As filed with the Securities and Exchange Commission on March 9, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report
For the transition period from to

Commission file number 001-34841

NXP Semiconductors N.V.
(Exact name of Registrant as specified in its charter)

The Netherlands
(Jurisdiction of incorporation or organization)
High Tech Campus 60, Eindhoven 5656 AG, the Netherlands
(Address of principal executive offices)
Jean Schreurs, SVP and Senior Corporate Counsel, High Tech Campus 60, 5656 AG, Eindhoven, the Netherlands
Telephone: +31 40 2728686 / E-mail: jean.schreurs@nxp.com
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common shares—par value euro (EUR) 0.20 per share	The NASDAQ Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
Common shares—par value EUR 0.20 per share
(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Class	Outstanding at December 31, 2010
Ordinary shares, par value EUR 0.20 per share	250,751,500 shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

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Introduction

This annual report contains forward-looking statements that contain risks and uncertainties. Our actual results may differ significantly from future results as a result of factors such as those set forth in "Part I—Item 3. Key Information—D. Risk factors" and "Part I—Item 5. Operating and Financial Review and Prospects—G. Safe harbor".

The financial information included in this annual report is based on U.S. GAAP, unless otherwise indicated.

In presenting and discussing our 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 or as alternatives to the equivalent U.S. GAAP measures and should be used in conjunction with the most directly comparable U.S. GAAP measures. A discussion of non-U.S. GAAP measures included in this annual report and a reconciliation of such measures to the most directly comparable U.S. GAAP measures are contained in this annual report under "Part I—Item 5. Operating and Financial Review and Prospects—A. Operating results—Use of Certain Non-U.S. GAAP Financial Measures".

Unless otherwise required, all references herein to "we", "our", "us", "NXP" and the "Company" are to NXP Semiconductors N.V. and its consolidated subsidiaries.

A glossary of abbreviations and technical terms used in this annual report is set forth on page ….

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. *Selected financial data.*

The following table presents a summary of our selected historical combined and consolidated financial data. We prepare our financial statements in accordance with U.S. GAAP.

We have derived the selected consolidated statement of operations and other financial data for the years ended December 31, 2008, 2009 and 2010 and the selected consolidated balance sheet data as of December 31, 2009 and 2010, from our audited consolidated financial statements, included elsewhere in this annual report. We have derived the selected consolidated statement of operations and other financial data for the periods from September 29, 2006 (inception) to December 31, 2006 and the consolidated balance sheet data as of December 31, 2006 and 2007 from our audited consolidated financial statements, not included in this annual report. We have derived the selected combined statement of operations and other financial data for the period from January 1, 2006 to September 28, 2006 and the balance sheet data as of September 28, 2006, from the audited combined financial statements of the former semiconductor business of Koninklijke Philips Electronics N.V. ("Philips") and its consolidated subsidiaries, the "predecessor", not included in this annual report.

The results of operations for prior years are not necessarily indicative of the results to be expected for any future period.

Discontinued Operations

On December 22, 2010, we signed a definitive agreement whereby Knowles Electronics, LLC ("Knowles Electronics") an affiliate of Dover Corporation, will acquire our Sound Solutions business. The financial statements attributable to our interest in our Sound Solutions business (formerly included in our Standard Products segment) are presented and separated as discontinued operations in the consolidated financial statements. The previous years have been restated accordingly.

The selected historical combined and consolidated financial data should be read in conjunction with the discussion under "Part I—Item 5. Operating and Financial Review and Prospects—A. Operating results" and the consolidated financial statements and the accompanying notes included elsewhere in this annual report.

	Predecessor	NXP Semiconductors N.V.				
			As of and for the years ended December 31,			
($ in millions)	As of and for the period from January 1 to September 28 2006[(1)]	As of and for the period from September 29 to December 31, 2006[(1)]	2007[(1)]	2008[(1)]	2009[(1)]	2010[(1)]
Consolidated Statements of operations:						
Revenues	4,593	1,492	6,051	5,104	3,519	4,402
Operating income (loss)	158	(1,006)	(791)	(2,643)	(931)	273
Financial income (expense)—net	(27)	(94)	(181)	(614)	682	(628)
Income (loss) from continuing operations	54	(788)	(617)	(3,567)	(185)	(465)
Income (loss) from discontinued operations	15	(1)	29	36	32	59
Net income (loss)	69	(789)	(588)	(3,531)	(153)	(406)
Per share data[(2)]:						
Basic and diluted income (loss) from continuing operations[(3)]	N.A.	(185.20)	(240.60)	(19.79)	(0.86)	(2.03)
Basic and diluted income (loss) from discontinued operations[(3)]	N.A.	(0.20)	5.80	0.20	0.15	0.26
Basic and diluted net income (loss)[(3)]	N.A.	(185.40)	(234.80)	(19.59)	(0.71)	(1.77)
Basic and diluted weighted average number of shares of common stock outstanding during the year (in thousands)[(4)]	N.A.	5,000	5,000	180,210	215,252	229,280
Consolidated balance sheet data:						
Cash and cash equivalents	N.A.	1,228	1,029	1,781	1,026	898
Total assets	N.A.	12,910	13,574	10,213	8,579	7,637
Net assets	N.A.	5,016	4,565	1,182	1,041	1,219
Working capital[(5)]	N.A.	1,574	1,081	1,355	870	811
Total debt[(6)]	N.A.	5,835	6,076	6,367	5,283	4,551
Total business/stockholders' equity	N.A.	4,803	4,308	969	843	986
Common stock	N.A.	133	133	42	42	51
Other operating data:						
Capital expenditures	(566)	(140)	(496)	(356)	(92)	(258)
Depreciation and amortization[(7)]	581	1,039	1,506	1,924	887	684
Consolidated statements of cash flows data:						
Net cash provided by (used for):						
Operating activities	570	382	466	(657)	(730)	359
Investing activities	(556)	(240)	(618)	1,046	63	(269)
Financing activities	60	905	(23)	318	(80)	(155)
Net cash provided by (used for) continuing operations	74	1,047	(175)	707	(747)	(65)
Net cash provided by (used for) discontinued operations	—	(3)	8	2	—	(5)

(1) All years have been restated to reflect the effect of the intended sale of the Sound Solutions business in 2011 as discontinued operations.

(2) On February 29, 2008, through a multi-step transaction, the nominal value of the common shares was decreased from €1.00 to €0.01and all preference shares were converted into common shares, which resulted in an increase of outstanding common shares from 100 million to 4.3 billion. On August 2, 2010, we amended our articles of association in order to effect a 1-for-20 reverse stock split, decreasing the number of shares of common stock outstanding from approximately 4.3 billion to approximately 215 million and increasing the par value of the shares of common stock from €0.01 to €0.20. In all periods presented, basic and diluted weighted average shares outstanding and earnings per share have been calculated to reflect the 1-for-20 reverse stock split. As a result of the implementation of a new long-term incentive plan introduced in November 2010 (the "Long-Term Incentive Plan 2010"), we have issued 1,500,000 additional shares of common stock.

(3) For purposes of calculating per share net income, net income includes the undeclared accumulated dividend on preferred stock of $138 million in 2006 and $586 million in 2007. This right was extinguished in 2008.

(4) For the years 2006 until 2010, there is no difference between basic and diluted number of shares due to our net loss position in all periods presented. As a result, all potentially dilutive securities are anti-dilutive.

(5) Working capital is calculated as current assets less current liabilities (excluding short-term debt).

(6) As adjusted for our cash and cash equivalents as of December 31, 2006, 2007, 2008, 2009 and 2010, our net debt was $4,607 million, $5,047 million, $4,586 million, $4,257 million and $3,653 million respectively. Net debt is a non-GAAP financial measure and represents total debt (short-term and long-term debt) after deduction of cash and cash equivalents. Management believes this measure is a good reflection of our net leverage.

(7) Depreciation and amortization include the cumulative net effect of purchase price adjustments related to a number of acquisitions and divestments, including the purchase by a consortium of private equity investors of an 80.1% interest in our business, described elsewhere in this annual report as our "Formation." The cumulative net effects of purchase price adjustments in depreciation and amortization aggregated to $848 million in the period September 29 to December 31, 2006, $762 million in 2007, $658 million in 2008, $371 million in 2009 and $302 million in 2010. Both in 2010 and 2009, depreciation and amortization included $46 million related to depreciation of property, plant and equipment due to disposals that occurred in connection with our restructuring activities amounting to $40 million, compared to $4 million in 2009, and other incidental items amounting to $6 million, compared to $42 million in 2009. For a detailed list of the acquisitions and a discussion of the effect of acquisition accounting, see "Part I—Item 5. Operating and Financial Review and Prospects—A. Operating results—Factors Affecting Comparability—Effect of Acquisition Accounting" contained elsewhere in this annual report. Depreciation and amortization also include impairments to goodwill and other intangibles, as well as write-offs in connection with acquired in-process research and development, if any.

The majority of our expenses are incurred in euros, while most of our revenues are denominated in U.S. dollars. As used in this annual report, "euro", or "€" means the single unified currency of the European Monetary Union. "U.S. dollar", "USD", "U.S. $" or "$" means the lawful currency of the United States of America. As used in this annual report, the term "noon buying rate" refers to the exchange rate for euro, expressed in U.S. dollars per euro, as announced by the Federal Reserve Bank of New York for customs purposes as the rate in the city of New York for cable transfers in foreign currencies.

The table below shows the average noon buying rates for U.S. dollars per euro for the five years ended December 31, 2010 and the high, low and period end rates for each of those periods. The averages set forth in the table below have been computed using the noon buying rate on the last business day of each month during the periods indicated.

Year ended December 31,	Average ($ per €)
2006	1.2563
2007	1.3771
2008	1.4726
2009	1.3935
2010	1.3261

The following table shows the high and low noon buying rates for U.S. dollars per euro for each of the six months in the six-month period ended February 28, 2011 and for the period from March 1, 2011 through March 7, 2011:

Month	High	Low
	($ per €)	
2010		
September	1.3638	1.2708
October	1.4066	1.3688
November	1.4224	1.3092
December	1.3395	1.3089
2011		
January	1.3715	1.2942
February	1.3793	1.3474
March (through March 7, 2011)	1.3982	1.3812

On March 7, 2011, the noon buying rate was $1.3976 per €1.00.

Fluctuations in the value of the euro relative to the U.S. dollar have had a significant effect on the translation into U.S. dollar of our euro assets, liabilities, revenues and expenses, and may continue to do so in the future. For further information on the impact of fluctuations in exchange rates on our operations, see "Part I—Item 3. Key Information—D. Risk factors—Fluctuations in foreign exchange rates may have an adverse effect on our financial results" and "Part I—Item 11. Quantitative and Qualitative Disclosures About Market Risk—Foreign Currency Risks".

B. *Capitalization and indebtedness.*

Not applicable.

C. *Reasons for the offer and use of proceeds.*

Not applicable.

D. *Risk factors.*

The following section provides an overview of the risks to which our business is exposed. You should carefully consider the risk factors described below and all other information contained in this annual report, including the financial statements and related notes. The occurrence of the risks described below could have a material adverse impact on our business, financial condition or results of operations. Various statements in this annual report, including the following risk factors, contain forward-looking statements. Please also refer to "Part I—Item 5. Operating and Financial Review and Prospects—G. Safe harbor", elsewhere in this annual report.

The semiconductor industry is highly cyclical.

Historically, the relationship between supply and demand in the semiconductor industry has caused a high degree of cyclicality in the semiconductor market. Semiconductor supply is partly driven by manufacturing capacity, which in the past has demonstrated alternating periods of substantial capacity additions and periods in which no or limited capacity was added. As a general matter, semiconductor companies are more likely to add capacity in periods when current or expected future demand is strong and margins are, or are expected to be, high. Investments in new capacity can result in overcapacity, which can lead to a reduction in prices and margins. In response, companies typically limit further capacity additions, eventually causing the market to be relatively undersupplied. In addition, demand for semiconductors varies, which can exacerbate the effect of supply fluctuations. As a result of this cyclicality, the semiconductor industry has in the past experienced significant downturns, such as in 1997/1998, 2001/2002 and in 2008/2009, often in connection with, or in anticipation of, maturing life cycles of semiconductor companies' products and declines in general economic conditions. These downturns have been characterized by diminishing demand for end-user products, high inventory levels, underutilization of manufacturing capacity and accelerated erosion of average selling prices. The foregoing risks have historically had, and may continue to have, a material adverse effect on our business, financial condition and results of operations.

The semiconductor industry is highly competitive. If we fail to introduce new technologies and products in a timely manner, this could adversely affect our business.

