from the SEC website, [www.sec.gov](http://www.sec.gov).

## **For further information, please contact:**

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**NXP Semiconductors**
**Table 1: Condensed consolidated statement of operations (unaudited)**

(\$ in millions except share data)

	Three Months Ended		
	April 3, 2016	Dec. 31, 2015	April 5, 2015
<b>Revenue</b>	<b>\$ 2,224</b>	<b>\$ 1,606</b>	<b>\$ 1,467</b>
Cost of revenue	(1,627)	(987)	(763)
<b>Gross profit</b>	<b>597</b>	<b>619</b>	<b>704</b>
Research and development	(403)	(318)	(199)
Selling, general and administrative	(296)	(413)	(180)
Amortization of acquisition-related intangible assets	(367)	(133)	(30)
<b>Total operating expenses</b>	<b>(1,066)</b>	<b>(864)</b>	<b>(409)</b>
Other income (expense)	(2)	1,258	—
<b>Operating income (loss)</b>	<b>(471)</b>	<b>1,013</b>	<b>295</b>
Financial income (expense):	(116)	(174)	(373)
<b>Income (loss) before taxes</b>	<b>(587)</b>	<b>839</b>	<b>(78)</b>
Benefit (provision) for income taxes	199	148	(15)
Results relating to equity-accounted investees	1	2	3
Net income (loss)	(387)	989	(90)
Less: Net income (loss) attributable to non-controlling interests	11	17	17
<b>Net income (loss) attributable to stockholders</b>	<b>(398)</b>	<b>972</b>	<b>(107)</b>
<b>Earnings per share data:</b>			
Net income (loss) per common share attributable to stockholders in \$:			
Basic	\$ (1.16)	\$ 3.70	\$ (0.46)
Diluted	\$ (1.16)	\$ 3.56	\$ (0.46)
Weighted average number of shares of common stock outstanding during the period (in thousands):			
Basic	341,830	262,766	233,116
Diluted	341,830	272,785	233,116

Table 2: Condensed consolidated balance sheet (unaudited)

(\$ in millions)	As of		
	April 3, 2016	Dec. 31, 2015	April 5, 2015
<b>Current assets:</b>			
Cash and cash equivalents	\$ 1,488	\$ 1,614	\$ 1,355
Accounts receivable, net	1,054	1,047	539
Assets held for sale	8	15	59
Inventories, net	1,452	1,879	772
Other current assets	243	257	169
<b>Total current assets</b>	<b>4,245</b>	<b>4,812</b>	<b>2,894</b>
<b>Non-current assets:</b>			
Other non-current assets	595	602	552
Property, plant and equipment, net	2,848	2,922	1,107
Identified intangible assets, net	8,446	8,790	558
Goodwill	9,239	9,228	1,954
<b>Total non-current assets</b>	<b>21,128</b>	<b>21,542</b>	<b>4,171</b>
<b>Total assets</b>	<b>25,373</b>	<b>26,354</b>	<b>7,065</b>
<b>Current liabilities:</b>			
Accounts payable	948	1,014	755
Liabilities held for sale	—	—	6
Restructuring liabilities-current	193	197	29
Accrued liabilities	821	781	503
Short-term debt	736	556	32
<b>Total current liabilities</b>	<b>2,698</b>	<b>2,548</b>	<b>1,325</b>
<b>Non-current liabilities:</b>			
Long-term debt	8,270	8,656	4,012
Restructuring liabilities	31	43	4
Deferred tax liabilities	2,044	2,293	78
Other non-current liabilities	839	1,011	911
<b>Total non-current liabilities</b>	<b>11,184</b>	<b>12,003</b>	<b>5,005</b>
Non-controlling interests	299	288	280
Stockholders' equity	11,192	11,515	455
<b>Total equity</b>	<b>11,491</b>	<b>11,803</b>	<b>735</b>
<b>Total liabilities and equity</b>	<b>25,373</b>	<b>26,354</b>	<b>7,065</b>

Table 3: Condensed consolidated statement of cash flows (unaudited)

(\$ in millions)	Three Months Ended		
	April 3, 2016	Dec. 31, 2015	April 5, 2015
<b>Cash Flows from operating activities</b>			
<b>Net income (loss)</b>	<b>\$ (387)</b>	<b>\$ 989</b>	<b>\$ (90)</b>
Adjustments to reconcile net income (loss):			
Depreciation and amortization	529	230	95
Stock-based compensation	99	111	35
Excess tax benefits from share-based compensation plans	(3)	—	—
Change in fair value of warrant liability	—	1	115
Amortization of discount on debt	8	11	10
Amortization of debt issuance costs	5	11	—
Net (gain) loss on sale of assets	—	(1,258)	—
Results relating to equity accounted investees	(1)	(2)	(3)
Changes in deferred taxes	(221)	(174)	5
<b>Changes in operating assets and liabilities:</b>			
(Increase) decrease in receivables and other current assets	—	71	(64)
(Increase) decrease in inventories	441	154	(53)
Increase (decrease) in accounts payable and accrued liabilities	(47)	95	110
Decrease (Increase) in other non-current assets	4	9	10
Exchange differences	10	31	208
Other items	(23)	(8)	(10)
<b>Net cash provided by (used for) operating activities</b>	<b>414</b>	<b>271</b>	<b>368</b>
<b>Cash flows from investing activities:</b>			
Purchase of identified intangible assets	(18)	(5)	(2)
Capital expenditures on property, plant and equipment	(88)	(92)	(80)
Proceeds from disposals of property, plant and equipment	—	1	—
Purchase of interests in businesses, net of cash acquired	(2)	(1,587)	(103)
Proceeds from sale of interests in businesses	—	1,604	—
Proceeds from return of equity investment	—	—	1
Other	2	2	1
<b>Net cash provided by (used for) investing activities</b>	<b>(106)</b>	<b>(77)</b>	<b>(183)</b>
<b>Cash flows from financing activities:</b>			
Net (repayments) borrowings of short-term debt	(5)	(1)	(1)
Repurchase of long-term debt	(204)	(3,586)	—
Principal payments on long-term debt	(14)	(8)	(10)
Proceeds from the issuance of long-term debt	—	2,680	—
Cash paid for debt issuance costs	—	(22)	—
Cash proceeds from exercise of stock options	45	18	16
Purchase of treasury shares	(266)	(151)	(4)
Excess tax benefits from share-based compensation plans	3	—	—
<b>Net cash provided by (used for) financing activities</b>	<b>(441)</b>	<b>(1,070)</b>	<b>1</b>
Effect of changes in exchange rates on cash positions	7	(2)	(16)
Increase (decrease) in cash and cash equivalents	<b>(126)</b>	<b>(878)</b>	<b>170</b>
Cash and cash equivalents at beginning of period	<b>1,614</b>	<b>2,492</b>	<b>1,185</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,488</b>	<b>1,614</b>	<b>1,355</b>

Table 4: Reconciliation of GAAP to non-GAAP Segment Results (unaudited)

	Three Months Ended		
	April 3, 2016	Dec. 31, 2015	April 5, 2015
High Performance Mixed Signal (HPMS)	1,911	1,306	1,104
Standard Products	274	271	323
<b>Product Revenue</b>	<b>2,185</b>	<b>1,577</b>	<b>1,427</b>
Corporate and Other	39	29	40
<b>Total Revenue</b>	<b>\$ 2,224</b>	<b>\$ 1,606</b>	<b>\$ 1,467</b>
<b>HPMS Revenue</b>	<b>\$ 1,911</b>	<b>\$ 1,306</b>	<b>\$ 1,104</b>
Percent of Total Revenue	85.9%	81.3%	75.3%
<b>HPMS segment GAAP gross profit</b>	<b>510</b>	<b>534</b>	<b>597</b>
PPA effects	(493) <sup>1)</sup>	(164) <sup>1)</sup>	—
Restructuring	(3)	(8)	(1)
Stock based compensation	(13)	(6)	(1)
Other incidentals	—	(1)	—
<b>HPMS segment non-GAAP gross profit</b>	<b>\$ 1,019</b>	<b>\$ 713</b>	<b>\$ 599</b>
<b>HPMS segment GAAP gross margin</b>	<b>26.7%</b>	<b>40.9%</b>	<b>54.1%</b>
<b>HPMS segment non-GAAP gross margin</b>	<b>53.3%</b>	<b>54.6%</b>	<b>54.3%</b>
<b>HPMS segment GAAP operating profit</b>	<b>(486)</b>	<b>995</b>	<b>266</b>
PPA effects	(847) <sup>1)</sup>	(283) <sup>1)</sup>	(14)
Restructuring	(14)	(195) <sup>2)</sup>	(11)
Stock based compensation	(92)	(99) <sup>2)</sup>	(28)
Other incidentals	—	1,191 <sup>3)</sup>	—
<b>HPMS segment non-GAAP operating profit</b>	<b>\$ 467</b>	<b>\$ 381</b>	<b>\$ 319</b>
<b>HPMS segment GAAP operating margin</b>	<b>-25.4%</b>	<b>76.2%</b>	<b>24.1%</b>
<b>HPMS segment non-GAAP operating margin</b>	<b>24.4%</b>	<b>29.2%</b>	<b>28.9%</b>
<b>Standard Products Revenue</b>	<b>\$ 274</b>	<b>\$ 271</b>	<b>\$ 323</b>
Percent of Total Revenue	12.3%	16.9%	22.0%
<b>Standard Products segment GAAP gross profit</b>	<b>87</b>	<b>90</b>	<b>110</b>
PPA effects	(1)	(1)	(1)
Restructuring	—	(4)	—
Stock based compensation	(1)	(1)	(1)
Other incidentals	—	(1)	(1)
<b>Standard Products segment non-GAAP gross profit</b>	<b>\$ 89</b>	<b>\$ 97</b>	<b>\$ 113</b>
<b>Standard Products segment GAAP gross margin</b>	<b>31.8%</b>	<b>33.2%</b>	<b>34.1%</b>
<b>Standard Products segment non-GAAP gross margin</b>	<b>32.5%</b>	<b>35.8%</b>	<b>35.0%</b>
<b>Standard Products segment GAAP operating profit</b>	<b>39</b>	<b>103</b>	<b>52</b>
PPA effects	(12)	(12)	(14)
Restructuring	(1)	(4)	—
Stock based compensation	(7)	(11)	(7)
Other incidentals	—	66 <sup>3)</sup>	(1)
<b>Standard Products segment non-GAAP operating profit</b>	<b>\$ 59</b>	<b>\$ 64</b>	<b>\$ 74</b>
<b>Standard Products segment GAAP operating margin</b>	<b>14.2%</b>	<b>38.0%</b>	<b>16.1%</b>
<b>Standard Products segment non-GAAP operating margin</b>	<b>21.5%</b>	<b>23.6%</b>	<b>22.9%</b>
<b>Corporate and Other Revenue</b>	<b>\$ 39</b>	<b>\$ 29</b>	<b>\$ 40</b>
Percent of Total Revenue	1.8%	1.8%	2.7%
<b>Corporate and Other segment GAAP gross profit</b>	<b>—</b>	<b>(5)</b>	<b>(3)</b>
PPA effects	(2)	(2)	(2)
Restructuring	(1)	(1)	—
Stock based compensation	(1)	—	—
Other incidentals	—	2	—
<b>Corporate and Other segment non-GAAP gross profit</b>	<b>\$ 4</b>	<b>\$ (4)</b>	<b>\$ (1)</b>
<b>Corporate and Other segment GAAP gross margin</b>	<b>0.0%</b>	<b>-17.2%</b>	<b>-7.5%</b>
<b>Corporate and Other segment non-GAAP gross margin</b>	<b>10.3%</b>	<b>-13.8%</b>	<b>-2.5%</b>
<b>Corporate and Other segment GAAP operating profit</b>	<b>(24)</b>	<b>(85)</b>	<b>(23)</b>
PPA effects	(5)	(5)	(5)
Restructuring	(5)	(40) <sup>2)</sup>	(1)
Stock based compensation	—	(1)	—
Merger-related costs	(5)	(27)	(8)
Other incidentals	(2)	—	(1)
<b>Corporate and Other segment non-GAAP operating profit</b>	<b>\$ (7)</b>	<b>\$ (12)</b>	<b>\$ (8)</b>
<b>Corporate and Other segment GAAP operating margin</b>	<b>-61.5%</b>	<b>-293.1%</b>	<b>-57.5%</b>
<b>Corporate and Other segment non-GAAP operating margin</b>	<b>-17.9%</b>	<b>-41.4%</b>	<b>-20.0%</b>

1) Includes Purchase Accounting effect on inventory that was fully amortized as of April 3, 2016.

2) Includes severance, contract termination costs and accelerated vesting charges related to the acquisition of Freescale.

3) Includes the recognition of the gain on the sale of the RF Power and Bipolar businesses.

Table 5: Financial Reconciliation of GAAP to non-GAAP Results (unaudited)

(\$ in millions except share data)

	Three Months Ended		
	April 3, 2016	Dec. 31, 2015	April 5, 2015
<b>Revenue</b>	<b>\$ 2,224</b>	<b>\$ 1,606</b>	<b>\$ 1,467</b>
<b>GAAP Gross profit</b>	<b>\$ 597</b>	<b>\$ 619</b>	<b>\$ 704</b>
PPA effects	(496) <sup>1)</sup>	(167) <sup>1)</sup>	(3)
Restructuring	(4)	(13) <sup>2)</sup>	(1)
Stock Based Compensation	(15)	(7) <sup>2)</sup>	(2)
Other incidentals	—	—	(1)
<b>Non-GAAP Gross profit</b>	<b>\$ 1,112</b>	<b>\$ 806</b>	<b>\$ 711</b>
<b>GAAP Gross margin</b>	<b>26.8%</b>	<b>38.5%</b>	<b>48.0%</b>
<b>Non-GAAP Gross margin</b>	<b>50.0%</b>	<b>50.2%</b>	<b>48.5%</b>
GAAP Research and development	\$ (403)	\$ (318)	\$ (199)
Restructuring	(11)	(79) <sup>2)</sup>	(8)
Stock based compensation	(32)	(21) <sup>2)</sup>	(8)
Other incidentals	—	1	—
Non-GAAP Research and development	\$ (360)	\$ (219)	\$ (183)
GAAP Selling, general and administrative	\$ (296)	\$ (413)	\$ (180)
PPA effects	\$ (1)	\$ —	\$ —
Restructuring	(5)	(147) <sup>2)</sup>	(3)
Stock based compensation	(52)	(83) <sup>2)</sup>	(25)
Merger-related costs	(5)	(27)	(8)
Other incidentals	—	(1)	(1)
Non-GAAP Selling, general and administrative	\$ (233)	\$ (155)	\$ (143)
GAAP amortization of acquisition-related intangible assets	\$ (367)	\$ (133)	\$ (30)
PPA effects	(367)	(133)	(30)
Non-GAAP amortization of acquisition-related intangible assets	\$ —	\$ —	\$ —
GAAP Other income (expense)	\$ (2)	\$ 1,258	\$ —
PPA effects	—	—	—
Other incidentals	(2)	1,257 <sup>3)</sup>	—
Non-GAAP Other income (expense)	\$ —	\$ 1	\$ —
<b>GAAP Operating income (loss)</b>	<b>\$ (471)</b>	<b>\$ 1,013</b>	<b>\$ 295</b>
PPA effects	(864) <sup>1)</sup>	(300) <sup>1)</sup>	(33)
Restructuring	(20)	(239) <sup>2)</sup>	(12)
Stock based compensation	(99)	(111) <sup>2)</sup>	(35)
Merger-related costs	(5)	(27)	(8)
Other incidentals	(2)	1,257 <sup>3)</sup>	(2)
<b>Non-GAAP Operating income (loss)</b>	<b>\$ 519</b>	<b>\$ 433</b>	<b>\$ 385</b>
<b>GAAP Operating margin</b>	<b>-21.2%</b>	<b>63.1%</b>	<b>20.1%</b>
<b>Non-GAAP Operating margin</b>	<b>23.3%</b>	<b>27.0%</b>	<b>26.2%</b>
<b>GAAP Financial income (expense)</b>	<b>\$ (116)</b>	<b>\$ (174)</b>	<b>\$ (373)</b>
PPA effects	\$ 3	\$ —	\$ —
Non-cash interest expense on convertible notes	(10)	(10)	(10)
Foreign exchange gain (loss) on debt	(9)	(31)	(208)
Changes in fair value of warrant liability	—	(1)	(115)
Other financial expense	(7)	(76)	(4)
<b>Non-GAAP Financial income (expense)</b>	<b>\$ (93)</b>	<b>\$ (56)</b>	<b>\$ (36)</b>
<b>GAAP Income tax benefit (provision)</b>	<b>\$ 199</b>	<b>\$ 148</b>	<b>\$ (15)</b>
Other adjustments	213	167	(11)
<b>Non-GAAP Cash tax (expense)</b>	<b>\$ (14)</b>	<b>\$ (19)</b>	<b>\$ (4)</b>
<b>GAAP Results relating to equity-accounted investees</b>	<b>\$ 1</b>	<b>\$ 2</b>	<b>\$ 3</b>
Other adjustments	1	2	3
<b>Non-GAAP Results relating to equity-accounted investees</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>GAAP Net income (loss)</b>	<b>\$ (387)</b>	<b>\$ 989</b>	<b>\$ (90)</b>
PPA effects	(861) <sup>1)</sup>	(300) <sup>1)</sup>	(33)
Restructuring	(20)	(239) <sup>2)</sup>	(12)
Stock based compensation	(99)	(111) <sup>2)</sup>	(35)
Merger-related costs	(5)	(27)	(8)
Other incidentals	(2)	1,257 <sup>3)</sup>	(2)
Other adjustments	188 <sup>4)</sup>	51	(345)
<b>Non-GAAP Net income (loss)</b>	<b>\$ 412</b>	<b>\$ 358</b>	<b>\$ 345</b>
<b>GAAP Net income (loss) attributable to stockholders</b>	<b>\$ (398)</b>	<b>\$ 972</b>	<b>\$ (107)</b>
PPA effects	(861) <sup>1)</sup>	(300) <sup>1)</sup>	(33)
Restructuring	(20)	(239) <sup>2)</sup>	(12)
Stock based compensation	(99)	(111) <sup>2)</sup>	(35)
Merger-related costs	(5)	(27)	(8)
Other incidentals	(2)	1,257 <sup>3)</sup>	(2)
Other adjustments	188 <sup>4)</sup>	51	(345)
<b>Non-GAAP Net income (loss) attributable to stockholders</b>	<b>\$ 401</b>	<b>\$ 341</b>	<b>\$ 328</b>
GAAP Weighted average shares - diluted	341,830	272,785	233,116

Non-GAAP Adjustment	9,207	—	10,210
Non-GAAP Weighted average shares - diluted	<u>351,037</u>	<u>272,785</u>	<u>243,326</u>
<b>GAAP Diluted net income (loss) attributable to stockholders per share</b>	<b>\$ (1.16)</b>	<b>\$ 3.56</b>	<b>\$ (0.46)</b>
<b>Non-GAAP Diluted net income (loss) attributable to stockholders per share</b>	<b>\$ 1.14</b>	<b>\$ 1.25</b>	<b>\$ 1.35</b>

- 1) Includes Purchase Accounting effect on inventory that was fully amortized as of April 3, 2016.
- 2) Includes severance, contract termination costs and accelerated vesting charges related to the acquisition of Freescale.
- 3) Includes the recognition of the gain on the sale of the RF Power and Bipolar businesses.
- 4) Includes: During 1Q16: Non-cash interest expense on convertible Notes: (\$10) million; Foreign exchange losses: (\$9) million; Other financial expense: (\$7) million; Results relating to equity-accounted investees: \$1 million; and the difference between book and cash income taxes: \$213 million.

Table 6: Adjusted EBITDA and Free Cash Flow (unaudited)

(\$ in millions)	Three Months Ended		
	April 3, 2016	Dec. 31, 2015	April 5, 2015
<b>Net Income (loss)</b>	<b>\$ (387)</b>	<b>\$ 989</b>	<b>\$ (90)</b>
<b>Reconciling items to EBITDA</b>			
Financial (income) expense	116	174	373
(Benefit) provision for income taxes	(199)	(148)	15
Depreciation	149	89	58
Amortization	380	141	37
<b>EBITDA</b>	<b>\$ 59</b>	<b>\$ 1,245</b>	<b>\$ 393</b>
<b>Reconciling items to adjusted EBITDA</b>			
Results of equity-accounted investees	(1)	(2)	(3)
Purchase accounting effect on inventory	448	149	—
Restructuring <sup>1)</sup>	20	239	12
Stock based compensation	99	111	35
Merger-related costs	5	27	8
Other incidental items <sup>1)</sup>	2	(1,254)	2
<b>Adjusted EBITDA</b>	<b>\$ 632</b>	<b>\$ 515</b>	<b>\$ 447</b>
<b>Trailing twelve month adjusted EBITDA</b>	<b>\$ 2,143</b>	<b>\$ 1,958</b>	<b>\$ 1,740</b>

<sup>1)</sup> Excluding depreciation property, plant and equipment and amortization of software related to:

Other incidental items	—	(3)	—
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(\$ in millions)	Three Months Ended		
	April 3, 2016	Dec. 31, 2015	April 5, 2015
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 414</b>	<b>\$ 271</b>	<b>\$ 368</b>
Net capital expenditures on property, plant and equipment	(88)	(91)	(80)
<b>Non-GAAP free cash flow</b>	<b>\$ 326</b>	<b>\$ 180</b>	<b>\$ 288</b>
<b>Non-GAAP free cash flow as a percent of Revenue</b>	<b>15%</b>	<b>11%</b>	<b>20%</b>



# NXP Semiconductors

Investor Presentation | April 2016

SECURE CONNECTIONS  
FOR A SMARTER WORLD





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# Focused on Profitable Growth from Smarter World Opportunity

Our innovative solutions are used in a wide range of applications

## Connected Car



- Car entertainment
- In-vehicle networking
- Secure car access
- Secure V2X communication
- Radar

## Security



- Mobile transactions
- E-Government
- Smart bank cards
- User authentication
- Embedded security

## Portable and Wearable



- Mobile audio
- High-speed interfaces
- Gaming
- Personal health & fitness
- Healthcare

## Internet of Things



- Smart home and buildings
- Smart cities - smart grid
- M2M – "Industry 4.0"
- Intelligent logistics

# We Provide Secure Connections for a Smarter World



# NXP Value Proposition



Multiple High Growth Markets + RMS of at Least 1.5x  
→ Profitable Growth



Operational Excellence + Benchmark Cost Structure  
→ Strong Cash Generation



Industry Leading Management Team and People  
→ Customer-Focused Passion to WIN



**MAXIMIZE SHAREHOLDER VALUE**



# Growth Driven by High RMS Businesses and Adjacent Markets



Focused on

- High growth markets;
- Deliver unique NXP capabilities;
- Driving operating margin;
- Optimized capital structure.

Broad sustainable leadership as we

- Invest in Core & High RMS business<sup>1</sup>;
- Thought leadership in Adjacent markets;
- NXP positioned to outperform peers.

Note:  
 1. GM, EBIT, EPS, Interest Expense, Free Cash Flow (FCF), Leverage, Adj. EBITDA are all non-GAAP figures  
 2. Based on normalized NXP revenue growth, versus normalized, aggregate HPMS Peer revenue

# Driving Profitable Growth in Excess of Addressable Market

As Reported Revenue Up 12% 3-yr. CAGR (\$B)<sup>1</sup>



EBIT<sup>1</sup> Profit up 26% 3-yr. CAGR (\$B)



EPS<sup>1</sup> up 44% 3-yr. CAGR



Free Cash Flow up 28% 3-yr. CAGR (\$B)<sup>1</sup>



Note:  
1. GM, EBIT, EPS, Interest Expense, Free Cash Flow(FCF), Leverage, Adj. EBITDA are all non-GAAP figures, 3-yr. CAGR reflect the period 2012 - 2015

# Focused on Generating Cash

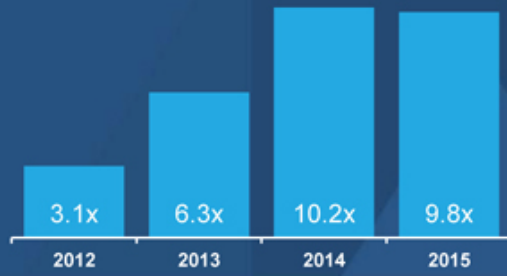
Cash Interest Expense Declined 14% 3-yr. CAGR (\$M)<sup>1</sup>



Leverage<sup>1</sup>



Interest Coverage<sup>1</sup>



Net Debt (\$B)



Note:  
1. GM, EBIT, EPS, Interest Expense, Free Cash Flow(PCF), Leverage, Adj. EBITDA, Interest Coverage, are all non-GAAP figures, 3-yr. CAGR reflect the period 2012 - 2015



# Recent Quarterly Business Trends

Revenue (\$M)



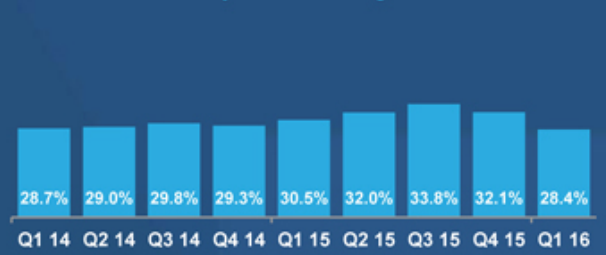
Non-GAAP Gross Margin



Non-GAAP Operating Margin



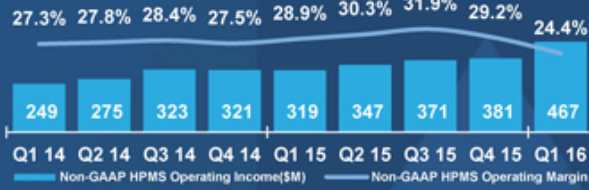
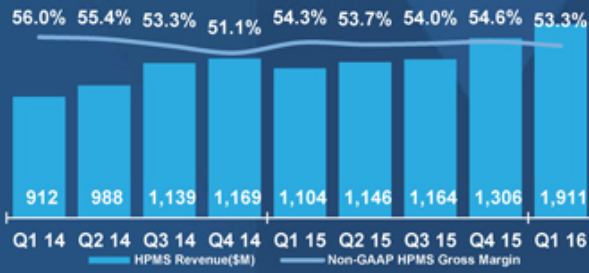
Adj. EBITDA Margin



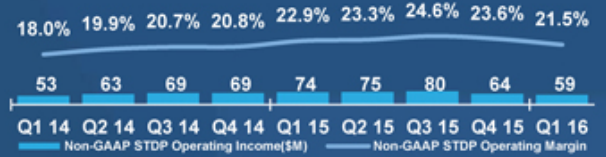
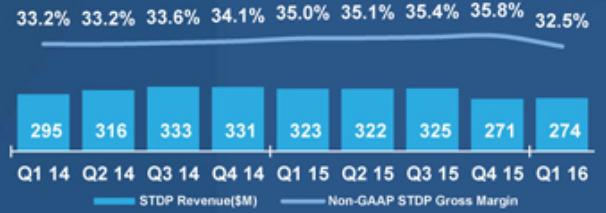
Note: GM, EBIT, EPS, Interest Expense, Free Cash Flow(FCF), Leverage, Adj. EBITDA, Interest Coverage, are all non-GAAP figures. 3-yr. CAGR reflect the period 2012 - 2015

# Business Segment Revenue and Non-GAAP Margin Trends

## HPMS Segment



## Standard Product Segment



Note:  
1. GM, EBIT, EPS, Interest Expense, Free Cash Flow(FCF), Leverage, Adj. EBITDA, Interest Coverage, are all non-GAAP figures, 3-yr. CAGR reflect the period 2012 - 2015

# HPMS Segment Revenue Business Trends(\$M)<sup>(1)</sup>

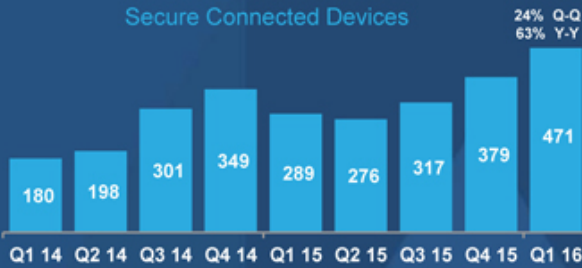
## Secure Identification Solutions



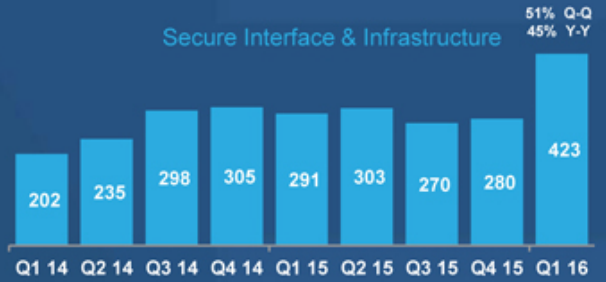
## Automotive



## Secure Connected Devices



## Secure Interface & Infrastructure



Note:

1. As a result of the FSL Merger, NXP has included previously reported Freescale Semiconductor ("Freescale") product group revenue into its various existing High Performance Mixed Signal (HPMS) and Standard Products (STDP) segments. As of the fourth quarter 2015, the NXP HPMS operating segments include the following (1) Automotive includes revenue from Freescale's Automotive MCU and Analog & Sensor product groups; (2) Secure Connected Devices includes revenue from Freescale's Microcontroller product group; (3) Secure Interface & Infrastructure, previously known as Secure Interface & Power includes revenue from Freescale's Digital Networking and RF product groups. Additionally, certain portions of Freescale's Analog & Sensor product group and Other revenue is apportioned to various NXP operating segments consistent with NXP's prior product and revenue classification approach, this included product-functionality alignment as well intellectual property (IP) sales and licensing revenue.