The semiconductor industry is highly competitive and characterized by constant and rapid technological change, short product lifecycles, significant price erosion and evolving standards. Accordingly, the success of our business depends to a significant extent on our ability to develop new technologies and products that are ultimately successful in the market. The costs related to the research and development necessary to develop new technologies and products are significant and any reduction of our research and development budget could harm our competitiveness. Meeting evolving industry requirements and introducing new products to the market in a timely manner and at prices that are acceptable to our customers are significant factors in determining our competitiveness and success. Commitments to develop new products must be made well in advance of any resulting sales, and technologies and standards may change during development, potentially rendering our products outdated or uncompetitive before their introduction. If we are unable to successfully develop new products, our revenues may decline substantially. Moreover, some of our competitors are well-established entities, are larger than us and have greater resources than we do. If these competitors increase the resources they devote to developing and marketing their products, we may not be able to compete effectively. Any consolidation among our competitors could enhance their product offerings and financial resources, further strengthening their competitive position. In addition, some of our competitors operate in narrow business areas relative to us, allowing them to concentrate their research and development efforts directly on products and services for those areas, which may give them a competitive advantage. As a result of these competitive pressures, we may face declining sales volumes or lower prevailing prices for our products, and we may not be able to reduce our total costs in line with these declining revenues. If any of these risks materialize, they could have a material adverse effect on our business, financial condition and results of operations.

In many of the market segments in which we compete, we depend on winning selection processes, and failure to be selected could adversely affect our business in those market segments.

One of our business strategies is to participate in and win competitive bid selection processes to develop products for use in our customers' equipment and products. These selection processes can be lengthy and require us to incur significant design and development expenditures, with no guarantee of winning a contract or generating revenues. Failure to win new design projects and delays in developing new products with anticipated technological advances or in commencing volume shipments of these products may have an adverse effect on our business. This risk is particularly pronounced in markets where there are only a few potential customers and in the automotive market, where, due to the longer design cycles involved, failure to win a design-in could prevent access to a customer for several years. Our failure to win a sufficient number of these bids could result in reduced revenues and hurt our competitive position in future selection processes because we may not be perceived as being a technology or industry leader, each of which could have a material adverse effect on our business, financial condition and results of operations.

The demand for our products depends to a significant degree on the demand for our customers' end products.

The vast majority of our revenues are derived from sales to manufacturers in the automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing markets. Demand in these markets fluctuates significantly, driven by consumer spending, consumer preferences, the development of new technologies and prevailing economic conditions. In addition, the specific products in which our semiconductors are incorporated may not be successful, or may experience price erosion or other competitive factors that affect the price manufacturers are willing to pay us. Such customers have in the past, and may in the future, vary order levels significantly from period to period, request postponements to scheduled delivery dates, modify their orders or reduce lead times. This is particularly common during periods of low demand. This can make managing our business difficult, as it limits the predictability of future revenues. It can also affect the accuracy of our financial forecasts. Furthermore, developing industry trends, including customers' use of outsourcing and new and revised supply chain models, may affect our revenues, costs and working capital requirements. Additionally, a significant portion of our products is made to order.

If customers do not purchase products made specifically for them, we may not be able to resell such products to other customers or may not be able to require the customers who have ordered these products to pay a cancellation fee. The foregoing risks could have a material adverse effect on our business, financial condition and results of operations.

The semiconductor industry is characterized by significant price erosion, especially after a product has been on the market for a significant period of time.

One of the results of the rapid innovation that is exhibited by the semiconductor industry is that pricing pressure, especially on products containing older technology, can be intense. Product life cycles are relatively short, and as a result, products tend to be replaced by more technologically advanced substitutes on a regular basis. In turn, demand for older technology falls, causing the price at which such products can be sold to drop, in some cases precipitously. In order to continue profitably supplying these products, we must reduce our production costs in line with the lower revenues we can expect to receive per unit. Usually, this must be accomplished through improvements in process technology and production efficiencies. If we cannot advance our process technologies or improve our efficiencies to a degree sufficient to maintain required margins, we will no longer be able to make a profit from the sale of these products. Moreover, we may not be able to cease production of such products, either due to contractual obligations or for customer relationship reasons, and as a result may be required to bear a loss on such products. We cannot guarantee that competition in our core product markets will not lead to price erosion, lower revenue growth rates and lower margins in the future. Should reductions in our manufacturing costs fail to keep pace with reductions in market prices for the products we sell, this could have a material adverse effect on our business, financial condition and results of operations.

Our substantial amount of debt could adversely affect our financial health, which could adversely affect our results of operations.

We are highly leveraged. Our substantial indebtedness could have a material adverse effect on us by: making it more difficult for us to satisfy our payment obligations under our existing senior secured revolving credit facility (the "Secured Revolving Credit Facility") or the "forward start" revolving credit facility (the "Forward Start Revolving Credit Facility"), as the case may be, the $500 million secured term loan we entered into on March 4, 2011 (the "Term Loan") and under our euro-denominated 10% super priority notes due July 15, 2013 (the "Euro Super Priority Notes"), U.S. dollar-denominated 10% super priority notes due July 15, 2013 (the "Dollar Super Priority Notes" and, together with the Euro Super Priority Notes, the "Super Priority Notes"), the euro-denominated floating rate senior secured notes due October 15, 2013 (the "Euro Floating Rate Secured Notes"), U.S. dollar-denominated floating rate senior secured notes due October 15, 2013 (the "Dollar Floating Rate Secured Notes"), U.S. dollar-denominated 7 7/8% senior secured notes due October 15, 2014 (the "2014 Dollar Fixed Rate Secured Notes"), U.S. dollar-denominated 9 3/4% senior secured notes due 2018 (the 2018 Dollar Fixed Rate Secured Notes and, together with the Euro Floating Rate Secured Notes, Dollar Floating Rate Secured Notes and the 2014 Dollar Fixed Rate Secured Notes, the "Secured Notes") and our euro-denominated 8 5/8% senior notes due October 15, 2015 (the "Euro Unsecured Notes") and U.S. dollar-denominated 9 1/2% senior notes due October 15, 2015 (the "Dollar Unsecured Notes" and, together with our Euro Unsecured Notes, the “Unsecured Notes”); limiting our ability to borrow money for working capital, restructurings, capital expenditures, research and development, investments, acquisitions or other purposes, if needed, and increasing the cost of any of these borrowings; requiring us to dedicate a substantial portion of our cash flow from operations to service our debt, which reduces the funds available for operations and future business opportunities; limiting our flexibility in responding to changing business and economic conditions, including increased competition and demand for new services; placing us at a disadvantage when compared to those of our competitors that have less debt; and making us more vulnerable than those of our competitors who have less debt to a downturn in our business, industry or the economy in general. Despite our substantial indebtedness, we may still incur significantly more debt, which could further exacerbate the risks described above.

We may not be able to generate sufficient cash to service and repay all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions. In the future, we may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. We have seen substantial negative cash flows from operations in periods of adverse economic developments. Our business may not generate sufficient cash flow from operations and future borrowings under our Secured Revolving Credit Facility or Forward Start Revolving Credit Facility, as the case may be, or from other sources may not be available to us, in an amount sufficient to enable us to repay our indebtedness, including the Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, the Term Loan the Super Priority Notes, the Secured Notes or the Unsecured Notes, or to fund our other liquidity needs, including our redesign program (the “Redesign Program”) and working capital and capital expenditure requirements, and we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness.

In addition, the availability of our Forward Start Revolving Credit Facility is subject to a number of conditions. If we do not satisfy these conditions by a certain date, our Forward Start Revolving Credit Facility will not be available to refinance our Secured Revolving Credit Facility or for other purposes, and as a result we will lose an important source of liquidity.

A substantial portion of our indebtedness currently bears interest at floating rates, and therefore if interest rates increase, our debt service requirements will increase. We may therefore need to refinance or restructure all or a portion of our indebtedness, including the Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, the Term Loan the Super Priority Notes, the Secured Notes and the Unsecured Notes, on or before maturity.

If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity investments or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances, any of which could have a material adverse effect on our business, or seeking to restructure our debt through compromises, exchanges or insolvency processes.

If we cannot make scheduled payments on our debt, we will be in default and, as a result:

- holders of our debt securities could declare all outstanding principal and interest to be due and payable;
- the lenders under our Secured Revolving Credit Facility or Forward Start Revolving Credit Facility, as the case may be, could terminate their commitments to lend us money and/or foreclose against the assets securing any outstanding borrowings; and
- we could be forced into bankruptcy or liquidation.

Goodwill and other identifiable intangible assets represent a significant portion of our total assets, and we may never realize the full value of our intangible assets.

Goodwill and other identifiable intangible assets are recorded at fair value on the date of acquisition. We review our goodwill and other intangible assets balance for impairment upon any indication of a potential impairment, and in the case of goodwill, at a minimum of once a year. Impairment may result from, among other things, deterioration in performance, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of or affect the products and services we sell, challenges to the validity of certain registered intellectual property, reduced sales of certain products incorporating registered intellectual property and a variety of other factors. The amount of any quantified impairment must be expensed immediately as a charge to results of operations. See "Part I—Item 5. Operating and Financial Review and Prospects—A. Operating results—Factors Affecting Comparability—Effect of Acquisition Accounting" for the latest impairment charges that we have made. Depending on future circumstances, it is possible that we may never realize the full value of our intangible assets. Any future determination of impairment of goodwill or other identifiable intangible assets could have a material adverse effect on our financial position, results of operations and net worth.

As our business is global, we need to comply with laws and regulations in countries across the world and are exposed to international business risks that could adversely affect our business.

We operate globally, with manufacturing, assembly and testing facilities in several continents, and we market our products globally.

As a result, we are subject to environmental, labor and health and safety laws and regulations in each jurisdiction in which we operate. We are also required to obtain environmental permits and other authorizations or licenses from governmental authorities for certain of our operations and have to protect our intellectual property worldwide. In the jurisdictions where we operate, we need to comply with differing standards and varying practices of regulatory, tax, judicial and administrative bodies.

There is new U.S. legislation to improve the transparency and accountability concerning the supply of minerals coming from the conflict zones of the Democratic Republic of Congo. Such legislation includes disclosure requirements regarding the use of "conflict" minerals mined from the Democratic Republic of Congo and adjoining countries and procedures regarding a manufacturer's efforts to prevent the sourcing of such "conflict" minerals. The implementation of these requirements could affect the sourcing and availability of minerals used in the manufacture of our products. As a result, there may only be a limited pool of suppliers who provide conflict free metals, and we cannot assure you that we will be able to obtain products in sufficient quantities or at competitive prices. Also, since our supply chain is complex, we may face reputational challenges with our customers and other stakeholders if we are unable to sufficiently verify the origins of all metals used in our products.

In addition, the business environment is also subject to many economic and political uncertainties, including the following international business risks:

- negative economic developments in economies around the world and the instability of governments, currently for example the sovereign debt situation in certain European countries;
- Social and political instability in a number of countries around the world, including the recent developments in North Africa and the Middle East, and also including the threat of war, terrorist attacks in the United States or in EMEA, epidemics or civil unrest. Although we have no direct investments in North Africa and the Middle East, the ongoing changes may have, for instance via our customers, the energy prices and the financial markets, a negative effect on our business, financial condition and operations;
- pandemics, which may adversely affect our workforce, as well as our local suppliers and customers in particular in Asia;

- adverse changes in governmental policies, especially those affecting trade and investment;
- foreign currency exchange, in particular with respect to the U.S. dollar, and transfer restrictions, in particular in Greater China; and
- threats that our operations or property could be subject to nationalization and expropriation.

No assurance can be given that we have been or will be at all times in complete compliance with the laws and regulations to which we are subject or that we have obtained or will obtain the permits and other authorizations or licenses that we need. If we violate or fail to comply with laws, regulations, permits and other authorizations or licenses, we could be fined or otherwise sanctioned by regulators. In this case, or if any of the international business risks were to materialize or become worse, they could have a material adverse effect on our business, financial condition and results of operations.

In difficult market conditions, our high fixed costs combined with low revenues negatively affect our results of operations.

The semiconductor industry is characterized by high fixed costs and, notwithstanding our significant utilization of third-party manufacturing capacity, most of our production requirements are met by our own manufacturing facilities. In less favorable industry environments, we are generally faced with a decline in the utilization rates of our manufacturing facilities due to decreases in product demand. During such periods, our fabrication plants operate at a lower loading level, while the fixed costs associated with the full capacity continue to be incurred, resulting in lower gross profits.

The semiconductor industry is capital intensive and if we are unable to invest the necessary capital to operate and grow our business, we may not remain competitive.

To remain competitive, we must constantly improve our facilities and process technologies and carry out extensive research and development, each of which requires investment of significant amounts of capital. This risk is magnified by the relatively high level of debt we currently have, since we are required to use a portion of our cash flow to service that debt. If we are unable to generate sufficient cash or raise sufficient capital to meet both our debt service and capital investment requirements, or if we are unable to raise required capital on favorable terms when needed, this could have a material adverse effect on our business, financial condition and results of operations.

We are bound by the restrictions contained in the Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, the Term Loan and the Indentures, which may restrict our ability to pursue our business strategies.

Restrictive covenants in our Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, the Term Loan and the indentures related to the Super Priority Notes, the Secured Notes, the Unsecured Notes (collectively, the “Indentures”) limit our ability, among other things, to:

- incur additional indebtedness or issue preferred stock;
- pay dividends or make distributions in respect of our capital stock or make certain other restricted payments or investments;
- repurchase or redeem capital stock;
- sell assets, including capital stock of restricted subsidiaries;
- agree to limitations on the ability of our restricted subsidiaries to make distributions;
- enter into transactions with our affiliates;
- incur liens;

- guarantee indebtedness; and
- engage in consolidations, mergers or sales of substantially all of our assets.