Note:

1. GM, EBIT, EPS, Interest Expense, Free Cash Flow(PCF), Leverage, Adj. EBITDA, Interest Coverage, are all non-GAAP figures, 3-yr. CAGR reflect the period 2012 - 2015

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# Quarterly Revenue and Operating Income

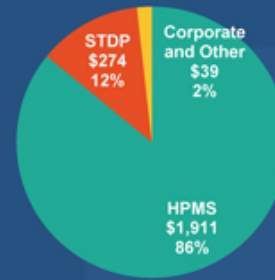
## GAAP Financial Summary

(\$ in millions)	Q1 2016	Q4 2015	Q1 2015	Q-Q	Y-Y
Product Revenue	2,185	1,577	1,427	608	758
All Other	39	29	40	10	(1)
<b>Total Revenue</b>	<b>2,224</b>	<b>1,606</b>	<b>1,467</b>	<b>618</b>	<b>757</b>
Gross Profit	597	619	704	(22)	(107)
Percent of total revenue	26.8%	38.5%	48.0%	(11.7pts)	(21.2pts)
Operating income	(471)	1,013	295	(1,484)	(766)
Percent of total revenue	(21.2%)	63.1%	20.1%	(84.3pts)	(41.3pts)

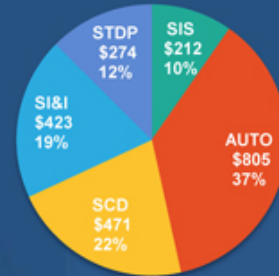
## Non-GAAP Financial Summary

(\$ in millions)	Q1 2016	Q4 2015	Q1 2015	Q-Q	Y-Y
Gross Profit	1,112	806	711	306	401
Percent of total revenue	50.0%	50.2%	48.5%	(0.2pts)	1.5pts
Operating income	519	433	385	86	134
Percent of total revenue	23.3%	27.0%	26.2%	(3.7pts)	(2.9pts)

## Quarterly Segment Revenue (\$M):



## Quarterly Product Revenue (% of Product Revenue):



Note: 1. GM, EBIT, EPS, Interest Expense, Free Cash Flow(FCF), Leverage, Adj. EBITDA, Interest Coverage, are all non-GAAP figures, 3-yr. CAGR reflect the period 2012 - 2015

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# Business Segment Performance

## GAAP Financial Summary

HPMS (\$ in millions)	Q1 2016	Q4 2015	Q1 2015	Q-Q	Y-Y
Revenue	1,911	1,306	1,104	605	807
Gross Profit	510	534	597	(24)	(87)
Gross Margin	26.7%	40.9%	54.1%	(14.2pts)	(27.4pts)
Operating income	(486)	995	266	(1,481)	(752)
Operating Margin	(25.4%)	76.2%	24.1%	(101.6pts)	(49.5pts)

STDP (\$ in millions)	Q1 2016	Q4 2015	Q1 2015	Q-Q	Y-Y
Revenue	274	271	323	3	(49)
Gross Profit	87	90	110	(3)	(23)
Gross Margin	31.8%	33.2%	34.1%	(1.4pts)	(2.3pts)
Operating income	39	103	52	(64)	(13)
Operating Margin	14.2%	38.0%	16.1%	(23.8pts)	(1.9pts)

## Non-GAAP Financial Summary

HPMS (\$ in millions)	Q1 2016	Q4 2015	Q1 2015	Q-Q	Y-Y
Gross Profit	1,019	713	599	306	420
Gross Margin	53.3%	54.6%	54.3%	(1.3pts)	(1.0pts)
Operating income	467	381	319	86	148
Operating Margin	24.4%	29.2%	28.9%	(4.8pts)	(4.5pts)

STDP (\$ in millions)	Q1 2016	Q4 2015	Q1 2015	Q-Q	Y-Y
Gross Profit	89	97	113	(8)	(24)
Gross Margin	32.5%	35.8%	35.0%	(3.3pts)	(2.5pts)
Operating income	59	64	74	(5)	(15)
Operating Margin	21.5%	23.6%	22.9%	(2.1pts)	(1.4pts)

Note: 1. GM, EBIT, EPS, Interest Expense, Free Cash Flow(FCF), Leverage, Adj. EBITDA, Interest Coverage, are all non-GAAP figures, 3-yr. CAGR reflect the period 2012 - 2015

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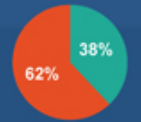
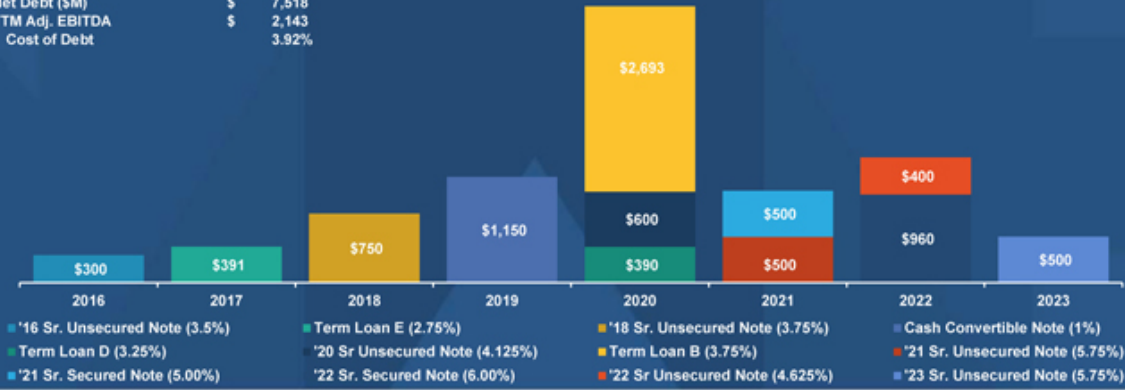


# Debt Summary

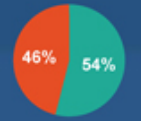
Debt Instrument	Sr. Unsecured Notes	Term Loan E	Sr. Unsecured Notes	Cash Convertible Notes	Term Loan D	Sr. Unsecured Notes	Term Loan B	Sr. Unsecured Notes	Sr. Secured Notes	Sr. Secured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Revolving Credit Facility
Issue Date	24-Sep-13	04-Mar-14	20-May-13	01-Dec-14	10-Dec-13	09-Jun-15	07-Nov-15	14-Feb-13	21-May-13	01-Nov-13	09-Jun-15	12-Mar-13	07-Dec-15
Book Value (M)	\$ 299	\$ 389	\$ 746	\$ 982	\$ 386	\$ 594	\$ 2,654	\$ 497	\$ 518	\$ 1,020	\$ 396	\$ 496	\$ -
Nominal Amount (M)	\$ 300	\$ 391	\$ 750	\$ 1,150	\$ 390	\$ 600	\$ 2,693	\$ 500	\$ 500	\$ 960	\$ 400	\$ 500	\$ -
Coupon	3.50%	Libor + 200 bps	3.75%	1.00%	Libor + 250 bps	4.125%	Libor + 300 bps	5.75%	5.00%	6.00%	4.625%	5.75%	Libor + 200 bps
Floor	NA	75 bps	NA	NA	75 bps	NA	75 bps	NA	NA	NA	NA	NA	NA
Rating													
Moody's	Ba2	Baa3	Ba2	Ba2	Baa3	Ba2	Baa3	Ba2	Baa3	Baa3	Ba2	Ba2	
Standard & Poor's	BB+	BBB-	BB+	BB+	BBB-	BB+	BBB-	BB+	BBB-	BBB-	BB+	BB+	BBB

## Total Leverage

Total Debt (\$M)	\$ 9,006
Total Cash (\$M)	\$ 1,488
Net Debt (\$M)	\$ 7,518
TTM Adj. EBITDA	\$ 2,143
Cost of Debt	3.92%



■ Float ■ Fixed



■ Secured ■ Unsecured 15

Note:

1. GM, EBIT, EPS, Interest Expense, Free Cash Flow (FCF), Leverage, Adj. EBITDA, Interest Coverage, are all non-GAAP figures. 3-yr. CAGR reflect the period 2012 - 2015

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# Working Capital Ratios<sup>(1)</sup>

## DSO



## DPO



## DIO<sup>(2)</sup>



## Cash Conversion Cycle



DSO = (91.25 x AR) / Revenue  
DPO = (91.25 x AP) / GAAP COGS

DIO = (91.25 x Inventory) / GAAP COGS  
Cash Conversion Cycle = DIO + DSO - DPO

16

Note:

- Q1 15 Working capital ratios exclude the purchase price accounting amortization effects on GAAP COGS and Inventory due to the FSL merger, including inventory step up and amortization of acquired PP&E
- DIO calculation for 3Q15 includes \$66M of inventory classified as "Assets held for sale"

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# Guidance for the Second Quarter of 2016<sup>(1)</sup>

	Low	Mid	High
<b>Product Revenue</b>	\$ 2,247	\$ 2,297	\$ 2,347
Q-Q	3%	5%	7%
Other Revenue	\$ 48	\$ 48	\$ 48
<b>Total Revenue</b>	\$ 2,295	\$ 2,345	\$ 2,395
Q-Q	3%	5%	8%
<b>Non-GAAP Gross Profit</b>	\$ 1,137	\$ 1,172	\$ 1,209
Non-GAAP Gross Margin	49.5%	50.0%	50.5%
<b>Non-GAAP Operating Income</b>	\$ 573	\$ 592	\$ 614
Non-GAAP Operating Margin	25.0%	25.3%	25.6%
Interest Expense	\$ (88)	\$ (88)	\$ (88)
Cash Taxes	\$ (17)	\$ (18)	\$ (19)
Non-controlling Interest	\$ (13)	\$ (14)	\$ (15)
Non-GAAP Net Income	\$ 455	\$ 472	\$ 492
Ave. Diluted Shares	351	351	351
<b>Non - GAAP EPS</b>	\$ 1.30	\$ 1.35	\$ 1.40

Revenue range is expected to be:

- Auto is expected to be up in the range of mid to high single digits;
- Secure Identification Solutions, is expected to be down in the range of low to mid single digits;
- Secure Connected Devices is expected to up in the range of mid single to low double digits;
- Secure Interface & Infrastructure is expected to be flat to up in the mid single digit range;
- Standard Products is expected to be up in the range of mid to high single digits;
- Corporate & Other is expected to be approximately \$48 million.

Note (1): NXP has based the guidance included in this release on judgments and estimates that management believes are reasonable given its assessment of historical trends and other information reasonably available as of the date of this release. Please note:

- The guidance included in this release consists of predictions only, and is subject to a wide range of known and unknown risks and uncertainties, many of which are beyond NXP's control. The guidance included in this release should not be regarded as representations by NXP that the estimated results will be achieved. Actual results may vary materially from the guidance we provide today. In relation to the use of non-GAAP financial information see the note regarding "Use of Non-GAAP Financial Information" elsewhere in this release. For the factors, risks and uncertainties to which judgments, estimates and forward-looking statements generally are subject see the note regarding "Forward-looking Statements."
- We undertake no obligation to publicly update or revise any forward-looking statements, including the guidance set forth herein, to reflect future events or circumstances. Considering the uncertain magnitude and variability of the foreign exchange consequences upon "PPA effects", "restructuring costs", "other incidental items" and any interest expense or taxes in future periods, management believes that GAAP financial measures are not available for NXP without unreasonable efforts on a forward looking basis.

17



# Quarterly Financial Reconciliation (GAAP to non-GAAP)

(\$ in millions, unless otherwise stated)	Q1 2016	Q4 2015	Q1 2015
<b>Total Revenue</b>	2,224	1,606	1,467
<b>GAAP Gross Profit</b>	597	619	704
Gross profit adjustments	(515)	(187)	(7)
<b>Non - GAAP Gross Profit</b>	1,112	806	711
<b>GAAP Gross Margin</b>	26.8%	38.5%	48.0%
<b>Non-GAAP Gross Margin</b>	50.0%	50.2%	48.5%
<b>GAAP Operating income (loss)</b>	(471)	1,013	295
Operating income adjustments	(990)	580	(90)
<b>Non - GAAP Operating income (loss)</b>	519	433	385
<b>GAAP Operating Margin</b>	(21.2%)	63.1%	20.1%
<b>Non-GAAP Operating Margin</b>	23.3%	27.0%	26.2%
<b>GAAP Financial income (expense)</b>	(116)	(174)	(373)
Financial income adjustments	(23)	(118)	(337)
<b>Non - GAAP Financial income (expense)</b>	(93)	(56)	(36)
<b>GAAP Income tax benefit (provision)</b>	199	148	(15)
Other Adjustments	213	167	(11)
<b>Non - GAAP Cash tax (expense)<sup>(1)</sup></b>	(14)	(19)	(4)
<b>GAAP Net income (loss) attributable to shareholders</b>	(398)	972	(107)
Net income (loss) adjustments	(799)	631	(435)
<b>Non - GAAP Net income (loss) attributable to shareholders</b>	401 <sup>(2)</sup>	341	328
<b>GAAP Diluted net income (loss) per share attributable to shareholders</b>	(1.16)	3.56	(0.46)
<b>Non - GAAP Diluted net income (loss) per share attributable to shareholders</b>	1.14	1.25	1.35

1. Cash income taxes paid during the period

2. Excludes:

- PPA effects: (\$861M);
- Restructuring: (\$20M);
- Stock-based compensation: (\$99M);
- Merger-related costs: (\$5M)
- Other incidentals: (\$2M);
- Non-cash interest expense on convertible Notes (\$10M);
- Foreign exchange loss: (\$9M);
- Other financial expense: (\$7M);
- Results relating to equity-accounted investees: \$1M;
- Difference between book and cash income taxes: \$213M.