These restrictions could restrict our ability to pursue our business strategies. We are currently in compliance with all of our restrictive covenants.

Our failure to comply with the covenants contained in our Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, the Term Loan or the Indentures or our other debt agreements, including as a result of events beyond our control, could result in an event of default which could materially and adversely affect our operating results and our financial condition.

Our Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, the Term Loan and the Indentures require us to comply with various covenants. Even though we are currently in compliance with all of our covenants, if there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could terminate commitments to lend and cause all amounts outstanding with respect to the debt to be due and payable immediately, which in turn could result in cross defaults under our other debt instruments. Our assets and cash flow may not be sufficient to fully repay borrowings under all of our outstanding debt instruments if some or all of these instruments are accelerated upon an event of default.

If, when required, we are unable to repay, refinance or restructure our indebtedness under, or amend the covenants contained in, our Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, or if a default otherwise occurs, the lenders under our Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, could elect to terminate their commitments thereunder, cease making further loans and issuing or renewing letters of credit, declare all outstanding borrowings and other amounts, together with accrued interest and other fees, to be immediately due and payable, institute enforcement proceedings against those assets that secure the extensions of credit under our Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, and thereby prevent us from making payments on our debt. Any such actions could force us into bankruptcy or liquidation.

We rely to a significant extent on proprietary intellectual property. We may not be able to protect this intellectual property against improper use by our competitors or others.

We depend significantly on patents and other intellectual property rights to protect our products and proprietary design and fabrication processes against misappropriation by others. We may in the future have difficulty obtaining patents and other intellectual property rights, and the patents we receive may be insufficient to provide us with meaningful protection or commercial advantage. We may not be able to obtain patent protection or secure other intellectual property rights in all the countries in which we operate, and under the laws of such countries, patents and other intellectual property rights may be or become unavailable or limited in scope. The protection offered by intellectual property rights may be inadequate or weakened for reasons or circumstances that are out of our control. Further, our trade secrets may be vulnerable to disclosure or misappropriation by employees, contractors and other persons. In particular, intellectual property rights are difficult to enforce in the People’s Republic of China (PRC) and certain other countries, since the application and enforcement of the laws governing such rights may not have reached the same level as compared to other jurisdictions where we operate, such as the United States, Germany and the Netherlands. Consequently, operating in some of these nations may subject us to an increased risk that unauthorized parties may attempt to copy or otherwise use our intellectual property or the intellectual property of our suppliers or other parties with whom we engage. There is no assurance that we will be able to protect our intellectual property rights or have adequate legal recourse in the event that we seek legal or judicial enforcement of our intellectual property rights under the laws of such countries. Any inability on our part to adequately protect our intellectual property may have a material adverse effect on our business, financial condition and results of operations.

The intellectual property that was transferred or licensed to us from Philips may not be sufficient to protect our position in the industry.

In connection with our separation from Philips in 2006, Philips transferred approximately 5,300 patent families to us subject to certain limitations, including (1) any prior commitments to and undertakings with third parties entered into prior to the separation and (2) certain licenses retained by Philips. The licenses retained by Philips give Philips the right to sublicense to third parties in certain circumstances, which may divert revenue opportunities from us. Approximately 800 of the patent families transferred from Philips were transferred to ST-NXP Wireless (and subsequently to ST-Ericsson, its successor) in connection with the contribution of our wireless operations to ST-NXP Wireless in 2008. Approximately 400 of the patent families transferred from Philips were transferred to Trident Microsystems, Inc. ("Trident") in connection with the divestment of our television systems and set-top box business lines to Trident in 2010. Further, a number of other patent families have been transferred in the context of other transactions. In addition, the acquisition of our Sound Solutions business by Knowles Electronics, scheduled to close on or about the end of the first quarter of 2011, subject to regulatory approvals or customary closing conditions, will lead to the transfer of certain patent families.

Philips granted us a non-exclusive license to: (1) all patents Philips holds but has not assigned to us, to the extent that they are entitled to the benefit of a filing date prior to the separation and for which Philips is free to grant licenses without the consent of or accounting to any third party and (2) certain know-how that is available to us, where such patents and know-how relate to: (i) our current products and technologies, as well as successor products and technologies, (ii) technology that was developed for us prior to the separation and (iii) technology developed pursuant to contract research co-funded by us. Philips has also granted us a non-exclusive royalty-free and irrevocable license under: (1) certain patents for use in giant magneto-resistive devices outside the field of healthcare and bio applications, and (2) certain patents relevant to polymer electronics resulting from contract research work co-funded by us in the field of radio frequency identification tags. Such licenses are subject to certain prior commitments and undertakings. However, Philips retained ownership of certain intellectual property related to our business, as well as certain rights with respect to intellectual property transferred to us in connection with the separation. There can be no guarantee that the patents transferred to us will be sufficient to assert offensively against our competitors, to be used as leverage to negotiate future cross-licenses or to give us freedom to operate and innovate in the industry. The strength and value of our intellectual property may be diluted if Philips licenses or otherwise transfers such intellectual property or such rights to third parties, especially if those third parties compete with us. The foregoing risks could have a material adverse effect on our business, financial condition and results of operations.

We may become party to intellectual property claims or litigation that could cause us to incur substantial costs, pay substantial damages or prohibit us from selling our products.

We have from time to time received, and may in the future receive, communications alleging possible infringement of patents and other intellectual property rights of others. Further, we may become involved in costly litigation brought against us regarding patents, copyrights, trademarks, trade secrets or other intellectual property rights. If any such claims are asserted against us, we may seek to obtain a license under the third party's intellectual property rights. We cannot assure you that we will be able to obtain any or all of the necessary licenses on satisfactory terms, if at all. In the event that we cannot obtain or take the view that we don't need a license, these parties may file lawsuits against us seeking damages (and potentially treble damages in the United States) or an injunction against the sale of our products that incorporate allegedly infringed intellectual property or against the operation of our business as presently conducted. Such lawsuits, if successful, could result in an increase in the costs of selling certain of our products, our having to partially or completely redesign our products or stop the sale of some of our products and could cause damage to our reputation. Any litigation could require significant financial and management resources regardless of the merits or outcome, and we cannot assure you that we would prevail in any litigation or that our intellectual property rights can be successfully asserted in the future or will not be invalidated, circumvented or challenged. The award of damages, including material royalty payments, or the entry of an injunction against the manufacture and sale of some or all of our products, could affect our ability to compete or have a material adverse effect on our business, financial condition and results of operations.

We rely on strategic partnerships, joint ventures and alliances for manufacturing and research and development. However, we often do not control these partnerships and joint ventures, and actions taken by any of our partners or the termination of these partnerships or joint ventures could adversely affect our business.

As part of our strategy, we have entered into a number of long-term strategic partnerships with other leading industry participants. For example, we have entered into a joint venture with Taiwan Semiconductor Manufacturing Company Limited ("TSMC") called Systems on Silicon Manufacturing Company Pte. Ltd. ("SSMC"), and we jointly operate with Jilin Sino-Microelectronics Company Ltd. the joint venture, Jilin NXP Semiconductors Ltd. ("Jilin"). We established Advanced Semiconductor Manufacturing Corporation Limited ("ASMC") together with a number of Chinese partners, and together with Advanced Semiconductor Engineering Inc. ("ASE"), we established the assembly and test joint venture, ASEN Semiconductors Co. Ltd. ("ASEN"). As a result of the transfer of our television systems and set-top box business lines to Trident, we acquired an equity stake in Trident.

If any of our strategic partners in industry groups or in any of the other alliances we engage with were to encounter financial difficulties or change their business strategies, they may no longer be able or willing to participate in these groups or alliances, which could have a material adverse effect on our business, financial condition and results of operations. We do not control some of these strategic partnerships, joint ventures and alliances in which we participate. Even though we own 59% of the outstanding stock of Trident, for instance, we only have a 30% voting interest in participatory rights and have a 59% voting interest only for certain protective rights. We may also have certain obligations, including some limited funding obligations or take or pay obligations, with regard to some of our strategic partnerships, joint ventures and alliances. For example, we have made certain commitments to SSMC, in which we have a 61.2% ownership share, whereby we are obligated to make cash payments to SSMC should we fail to utilize, and TSMC does not utilize, an agreed upon percentage of the total available capacity at SSMC's fabrication facilities if overall SSMC utilization levels drop below a fixed proportion of the total available capacity.

We have made and may continue to make acquisitions and engage in other transactions to complement or expand our existing businesses. However, we may not be successful in acquiring suitable targets at acceptable prices and integrating them into our operations, and any acquisitions we make may lead to a diversion of management resources.

Our future success may depend on acquiring businesses and technologies, making investments or forming joint ventures that complement, enhance or expand our current portfolio or otherwise offer us growth opportunities. If we are unable to identify suitable targets, our growth prospects may suffer, and we may not be able to realize sufficient scale advantages to compete effectively in all markets. In addition, in pursuing acquisitions, we may face competition from other companies in the semiconductor industry. Our ability to acquire targets may also be limited by applicable antitrust laws and other regulations in the United States, the European Union and other jurisdictions in which we do business. To the extent that we are successful in making acquisitions, we may have to expend substantial amounts of cash, incur debt, assume loss-making divisions and incur other types of expenses. We may also face challenges in successfully integrating acquired companies into our existing organization. Each of these risks could have a material adverse effect on our business, financial condition and results of operations.

We may from time to time desire to exit certain product lines or businesses, or to restructure our operations, but may not be successful in doing so.

From time to time, we may decide to divest certain product lines and businesses or restructure our operations, including through the contribution of assets to joint ventures. We have, in recent years, exited several of our product lines and businesses, and we have closed several of our manufacturing and research facilities. We may continue to do so in the future. However, our ability to successfully exit product lines and businesses, or to close or consolidate operations, depends on a number of factors, many of which are outside of our control. For example, if we are seeking a buyer for a particular business line, none may be available, or we may not be successful in negotiating satisfactory terms with prospective buyers. In addition, we may face internal obstacles to our efforts. In particular, several of our operations and facilities are subject to collective bargaining agreements and social plans or require us to consult with our employee representatives, such as work councils which may prevent or complicate our efforts to sell or restructure our businesses. In some cases, particularly with respect to our European operations, there may be laws or other legal impediments affecting our ability to carry out such sales or restructuring. If we are unable to exit a product line or business in a timely manner, or to restructure our operations in a manner we deem to be advantageous, this could have a material adverse effect on our business, financial condition and results of operations. Even if a divestment is successful, we may face indemnity and other liability claims by the acquirer or other parties.

Although a definitive agreement between us and Dover Corporation was signed on the acquisition of our Sound Solutions business by Knowles Electronics, the transaction is not yet closed and there is a risk that the transaction may not materialize.

We and Dover Corporation (NYSE: DOV) announced on December 22, 2010, that we have signed a definitive agreement whereby Knowles Electronics will acquire our Sound Solutions business, a leading provider of speaker and receiver components for the mobile handset market, subject to regulatory approvals and customary closing conditions. The sale of our Sound Solutions business will significantly strengthen our balance sheet, while allowing us to further focus our resources on our core High Performance Mixed Signal business. Under the terms of the agreement, Knowles Electronics will acquire Sound Solutions for $855 million in cash. The transaction is expected to close on or about the end of the first quarter of 2011. In the event that the acquisition of our Sound Solutions business by Knowles Electronics does not materialize, this will reduce our ability to improve our balance sheet. This may have a material adverse impact on our share price.

Our Redesign Program may not be entirely successful or we may not make the projected continued progress in the future execution of our Redesign Program. The estimated future savings with regard to our Redesign Program are difficult to predict.

In September 2008, we announced our Redesign Program, targeted to reduce our annual cost base through major reductions of the manufacturing base, rightsizing of our central research and development and reduction of support functions. In the course of 2009, we accelerated and expanded the program. In 2010, we continued to proceed with the Redesign Program's implementation. However, our savings from measures yet to be implemented may be lower than we currently anticipate, and they may or may not be realized on our anticipated time line. The cost of implementing the Redesign Program may also differ from our estimates and negative effects from the Redesign Program, such as customer dissatisfaction, may have a larger impact on our revenues than currently expected.

If we fail to extend or renegotiate our collective bargaining agreements and social plans with our labor unions as they expire from time to time, if regular or statutory consultation processes with employee representatives such as works councils fail or are delayed, or if our unionized employees were to engage in a strike or other work stoppage, our business and operating results could be materially harmed.

We are a party to collective bargaining agreements and social plans with our labor unions. We also are required to consult with our employee representatives, such as works councils, on items such as restructurings, acquisitions and divestitures. Although we believe that our relations with our employees, employee representatives and unions are satisfactory, no assurance can be given that we will be able to successfully extend or renegotiate these agreements as they expire from time to time or to conclude the consultation processes in a timely and favorable way. The impact of future negotiations and consultation processes with employee representatives could have a material impact on our financial results. Also, if we fail to extend or renegotiate our labor agreements and social plans, if significant disputes with our unions arise, or if our unionized workers engage in a strike or other work stoppage, we could incur higher ongoing labor costs or experience a significant disruption of operations, which could have a material adverse effect on our business.