18

Note:

1. GM, EBIT, EPS, Interest Expense, Free Cash Flow(PCF), Leverage, Adj. EBITDA, Interest Coverage, are all non-GAAP figures, 3-yr. CAGR reflect the period 2012 - 2015

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# Quarterly Cash Flow Overview (\$M)

	Q1 2016	Q4 2015	Q1 2015
Net cash provided by (used for) operating activities	414	271	368
Net cash provided by (used for) investing activities	(106)	(77)	(183)
Net cash provided by (used for) financing activities	(441)	(1,070)	1
Effects of changes in exchange rates on cash position	7	(2)	(16)
Increase (decrease) in cash and cash equivalents	(126)	(878)	170
Cash and cash equivalents at beginning of the period	1,614	2,492	1,185
Cash and cash equivalents at end of period	1,488	1,614	1,355
Net cash provided by (used for) operating activities	414	271	368
Net capital expenditures on property, plant and equipment	(88)	(91)	(80)
Non-GAAP free cash flow	326	180	288
Non-GAAP free cash flow as a percentage of Revenue	15%	11%	20%

19

Note:  
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## Quarterly Adjusted EBITDA (\$M)

	Q1 2016	Q4 2015	Q1 2015
Net income (loss)	(387)	989	(90)
Reconciling items to EBITDA			
Financial (income) expense	116	174	373
(Benefit) provision for income taxes	(199)	(148)	15
Depreciation	149	89	58
Amortization	380	141	37
<b>EBITDA</b>	<b>59</b>	<b>1,245</b>	<b>393</b>
Results of equity-accounted investees	(1)	(2)	(3)
Purchase accounting effect on inventory	448	149	-
Restructuring <sup>1</sup>	20	239	12
Stock-based compensation	99	111	35
Merger-related costs	5	27	8
Other incidental items <sup>1</sup>	2	(1,254)	2
<b>Adjusted EBITDA</b>	<b>632</b>	<b>515</b>	<b>447</b>
<b>Trailing 12-month Adjusted EBITDA</b>	<b>2,143</b>	<b>1,958</b>	<b>1,740</b>
1. Excluding depreciation PP&E, amortization of software related to restructuring and Other incidental items	-	(3)	-

Note:

1. GM, EBIT, EPS, Interest Expense, Free Cash Flow(FCF), Leverage, Adj. EBITDA, Interest Coverage, are all non-GAAP figures. 3-yr. CAGR reflect the period 2012 - 2015

# Supplemental Combined Non-GAAP Adjusted Revenue See Notes 1, 2, 3, 4, 5, 6

	2012	2013	2014	2015				FY
				Q115	Q215	Q315	Q415	
<b>Automotive NXP</b>	<b>939</b>	<b>1,019</b>	<b>1,144</b>	<b>302</b>	<b>310</b>	<b>308</b>	<b>422</b>	<b>1,342</b>
Acquired Freescale	1,727	1,805	1,918	493	505	503	318	1,819
Automotive combined	2,666	2,824	3,062	795	815	811	740	3,161
<b>Secure Identification Solutions NXP</b>	<b>685</b>	<b>997</b>	<b>996</b>	<b>222</b>	<b>257</b>	<b>269</b>	<b>225</b>	<b>973</b>
<b>Secure Connected Devices NXP</b>	<b>695</b>	<b>752</b>	<b>1,028</b>	<b>289</b>	<b>276</b>	<b>317</b>	<b>379</b>	<b>1,261</b>
Acquired Freescale	745	869	962	236	293	306	139	974
Secure Connected Devices combined	1,440	1,621	1,990	525	569	623	518	2,235
<b>Secure Interface &amp; Infrastructure NXP</b>	<b>657</b>	<b>765</b>	<b>1,040</b>	<b>291</b>	<b>303</b>	<b>270</b>	<b>280</b>	<b>1,144</b>
Divested NXP	(197)	(236)	(377)	(126)	(119)	(67)	(29)	(342)
Acquired Freescale	1,218	1,336	1,610	399	363	282	124	1,168
Secure Interface & Infrastructure combined	1,678	1,865	2,273	564	547	485	375	1,971
<b>High Performance Mixed Signal NXP</b>	<b>2,976</b>	<b>3,533</b>	<b>4,208</b>	<b>1,104</b>	<b>1,146</b>	<b>1,164</b>	<b>1,306</b>	<b>4,720</b>
Divested NXP	(197)	(236)	(377)	(127)	(119)	(67)	(29)	(342)
Acquired Freescale	3,690	4,010	4,490	1,128	1,161	1,091	581	3,961
High Performance Mixed Signal combined	6,469	7,306	8,321	2,106	2,188	2,188	1,858	8,340
<b>Standard Products NXP</b>	<b>1,168</b>	<b>1,145</b>	<b>1,275</b>	<b>323</b>	<b>322</b>	<b>325</b>	<b>271</b>	<b>1,241</b>
Divested NXP	(67)	(69)	(78)	(20)	(23)	(23)	(7)	(73)
Acquired Freescale	72	86	89	24	25	21	17	87
Standard Products combined	1,173	1,162	1,286	327	324	323	281	1,256
<b>Corporate &amp; Other NXP</b>	<b>214</b>	<b>137</b>	<b>164</b>	<b>40</b>	<b>38</b>	<b>33</b>	<b>29</b>	<b>140</b>
Acquired Freescale	185	91	55	17	12	7	7	43
Corporate & Other combined	399	228	219	57	50	40	36	183
<b>Total NXP GAAP revenue</b>	<b>4,358</b>	<b>4,815</b>	<b>5,647</b>	<b>1,467</b>	<b>1,506</b>	<b>1,522</b>	<b>1,606</b>	<b>6,101</b>
Divested NXP	(264)	(305)	(455)	(146)	(142)	(90)	(36)	(414)
Acquired Freescale	3,947	4,187	4,634	1,169	1,198	1,119	605	4,091
Total Non GAAP adjusted revenue	8,040	8,697	9,826	2,490	2,563	2,551	2,175	9,778

Notes:

1. See page 21 for Notes to Supplemental Non-GAAP Combined Adjusted Revenue and the full reconciliation of combined adjusted in the NXP Historical Financial Model at [www.nxp.com/investor](http://www.nxp.com/investor)

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# Notes to Supplemental Combined Non-GAAP Adjusted Revenue

1. As a result of the Freescale Semiconductor ("Freescale") Merger, NXP has included previously reported Freescale product group revenue into its various existing High Performance Mixed Signal (HPMS) and Standard Products (STDP) segments. As of the fourth quarter 2015, the NXP HPMS business lines include the following (1) Automotive, which includes revenue from Freescale's Automotive MCU and Analog & Sensor product groups; (2) Secure Connected Devices, which includes revenue from Freescale's Microcontroller product group; and (3) Secure Interface & Infrastructure, previously known as Secure Interface & Power which includes revenue from Freescale's Digital Networking and RF product groups. Additionally, certain portions of Freescale's Analog & Sensor product group and Other revenue is apportioned to various NXP business lines consistent with NXP's prior product and revenue classification approach, this included product-functionality alignment as well as intellectual property (IP) sales and licensing revenue.
2. The table above sets forth our unaudited combined adjusted annual financial information, including estimates of segment and relative business line allocations, for the years ended December 31, 2012, 2013 and 2014 and our unaudited combined adjusted annual and quarterly information for 2015. This combined adjusted annual and quarterly financial information has been derived from the audited consolidated financial statements of NXP for the years ended December 31, 2012, 2013, 2014 and 2015, the audited consolidated financial statements for Freescale for the years ended December 31, 2012, 2013 and 2014, and the unaudited condensed consolidated financial statements of Freescale for the periods ended April 3, 2015, July 3, 2015, and October 2, 2015. In each case, we have excluded revenue generated in our RF Power business, which was divested in connection with the closing of the Freescale Merger on December 7, 2015, and our Bi-Polar business, which was divested on November 9, 2015 but have not otherwise made adjustments to the historical figures. In addition, the information on the preceding slide does not give effect to the financial impact on our statement of operations for any other acquisitions or divestitures made by NXP or Freescale during the periods presented.
3. The unaudited combined adjusted financial information, segment allocations and relative business line allocations represent NXP management's current estimate of the combined financial information based on historical financial information of NXP and Freescale. This unaudited combined adjusted financial information has been presented for informational purposes only and is not necessarily indicative of what the combined company's results of operations actually would have been had the Freescale Merger been completed as of the dates indicated. In addition, the unaudited combined adjusted financial information does not purport to project the future financial position or results of operations of the combined company and do not reflect synergies that might be achieved from the combined operations.
4. The unaudited combined adjusted financial information in the table above has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act or US GAAP. Neither the assumptions underlying the adjustments nor the resulting adjusted financial information have been audited or reviewed in accordance with any generally accepted auditing standards. The information presented should be read in conjunction with the historical consolidated financial statements of NXP and Freescale, which are filed with the SEC.
5. Combined adjusted revenue is the combined consolidated revenue of NXP and Freescale for each of the annual and quarterly periods presented. The information excludes the divestment of previously announced business and the creation of joint-ventures. The unaudited adjusted financial information has been prepared for comparative purposes only and does not purport to be indicative of the revenue performance that would have been achieved had the acquisition taken place at the beginning of the periods shown. In addition, this information is not intended to be a projection of future results from the combined operations.
6. Certain adjusted financial information summation amounts may not add to 100 percent due to rounding.

22

# NXP: Secure Connections for the Smarter World

Drive Profitable  
Growth



Drive Earnings  
Per Share



Drive Cash  
Flow



Drive Significant  
Value for Our  
Owners



NXP Semiconductors

INTERIM REPORT  
NXP SEMICONDUCTORS N.V.

PERIOD ENDED  
April 3, 2016

This document includes forward-looking statements which include statements regarding our business strategy, financial condition, results of operations, and market data, as well as any other statements which are not historical facts. By their nature, forward-looking statements are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. These factors, risks and uncertainties include the following: market demand and semiconductor industry conditions, our ability to successfully introduce new technologies and products, the demand for the goods into which our products are incorporated, our ability to generate sufficient cash, raise sufficient capital or refinance our debt at or before maturity to meet both our debt service and research and development and capital investment requirements, our ability to accurately estimate demand and match our production capacity accordingly or obtain supplies from third-party producers, our access to production from third-party outsourcing partners, and any events that might affect their business or our relationship with them, our ability to secure adequate and timely supply of equipment and materials from suppliers, our ability to avoid operational problems and product defects and, if such issues were to arise, to rectify them quickly, our ability to form strategic partnerships and joint ventures and successfully cooperate with our alliance partners, our ability to win competitive bid selection processes to develop products for use in our customers' equipment and products, our ability to successfully establish a brand identity, our ability to successfully hire and retain key management and senior product architects; and, our ability to maintain good relationships with our suppliers. In addition, this document contains information concerning the semiconductor industry and our business segments generally, which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which the semiconductor industry, our market segments and product areas will develop. We have based these assumptions on information currently available to us, if any one or more of these assumptions turn out to be incorrect, actual market results may differ from those predicted. While we do not know what impact any such differences may have on our business, if there are such differences, our future results of operations and financial condition, and the market price of the notes, could be materially adversely affected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak to results only as of the date the statements were made; and, except for any ongoing obligation to disclose material information as required by the United States federal securities laws, we do not have any intention or obligation to publicly update or revise any forward-looking statements after we distribute this document, whether to reflect any future events or circumstances or otherwise. For a discussion of potential risks and uncertainties, please refer to the risk factors listed in our SEC filings. Copies of our filings are available from our Investor Relations department or from the SEC website, [www.sec.gov](http://www.sec.gov).

#### Use of fair value measurements

In presenting the NXP Group's financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that we consider to be reliable. Users are cautioned that these values are subject to changes over time and are only valid as of the balance sheet date. When a readily determinable market value does not exist, we estimate fair values using valuation models which we believe are appropriate for their purpose. These require management to make significant assumptions with respect to future developments which are inherently uncertain and may therefore deviate from actual developments. In certain cases independent valuations are obtained to support management's determination of fair values.

#### Use of non-U.S. GAAP information

In presenting and discussing NXP's financial position, operating results and cash flows, management uses certain non-U.S. GAAP financial measures. These non-U.S. GAAP financial measures should not be viewed in isolation as alternatives to the equivalent U.S. GAAP measure(s) and should be used in conjunction with the most directly comparable U.S. GAAP measure(s).

	<u>Page</u>
Management's Discussion and Analysis of Financial Condition and Results of Operations	
Introduction	3
Results of Operations	3
Employees	7
Liquidity and Capital Resources	8
Contractual Obligations	9
Off-balance Sheet Arrangements	9
Condensed consolidated financial statements:	
Condensed consolidated statements of operations for the three months ended April 3, 2016 and April 5, 2015 (unaudited)	10
Condensed consolidated statements of comprehensive income for the three months ended April 3, 2016 and April 5, 2015 (unaudited)	11
Condensed consolidated balance sheets as of April 3, 2016 and December 31, 2015 (unaudited)	12
Condensed consolidated statements of cash flows for the three months ended April 3, 2016 and April 5, 2015 (unaudited)	13
Condensed consolidated statements of changes in equity for the three months ended April 3, 2016 (unaudited)	14
Notes to the condensed consolidated financial statements (unaudited)	15



## Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read together with the condensed consolidated financial statements included elsewhere in this document. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements.

### Introduction

#### The Company

NXP Semiconductors N.V. (including our subsidiaries, referred to collectively herein as "NXP", "NXP Semiconductors" and the "Company") is a global semiconductor company incorporated in the Netherlands as a Dutch public company with limited liability (*naamloze vennootschap*). We provide leading High Performance Mixed Signal and Standard Product solutions that leverage our deep application insight and our technology and manufacturing expertise in radio frequency, analog, power management, interface, security and digital processing products. Our product solutions are used in a wide range of application areas including: automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer, computing and software solutions for mobile phones.

Our corporate seat is in Eindhoven, the Netherlands. Our principal executive office is at High Tech Campus 60, 5656 AG Eindhoven, the Netherlands, and our telephone number is +31 40 2729999. Our registered agent in the United States is Freescale Semiconductor, Inc., 6501 William Cannon Dr. West, Austin, Texas 78735, United States of America, phone number +1 512 895 2000.

### Results of Operations

The following table presents the composition of operating income (loss):

(\$ in millions, unless otherwise stated)	Q1 2016	Q1 2015
Revenue	2,224	1,467
% nominal growth	51.6	17.7
Gross profit	597	704
Research and development	(403)	(199)
Selling, general and administrative	(296)	(180)
Amortization of acquisition-related intangible assets	(367)	(30)
Other income (expense)	(2)	—
Operating income (loss)	(471)	295

In the quarter ended April 3, 2016, revenue increased as compared to the quarter ended April 5, 2015 reflecting the inclusion of a full quarter of revenue from the acquired Freescale business lines. Gross profit decreased in the first quarter of 2016 as compared to the first quarter of 2015 as a result of a full quarter of the effect of purchase accounting on inventory and property, plant and equipment of \$448 and \$48 million, respectively, both of which were attributable to our completed acquisition of Freescale. Operating expenses in the first quarter of 2016 increased as compared to the first quarter of 2015, primarily reflecting a full quarter of amortization on the acquisition-related intangible assets, also related to the acquisition of Freescale.

The table below depicts the Purchase Price Accounting (“PPA”) effects for the three months ended April 3, 2016 and April 5, 2015 per line item in the statement of operations:

(\$ in millions, unless otherwise stated)	<u>Q1 2016</u>	<u>Q1 2015</u>
Gross profit	(496)	(3)
Selling, general and administrative	(1)	—
Amortization of acquisition-related intangible assets	(367)	(30)
Operating income (loss)	(864)	(33)

The increase in PPA effects when comparing the first quarter of 2016 to the same period of 2015 is a result of a full quarter of amortization on the acquisition-related intangible assets and the effect of purchase accounting on inventory and property, plant and equipment (included in the gross profit line), all of which were attributable to our completed acquisition of Freescale on December 7, 2015.

## Revenue

The following table presents revenue and revenue growth by segment for the three months ended April 3, 2016 and April 5, 2015:

(\$ in millions, unless otherwise stated)	<u>Q1 2016</u>		<u>Q1 2015</u>	
	<u>Revenue</u>	<u>Growth %</u>	<u>Revenue</u>	<u>Growth %</u>
HPMS	1,911	73.1	1,104	21.1
SP	274	(15.2)	323	9.5
Corporate and Other	39	(2.5)	40	2.6
Total	2,224	51.6	1,467	17.7

### Q1 2016 compared to Q1 2015

Revenue increased by \$757 million to \$2,224 million in the first quarter of 2016 compared to \$1,467 million in the first quarter of 2015, a year-on-year growth of 51.6%, reflecting the inclusion of a full quarter of operations of Freescale.

Our HPMS segment reported an increase in revenue of \$807 million to \$1,911 million in the first quarter of 2016 compared to \$1,104 million in the first quarter of 2015, resulting in 73.1% year-on-year growth. The increase was due to revenue from the acquired Freescale businesses.

Revenue for our SP segment decreased \$49 million to \$274 million in the first quarter of 2016, compared to \$323 million in the first quarter of 2015. The decrease was primarily attributable to the divestment of the Bipolar activities and lower demand in general applications.

## Gross Profit

The following table presents gross profit by segment for the three months ended April 3, 2016 and April 5, 2015:

(\$ in millions, unless otherwise stated)	<u>Q1 2016</u>		<u>Q1 2015</u>	
	<u>Gross profit</u>	<u>% of segment revenue</u>	<u>Gross profit</u>	<u>% of segment revenue</u>
HPMS	510	26.7	597	54.1
SP	87	31.8	110	34.1
Corporate and Other	—	—	(3)	(7.5)
Total	597	26.8	704	48.0

### Q1 2016 compared to Q1 2015

Gross profit in the first quarter of 2016 was \$597 million, or 26.8% of revenue compared to \$704 million, or 48.0% of revenue in the first quarter of 2015, a decrease of \$107 million. The decrease was primarily driven by the impact of purchase accounting on inventory and property, plant and equipment, as a result of the acquisition of Freescale, and it was also influenced by a less favorable product mix.

Our HPMS segment had a gross profit of \$510 million, or 26.7% of revenue in the first quarter of 2016, compared to \$597 million, or 54.1% of revenue in the first quarter of 2015. The decrease in the gross profit percentage was primarily driven by the impact of purchase accounting in two areas (1) inventory of \$448 million and (2) property, plant and equipment of \$45 million, both as a result of the acquisition of Freescale.

Gross profit in our SP segment was \$87 million, or 31.8% of revenue in the first quarter of 2016, compared to \$110 million, or 34.1% of revenue in the first quarter of 2015. The decrease was driven by the divestment of the Bipolar activities and a less favorable product mix.

### Operating expenses

The following table presents operating expenses by segment for the three months ended April 3, 2016 and April 5, 2015:

(\$ in millions, unless otherwise stated)	Q1 2016		Q1 2015	
	Operating expenses	% of segment revenue	Operating expenses	% of segment revenue
HPMS	996	52.1	331	30.0
SP	48	17.5	58	18.0
Corporate and Other	22	56.4	20	50.0
Total	1,066	47.9	409	27.9

The following table below presents the composition of operating expenses by line item in the statement of operations:

(\$ in millions, unless otherwise stated)	Q1 2016	Q1 2015
Research and development	403	199
Selling, general and administrative	296	180
Amortization of acquisition-related intangible assets	367	30
Operating expenses	1,066	409

### Q1 2016 compared to Q1 2015

Operating expenses increased \$657 million to \$1,066 million in the first quarter of 2016, compared to \$409 million in the first quarter of 2015. The increase in operating expenses was primarily due to the acquisition of Freescale: the inclusion of a full quarter of their activity and the related amortization of acquisition-related intangibles of \$340 million.

In our HPMS segment, operating expenses amounted to \$996 million, or 52.1% of revenue in the first quarter of 2016, compared to \$331 million, or 30.0% of revenue in the first quarter of 2015. The increase was primarily driven by the acquisition of Freescale - the inclusion of a full quarter of their activity and the related amortization of acquisition related intangibles of \$340 million.

Operating expenses in our SP segment decreased to \$48 million, or 17.5% of revenue in the first quarter of 2016, compared to \$58 million, or 18.0% of revenue in the first quarter of 2015. The decrease in operating expenses was primarily driven by a continued strong focus on cost control to compensate for the decrease in revenue and the effect of the divestment of the Bipolar activities.

## Restructuring charges

Q1 2016 compared to Q1 2015

Restructuring and restructuring related costs amounted to \$20 million in the first quarter of 2016, compared to \$12 million in the first quarter of 2015. In the first quarter of 2016, the restructuring charges related mainly to the acquisition of Freescale. In the first quarter of 2015, we had restructuring charges that related to various specific targeted actions.

## Operating income (loss)

The following table presents operating income (loss) by segment for the three months ended April 3, 2016 and April 5, 2015:

(\$ in millions, unless otherwise stated)	Q1 2016		Q1 2015	
	Operating income (loss)	% of segment revenue	Operating income (loss)	% of segment revenue
HPMS	(486)	(25.4)	266	24.1
SP	39	14.2	52	16.1
Corporate and Other	(24)	(61.5)	(23)	(57.5)
Total	(471)	(21.2)	295	20.1

## Financial income (expense)

The following table presents the details of financial income and expenses:

(\$ in millions, unless otherwise stated)	Q1 2016	Q1 2015
Interest income	2	1
Interest expense	(107)	(47)
Total interest expense, net	(105)	(46)
Foreign exchange rate results	(10)	(208)
Change in fair value of the warrant liability	—	(115)
Miscellaneous financing costs/income, net	(1)	(4)
Total other financial income (expense)	(11)	(327)
Total	(116)	(373)

Q1 2016 compared to Q1 2015

Financial income (expense) was an expense of \$116 million in the first quarter of 2016, compared to an expense of \$373 million in the first quarter of 2015. This was primarily due to the decrease of \$198 million in foreign exchange rate results. As of January 1, 2016, as a result of the acquisition of Freescale, NXP has concluded that the functional currency of the holding company is USD. With the change in functional currency our USD denominated debt is no longer subject to the impact of foreign currency changes, which historically has been the largest item in this line. In addition, with the change in functional currency of the holding company, the warrants became part of equity as they are now considered indexed to the Company's own stock and mark-to-market accounting is no longer applicable. These changes were partially offset by the increase of \$60 million in interest expense when comparing the first quarter of 2016 with the first quarter of 2015 as a result of the debt we assumed in the acquisition of Freescale.

## Benefit (provision) for income taxes

Q1 2016 compared to Q1 2015

Our effective tax rate reflects the impact of tax incentives, a portion of our earnings being taxed in foreign jurisdictions at rates different than the Netherlands statutory tax rate and the mix of income and losses in various jurisdictions. Our effective tax rate for the first three months of 2016 was a benefit of 33.9% compared with provision of 19.2% for the first three months of 2015. The significant decrease in our effective tax rate was primarily due to the impact of purchase accounting as a result of the acquisition of Freescale, slightly offset by the impact of the inclusion of a full quarter of operations of Freescale which contributed to a shift in the mix of income and losses between jurisdictions.

## Results relating to equity-accounted investees

Q1 2016 compared to Q1 2015

Results relating to the equity-accounted investees amounted to a gain of \$1 million in the first quarter of 2016, compared to a gain of \$3 million in the same period of 2015.

## Net income (loss)

The following table presents the composition of net income:

(\$ in millions, unless otherwise stated)	Q1 2016	Q1 2015
Operating income (loss)	(471)	295
Financial income (expense)	(116)	(373)
Benefit (provision) for income taxes	199	(15)
Result equity-accounted investees	1	3
Net income (loss)	(387)	(90)

## Non-controlling interests

Q1 2016 compared to Q1 2015

Non-controlling interests are related to the third party share in the result of consolidated companies, predominantly SSMC. Their share of non-controlling interests amounted to a profit of \$11 million in the first quarter of 2016, compared to a profit of \$17 million in the first quarter of 2015.

## Employees

As of April 3, 2016 we had approximately 42,000 full-time equivalent employees (as of December 31, 2015: approximately 44,000 full-time equivalent employees). The following table indicates the % of full-time equivalent employees per geographic area:

% as of	April 3, 2016	December 31, 2015
Europe and Africa	19	20
Americas	16	16
Greater China	27	27
Asia Pacific	38	37
Total	100	100

## Liquidity and Capital Resources

We derive our liquidity and capital resources primarily from our cash flows from operations. We continue to generate strong positive operating cash flows. In 2015, we entered into a \$600 million unsecured revolving credit facility (the "New RCF Agreement"). At April 3, 2016 we had no borrowings under the New RCF Agreement. As such, the \$600 million available under the New RCF Agreement represents a source of liquidity. On February 23, 2016, we issued redemption notices for an aggregate principal amount of \$200 million of our \$500 million outstanding 3.5% senior notes that were due in 2016, the redemptions were funded from our cash and cash equivalents.

We currently use cash to fund operations, capital expenditures and for repurchases of our common stock. Based on past performance and current expectations, we believe that our current available sources of funds (including cash and cash equivalents, the New RCF Agreement, plus anticipated cash generated from operations) will be adequate to finance our operations, capital expenditures and stock repurchases for at least the next year.

At April 3, 2016 our cash balance was \$1,488 million of which \$528 million was held by SSMC, our consolidated joint venture company with TSMC. Under the terms of our joint venture agreement with TSMC, a portion of this cash can be distributed by way of a dividend to us, but 38.8% of the dividend will be paid to our joint venture partner.

### Share Repurchases

During the three month period ended April 3, 2016, we repurchased \$298 million, or 4.1 million shares of our common stock pursuant to our share buyback program at a weighted average price of \$71.86 per share.

### Cash flows

Our cash and cash equivalents during the first three months of 2016 decreased by \$133 million as follows:

(\$ in millions, unless otherwise stated)	<u>Q1 2016</u>	<u>Q1 2015</u>
Net cash provided by (used for) operating activities	414	368
Net cash provided by (used for) investing activities	(106)	(183)
Net cash provided by (used for) financing activities	(441)	1
Net cash increase (decrease) in cash and cash equivalents	(133)	186

### Cash Flow from Operating Activities

Cash provided by operating activities is net income (loss) adjusted for certain non-cash items and changes in assets and liabilities.

For the first three months of 2016 compared to the first three months of 2015, the \$46 million increase in cash provided by operations was due to adjustments to net income (loss) for non-cash items and changes in working capital. The adjustments to net income (loss) were higher due to higher depreciation and stock-based compensation expense offset by the warrants no longer requiring a mark-to-market adjustment and changes in deferred taxes.

Changes in assets and liabilities as of April 3, 2016, compared to December 31, 2015, included a decrease in inventories due to the impact of purchase accounting on inventory and a decrease in accounts payable and accrued liabilities due to a decrease in inventory purchases during the quarter.

## **Cash Flow from Investing Activities**

Investing cash flows consist primarily of capital expenditures, cash used for acquisitions and proceeds from divestitures.

Cash used for investing activities was lower for the first three months of 2016 compared to the first three months of 2015. Cash used for investing activities decreased primarily due to lower acquisition related activity.

## **Cash Flow from Financing Activities**

Financing cash flows consist primarily of repurchases of common stock, issuance and repayment of short-term and long-term debt, and proceeds from the exercise of stock options.

Cash was used for financing activities in the first three months of 2016 compared to cash being provided for the first three months of 2015, primarily due to the partial redemption for an amount of \$200 million of our \$500 million outstanding 3.5% senior notes due 2016 and higher levels of treasury stock transactions.