Our working capital needs are difficult to predict.

Our working capital needs are difficult to predict and may fluctuate. The comparatively long period between the time at which we commence development of a product and the time at which it may be delivered to a customer leads to high inventory and work-in-progress levels. The volatility of our customers' own businesses and the time required to manufacture products also makes it difficult to manage inventory levels and requires us to stockpile products across many different specifications.

Our business may be adversely affected by costs relating to product defects, and we could be faced with product liability and warranty claims.

We make highly complex electronic components and, accordingly, there is a risk that defects may occur in any of our products. Such defects can give rise to significant costs, including expenses relating to recalling products, replacing defective items, writing down defective inventory and loss of potential sales. In addition, the occurrence of such defects may give rise to product liability and warranty claims, including liability for damages caused by such defects. If we release defective products into the market, our reputation could suffer and we could lose sales opportunities and become liable to pay damages. Moreover, since the cost of replacing defective semiconductor devices is often much higher than the value of the devices themselves, we may at times face damage claims from customers in excess of the amounts they pay us for our products, including consequential damages. We also face exposure to potential liability resulting from the fact that our customers typically integrate the semiconductors we sell into numerous consumer products, which are then sold into the marketplace. We are exposed to product liability claims if our semiconductors or the consumer products based on them malfunction and result in personal injury or death. We may be named in product liability claims even if there is no evidence that our products caused the damage in question, and such claims could result in significant costs and expenses relating to attorneys' fees and damages. In addition, our customers may recall their products if they prove to be defective or make compensatory payments in accordance with industry or business practice or in order to maintain good customer relationships. If such a recall or payment is caused by a defect in one of our products, our customers may seek to recover all or a portion of their losses from us. If any of these risks materialize, our reputation would be harmed and there could be a material adverse effect on our business, financial condition and results of operations.

Our business has suffered, and could in the future suffer, from manufacturing problems.

We manufacture our products using processes that are highly complex, require advanced and costly equipment and must continuously be modified to improve yields and performance. Difficulties in the production process can reduce yields or interrupt production, and, as a result of such problems, we may on occasion not be able to deliver products or in a timely or cost-effective or competitive manner. As the complexity of both our products and our fabrication processes has become more advanced, manufacturing tolerances have been reduced and requirements for precision have become more demanding. As is common in the semiconductor industry, we have in the past experienced manufacturing difficulties that have given rise to delays in delivery and quality control problems. There can be no assurance that any such occurrence in the future would not materially harm our results of operations. Further, we may suffer disruptions in our manufacturing operations, either due to production difficulties such as those described above or as a result of external factors beyond our control. We may, in the future, experience manufacturing difficulties or permanent or temporary loss of manufacturing capacity due to the preceding or other risks. Any such event could have a material adverse effect on our business, financial condition and results of operations.

We rely on the timely supply of equipment and materials and could suffer if suppliers fail to meet their delivery obligations or raise prices. Certain equipment and materials needed in our manufacturing operations are only available from a limited number of suppliers.

Our manufacturing operations depend on deliveries of equipment and materials in a timely manner and, in some cases, on a just-in-time basis. From time to time, suppliers may extend lead times, limit the amounts supplied to us or increase prices due to capacity constraints or other factors. Supply disruptions may also occur due to shortages in critical materials, such as silicon wafers or specialized chemicals. Because the equipment that we purchase is complex, it is frequently difficult or impossible for us to substitute one piece of equipment for another or replace one type of material with another. A failure by our suppliers to deliver our requirements could result in disruptions to our manufacturing operations. Our business, financial condition and results of operations could be harmed if we are unable to obtain adequate supplies of quality equipment or materials in a timely manner or if there are significant increases in the costs of equipment or materials.

Failure of our outside foundry suppliers to perform could adversely affect our ability to exploit growth opportunities.

We currently use outside suppliers or foundries for a portion of our manufacturing capacity. Outsourcing our production presents a number of risks. If our outside suppliers are unable to satisfy our demand, or experience manufacturing difficulties, delays or reduced yields, our results of operations and ability to satisfy customer demand could suffer. In addition, purchasing rather than manufacturing these products may adversely affect our gross profit margin if the purchase costs of these products are higher than our own manufacturing costs would have been. Our internal manufacturing costs include depreciation and other fixed costs, while costs for products outsourced are based on market conditions. Prices for foundry products also vary depending on capacity utilization rates at our suppliers, quantities demanded, product technology and geometry. Furthermore, these outsourcing costs can vary materially from quarter to quarter and, in cases of industry shortages, they can increase significantly, negatively affecting our gross profit.

Loss of our key management and other personnel, or an inability to attract such management and other personnel, could affect our business.

We depend on our key management to run our business and on our senior engineers to develop new products and technologies. Our success will depend on the continued service of these individuals. Although we have several share based compensation plans in place, we cannot be sure that these plans will help us in our ability to retain key personnel, especially considering the fact that participants under some of our plans are allowed to exercise stock options and sell the shares so acquired pro rata upon a sale of shares of common stock by the co-investors, including the Private Equity Consortium, and that all of the stock options under some of our plans become exercisable upon a change of control (in particular, the Private Equity Consortium no longer jointly holding 30% of our shares of common stock). The loss of any of our key personnel, whether due to departures, death, ill health or otherwise, could have a material adverse effect on our business. The market for qualified employees, including skilled engineers and other individuals with the required technical expertise to succeed in our business, is highly competitive and the loss of qualified employees or an inability to attract, retain and motivate the additional highly skilled employees required for the operation and expansion of our business could hinder our ability to successfully conduct research activities or develop marketable products. The foregoing risks could have a material adverse effect on our business.

Disruptions in our relationships with any one of our key customers could adversely affect our business.

A substantial portion of our revenues is derived from our top customers, including our distributors. We cannot guarantee that we will be able to generate similar levels of revenues from our largest customers in the future. Should one or more of these customers substantially reduce their purchases from us, this could have a material adverse effect on our business, financial condition and results of operations.

We receive subsidies and grants in certain countries, and a reduction in the amount of governmental funding available to us or demands for repayment could increase our costs and affect our results of operations.

As is the case with other large semiconductor companies, we receive subsidies and grants from governments in some countries. These programs are subject to periodic review by the relevant governments, and if any of these programs are curtailed or discontinued, this could have a material adverse effect on our business, financial condition and results of operations. As the availability of government funding is outside our control, we cannot guarantee that we will continue to benefit from government support or that sufficient alternative funding will be available if we lose such support. Moreover, should we terminate any activities or operations, including strategic alliances or joint ventures, we may face adverse actions from the local governmental agencies providing such subsidies to us. In particular, such government agencies could seek to recover such subsidies from us and they could cancel or reduce other subsidies we receive from them. This could have a material adverse effect on our business, financial condition and results of operations.

Legal proceedings covering a range of matters are pending in various jurisdictions. Due to the uncertainty inherent in litigation, it is difficult to predict the final outcome. An adverse outcome might affect our results of operations.

We and certain of our businesses are involved as plaintiffs or defendants in legal proceedings in various matters. Although the ultimate disposition of asserted claims and proceedings cannot be predicted with certainty, our financial position and results of operations could be affected by an adverse outcome.

For example, we are the subject of an investigation by the European Commission in connection with alleged violations of competition laws in connection with the smart card chips we produce. The European Commission stated in its release on January 7, 2009 that it would start investigations in the smart card chip sector because it has reason to believe that the companies concerned may have violated European Union competition rules, which prohibits certain practices such as price fixing, customer allocation and the exchange of commercially sensitive information. As a company active in the smart card chip sector, we are subject to the ongoing investigation. We are cooperating in the investigation. If the European Commission were to find that we violated European Union competition laws, it could impose fines and penalties on our company that, while the amounts cannot be predicted with certainty, we believe would not have a material adverse effect on our consolidated financial position. However, any such fines or penalties may be material to our consolidated statement of operations for a particular period.

Fluctuations in foreign exchange rates may have an adverse effect on our financial results.

A majority of our expenses are incurred in euro, while most of our revenues are denominated in U.S. dollars. Accordingly, our results of operations may be affected by changes in exchange rates, particularly between the euro and the U.S. dollar. In addition, despite the fact that a majority of our revenues are denominated in U.S. dollars and a substantial portion of our debt is denominated in U.S. dollars, we have euro denominated assets and liabilities and the impact of currency translation adjustments to such assets and liabilities may have a negative effect on our results. In addition, the U.S. dollar-denominated debt held by our Dutch subsidiary with functional currency euro may generate adverse currency results in our financial income and expenses. We continue to hold or convert most of our cash in euro as a hedge for euro expenses, euro interest payments and payments in relation to the Redesign Program. We are exposed to fluctuations in exchange rates when we convert U.S. dollars to euro.

We are exposed to a variety of financial risks, including currency risk, interest rate risk, liquidity risk, commodity price risk, credit risk and other non-insured risks, which may have an adverse effect on our financial results.

We are a global company and, as a direct consequence, movements in the financial markets may impact our financial results. We are exposed to a variety of financial risks, including currency fluctuations, interest rate risk, liquidity risk, commodity price risk and credit risk and other non-insured risks. We enter into diverse financial transactions with several counterparties to mitigate our currency risk. Derivative instruments are only used for hedging purposes. The rating of our debt by major rating agencies may further improve or deteriorate. As a result, our additional borrowing capacity and financing costs may be impacted. We are also a purchaser of certain base metals, precious metals and energy used in the manufacturing process of our products. Currently, we do not use financial derivative instruments to manage exposure to fluctuations in commodity prices. Credit risk represents the loss that would be recognized at the reporting date if counterparties failed to perform upon their agreed payment obligations. Credit risk is present within our trade receivables. Such exposure is reduced through ongoing credit evaluations of the financial conditions of our customers and by adjusting payment terms and credit limits when appropriate. We invest available cash and cash equivalents with various financial institutions and are in that respect exposed to credit risk with these counterparties. We actively manage concentration risk on a daily basis adhering to a treasury management policy. Cash is invested and financial transactions are concluded where possible with financial institutions with a strong credit rating. If we are unable to successfully manage these risks, they could have a material adverse effect on our business, financial condition and results of operations.

The impact of a negative performance of financial markets and demographic trends on our defined benefit pension liabilities and costs cannot be predicted and may be severe.

We hold defined benefit pension plans in a number of countries and a significant number of our employees are covered by our defined-benefit pension plans. As of December 31, 2010, we had recognized a net accrued benefit liability of $199 million, representing the unfunded benefit obligations of our defined pension plan. The funding status and the liabilities and costs of maintaining such defined benefit pension plans may be impacted by financial market developments. For example, the accounting for such plans requires determining discount rates, expected rates of compensation and expected returns on plan assets, and any changes in these variables can have a significant impact on the projected benefit obligations and net periodic pension costs. Negative performance of the financial markets could also have a material impact on funding requirements and net periodic pension costs. Our defined benefit pension plans may also be subject to demographic trends. Accordingly, our costs to meet pension liabilities going forward may be significantly higher than they are today, which could have a material adverse impact on our financial condition.

Changes in the tax deductibility of interest may adversely affect our financial position and our ability to service the obligations under our indebtedness.

On December 5, 2009, the previous Dutch State Secretary of Finance published a letter in which it was announced that, with respect to corporate taxation, the following four issues were the subject of further study: interest deductions of holding companies that are engaged in leveraged acquisitions, tax losses of foreign branches, interest deductions and earnings stripping rules and the so-called group interest box. On April 7, 2010, a committee appointed by the Dutch Ministry of Finance published its initial report. This report contained a general description of potential measures that may effectively limit deductibility of interest, including interest on acquisition debt and measures limiting the deductibility of foreign branch losses. In October 2010, a new Dutch government was installed and the new State Secretary of Finance announced that he will publish his plans for tax reform in April 2011. It is currently unclear whether a legislative proposal will actually be submitted to parliament. Also, it is unclear whether such a legislative proposal would limit the tax deductibility of the interest payable by us under our indebtedness or limit our ability to deduct losses of foreign branches against our Dutch taxable income. However, if it does, this may adversely affect our financial position and our ability to service the obligations under our indebtedness.

We are exposed to a number of different tax uncertainties, which could have an impact on tax results.

We are required to pay taxes in multiple jurisdictions. We determine the taxation we are required to pay based on our interpretation of the applicable tax laws and regulations in the jurisdictions in which we operate. We may be subject to unfavorable changes in the respective tax laws and regulations to which we are subject. Tax controls, audits, change in controls and changes in tax laws or regulations or the interpretation given to them may expose us to negative tax consequences, including interest payments and potentially penalties. We have issued transfer-pricing directives in the area of goods, services and financing, which are in accordance with the Guidelines of the Organization of Economic Co-operation and Development. As transfer pricing has a cross border effect, the focus of local tax authorities on implemented transfer pricing procedures in a country may have an impact on results in another country. In order to mitigate the transfer pricing uncertainties within our deployment, measures have been taken and a monitoring system has been put in place. On a regular basis, internal audits are executed to test the correct implementation of the transfer pricing directives.