## **YTD 2016 Financing Activities**

### *2016 Senior Unsecured Notes*

On February 23, 2016, NXP B.V., together with NXP Funding LLC, issued redemption notices for an aggregate principal amount of \$200 million of its \$500 million outstanding 3.5% senior notes due 2016. This partial redemption was made as permitted under Article 3 of the indenture dated as of September 24, 2013 and paragraph 5 of the Notes. The funds from this redemption came from available surplus cash.

### *Warrants*

At the time of the issuance of the 2019 Cash Convertible Senior Notes, NXP entered into separate warrant transactions with various parties for the purchase of up to approximately 11.18 million shares of NXP's common stock at a price of \$133.32 per share in a private placement. The warrants expire on various dates from March 2, 2020, through April 30, 2020, and will be net share settled. NXP received \$134 million in cash proceeds from the sale of the Warrants, which was recorded in other non-current liabilities. As of January 1, 2016, as a result of the acquisition of Freescale, NXP has concluded that the functional currency of the holding company is USD. Consequently, beginning from January 1, 2016, the warrants with a carrying value of \$168 million were reclassified to stockholders' equity, and mark-to-market accounting is no longer applicable. The warrants are included in diluted earnings per share to the extent the impact is dilutive. As of April 3, 2016, the warrants were not dilutive.

## **YTD 2015 Financing Activities**

There were no financing activities in the first quarter of 2015.

## **Contractual Obligations**

During the first three months of 2016, our contractual obligations decreased by approximately \$48 million resulting from normal business operations.

## **Off-balance Sheet Arrangements**

At the end of the first quarter of 2016, we had no off-balance sheet arrangements other than operating leases and other commitments resulting from normal business operations.

**Condensed consolidated statements of operations of NXP Semiconductors N.V. (unaudited)**

(\$ in millions, unless otherwise stated)

	For the three months ended	
	<u>April 3, 2016</u>	<u>April 5, 2015</u>
Revenue	2,224	1,467
Cost of revenue	<u>(1,627)</u>	<u>(763)</u>
<b>Gross profit</b>	<b>597</b>	<b>704</b>
Research and development	(403)	(199)
Selling, general and administrative	(296)	(180)
Amortization of acquisition-related intangible assets	(367)	(30)
Other income (expense)	<u>(2)</u>	<u>—</u>
<b>Operating income (loss)</b>	<b>(471)</b>	<b>295</b>
Financial income (expense)	<u>(116)</u>	<u>(373)</u>
<b>Income (loss) before income taxes</b>	<b>(587)</b>	<b>(78)</b>
Benefit (provision) for income taxes	199	(15)
Results relating to equity-accounted investees	<u>1</u>	<u>3</u>
<b>Net income (loss)</b>	<b>(387)</b>	<b>(90)</b>
Less: Net income (loss) attributable to non-controlling Interests	<u>(11)</u>	<u>(17)</u>
Net income (loss) attributable to stockholders	<b>(398)</b>	<b>(107)</b>
<b>Earnings per share data:</b>		
<i>Net income (loss) per common share attributable to Stockholders in \$</i>		
- Basic	(1.16)	(0.46)
- Diluted	(1.16)	(0.46)
Weighted average number of shares of common stock outstanding during the period (in thousands):		
- Basic	341,830	233,116
- Diluted	341,830	233,116

The accompanying notes to the Condensed Consolidated Financial Statements are an integral part of these statements



**Condensed consolidated statements of comprehensive income of NXP Semiconductors N.V. (unaudited)**

(\$ in millions, unless otherwise stated)

	For the three months ended	
	April 3, 2016	April 5, 2015
<b>Net income (loss)</b>	<b>(387)</b>	<b>(90)</b>
<b>Other comprehensive income (loss), net of tax:</b>		
Change in net investment hedge	—	(193)
Change in fair value cash flow hedges *	4	1
Change in foreign currency translation adjustment	51	160
Change in net actuarial gain (loss)	5	11
<b>Total other comprehensive income (loss)</b>	<b>60</b>	<b>(21)</b>
<b>Total comprehensive income (loss)</b>	<b>(327)</b>	<b>(111)</b>
Less: Comprehensive income (loss) attributable to non-controlling interests	11	17
<b>Total comprehensive income (loss) attributable to stockholders</b>	<b>(338)</b>	<b>(128)</b>

\* Reclassification adjustments included in Cost of revenue in the Condensed Consolidated Statements of Operations.

The accompanying notes to the Condensed Consolidated Financial Statements are an integral part of these statements

**Condensed consolidated balance sheets of NXP Semiconductors N.V. (unaudited)**

(\$ in millions, unless otherwise stated)

	April 3, 2016	December 31, 2015
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	1,488	1,614
Accounts receivable, net	1,054	1,047
Assets held for sale	8	15
Inventories, net	1,452	1,879
Other current assets	243	257
Total current assets	<u>4,245</u>	<u>4,812</u>
<b>Non-current assets:</b>		
Other non-current assets	595	602
Property, plant and equipment, net of accumulated depreciation of \$2,765 and \$2,583	2,848	2,922
Identified intangible assets, net of accumulated amortization of \$1,586 and \$1,188	8,446	8,790
Goodwill	9,239	9,228
Total non-current assets	<u>21,128</u>	<u>21,542</u>
<b>Total assets</b>	<b>25,373</b>	<b>26,354</b>
<b>Liabilities and equity</b>		
<b>Current liabilities:</b>		
Accounts payable	948	1,014
Restructuring liabilities-current	193	197
Accrued liabilities	821	781
Short-term debt	736	556
Total current liabilities	<u>2,698</u>	<u>2,548</u>
<b>Non-current liabilities:</b>		
Long-term debt	8,270	8,656
Restructuring liabilities	31	43
Deferred tax liabilities	2,044	2,293
Other non-current liabilities	839	1,011
Total non-current liabilities	<u>11,184</u>	<u>12,003</u>
<b>Equity:</b>		
Non-controlling interests	299	288
Stockholders' equity:		
Preferred stock, par value €0.20 per share:		
- Authorized: 645,754,500 shares (2015: 645,754,500 shares)		
- issued: none		
Common stock, par value €0.20 per share:		
- Authorized: 430,503,000 shares (2015: 430,503,000 shares)		
- Issued and fully paid: 346,002,862 shares (2015: 346,002,862 shares)	71	68
Capital in excess of par value	15,415	15,150
Treasury shares, at cost:		
- 3,460,756 shares (2015: 3,998,982 shares)	(245)	(342)
Accumulated other comprehensive income (loss)	241	181
Accumulated deficit	(4,290)	(3,542)
Total Stockholders' equity	<u>11,192</u>	<u>11,515</u>
Total equity	<u>11,491</u>	<u>11,803</u>
<b>Total liabilities and equity</b>	<b>25,373</b>	<b>26,354</b>

The accompanying notes to the Condensed Consolidated Financial Statements are an integral part of these statements

**Condensed consolidated statements of cash flows of NXP Semiconductors N.V. (unaudited)**

(\$ in millions, unless otherwise stated)

	For the three months ended	
	April 3, 2016	April 5, 2015
<i>Cash flows from operating activities:</i>		
<b>Net income (loss)</b>	<b>(387)</b>	<b>(90)</b>
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	529	95
Share-based compensation	99	35
Excess tax benefits from share-based compensation plans	(3)	—
Change in fair value of warrant liability	—	115
Amortization of discount on debt	8	10
Amortization of debt issuance costs	5	—
Results relating to equity-accounted investees	(1)	(3)
Changes in deferred taxes	(221)	5
<i>Changes in operating assets and liabilities:</i>		
(Increase) decrease in receivables and other current assets	—	(64)
(Increase) decrease in inventories	441	(53)
Increase (decrease) in accounts payable and accrued liabilities	(47)	110
Decrease (increase) in other non-current assets	4	10
Exchange differences	10	208
Other items	(23)	(10)
<b>Net cash provided by (used for) operating activities</b>	<b>414</b>	<b>368</b>
<i>Cash flows from investing activities:</i>		
Purchase of identified intangible assets	(18)	(2)
Capital expenditures on property, plant and equipment	(88)	(80)
Purchase of interests in businesses, net of cash acquired	(2)	(103)
Proceeds from return of equity investment	—	1
Other	2	1
<b>Net cash provided by (used for) investing activities</b>	<b>(106)</b>	<b>(183)</b>
<i>Cash flows from financing activities:</i>		
Net (repayments) borrowings of short-term debt	(5)	(1)
Repurchase of long-term debt	(204)	—
Principal payments on long-term debt	(14)	(10)
Cash proceeds from exercise of stock options	45	16
Purchase of treasury shares	(266)	(4)
Excess tax benefits from share-based compensation plans	3	—
<b>Net cash provided by (used for) financing activities</b>	<b>(441)</b>	<b>1</b>
Effect of changes in exchange rates on cash positions	7	(16)
Increase (decrease) in cash and cash equivalents	(126)	170
Cash and cash equivalents at beginning of period	1,614	1,185
<b>Cash and cash equivalents at end of period</b>	<b>1,488</b>	<b>1,355</b>

The accompanying notes to the Condensed Consolidated Financial Statements are an integral part of these statements

**Condensed consolidated statements of changes in equity of NXP Semiconductors N.V. (unaudited)**

(\$ in millions, unless otherwise stated)

	Outstanding number of shares (in thousands)	Common stock	Capital in excess of par value	Treasury shares at cost	Accumulated other comprehensive income (loss)	Accumulated deficit	Total Stockholders' equity	Non- controlling interests	Total equity
Balance as of December 31, 2015	342,003	68	15,150	(342)	181	(3,542)	11,515	288	11,803
Net income (loss)						(398)	(398)	11	(387)
Other comprehensive income					60		60		60
Reclassification of Warrants			168				168		168
Share-based compensation plans			97				97		97
Excess tax benefits from share-based compensation plans			3				3		3
Treasury shares	(4,147)			(298)			(298)		(298)
Shares issued pursuant to stock awards	4,686			395		(350)	45		45
Other		3	(3)				—		—
<b>Balance as of April 3, 2016</b>	<b>342,542</b>	<b>71</b>	<b>15,415</b>	<b>(245)</b>	<b>241</b>	<b>(4,290)</b>	<b>11,192</b>	<b>299</b>	<b>11,491</b>

The accompanying notes to the Condensed Consolidated Financial Statements are an integral part of these statements

**NXP SEMICONDUCTORS N.V.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**All amounts in millions of \$ unless otherwise stated**

**1 Basis of Presentation**

We prepared our interim condensed consolidated financial statements that accompany these notes in conformity with U.S. generally accepted accounting principles, consistent in all material respects with those applied in our Annual Report on Form 20-F for the year ended December 31, 2015.

We have made estimates and judgments affecting the amounts reported in our consolidated condensed financial statements and the accompanying notes. The actual results that we experience may differ materially from our estimates. The interim financial information is unaudited, but reflects all normal adjustments that are, in our opinion, necessary to provide a fair statement of results for the interim periods presented. This interim information should be read in conjunction with the consolidated financial statements in our Annual Report on Form 20-F for the year ended December 31, 2015.

**2 Recent Accounting Pronouncements**

***Accounting standards adopted in 2016***

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The new standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU No. 2015-15, Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which clarified that debt issuance costs related to line-of-credit arrangements can be presented in the balance sheet as an asset and amortized over the term of the line-of-credit arrangement. We made the determination to early adopt these standards as of December 31, 2015 with retroactive application. The adoption of these standards did not have a significant impact on our financial position or results of operations.

In April 2015, the FASB issued ASU No. 2015-05, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. Under this standard, if a cloud computing arrangement includes a software license, the software license element of the arrangement should be accounted for consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the arrangement should be accounted for as a service contract. The new standard became effective for us on January 1, 2016. The adoption of this standard did not have a significant impact on our financial position or results of operations.

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. The new standard requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined and sets forth new disclosure requirements related to the adjustments. The new standard became effective for us on January 1, 2016. The adoption of this standard did not have a significant impact on our financial position or results of operations.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes (Topic 740), which changes how deferred taxes are classified on our balance sheets and is effective for financial statements issued for annual periods beginning after December 15, 2016, with early adoption permitted. ASU 2015-17 requires all deferred tax assets and liabilities to be classified as non-current. The Company adopted this standard as of January 1, 2016 with retrospective application. The adoption of this standard did not have a significant impact on our financial position.

### **Recently issued accounting standards**

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes all existing revenue recognition requirements, including most industry-specific guidance. The new standard requires a company to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which delayed the effective date of the new standard from January 1, 2017 to January 1, 2018. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. We are currently evaluating the method of adoption and the potential impact that Topic 606 may have on our financial position and results of operations.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10). The new standard requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. The new standard will be effective for us on January 1, 2018. The expected adoption method of ASU 2016-01 is being evaluated by the Company and the adoption is not expected to have a significant impact on our financial position or results of operations.

In February, 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard requires Lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Lessor accounting is similar to the current model, but updated to align with certain changes to the lessee model and the new revenue recognition standard. Existing sale-leaseback guidance, including guidance for real estate, is replaced with a new model applicable to both lessees and lessors. The new standard will be effective for us on January 1, 2019 with early adoption permitted. We are currently evaluating the potential impact that Topic 842 may have on our financial position and results of operations.

In March, 2016 the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. The new standard requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital pools. The standard also allows for the employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting. In addition, the ASU allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. The new standard will be effective for us on January 1, 2017 with early adoption permitted. We are currently evaluating the potential impact that Topic 718 may have on our financial position and results of operations.

### 3 Acquisitions and Divestments

On December 7, 2015, we acquired Freescale for a purchase price of \$11,639 million. During the first three months of 2016 we recognized additional acquisition related transaction costs of \$5 million (legal, accounting and other related expenses) within selling, general and administrative expense in our consolidated statements of operations.

Under the terms of the merger agreement, each holder of Freescale common shares received (i) 0.3521 of an NXP ordinary share and (ii) \$6.25 in cash per such common share.

The total purchase price amounts to \$11,639 million and consisted of the following:

Cash payment of \$6.25 per Freescale common share	1,948
Total value of NXP ordinary shares delivered	9,449
Value of NXP restricted share units delivered to holders of Freescale restricted share units and performance-based restricted share units	157
Value of NXP stock options delivered to holders of Freescale stock options	85
Total purchase price	11,639

The total purchase price has been preliminarily allocated to the tangible and identified intangible assets acquired and liabilities assumed based on their estimated fair values as of the date of the merger, December 7, 2015. The fair value of acquired tangible and identified intangible assets is determined based on inputs that are unobservable and significant to the overall fair value measurement. As such, acquired tangible and identified intangible assets are classified as Level 3 assets. During the three month period ended April 3, 2016, we made certain adjustments to the preliminary allocation of the purchase price. A decrease of \$30 million was recorded to deferred tax liabilities, a decrease of \$4 million was recorded to accounts payable, accrued liabilities and other current liabilities, a decrease of \$5 million was recorded to inventories with a corresponding net decrease of \$29 million recorded to goodwill. The measurement period still remains open pending the completion of valuation procedures related to the acquired assets and assumed liabilities, primarily in the areas of in-process research and development and deferred taxes, including any related income tax effects. As we obtain additional information, we may further revise our preliminary purchase price allocation during the remainder of the measurement period (which will not exceed 12 months from the acquisition date). Any such revisions or changes may be material.

The identified intangible assets consist of existing technology and platform technology, In-Process Research & Development (“IPR&D”), order backlog, trade name and customer relationships. The estimated useful lives range between one year and nineteen years.

The revised preliminary allocation of the purchase price is as follows:

<i>Total purchase price</i>	<u>11,639</u>
Estimated fair value of net tangible assets acquired and liabilities assumed:	
Cash and cash equivalents	427
Accounts receivable, net	511
Inventories, net	1,280
Other current assets	93
Property, plant and equipment	1,827
Other non-current assets	64
Accounts payable, accrued liabilities and other current liabilities	(707)
Deferred taxes	(2,295)
Other long-term liabilities	(329)
Long-term debt	<u>(5,091)</u>
Net tangible assets acquired and liabilities assumed	(4,220)

Estimated fair value (and estimated useful lives) of identified intangible assets acquired:

Customer relationships (included in customer-related) (19 years)	764
Developed technology (included in technology-based) (5 years)	5,371
Sales order backlog (included in marketing-related) (1 year)	190
Trade name (included in marketing-related) (5 years)	81
In-process research and development *	2,017
Other	<u>41</u>
Identified intangible assets acquired	8,464
Estimated goodwill	7,395

\* Acquired in-process research and development (“IPR&D”) is an intangible asset classified as an indefinite lived asset until the completion or abandonment of the associated research and development effort. IPR&D will be amortized over an estimated useful life to be determined at the date the associated research and development effort is completed, or expensed immediately when, and if, the project is abandoned. Acquired IPR&D is not amortized during the period that it is considered indefinite lived, but rather is subject to annual testing for impairment or when there are indicators for impairment.

Goodwill is primarily attributable to the anticipated synergies and economies of scale expected from the operations of the combined company and to the assembled workforce of Freescale. All of the goodwill has been allocated to NXP’s HPMS segment. Goodwill is not deductible for income tax purposes.

There were no material divestments or other acquisitions, as of April 3, 2016.



#### 4 Identified Intangible Assets

Identified intangible assets as of April 3, 2016 and December 31, 2015 respectively were composed of the following:

	April 3, 2016		December 31, 2015	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
IPR&D 1)	1,702	—	2,016	—
Marketing-related	141	(28)	119	(18)
Customer-related	1,299	(280)	1,287	(224)
Technology-based	6,740	(1,166)	6,410	(841)
	9,882	(1,474)	9,832	(1,083)
Software	150	(112)	146	(105)
Identified intangible assets	10,032	(1,586)	9,978	1,188

- 1) IPR&D is not subject to amortization until completion or abandonment of the associated research and development effort. The IPR&D acquired in the acquisition of Freescale encompasses a broad technology portfolio of product innovations. As of April 3, 2016 we are still obtaining information relative to the percent complete and remaining costs to complete for each project.

The estimated amortization expense for these identified intangible assets, excluding software, for each of the five succeeding years is:

2016 (remaining)	1,075
2017	1,490
2018	1,482
2019	1,424
2020	1,174

All intangible assets, excluding goodwill, are subject to amortization and have no assumed residual value.

The expected weighted average remaining life of identified intangibles is 6 years as of April 3, 2016 (December 31, 2015: 7 years).

#### 5 Supplemental Financial Information

*Statement of Operations Information:*

##### ***Depreciation, amortization and impairment***

	For the three months ended	
	April 3, 2016	April 5, 2015
Depreciation of property, plant and equipment	149	58
Amortization of internal use software	7	6
Amortization of other identified intangible assets	373	31
Total	529	95

## Financial income and expense

	For the three months ended	
	April 3, 2016	April 5, 2015
Interest income	2	1
Interest expense	(107)	(47)
Total interest expense, net	(105)	(46)
Foreign exchange rate results	(10)	(208)
Change in fair value of the warrant liability	—	(115)
Miscellaneous financing costs/income, net	(1)	(4)
Total other financial income (expense)	(11)	(327)
Total	(116)	(373)

## Earnings per share

The computation of earnings per share (EPS) is presented in the following table:

(\$ in millions, unless otherwise stated)

	For the three months ended	
	April 3, 2016	April 5, 2015
Net income (loss)	(387)	(90)
Less: net income (loss) attributable to non-controlling interests	11	17
Net income (loss) attributable to stockholders	(398)	(107)
Weighted average number of shares outstanding (after deduction of treasury shares) during the year (in thousands)	341,830	233,116
Plus incremental shares from assumed conversion of:		
Options <sup>1)</sup>	—	—
Restricted Share Units, Performance Share Units and Equity Rights <sup>2)</sup>	—	—
Warrants <sup>3)</sup>	—	—
Dilutive potential common share	—	—
Adjusted weighted average number of share outstanding (after deduction of treasury shares) during the year (in thousands)	341,830	233,116
<i>EPS attributable to stockholders in \$:</i>		
Basic net income (loss)	(1.16)	(0.46)
Diluted net income (loss)	(1.16)	(0.46)

- 1) Stock options to purchase up to 11.7 million shares of NXP's common stock that were outstanding in Q1 2016 (Q1 2015: 10.4 million shares) were anti-dilutive and were not included in the computation of diluted EPS because the exercise price was greater than the average fair market value of the common stock or the number of shares assumed to be repurchased using the proceeds of unrecognized compensation expense and exercise prices was greater than the weighted average number of shares underlying outstanding stock options.
- 2) Unvested RSU's, PSU's and equity rights of 7.6 million shares that were outstanding in Q1 2016 (Q1 2015: 6.6 million shares) were anti-dilutive and were not included in the computation of diluted EPS because the number of shares assumed to be repurchased using the proceeds of unrecognized compensation expense was greater than the weighted average number of outstanding unvested RSU's, PSU's and equity rights.
- 3) Warrants to purchase up to approximately 11.2 million shares of NXP's common stock at a price of \$133.32 per share was outstanding in Q1 2016 (Q1 2015: 11.2 million shares at a price of \$133.32). Upon exercise, the warrants will be net share settled. At the end of Q1, 2016 the warrants were not included in the computation of diluted EPS because the warrants exercise price was greater than the average fair market value of the common shares. (As a net loss was incurred in Q1, 2015, the warrants were not included in the Q1 2015 computation of diluted EPS).

## Balance Sheet Information

### Cash and cash equivalents

At April 3, 2016 and December 31, 2015, our cash balance was \$1,488 million and \$1,614 million, respectively, of which \$528 million and \$485 million was held by SSMC, our consolidated joint venture company with TSMC. Under the terms of our joint venture agreement with TSMC, a portion of this cash can be distributed by way of a dividend to us, but 38.8% of the dividend will be paid to our joint venture partner.

### Inventories

Inventories are summarized as follows:

	April 3, 2016	December 31, 2015
Raw materials	64	66
Work in process	1,002	1,376
Finished goods	386	437
	<u>1,452</u>	<u>1,879</u>

The portion of finished goods stored at customer locations under consignment amounted to \$66 million as of April 3, 2016 (December 31, 2015: \$69 million).

The amounts recorded above are net of allowance for obsolescence of \$95 million as of April 3, 2016 (December 31, 2015: \$84 million).

### Accumulated other comprehensive income (loss)

Total comprehensive income (loss) represents net income (loss) plus the results of certain equity changes not reflected in the Consolidated Statements of Operations. The after-tax components of accumulated other comprehensive income (loss) and their corresponding changes are shown below:

	Net investment hedge	Currency translation differences	Change in fair value cash flow hedges	Net actuarial gain/(losses)	Accumulated Other Comprehensive Income (loss)
As of December 31, 2015	(521)	758	(2)	(54)	181
Reclassification	521	(521)	—	—	—
Other comprehensive income (loss) before reclassifications	—	51	3	4	58
Amounts reclassified out of accumulated other comprehensive income (loss)	—	—	1	—	1
Tax effects	—	—	—	1	1
Other comprehensive income (loss)	—	51	4	5	60
As of April 3, 2016	—	288	2	(49)	241

## Cash Flow Information

	For the three months ended	
	April 3, 2016	April 5, 2015
<i>Supplemental disclosures to the condensed consolidated cash flows</i>		
<b>Net cash paid during the period for:</b>		
Interest	74	43
Income taxes	14	4

## 6 Fair Value of Financial Assets and Liabilities

The following table summarizes the estimated fair value and carrying amount of our financial instruments measured on a recurring basis:

	Fair value hierarchy <sup>(1)</sup>	April 3, 2016		December 31, 2015	
		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
<b>Assets:</b>					
Notes hedge	2	212	212	241	241
Other financial assets	2	46	46	47	47
Derivative instruments – assets	2	7	7	2	2
<b>Liabilities:</b>					
Short-term debt	2	(16)	(16)	(22)	(22)
Short-term debt (bonds)	2	(720)	(722)	(534)	(535)
Long-term debt (bonds)	2	(7,277)	(7,424)	(7,669)	(7,723)
2019 Cash Convertible Senior Notes	2	(982)	(1,274)	(972)	(1,260)
Other long-term debt	2	(11)	(11)	(15)	(15)
Notes Embedded Conversion Derivative	2	(212)	(212)	(241)	(241)
Warrants	2	—	—	(168)	(168)
Derivative instruments – liabilities	2	(1)	(1)	(4)	(4)

(1) Transfers between the levels of fair value hierarchy are recognized when a change in circumstances would require it. [There were no transfers during the reporting periods presented in the table above.]

The following methods and assumptions were used to estimate the fair value of financial instruments:

### **Other financial assets and derivatives**

For other financial assets and derivatives the fair value is based upon significant other observable inputs depending on the nature of the other financial asset and derivative.

### **Notes hedges**

The Notes hedges are measured at fair value using level 2 inputs. The instrument is not actively traded and is valued using an option pricing model that uses observable market data for all inputs, such as implied volatility of NXP's common stock, risk-free interest rate and other factors.

### **Debt**

The fair value is estimated on the basis of observable inputs other than quoted market prices in active markets for identical liabilities for certain issues, or on the basis of discounted cash flow analyses. Accrued interest is included under accrued liabilities and not within the carrying amount or estimated fair value of debt.

### **Notes Embedded Conversion Derivative**

The Notes Embedded Conversion Derivative is measured at fair value using level 2 inputs. This instrument is not actively traded and is valued using an option pricing model that uses observable market data for all inputs, such as implied volatility of NXP's common stock, risk-free interest rate and other factors.

### **Warrants**

At the time of the issuance of the 2019 Cash Convertible Senior Notes, NXP entered into separate warrant transactions with various parties for the purchase of up to approximately 11.18 million shares of NXP's common stock at a price of \$133.32 per share in a private placement. The warrants expire on various dates from March 2, 2020, through April 30, 2020, and will be net share settled. NXP received \$134 million in cash proceeds from the sale of the Warrants, which was recorded in other non-current liabilities. As of January 1, 2016, as a result of the acquisition of Freescale, NXP has concluded that the functional currency of the holding company is USD. Consequently, beginning from January 1, 2016, the warrants with a carrying value of \$168 million were reclassified to stockholders' equity, and mark-to-market accounting is no longer applicable. The warrants are included in diluted earnings per share to the extent the impact is dilutive. As of April 3, 2016, the warrants were not dilutive.

## Assets and liabilities recorded at fair value on a non-recurring basis

We measure and record our non-marketable equity investments (non-marketable equity method and cost method investments) and non-financial assets, such as intangible assets and property, plant and equipment, at fair value when an impairment charge is required.

## 7 Debt

### Short-term debt

	April 3, 2016	December 31, 2015
Short-term bank borrowings	1	6
Current portion of long-term debt (*)	735	550
<b>Total</b>	<b>736</b>	<b>556</b>

(\*) Net of adjustment for debt issuance costs.

At April 3, 2016, short-term bank borrowings of \$1 million (December 31, 2015: \$6 million) consisted of a local bank borrowing by our Chinese subsidiary. The applicable weighted average interest rate during the first quarter of 2016 was 2.6% (2015: 2.5%).

### Long-term debt

	Range of interest rates	Average rate of interest	Principal amount outstanding April 3, 2016	Due within 1 yr	Due after Q1, 2017	Due after Q1, 2021	Average remaining term (in years)	Principal amount outstanding December 31, 2015
USD notes	2.8%-6.0%	4.3%	7,984	722	7,262	2,360	4.4	8,193
2019 Cash Convertible Senior Notes	1.0%-1.0%	1.0%	1,150	—	1,150	—	3.7	1,150
New Revolving Credit Facility (1)	—	—	—	—	—	—	—	—
Bank borrowings	—	—	—	—	—	—	—	—
Liabilities arising from capital lease transactions	2.5%-13.8%	2.8%	26	15	11	—	1.3	31
		3.9%	9,160	737	8,423	2,360	4.3	9,374

### YTD 2016 Financing Activities

#### 2016 Senior Unsecured Notes

On February 23, 2016, NXP B.V., together with NXP Funding LLC, issued redemption notices for an aggregate principal amount of \$200 million of its \$500 million outstanding 3.5% senior notes due 2016. This partial redemption was made as permitted under Article 3 of the indenture dated as of September 24, 2013 and paragraph 5 of the Notes. The funds from this redemption came from available surplus cash.