Uncertainties can also result from disputes with local tax authorities about transfer pricing of internal deliveries of goods and services or related to financing, acquisitions and divestments, the use of tax credits and permanent establishments, and losses carried forward. These uncertainties may have a significant impact on local tax results. We have various tax assets partly resulting from the acquisition of our business from Philips in 2006 and from other acquisitions. Tax assets can also result from the generation of tax losses in certain legal entities. Tax authorities may challenge these tax assets. In addition, the value of the tax assets resulting from tax losses carried forward depends on having sufficient taxable profits in the future.

Although we have remediated the specific material weakness in our internal control over financial reporting identified for the year ended December 31, 2009, and believe that we have established proper compliance procedures, there may from time to time exist deficiencies in our control systems that could adversely affect the accuracy and reliability of our periodic reporting.

We are required to establish and periodically assess the design and operating effectiveness of our internal control over financial reporting. In connection with our assessment of the internal control over financial reporting for the year ended December 31, 2009, we identified a deficiency related to the accounting and disclosure for income taxes, which we concluded constituted a material weakness. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness that we identified related to the execution of the procedures surrounding the preparation and review of our income tax provision as of December 31, 2009. In particular, the execution of our controls did not ensure the accuracy and validity of our acquisition accounting adjustments and the determination of the valuation allowance for deferred tax assets. Part of the identified issue was caused by the complexity that resulted from the fact that step-ups from acquisitions are accounted for centrally. During the year ended December 31, 2010, we updated our internal controls and concluded that we had remediated this material weakness. However, despite the compliance procedures that we adopted, there may from time to time exist deficiencies in our control systems that could adversely affect the accuracy and reliability of our periodic reporting. Our periodic reporting is the basis of investors’ and other market professionals’ understanding of our businesses. Imperfections in our periodic reporting could create uncertainty regarding the reliability of our results of operations and financial results, which in turn could have a material adverse impact on our reputation or share price.

Environmental laws and regulations expose us to liability and compliance with these laws and regulations, and any such liability may adversely affect our business.

We are subject to many environmental, health and safety laws and regulations in each jurisdiction in which we operate, which govern, among other things, emissions of pollutants into the air, wastewater discharges, the use and handling of hazardous substances, waste disposal, the investigation and remediation of soil and ground water contamination and the health and safety of our employees. We are also required to obtain environmental permits from governmental authorities for certain of our operations. We cannot assure you that we have been or will be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators.

As with other companies engaged in similar activities or that own or operate real property, we face inherent risks of environmental liability at our current and historical manufacturing facilities. Certain environmental laws impose strict, and in certain circumstances, joint and several liabilities on current or previous owners or operators of real property for the cost of investigation, removal or remediation of hazardous substances as well as liability for related damages to natural resources. Certain of these laws also assess liability on persons who arrange for hazardous substances to be sent to disposal or treatment facilities when such facilities are found to be contaminated. Soil and groundwater contamination has been identified at some of our current and former properties resulting from historical, ongoing or third-party activities. We are in the process of investigating and remediating contamination at some of these sites. While we do not expect that any contamination currently known to us will have a material adverse effect on our business, we cannot assure you that this is the case or that we will not discover new facts or conditions or that environmental laws or the enforcement of such laws will not change such that our liabilities would be increased significantly. In addition, we could also be held liable for consequences arising out of human exposure to hazardous substances or other environmental damage. In summary, we cannot assure you that our costs of complying with current and future environmental and health and safety laws, or our liabilities arising from past or future releases of, or exposures to, regulated materials, will not have a material adverse effect on our business, financial conditions and results of operations.

Scientific examination of, political attention to and rules and regulations on issues surrounding the existence and extent of climate may result in an increase in the cost of production due to increase in the prices of energy and introduction of energy or carbon tax. A variety of regulatory developments have been introduced that focus on restricting or managing the emission of carbon dioxide, methane and other greenhouse gasses. Enterprises may need to purchase at higher costs new equipment or raw materials with lower carbon footprints. These developments and further legislation that is likely to be enacted could affect our operations negatively. Changes in environmental regulations could increase our production costs, which could adversely affect our results of operations and financial condition.

Certain natural disasters, such as coastal flooding, large earthquakes or volcanic eruptions, may negatively impact our business. There is increasing concern that climate change is occurring and may cause a rising number of natural disasters.

If coastal flooding, a large earthquake, volcanic eruption or other natural disaster were to directly damage, destroy or disrupt our manufacturing facilities, it could disrupt our operations, delay new production and shipments of existing inventory or result in costly repairs, replacements or other costs, all of which would negatively impact our business. Even if our manufacturing facilities are not directly damaged, a large natural disaster may result in disruptions in distribution channels or supply chains. For instance, the dislocation of the transport services following volcanic eruptions in Iceland in April 2010 caused us delays in distribution of our products. The impact of such occurrences depends on the specific geographic circumstances but could be significant, as some of our factories are located in islands with known earthquake fault zones, including the Philippines, Singapore or Taiwan. There is increasing concern that climate change is occurring and may have dramatic effects on human activity without aggressive remediation steps. A modest change in temperature may cause a rising number of natural disasters. We cannot predict the economic impact, if any, of natural disasters or climate change.

The Private Equity Consortium controls us and this control limits your ability to influence our significant corporate transactions. The Private Equity Consortium may have conflicts of interest with other stakeholders, including our shareholders, in the future.

A consortium of funds advised by Kohlberg Kravis Roberts & Co. L.P.("KKR"), Bain Capital Partners, LLC ("Bain"), Silver Lake Management Company, L.L.C. ("Silver Lake"), Apax Partners LLP ("Apax") and

AlpInvest Partners N.V. ("AlpInvesst", and collectively, the "Private Equity Consortium") controls us. As a result, the Private Equity Consortium will continue to be able to influence or control the election and removal of our directors, our corporate and management policies, potential mergers or acquisitions, payment of dividends, asset sales and other significant corporate transactions. We cannot assure you that the interests of the Private Equity Consortium will coincide with the interests of our other stakeholders, particularly if we encounter financial difficulties or are unable to pay our debts when due.

United States civil liabilities may not be enforceable against us.

We are incorporated under the laws of the Netherlands and substantial portions of our assets are located outside of the United States. In addition, certain members of our board, our officers and certain experts named herein reside outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or such other persons residing outside the United States, or to enforce outside the United States judgments obtained against such persons in U.S. courts in any action. In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions located outside the United States, rights predicated upon the U.S. laws.

There is no treaty between the United States and the Netherlands for the mutual recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the U.S. federal securities laws, would not be enforceable in the Netherlands unless the underlying claim is re-litigated before a Dutch court. Under current practice however, a Dutch court will generally grant the same judgment without a review of the merits of the underlying claim if (i) that judgment resulted from legal proceedings compatible with Dutch notions of due process, (ii) that judgment does not contravene public policy of the Netherlands and (iii) the jurisdiction of the United States federal or state court has been based on internationally accepted principles of private international law.

Based on the foregoing, there can be no assurance that U.S. investors will be able to enforce against us or members of our board of directors, officers or certain experts named herein who are residents of the Netherlands or countries other than the United States any judgments obtained in U.S. courts in civil and commercial matters.

In addition, there is doubt as to whether a Dutch court would impose civil liability on us, the members of our board of directors, our officers or certain experts named herein in an original action predicated solely upon the U.S. laws brought in a court of competent jurisdiction in the Netherlands against us or such members, officers or experts, respectively.

We are a Dutch public company with limited liability. The rights of our stockholders may be different from the rights of stockholders governed by the laws of U.S. jurisdictions.

We are a Dutch public company with limited liability *(naamloze vennootschap)*. Our corporate affairs are governed by our articles of association and by the laws governing companies incorporated in the Netherlands. The rights of stockholders and the responsibilities of members of our board of directors may be different from the rights and obligations of stockholders in companies governed by the laws of U.S. jurisdictions. In the performance of its duties, our board of directors is required by Dutch law to consider the interests of our company, its stockholders, its employees and other stakeholders, in all cases with due observation of the principles of reasonableness and fairness. It is possible that some of these parties will have interests that are different from, or in addition to, your interests as a stockholder. See "Part II—Item 16G Corporate Governance".

Our articles of association, Dutch corporate law and our current and future debt instruments contain provisions that may discourage a takeover attempt.

Provisions contained in our articles of association and the laws of the Netherlands, the country in which we are incorporated, could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our stockholders. Provisions of our articles of association impose various procedural and other requirements, which could make it more difficult for stockholders to effect certain corporate actions.

Our general meeting of stockholders has empowered our board of directors to issue additional shares or to restrict or exclude pre-emptive rights on existing shares for a period of five years from August 2, 2010 until August 2, 2015. An issue of new shares may make it more difficult for a stockholder to obtain control over our general meeting.

In addition, our debt instruments contain, and future debt instruments may also contain, provisions that require prepayment or offers to prepay upon a change of control. These clauses may also discourage takeover attempts.

We are a foreign private issuer and, as a result, are not subject to U.S. proxy rules but are subject to Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those of a U.S. issuer.

We report under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as a non-U.S. company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act and although we follow Dutch laws and regulations with regard to such matters, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. public companies, including: (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time and (iii) the rules under the Exchange Act requiring the filing with the Commission of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. In addition, for fiscal years ending on or after December 15, 2011, foreign private issuers will be required to file their annual report on Form 20-F by 120 days after the end of each fiscal year (for fiscal years ending before December 15, 2011, foreign private issuers are not required to file their annual report on Form 20-F until six months after the end of each fiscal year), while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year. Foreign private issuers are also exempt from the Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information. As a result of the above, even though we are contractually obligated and intend to make interim reports available to our stockholders, copies of which we are required to furnish to the Securities and Exchange Commission (the “SEC”) on a Form 6-K, and even though we are required to file reports on Form 6-K disclosing whatever information we have made or are required to make public pursuant to Dutch law or distribute to our stockholders and that is material to our company, you may not have the same protections afforded to stockholders of companies that are not foreign private issuers.

We are a foreign private issuer and, as a result, in accordance with the listing requirements of the NASDAQ Global Select Market we rely on certain home country governance practices rather than the corporate governance requirements of the NASDAQ Global Select Market.

We are a foreign private issuer. As a result, in accordance with the listing requirements of the NASDAQ Global Select Market we rely on home country governance requirements and certain exemptions thereunder rather than relying on the corporate governance requirements of the NASDAQ Global Select Market. For an overview of our corporate governance principles, see “Part II—Item 16G Corporate Governance”, including the section describing the differences between the corporate governance requirements applicable to common stock listed on the NASDAQ Global Select Market and the Dutch corporate governance requirements. Accordingly, you may not have the same protections afforded to stockholders of companies that are not foreign private issuers.

The market price of our common stock may be volatile.

Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of our common stock in spite of our operation performance. In addition, our operating results could be below the expectations of public market analysts and investors, and in response, the market price of our common stock could decrease significantly.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the operation and expansion of our business and in the repayment of our debt. Accordingly, investors must rely on sales of their shares of common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Future sales of our shares of common stock could depress the market price of our outstanding shares of common stock.

The market price of our shares of common stock could decline as a result of sales of a large number of shares of our common stock in the market, or the perception that these sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

There are 250,751,500 shares of our common stock outstanding. We also have an aggregate of approximately 21,800,055 shares of common stock underlying stock options outstanding as of December 31, 2010, of which 18,050,123 stock options at a weighted average exercise price of €23.30 (or $31.15 based on the exchange rate as of December 31, 2010) per share and 3,749,932 stock options at a weighted average exercise price of $13.27. Furthermore, we have an aggregate of 2,130,214 shares of common stock outstanding as of December 31, 2010, issued as performance and restricted share units, under the Long Term Incentive Plan 2010. In addition, 472,742 shares of common stock issuable upon the exercise of equity rights are outstanding as of December 31, 2010 under different employee incentive programs.

In the future, we may issue additional shares of common stock in connection with acquisitions and other investments, as well as in connection with our current or any revised or new equity plans for management and other employees. The amount of our common stock issued in connection with any such transaction could constitute a material portion of our then outstanding common stock.

Our actual operating results may differ significantly from our guidance.

From time to time, we release guidance regarding our future performance that represents our management's estimates as of the date of release. This guidance, which consists of forward-looking statements, is prepared by our management and is qualified by, and subject to, the assumptions and the other information contained or referred to in the release. Our guidance is not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither our independent registered public accounting firm nor any other independent expert or outside party compiles or examines the guidance and, accordingly, no such person expresses any opinion or any other form of assurance with respect thereto.

Guidance is based upon a number of assumptions and estimates that, while presented with numerical specificity, is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We generally state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to represent that actual results could not fall outside of the suggested ranges. The principal reason that we release this data is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results will vary from the guidance and the variations may be material. Investors should also recognize that the reliability of any forecasted financial data diminishes the farther in the future that the data is forecast. In light of the foregoing, investors are urged to put the guidance in context and not to place undue reliance on it.

Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in, or incorporated by reference into, this prospectus could result in the actual operating results being different than the guidance, and such differences may be adverse and material.