#### Warrants

At the time of the issuance of the 2019 Cash Convertible Senior Notes, NXP entered into separate warrant transactions with various parties for the purchase of up to approximately 11.18 million shares of NXP's common stock at a price of \$133.32 per share in a private placement. The warrants expire on various dates from March 2, 2020, through April 30, 2020, and will be net share settled. NXP received \$134 million in cash proceeds from the sale of the Warrants, which was recorded in other non-current liabilities. As of January 1, 2016, as a result of the acquisition of Freescale, NXP has concluded that the functional currency of the holding company is USD. Consequently, beginning from January 1, 2016, the warrants with a carrying value of \$168 million were reclassified to stockholders' equity, and mark-to-market accounting is no longer applicable. The warrants are included in diluted earnings per share to the extent the impact is dilutive. As of April 3, 2016, the warrants were not dilutive.

### U.S. dollar-denominated notes

The following table summarizes the outstanding notes as of April 3, 2016

	Principal amount	Fixed/floating	Interest rate	Current coupon rate	Maturity date
Term Loan	\$ 391	Floating	LIBOR plus 2% with a floor of 0.75%	2.75%	2017
Term Loan	\$ 390	Floating	LIBOR plus 2.50% with a floor of 0.75%	3.25%	2020
Term Loan	\$ 2,693	Floating	LIBOR plus 3% with a floor of 0.75%	3.75%	2020
Senior Unsecured Notes	\$ 300	Fixed	3.5%	3.5%	2016
Senior Unsecured Notes	\$ 750	Fixed	3.75%	3.75%	2018
Senior Unsecured Notes	\$ 600	Fixed	4.125%	4.125%	2020
Senior Unsecured Notes	\$ 500	Fixed	5.75%	5.75%	2021
Senior Secured Notes	\$ 500	Fixed	5%	5%	2021
Senior Secured Notes	\$ 960	Fixed	6%	6%	2022
Senior Unsecured Notes	\$ 400	Fixed	4.625%	4.625%	2022
Senior Unsecured Notes	\$ 500	Fixed	5.75%	5.75%	2023
Cash Convertible Notes	\$ 1,150	Fixed	1%	1%	2019
Revolving Credit Facility	—	Floating	—	—	2020

### Certain terms and Covenants of the U.S. dollar-denominated notes

The Company is not required to make mandatory redemption payments or sinking fund payments with respect to the notes. With respect to the Term Loans, the Company is required to repay \$35 million annually.

The indentures governing the notes contain covenants that, among other things, limit the Company's ability and that of restricted subsidiaries to incur additional indebtedness, create liens, pay dividends, redeem capital stock or make certain other restricted payments or investments; enter into agreements that restrict dividends from restricted subsidiaries; sell assets, including capital stock of restricted subsidiaries; engage in transactions with affiliates; and effect a consolidation or merger. The merger with Freescale has been in compliance with any such indentures and financing covenants.

Certain portions of long-term and short-term debt as of April 3, 2016 in the principal amount of \$4,934 million (December 31, 2015: \$4,943 million) have been secured by collateral on substantially all of the Company's assets and of certain of its subsidiaries.

Each series of the Senior Unsecured Notes are fully and unconditionally guaranteed jointly and severally, on a senior basis by certain of the Company's current and future material wholly owned subsidiaries ("Guarantors").

Pursuant to various security documents related to the above mentioned term loans and the \$600 million committed new revolving credit facility, the Company and each Guarantor has granted first priority liens and security interests in, amongst others, the following, subject to the grant of further permitted collateral liens:

- (a) all present and future shares of capital stock of (or other ownership or profit interests in) each of its present and future direct subsidiaries, other than SMST Unterstützungskasse GmbH, and material joint venture entities;
- (b) all present and future intercompany debt of the Company and each Guarantor;
- (c) all of the present and future property and assets, real and personal, of the Company, and each Guarantor, including, but not limited to, machinery and equipment, inventory and other goods, accounts receivable, owned real estate, leaseholds, fixtures, general intangibles, license rights, patents, trademarks, trade names, copyrights, chattel paper, insurance proceeds, contract rights, hedge agreements, documents, instruments, indemnification rights, tax refunds, but excluding cash and bank accounts; and
- (d) all proceeds and products of the property and assets described above.

Notwithstanding the foregoing, certain assets may not be pledged (or the liens not perfected) in accordance with agreed security principles, including:

- if the cost of providing security is not proportionate to the benefit accruing to the holders; and
- if providing such security requires consent of a third party and such consent cannot be obtained after the use of commercially reasonable efforts; and
- if providing such security would be prohibited by applicable law, general statutory limitations, financial assistance, corporate benefit, fraudulent preference, “thin capitalization” rules or similar matters or providing security would be outside the applicable pledgor’s capacity or conflict with fiduciary duties of directors or cause material risk of personal or criminal liability after using commercially reasonable efforts to overcome such obstacles; and
- if providing such security would have a material adverse effect (as reasonably determined in good faith by such subsidiary) on the ability of such subsidiary to conduct its operations and business in the ordinary course as otherwise permitted by the indenture; and
- if providing such security or perfecting liens thereon would require giving notice (i) in the case of receivables security, to customers or (ii) in the case of bank accounts, to the banks with whom the accounts are maintained. Such notice will only be provided after the secured notes are accelerated.

Subject to agreed security principles, if material property is acquired by the Company or a Guarantor that is not automatically subject to a perfected security interest under the security documents, then the Company or relevant Guarantor will within 60 days provide security over this property and deliver certain certificates and opinions in respect thereof as specified in the indenture governing the notes.

## 8 Litigation

We are regularly involved as plaintiffs or defendants in claims and litigation relating to a variety of matters such as contractual disputes, personal injury claims, employee grievances and intellectual property litigation. In addition, our acquisitions, divestments and financial transactions sometimes result in, or are followed by, claims or litigation. Although the ultimate disposition of asserted claims cannot be predicted with certainty, it is our belief that the outcome of any such claims, either individually or on a combined basis, will not have a material adverse effect on our consolidated financial position. However, such outcomes may be material to our consolidated statement of operations for a particular period. The Company records an accrual for any claim that arises whenever it considers that it is probable that it is exposed to a loss contingency and the amount of the loss contingency can be reasonably estimated.

Based on the most current information available to it and based on its best estimate, the Company also reevaluates at least on a quarterly basis the claims that have arisen to determine whether any new accruals need to be made or whether any accruals made need to be adjusted. Based on the procedures described above, the Company has an aggregate amount of approximately \$28 million accrued for legal proceedings pending as of April 3, 2016, consistent with the amount accrued for at December 31, 2015. The accruals are included in “Accrued liabilities” and “Other non-current liabilities”. There can be no assurance that the Company’s accruals will be sufficient to cover the extent of its potential exposure to losses, but historically, legal actions have not had a material adverse effect on the Company’s business, results of operations or financial condition.

The Company also estimates the aggregate range of reasonably possible losses in excess of the amount accrued based on currently available information for those cases for which such estimate can be made. The estimated aggregate range requires significant judgment, given the varying stages of the proceedings (including the fact that many of them are currently in preliminary stages), the existence of multiple defendants (including the Company) in such claims whose share of liability has yet to be determined, the numerous yet-unresolved issues in many of the claims, and the attendant uncertainty of the various potential outcomes of such claims. Accordingly, the Company’s estimate will change from time to time, and actual losses may be more than the current estimate. As at April 3, 2016, the Company believes that for all litigation pending its aggregate exposure to loss in excess of the amount accrued could range between 0 and approximately \$124 million.

Intellectual property litigation and infringement claims could cause us to incur significant expenses or prevent us from selling our products. The resolution of intellectual property litigation may require us to pay damages for past infringement or to obtain a license under the other party's intellectual property rights that could require one-time license fees or ongoing royalties, require us to make material changes to our products and/or manufacturing processes, require us to cross-license certain of our patents and other intellectual property and/or prohibit us from manufacturing or selling one or more products in certain jurisdictions, which could adversely impact our operating results in future periods.

In addition, the Company is currently assisting Motorola in the defense of eight personal injury lawsuits due to indemnity obligations included in the agreement that separated Freescale from Motorola in 2004. The multi-plaintiff lawsuits are pending in the Circuit Court of Cook County, Illinois. These claims allege a link between working in semiconductor manufacturing clean room facilities and birth defects in 56 individuals. The eight suits allege exposures that occurred between 1965 and 2006. Each suit seeks an unspecified amount of damages in compensation for the alleged injuries; however, legal counsel representing the plaintiffs has indicated they will seek substantial compensatory and punitive damages from Motorola for the entire inventory of claims which, if proven and recovered, the Company considers to be material. A portion of any indemnity due to Motorola will be reimbursed to NXP if Motorola receives an indemnification payment from its insurance coverage. Motorola has denied liability for these alleged injuries based on numerous defenses. Motorola has potential insurance coverage for many of the years indicated above, but with differing types and levels of coverage, self-insurance retention amounts and deductibles. We are in discussions with Motorola and their insurers regarding the availability of applicable insurance coverage for each of the individual cases.

## 9 Related-Party Transactions

The Company's related parties are the members of the board of directors of NXP Semiconductors N.V., the members of the management team of NXP Semiconductors N.V. and equity-accounted investees.

We have a number of strategic alliances and joint ventures. We have relationships with certain of our alliance partners in the ordinary course of business whereby we enter into various sale and purchase transactions, generally on terms comparable to transactions with third parties. However, in certain instances upon divestment of former businesses where we enter into supply arrangements with the former owned business, sales are conducted at cost.

The following table presents the amounts related to revenue and expenses incurred in transactions with these related parties:

	For the three months ended	
	April 3, 2016	April 5, 2015
Revenue	12	3
Purchase of goods and services	20	19

The following table presents the amounts related to receivable and payable balances with these related parties:

	April 3, 2016	December 31, 2015
Receivables	15	24
Payables	24	24

## 10 Restructuring

At each reporting date, we evaluate our restructuring liabilities, which consist primarily of termination benefits, to ensure that our accruals are still appropriate. In December 2015, we began the implementation of the planned restructuring and cost reduction activities in connection with the acquisition of Freescale. As of April 3, 2016, we recognized an additional \$14 million of employee severance costs in our restructuring liabilities and during the three month period we recognized \$7 million of other exit costs related to this plan in the first quarter of 2016.



The following table presents the changes in the position of restructuring liabilities in 2016 by segment:

	Balance January 1, 2016	Additions	Utilized	Released	Other changes	Balance April 3, 2016
HPMS	234	13	(32)	(1)	5	219
SP	6	1	(2)	—	—	5
Corporate and Other	—	—	—	—	—	—
	<u>240</u>	<u>14</u>	<u>(34)</u>	<u>(1)</u>	<u>5</u>	<u>224</u>

The total restructuring liability as of April 3, 2016 of \$224 million is classified in the balance sheet under current liabilities (\$193 million) and non-current liabilities (\$31 million).

The utilization of the restructuring liabilities mainly reflects the execution of ongoing restructuring programs the Company initiated in earlier years.

The components of restructuring charges less releases recorded in the liabilities for the three months ended April 3, 2016 and April 5, 2015 are as follows:

	For the three months ended	
	April 3, 2016	April 5, 2015
Personnel lay-off costs	14	11
Other exit costs	7	—
Release of provisions/accruals	(1)	(1)
Net restructuring charges	<u>20</u>	<u>10</u>

The restructuring charges less releases recorded in operating income are included in the following line items in the statement of operations:

	For the three months ended	
	April 3, 2016	April 5, 2015
Cost of revenue	4	—
Selling, general and administrative	5	3
Research and development	11	7
Net restructuring charges	<u>20</u>	<u>10</u>

#### 11 Benefit/Provision for Income Taxes

Benefit/provision for income taxes:

	For the three months ended	
	April 3, 2016	April 5, 2015
Tax expense (benefit)	(199)	15
Effective tax rate	33.9%	(19.2)%

Our effective tax rate reflects the impact of tax incentives, a portion of our earnings being taxed in foreign jurisdictions at rates different than the Netherlands statutory tax rate and the mix of income and losses in various jurisdictions. Our effective tax rate for the first three months of 2016 was a benefit of 33.9% compared with provision of 19.2% for the first three months of 2015. The significant decrease in our effective tax rate was primarily due to the impact of purchase accounting as a result of the acquisition of Freescale, slightly offset by the impact of the inclusion of a full quarter of operations of Freescale which contributed to a shift in the mix of income and losses between jurisdictions.

The Company benefits from income tax holiday incentives in certain jurisdictions which provide that we pay reduced income taxes in those jurisdictions for a fixed period of time that varies depending on the jurisdiction. The predominant income tax holiday is expected to expire at the end of 2021. The impact of this tax holiday decreased foreign taxes by \$4 million and \$7 million for the first quarters of 2016 and 2015, respectively. The benefit of this tax holiday on net income per share (diluted) was \$0.01 (first quarter of 2015: \$0.03).

## 12 Segment Information

NXP is organized into two reportable segments, High Performance Mixed Signal (“HPMS”) and Standard Products (“SP”). Corporate and Other represents the remaining portion to reconcile to the Consolidated Financial Statements. Effective with the Merger, the operations of Freescale were primarily incorporated into the HPMS reportable segment.

Our HPMS business segment delivers high performance mixed signal solutions to our customers to satisfy their system and sub-systems needs across eight application areas: automotive, identification, mobile, consumer, computing, wireless infrastructure, lighting and industrial, and software solutions for mobile phones. Our SP business segment offers standard products for use across many application markets, as well as application-specific standard products predominantly used in application areas such as mobile handsets, computing, consumer and automotive. The segments each include revenue from the sale and licensing of intellectual property related to that segment.

Because the Company meets the criteria for aggregation set forth under ASC 280 “Segment Reporting”, and the operating segments have similar economic characteristics, the Company aggregates the results of operations of the Automotive, Secure Identification Solutions, Secure Connected Devices and Secure Interfaces and Infrastructure operating segments into one reportable segment, HPMS, and the Standard Products and General Purpose Logic operating segments into another reportable segment, SP.

### **Revenue and operating income (loss)**

	For the three months ended	
	April 3, 2016	April 5, 2015
<b>Revenue</b>		
HPMS	1,911	1,104
SP	274	323
Corporate and Other <sup>1)</sup>	39	40
	<u>2,224</u>	<u>1,467</u>
	For the three months ended	
	April 3, 2016	April 5, 2015
<b>Operating income (loss)</b>		
HPMS	(486)	266
SP	39	52
Corporate and Other <sup>1)</sup>	(24)	(23)
	<u>(471)</u>	<u>295</u>

- 1) Corporate and Other is not a segment under ASC 280 “Segment Reporting”. Corporate and Other includes unallocated expenses not related to any specific business segment and corporate restructuring charges.