Item 4. Information on the Company

A. *History and development of the Company*

Name and History

Our legal name is NXP Semiconductors N.V. and our commercial name is "NXP" or "NXP Semiconductors".

We were incorporated in the Netherlands as a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid)* under the name KASLION Acquisition B.V. on August 2, 2006, in connection with the sale by Philips of 80.1% of its semiconductor business to a consortium of funds advised by the Private Equity Consortium. For a list of the specific funds that hold our common stock and their respective share ownership, see "Part I—Item 7 Major Shareholders and Related Party Transactions—A. Major Shareholders" elsewhere in this document. The Private Equity Consortium invested in our Company through KASLION Holding B.V., a Dutch private company with limited liability. On May 21, 2010, we converted into a Dutch public company with limited liability *(naamloze vennootschap)* and changed our name to NXP Semiconductors N.V. In August 2010, we made an initial public offering of 34 million shares of our common stock on the NASDAQ Global Select Market.

We are a holding company whose only material assets are the direct ownership of 100% of the share of NXP B.V., a Dutch private company with limited liability *(besloten vennootschap met beperkte aansprakelijkheid)*.

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 2729233. Our registered agent in the United States is NXP Semiconductors USA, Inc., 1109 McKay Drive, CA 95131 San Jose, United States of America, phone number +1 408 4343000.

Corporate Conversion

Prior to our initial public offering on August 5, 2010, we converted from a Dutch private company with limited liability *(besloten vennootschap met beperkte aansprakelijk)* to a Dutch public company with limited liability *(naamloze vennootschap)* and changed our name from KASLION Acquisition B.V. to NXP Semiconductors N.V. In addition, we have amended our articles of association in order to effect a 1-for-20 reverse stock split of our share of common stock.

Recent Developments

Sound Solutions

On December 22, 2010, we announced that we signed a definitive agreement whereby Knowles Electronics will acquire our Sound Solutions business, a leading provider of speaker and receiver components for the mobile handset market, subject to regulatory approvals and customary closing conditions. Under the terms of the agreement, Knowles Electronics will acquire our Sound Solutions business for $855 million in cash.

The financial results attributable to our interest in our Sound Solutions business (formerly included in our Standard Products segment) have been presented as discontinued operations in these consolidated financial statements. The transaction is expected to close on or about the end of the first quarter of 2011.

For more information on the sale and purchase agreement we signed in relation to this transaction, including the conditions precedent to closing, see "Part I—Item 10. Additional Information—C. Material Contracts".

NXP Repositioning and Redesign

Since our separation from Philips in 2006, we have significantly repositioned our business and market strategy. Further, in September 2008, we launched our Redesign Program to better align our costs with our more focused business scope and to achieve a world-class cost structure and processes. The Redesign Program was subsequently accelerated and expanded from its initial scope. Key elements of our repositioning and redesign are:

Our Repositioning

- ***New leadership team.*** Nine of the twelve members of our executive management team are new to the Company or new in their roles since our separation from Philips in 2006, and seven of the twelve have been recruited from outside NXP. Prior to joining NXP, our chief executive officer and chief financial officer, Rick Clemmer and Karl-Henrik Sundström, played leading roles in programs that significantly enhanced the performance of their previous companies, Agere Systems Inc. ("Agere") and Ericsson, respectively. Mike Noonen, our executive vice president of sales, joined us from National Semiconductor Corporation ("National Semiconductor"), where he led global sales and marketing during a period of significant gross margin expansion. Chris Belden, our executive vice president of Operations, implemented the manufacturing redesign program of Freescale Semiconductor, Inc. ("Freescale"), formerly part of Motorola, Inc. ("Motorola"), between 2002 and 2005, that resulted in significant margin improvement. Peter Kelly, who has been appointed in March 2011 as our executive vice president for operations sharing responsibility with Chris Belden, was previously a key part of the management team that led the spin-off of Agere from Lucent Technologies Inc. ("Lucent"), where he led the global operations team. Ruediger Stroh joined us from LSI and previously Agere, where he helped to turn its hard disk-drive business into a market leader with strong profitability, and within NXP now manages our High-Performance Mixed-Signal businesses focused on identification applications. Alexander Everke came to NXP from Infineon Technologies AG ("Infineon"), where he led its global sales organization and helped to restructure the company's go-to-market model while driving significant top-line growth and within NXP now manages our High-Performance Mixed-Signal businesses, focusing on wireless infrastructure, lighting, industrial, mobile, consumer and computing applications.
- ***Focus on High-Performance Mixed-Signal solutions.*** We have implemented our strategy of focusing on High-Performance Mixed-Signal solutions because we believe it to be an attractive market in terms of growth, barriers to entry, relative market share, relative business and pricing stability, and capital intensity. Several transactions have been core to our strategic realignment and focus on High-Performance Mixed-Signal: in September 2007, we divested our cordless phone system-on-chip business to DSPG; in July 2008, we contributed our wireless activities to the ST-NXP Wireless joint venture (our stake in which was subsequently sold, with the business being renamed "ST-Ericsson");

and in February 2010, we merged our television systems and set-top box business with Trident. Our primary motivations for exiting the system-on-chip markets for wireless activities and consumer applications were the significant research and development investment requirements and high customer concentration inherent in these markets, which make these businesses less profitable and predictable than our High-Performance Mixed-Signal and Standard Products businesses. In addition, we recently sold two non-semiconductor component businesses. On December 22, 2010, we announced that we signed a definitive agreement to sell our Sound Solutions business (formerly included in our Standard Products segment), which makes mobile speakers and receivers, to Knowles Electronics. On that same day, we also announced the sale of NuTune, our joint venture with Technicolor that produces CAN tuner modules for all segments related to broadcast transmission, to AIAC. The described transactions and business repositioning have enabled us to significantly increase our research and development investments in the High-Performance Mixed-Signal applications on which we focus.

- ***New customer engagement strategy.*** We have implemented a new approach to serving our customers and have invested in significant additional resources in our sales and marketing organizations. In spite of the recent economic downturn, we hired over 100 additional field application engineers in 2009 and 2010 in order to better serve our customers with High-Performance Mixed-Signal solutions. We have also created “application marketing” teams that focus on delivering solutions that include as many suitable NXP components as possible in their system reference designs, which helps us achieve greater cross-selling between our various product lines, while helping our customers accelerate their time to market. With the increased number of application engineers and our applications marketing approach, we are able to engage with more design locations ranging from our largest, highest volume customers to the mid-size customers who typically have lower volumes but attractive margins.

Our Redesign Program

- ***Streamlined cost structure.*** We have achieved annualized savings of $794 million by the end of 2010, as compared to our annualized third quarter results for 2008, which was the quarter during which we contributed our wireless operations to ST-NXP Wireless GmbH (which ultimately became ST-Ericsson). These savings are primarily achieved through a combination of headcount reductions, factory closings and restructuring of our IT infrastructure. Through December 31, 2010, $656 million have been paid related to the accelerated and expanded Redesign Program and other restructuring activities.
- ***Leaner manufacturing base.*** As a part of our Redesign Program, we have significantly reduced our overall manufacturing footprint, particularly in high cost geographies. Our current manufacturing strategy focuses on capabilities that differentiate NXP in terms of product features, process capabilities, cost, supply chain and quality. Accordingly, we have closed or sold a number of facilities, including but not limited to, the sale of our wafer factory in Caen, France in June 2009, the closure of our production facility in Fishkill, New York in July 2009, the closure of part of our front-end manufacturing in Hamburg, Germany in January 2010, and the closure of our ICN5 facility in Nijmegen at the end of 2010. As a result, we will have reduced the number of our front-end manufacturing facilities from fourteen at the time of our separation from Philips in 2006 to six by the end of 2011.

As a result of our repositioning and redesign activities, we believe we are well positioned to grow and benefit from improved operating leverage, focused research and development expenditures and an optimized manufacturing infrastructure.

Reporting Segments

On January 1, 2010, we reorganized our prior segments into four reportable segments.

The presentation of the historically reported financial results and the discussion and analysis of our financial condition and results of operations have been restated to reflect the new segments.

We have two market-oriented business segments, High- Performance Mixed-Signal and Standard Products and two other reportable segments, Manufacturing Operations and Corporate and Other.

Our High-Performance Mixed-Signal businesses deliver 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.

Our Standard Products business segment offers standard products for use across many applications markets, as well as application-specific standard products predominantly used in application areas such as mobile handsets, computing, consumer and automotive.

Our manufacturing operations are conducted through a combination of wholly owned manufacturing facilities, manufacturing facilities operated jointly with other semiconductor companies and third-party foundries and assembly and test subcontractors, which together form our Manufacturing Operations segment. While the main function of our Manufacturing Operations segment is to supply products to our High-Performance Mixed-Signal and Standard Products segments, revenues and costs in this segment are to a large extent derived from sales of wafer foundry and packaging services to our divested businesses in order to support their separation and, on a limited basis, their ongoing operations. As these divested businesses develop or acquire their own foundry and packaging capabilities, our revenues from these sources are expected to decline.

Our Corporate and Other segment includes unallocated research expenses not related to any specific business segment, unallocated corporate restructuring charges and other expenses, as well as some operations not included in our two business segments, such as manufacturing, marketing and selling of CAN tuners through our former joint venture NuTune and software solutions for mobile phones, our “NXP Software” business (“NXP Software”). Our NuTune joint venture was sold to AIAC on December 14, 2010, and therefore its results were only consolidated up to that date.

B. *Business overview*

Our Company

We are a global semiconductor company and a long-standing supplier in the industry, with over 50 years of innovation and operating history. We provide leading High-Performance Mixed-Signal and Standard Product solutions that leverage our deep application insight and our technology and manufacturing expertise in RF, analog, power management, interface, security and digital processing products. Our product solutions are used in a wide range of automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. We engage with leading original equipment manufacturers (“OEMs”) worldwide and over 58% of our revenues both in 2010 and 2009 were derived from Asia Pacific (excluding Japan). Since our separation from Philips in 2006, we have significantly repositioned our business to focus on High-Performance Mixed-Signal solutions and have implemented a Redesign Program aimed at achieving a world-class cost structure and processes. As of December 31, 2010, we had approximately 24,500 full-time equivalent employees located in at least 30 countries, with research and development activities in Asia, Europe and the United States, and manufacturing facilities in Asia and Europe. For the year ended December 31, 2010, we generated revenues of $4,402 million.

Markets, applications and products

We sell two categories of products, High-Performance Mixed-Signal product solutions and Standard Products. The first category, which consists of highly differentiated application-specific High-Performance

Mixed-Signal semiconductors and system solutions, accounted for 77% of our total product revenues in 2010, when we exclude the revenues associated with businesses we divested or announced to divest in 2010 including our television systems and set-top box system-on-chip business, NuTune CAN tuner joint venture and Sound Solutions business. We believe that High-Performance Mixed-Signal is an attractive market in terms of growth, barriers to entry, relative market share, relative business and pricing stability and capital intensity. The second of our product categories, Standard Products, accounted for 23% of our total product revenues in 2010, excluding divested businesses, and consists of devices that can be incorporated in many different types of electronics equipment and that are typically sold to a wide variety of customers, both directly and through distributors. Manufacturing cost, supply chain efficiency and continuous improvement of manufacturing processes drive the profitability of our Standard Products.

High-Performance Mixed-Signal

We focus on developing products and system and sub-system solutions that are innovative and allow our customers to bring their end products to market more quickly. Our products, particularly our application system and sub-system solutions, help our customers design critical parts of their end products and thus help many of them to differentiate themselves based on feature performance, advanced functionality, cost or time-to-market.

We leverage our technical expertise in the areas of RF communications, analog, power management, interface, security technologies and digital processing across our priority applications markets. Our strong RF capabilities are utilized in our high performance RF for wireless infrastructure and industrial applications, television tuners, car security and entertainment products and contactless identification products. Our power technologies and capabilities are applied in our lighting products, AC-DC power conversion and audio power products, while our ability to design ultra-low power semiconductors is used in a wide range of our products including our consumer, mobile, identification and healthcare products and our microcontrollers. Our high-speed interface design skills are applied in our interface products business, and also in our high-speed data converter and satellite outdoor unit products. Security solutions are used in our identification, microcontroller, telematics and smart metering products and solutions. Finally, our digital processing capabilities are used in our Auto DSPs, the products leveraging our Coolflux ultra-low power DSPs, such as our mobile audio and hearing aid business and our microcontroller based products. In addition, digital processing knowledge is required to design High-Performance Mixed-Signal solutions that leverage other suppliers and digital processing products.

We focus on developing High-Performance Mixed-Signal solutions for automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing. The below table provides an overview of our key applications, the leading products we sell into those areas and our key customers and distribution partners.

	Automotive	Identification	Wireless infra structure	Lighting	Industrial	Mobile	Consumer	Computing
Key applications	• Car access & immobilizers • In vehicle networking • Car entertainment • Telematics • ABS • Transmission/ throttle control • Lighting	• Secure identity • Secure transactions • Tagging & authentication	• Wireless base stations • Satellite • CATV infra • Radar	• CFL Lighting • LED Lighting • Back-lighting • Lighting Networks	• Smart metering • White goods & home appliances • Pachinko machines • Medical • Industrial	• Mobile handset • Portable power supplies • Hearing aids	• TV • Satellite, Cable, Terrestrial and IP Set-top boxes • Satellite outdoor units	• Monitor • Power supplies • Personal computer video
Selected market leading positions	• #1 CAN/LIN/ Flex Ray in-vehicle networking • #1 passive keyless entry/ immobilizers • #1 car radio • #3 magnetic sensors	• #1 e-Government • #1 Transport & Access management • #3/4 Banking • #1 NFC • #1 Radio frequency identification	• #2 in HP RF	• Strong in lighting drivers	• Leader in 32-bit ARM micro-controllers	• #2 Digital Logic	• #1 in TV and set-top-box tuners	• Leader in notebook AC-DC power adaptors • Top 3 in interface, leader in specific niches
Key OEM customers	• Alpine • Bosch • Bose • Clarion • Continental • Delphi • Harman/ Becker • Hella • Hyundai • JKT Holdings • Johnson Controls • Lear • Magneti Marelli • Marquardt • Mitsubishi • Okaya • Omron • Panasonic • Ryosan • Sony • Valeo • Visteon • Vitec	• Advanide • Austria Card • Avery Dennison • Bundesdruckerei • Comvision • Excelpoint Systems • Gemalto • Giesecke & Devrient • ITG • KEBT • Nokia • Oberthur • Samsung • SDU Identification • Smartrac • Sony • SPSL • WHTY • Yuban	• Alcatel Lucent • Andrew • Axis Network • Ericsson • Huawei • Motorola • Nokia Siemens Networks • ZTE	• B&S Baishi • Lighting Science Corp. • Luxim • Neonlite • Panasonic • Philips • TCP	• Bosch • Diehl • Electrolux • Emerson • Haier • LGE • Panasonic • Philips • Rhode & Schwartz • Samsung • Schneider Electric • Siemens • Sonosite • Toshiba • Tyco	• Apple • Creative • LGE • Motorola • Nokia • RIM • Samsung • SEMC	• Cisco • FTY880 • Humax • LGE • Konka • Motorola • Pace • Panasonic • Philips • Samsung • Sharp • Sony • TCL	• Apple • Asustek • Cisco • Dell • Delta • HP • IBM • LiteOn • VICOR

The customers listed above represent key OEM customers based on two criteria: (1) top ten OEM customers (if ten customers meet the criteria) in terms of revenues in 2010 in the specific application market with revenues of at least $3 million, plus any customer with revenues of over $10 million in that market and (2) top ten existing OEM customers (if ten customers meet the criteria) in terms of realized design wins in 2010 in that application market with a minimum design win value of $5 million.

Our key distributors across these applications are Arrow, Avnet, Future and WPG. These distributors represent our top four distributors in terms of revenues in 2010. In addition, our three catalog and web-based distributors, Digi-key, Mouser and Premier Farrell, are included based on their strategic positions, as they engage early with all of our customers, thereby enabling us to engage early with customers with whom we may not have direct relationships. Also, because of their internet presence and focus, they are the fastest growing segment of distribution and our fastest growing distributors.

***Automotive*.** In the automotive market we are a leader in in-vehicle networking car passive keyless entry and immobilization and car radio and car audio amplifiers, hold a strong position in magnetic sensors and have an emerging business in telematics.

In the CAN/LIN/FlexRay in-vehicle networking market, we are the market leader, having played a defining role in setting the CAN/LIN and more recently FlexRay standards. We are a leading supplier to major OEMs and continue to drive new system concepts, such as partial networking for enhanced energy efficiency. In the car access and immobilizers market, we lead the development of new passive keyless entry/start and two-way key concepts with our customers and, as a result, we are a key supplier to almost all car OEMs for those products. We are the market leader in AM/FM car radio chip sets. Our leadership in mid- and high-end car radio is driven by excellent reception performance, whereas in the low-end and after-market car radio, our leadership is driven by our one-chip radio solutions that offer ease of implementation and low cost of ownership. In digital reception, we have developed multi-standard radios based on our software-defined radio implementation. In addition, we provide class-AB and class-D audio amplifiers and power analog products for car entertainment. In telematics, we have developed a complete and secure systems solution for implementation in car on-board units, which we supply in a module that is small in size and delivers good performance. We leverage our proprietary processes for automotive, high-voltage RF and non-volatile processes as well as our technology standards and leading edge security IP developed by our identification business, to deliver our automotive solutions. We are compliant with all globally relevant automotive quality standards (such as ISO/TS16949 and VDA6.3) and we have reduced our defective parts per million rate from two to one over the past four years.

For the full year 2010, we had High-Performance Mixed-Signal revenues of $931 million in automotive applications, compared to $616 million in 2009, which represents a 51% year over year growth. Strategy Analytics estimates the total market for automotive semiconductors was $16.7 billion in 2009, and projects it will grow at a compounded annual growth rate of 17% between 2009 and 2012. According to Strategy Analytics, we were the fifth largest supplier of automotive semiconductors worldwide in 2009, and we have increased our market share from 5.8% in 2005 to 6.4% in 2009.

***Identification*.** We are the market leader in contactless identification ICs and a leader in the overall contact and contactless identification chip market.

We address all segments of the market, except for the commodity SIM market, and have leading positions in e-government, transportation and access management, smart card readers, and radio frequency identification tags and labels. For example, we supply to approximately 85% of worldwide e-passport projects, and our MIFARE product is used in approximately 70% of the public transport systems that have adopted electronic ticketing. We have led the development and standard setting of near field communications (NFC), which is an emerging standard for secure short-range connectivity that has been established to enable secure transactions between mobile devices and point-of-sale terminals or other devices, and are pursuing the fast-growing product authentication market. Our leadership in the identification market is based on the strength of our security, end-to-end system contactless read speed performance, our ability to drive new standard settings and the breadth of our product portfolio. Key growth drivers will be the adoption of new security standards in existing smart card markets, the implementation of security ICs in a range of devices to enable secure mobile transactions and product authentication, and the increase in new radio frequency identification applications such as supply chain management.

On December 6, 2010, we announced a strategic collaboration with Google to provide a complete open source software stack for NFC integration and validation on Gingerbread, the latest version of the Android platform. Google also integrated our NFC controller (PN544) into its newly launched Nexus STM phone, co-developed by Google and Samsung, offering users access to compelling NFC based services and applications. With over 100,000 applications and an extensive community of developers, Android is a growing player in the smart phone and mobile device world. According to Gartner, Android was the number two smart phone operating system in 2010, having been implemented on 67 million smart phones sold in that year.

For the full year 2010, we had High-Performance Mixed-Signal revenues of $589 million in identification applications, compared to $381 million in 2009, which represents a 55% year over year growth. According to iSuppli research for smart cards and ABI for radio frequency identification, the market size for identification ICs was $2.2 billion in 2009, and is expected to grow at a compounded annual rate of 12% to $3.1 billion in 2012.

***Wireless infrastructure, lighting and industrial*.** We have leading market positions in high-performance radio frequency solutions and 32-bit ARM microcontrollers, a strong portfolio of lighting drivers and an emerging business in high-speed data converters. Our overall revenues in these businesses were $547 million in 2010 versus $371 million in 2009, which represents a 47% year over year growth.

Our leading high-performance radio frequency business mainly provides RF front-end solutions for markets, such as mobile base stations, satellite and CATV infrastructure and receivers, industrial and medical applications, and to a lesser extent addresses the military and aerospace markets. We have a leading position in Power Amplifiers and a top 3 position in Small Signal RF discretes and RF ICs for consumer electronics and cable television infrastructure, while we have emerging businesses in RF ICs for mobile base stations, monolithic microwave ICs (“MMICs”) and low noise amplifiers (“LNAs”). Our leadership is based on our world-class proprietary RF process technologies and technology advancements that drive overall system performance, such as power scaling in mobile base stations. We are engaged with the majority of the largest customers in mobile base stations and in several other application areas. Key growth drivers for our high-performance RF business include infrastructure build-outs driven by the substantial growth in mobile data use and digital broadcast adoption, infrastructure development of developing countries, including China, new radar implementations, and our expansion into new product markets such as mobile base station RF ASICs, and wireless communications infrastructure MMICs and LNAs. iSuppli estimates the market for RF and microwave components, excluding handsets, computing and automotive, which we believe corresponds best with the high-performance RF market, to be $1.6 billion in 2009. iSuppli projects this market to grow at a compounded annual growth rate of 11% to $2.2 billion in 2012.

In lighting, we are the leader in high-intensity discharge drivers, have a strong position in compact fluorescent light (“CFL”) drivers and have an emerging position in LED drivers. In CFL, we are helping to create an entirely new market for lighting ICs by developing a dimmable CFL lighting driver that replaces existing solutions based on discrete components. Our solution allows midsize lighting OEMs and ODMs to eliminate most of the quality issues that have historically plagued CFL light bulbs, while offering a smaller form factor and new features, such as deep dimming and fast start-up time. Our strength in lighting ICs is based on our leading-edge high-voltage power analog process technologies and system optimization concepts, such as our patented technology to develop sensors-less temperature-controlled LED drivers. According to Datapoint Research Ltd. (2011), the lighting control and power supply/output IC market (excluding microcontrollers) will grow from $0.6 billion in 2009 to $1.1 billion in 2012, which corresponds to an 22% compounded annual growth rate. The lighting IC market is a high growth market, partly driven by government regulations around the world that ban or discourage the use of incandescent light bulbs and encourage or mandate CFL and LED lighting solutions and by energy-savings conscious customers.

In microcontrollers, we are a leader in multi-purpose 32-bit ARM microcontrollers serving a broad array of applications, including smart metering, white goods, home appliances and various industrial applications. ARM processor cores have been gaining momentum in the general purpose MCU market during the past few years.

The ARM-based 32-bit MCU market grew at a compounded annual growth rate of 37% between 2006 and 2008 compared to an overall annual 32-bit market growth of 8%, according to Gartner Dataquest. Our competitive advantage is based on our strategic relationship with ARM, which often makes us the launching partner for its new ARM microcontroller cores, our rich portfolio of analog and security IP, which we integrate with the ARM core into a family of microcontroller products, and our distribution leverage based on our ability to offer a full microcontroller software development kit on a USB stick for approximately $30, compared to traditional software development kits which cost hundreds to thousands of dollars. Our latest ARM Cortex M0-based product achieves pricing levels that places it squarely in competition with 8-bit microcontrollers, while offering better performance in terms of processing speed and system power consumption. This should start expanding the addressable market for 32-bit ARM microcontrollers at the expense of 8-bit ARM microcontrollers. Gartner Dataquest estimates the market for 32-bit microcontrollers to be $3.4 billion in 2009, and expects a compounded annual growth rate of 19% between 2009 and 2012.

In high-speed data converters, we have developed a high-performance 14/16-bit data converter platform, and were the first to implement the JEDEC high-speed digital serial interface in our products. Our innovative data converter solutions enable our customers to achieve significant breakthroughs in system performance, size and cost reduction, and time-to-market. Due to our strength in small-signal RF products, RF power amplifiers and high-speed data converters, we are unique in covering all component markets involved in designing RF front-end solutions for the wireless communications infrastructure market. Beyond this market segment, our high-speed data converters can be used in a broad range of industrial equipment designs, including medical imaging. iSuppli projects the market for data converters for industrial and mobile communications infrastructure to grow at a compounded annual growth rate of 12% between 2009 to 2012, from $0.53 billion to $0.75 billion.

Mobile, Consumer and Computing. We are the market leader in TV front-end solutions, a top three supplier in the fragmented interface market and a leader in digital logic. In addition, we have strong positions in selected niche segments of AC-DC power conversion and personal healthcare markets. We are engaged in development activities and standard setting initiatives with many of the innovation leaders in each of these markets. Our overall High-Performance Mixed-Signal revenues in these businesses were $779 million in 2010, compared to $643 million in 2009, which represents a 21% year over year growth.

We have a leading position in high efficiency AC-DC power conversion ICs for notebook personal computers (our “green chip” solutions), and are expanding our offering into mobile device chargers. Our strength in AC-DC power conversion is based on our leading edge high-voltage power analog process technologies and engineering capabilities in designing high efficiency power conversion products. Due to worldwide conservation efforts, many countries, states and local governments have adopted regulations that increase the demand for higher power efficiency solutions in computing and consumer applications, especially in power conversion. According to iSuppli, the market for power analog ICs for battery chargers for data processing and portable devices is expected to grow at a compounded annual rate of 16%, from $0.40 billion in 2009 to $0.65 billion in 2012.

Our TV front-end products are used in the TV reception and tuning sub-systems of televisions and set-top boxes. We are the leader in the mature markets for IF and MOPLL IC products, which are placed into traditional CAN tuner modules, and the growing market for silicon tuner products, which are replacing CAN tuners. In addition, we are pursuing new businesses such as digital outdoor units and full spectrum radio solutions. Our market strengths are our specialty RF process technology, decades of experience in designing tuners that work under all broadcasting standards and conditions across the world, and our innovations in new broadcasting standards. Key growth drivers for our products in these markets include the adoption of silicon tuners by TV manufacturers, penetration of new broadcast standards such as DVB-T2, DVC-C2 and DOCSIS 3.0, and the adoption of multi-tuner applications. With the transition of outdoor satellite units from analog to digital, we are succeeding in replacing incumbent suppliers in those solutions, and we expect customers in the United States to start adopting wide spectrum reception solutions. We estimate the market for silicon tuners and TV front-end products to grow at a compounded annual growth rate of 5% between 2009 and 2012, from $0.60 billion to $0.69

billion, according to an internal company model that takes into account a declining market for ICs incorporated in CAN tuners and a growing market for silicon tuners, outdoor units and full spectrum radios.

The interface products market is highly fragmented with niche markets around each of the established interface standards, where overall we are a top 3 player. Our products address 11 of the 17 interface standards segments that we define to encompass the interface products market and we serve various applications across the mobile, computing, pachinko, e-metering and automotive markets. We have broad product portfolios in five of our 11 addressed interface segments, being UARTs and bridges, I^2C and SPI LED controllers, low power real-time clocks and watch ICs, HDMI switches and transceivers, and display port multiplexers. Our core competencies are the design of high speed interfaces, high voltage design needed for LED and LCD drivers, ultra low power design for real-time clocks and watch ICs, and our ability to engage with leading OEMs in defining new interface standards and product designs. While we engage with leading OEMs to drive our innovation roadmaps, we generate the majority of our revenues by subsequently selling these products to a very broad customer base, which we serve through our distribution channel. Key growth drivers will be the adoption rate of new high-speed interface standards such as display port, and LED, smart meter and display card market growth. Specifically, in display port, we are engaged in development activities and standard setting initiatives with many of the innovation leaders in this market. iSuppli projects the interface products market to grow at an 12% compounded annual rate between 2009 and 2012, from a revenue base of $2.0 billion in 2009 to $2.8 billion in 2012.

We have a leading digital logic components business, which we leverage in a large number of our High-Performance Mixed-Signal solutions. We offer several product families for low-voltage applications in communication equipment, personal computers, personal computer peripherals and consumer and portable electronics. Our 3V and 5V families hold a leading share of the logic market. We are currently expanding the higher margin product range in this business by expanding, among others, our switches and translators (or custom logic) portfolio and optimizing our manufacturing. Gartner Dataquest sizes this market at $1.3 billion in 2009, estimated to grow to $1.9 billion in 2012, which corresponds to a compounded annual growth rate of 13%.

In addition, we have two emerging product development areas, one focused on developing ICs for personal healthcare applications and the other focused on the mobile audio market. Currently, our personal healthcare revenues are generated by our hearing aid products, which leverage our proprietary ultra low power Coolflux DSP, our low power audio IC design capabilities and our magnetic induction radio technology. We design customer-specific ICs for major hearing aid OEMs, and many of these customers fund our product development efforts. Our mobile audio business leverages many of the same core technologies and competencies, where we work closely with a number of large smart phone OEMs to define audio chips with increasing levels of silicon integration.

Standard Products

Our Standard Products business supplies a broad range of standard semiconductor components, such as small signal discretes, power discretes and integrated discretes, which we largely produce in dedicated in-house high-volume manufacturing operations. Our small signal and power discretes businesses offer a broad portfolio of standard products, using widely-known production techniques, with characteristics that are largely standardized throughout the industry. Our Standard Products are often sold as separate components, but in many cases, are used in conjunction with our High-Performance Mixed-Signal solutions, often within the same subsystems. Further, we are able to leverage customer engagements where we provide standard products devices, as discrete components, within a system to identify and pursue potential High-Performance Mixed-Signal opportunities.

Our products are sold both directly to OEMs as well as through distribution, and are primarily differentiated on cost, packaging type and miniaturization, and supply chain performance. Alternatively, our integrated discretes businesses offer “design-in” products, which require significant engineering effort to be designed into an application solution. For these products, our efforts make it more difficult for a competitor to easily replace our product, which makes these businesses more predictable in terms of revenue and pricing than is typical for standard products.

Our key product applications, markets and customers are described in the table below.

	Discretes	Integrated Discretes
Key applications	• SS Transistors and Diodes • SS MOS • Power MOS • Bipolar Power Transistors • Thyristors • Rectifiers	• ESD protection devices
Key product markets	• All applications	• Mobile handsets • Personal computers • Consumer electronics
Key OEM and electronic manufacturing services (EMS) customers	• Asustek • Bosch • Continental • Delta • Foxconn • Philips • Samsung	• Asustek • Dell • Motorola • Nokia • Samsung • Sony Ericsson • TCL

The customers listed above represent our largest OEM and electronic manufacturing services customers based on 2010 revenues in the specified key product markets. For Integrated Discretes, it includes our top four mobile handset customers, our top two OEM customers who use our products in consumer applications and our top two personal computers customers. For Discretes, the list includes all our OEM and EMS customers with revenues of over $15 million.

Key distributors across these applications are Arrow, Avnet, Future and WPG. These distributors represent our top four distributors in terms of revenue in 2010. In addition, our three catalog and web-based distributors, Digi-key, Mouser, Premier Farrell, are included based on their strategic positions, as they engage early with all of our customers, thereby enabling us to engage early with customers with whom we may not have direct relationships. Also, because of their internet presence and focus, they are the fastest growing segment of distribution and our fastest growing distributors.

In 2010, our Standard Products business generated net revenues of $848 million, compared to $567 million in 2009, which represents a 50% year over year growth. According to iSuppli, the market for discretes, excluding RF & Microwave, is expected to grow at a compounded annual rate of 16%, from $13.4 billion in 2009 to $21.2 billion in 2012.

Discretes. We are the number two global supplier of small-signal discretes according to iSuppli, with one of the broadest product portfolios in the industry. We have been gaining market share in small signal transistors and diodes over the past few years due to our strong cost competitiveness, supply chain performance, leverage of our OEM relationships and a broadening portfolio. We are focusing on expanding our share of higher margin products in this business. In addition, we are also building a small signal MOSFET product line, which leverages our small signal transistors and diodes packaging operations and strong customer relationships. In addition to our small signal discretes products, we have a Power MOSFET product line, which is focused on the low-voltage segment of the market. The majority of our revenues in Power MOSFETs are to automotive customers. We have recently introduced a new range of general purpose Power MOSFET products in our Trench 6 manufacturing process, and our automotive revenues have rebounded from the low levels experienced in the first half of 2009 due to the economic recovery. Finally, we have small bipolar power, thyristor and rectifier product lines, which are focused on specific applications, such as white goods and lighting, and are sold as part of our overall High-Performance Mixed-Signal application solutions.

Integrated Discretes. We are a strong supplier of integrated discretes and modules, which are used for interface signal conditioning, filtering and ESD protection in mobile phones, consumer and computing applications. Our system know-how for support in application design-in efforts, our proprietary IP and our volume manufacturing capabilities distinguish us from our competitors. Given the greater IP and product design efforts involved in this business, gross margins earned are typically higher than in discrete components. We are currently broadening our customer base in mobile phone OEMs, and are developing products to address the consumer and computing markets.

Sound Solutions. On December 22, 2010, we announced our intention to sell the Sound Solutions business to Knowles Electronics for $855 million in cash. As part of that deal, Knowles Electronics will enter into a supplier agreement with NXP for Mobile Audio ICs like MEMS microphone drivers and smart speaker drivers.

Manufacturing

We manufacture integrated circuits and discrete semiconductors through a combination of wholly owned manufacturing facilities, manufacturing facilities operated jointly with other semiconductor companies and third-party foundries and assembly and test subcontractors. Our manufacturing operations primarily focus on manufacturing and supplying products to our High-Performance Mixed-Signal and Standard Products businesses. We manage our manufacturing assets together through one centralized organization to ensure we realize scale benefits in asset utilization, purchasing volumes and overhead leverage across businesses.

In addition, on a limited basis, we also produce and sell wafers and packaging services to our divested businesses (currently Trident, ST-Ericsson and DSPG) in order to support their separation and, on a limited basis, their ongoing operations. As these divested businesses develop or acquire their own foundry and packaging capabilities, our revenues from these sources are expected to decline. We currently have three agreements relating to servicing our divested businesses. The term of the agreements in each case is three years. Our agreement with DSPG expired in December 2010 (although we have an ongoing obligation to supply services relating to certain specialty processes until December 2014), our agreement with ST-Ericsson expires in August 2011 and our agreement with Trident expires in January 2013. In the future, we expect to outsource an increased part of our internal demand for wafer foundry and packaging services to third-party manufacturing sources in order to increase our flexibility to accommodate increased demand mainly in our High-Performance Mixed-Signal and to a lesser extent in Standard Products businesses.

The manufacturing of a semiconductor involves several phases of production, which can be broadly divided into “front-end” and “back-end” processes. Front-end processes take place at highly complex wafer manufacturing facilities (called fabrication plants or “wafer fabs”), and involve the imprinting of substrate silicon wafers with the precise circuitry required for semiconductors to function. The front-end production cycle requires high levels of precision and involves as many as 300 process steps. Back-end processes involve the assembly, test and packaging of semiconductors in a form suitable for distribution. In contrast to the highly complex front-end process, back-end processing is generally less complicated, and as a result we tend to determine the location of our back-end facilities based more on cost factors than on technical considerations.

We primarily focus our internal and joint venture wafer manufacturing operations on running proprietary specialty process technologies that enable us to differentiate our products on key performance features, and we generally outsource wafer manufacturing in process technologies that are available at third-party wafer foundries when it is economical to do so. In addition, we increasingly focus our in-house manufacturing on our competitive 8-inch facilities, which predominantly run manufacturing processes in the 140 nanometer, 180 nanometer and 250 nanometer process nodes, and have concentrated the majority of our manufacturing base in Asia. This focus increases our return on invested capital and reduces capital expenditures.

Our front-end manufacturing facilities use a broad range of production processes and proprietary design methods, including CMOS, bipolar, bipolar CMOS ("BiCMOS") and double-diffused metal on silicon oxide semiconductor ("DMOS") technologies. Our wafer fabs produce semiconductors with line widths ranging from 140 nanometers to 3 microns for integrated circuits and 0.5 microns to greater than 4 microns for discretes. This broad technology portfolio enables us to meet increasing demand from customers for system solutions, which require a variety of technologies.

Our back-end manufacturing facilities test and package many different types of products using a wide variety of processes. To optimize flexibility, we use shared technology platforms for our back-end assembly operations. Most of our assembly and test activities are maintained in-house, as internal benchmarks indicate that we achieve a significant cost advantage over outsourcing options due to our scale and operational performance. In addition, control over these processes enables us to deliver better supply chain performance to our customers, providing us with a competitive advantage over our competitors who rely significantly on outsourcing partners. Finally, a number of our High-Performance Mixed-Signal products enjoy significant packaging cost and innovation benefits due to the scale of our Standard Products business, which manufactures tens of billions of units per year.

The following table shows selected key information with respect to our major front-end and back-end facilities:

Site	Ownership	Wafer sizes used	Line widths used (vm) (Microns)	Technology
Front-end				
Singapore[(1)]	61.2%	8"	0.14-0.25	CMOS
Jilin, China[(2)]	60%	5"	>4	Bipolar
Nijmegen, the Netherlands	100%	8"	0.14-0.80	CMOS, BiCMOS, LDMOS
Nijmegen, the Netherlands[(3)]	100%	6"	0.50-3.0	CMOS
Hamburg, Germany	100%	6"/8"	0.5-3.0	Discretes, Bipolar
Manchester, United Kingdom	100%	6"	0.5	Power discretes
Back-end[(4)]				
Kaohsiung, Taiwan	100%	—	—	Leadframe-based packages and ball grid arrays
Bangkok, Thailand	100%	—	—	Low-pin count leadframes
Hong Kong, China	100%	—	—	Pilot factory discrete devices
Guangdong, China	100%	—	—	Discrete devices
Seremban, Malaysia	100%	—	—	Discrete devices
Cabuyao, Philippines	100%	—	—	Power discretes, sensors and RF modules processes

(1) Joint venture with TSMC; we are entitled to 60% of the joint venture's annual capacity.
(2) Joint venture with Jilin Sino-Microelectronics Co. Ltd.; we own 60% of the joint venture's annual capacity.
(3) Announced to close in 2012.
(4) In back-end manufacturing we entered into a joint venture with ASE in Suzhou (ASEN), in which we currently hold a 40% interest.

We use a large number of raw materials in our front- and back-end manufacturing processes, including silicon wafers, chemicals, gases, lead frames, substrates, molding compounds and various types of precious and other metals. Our most important raw materials are the raw, or substrate, silicon wafers we use to make our semiconductors. We purchase these wafers, which must meet exacting specifications, from a limited number of suppliers in the geographic region in which our fabrication facilities are located. At our wholly owned fabrication plants, we use raw wafers ranging from 6 inches to 8 inches in size, while our joint venture plants use wafers ranging from 5 inches to 8 inches. In addition, our SSMC wafer fab facility, which produces 8 inch wafers, is jointly owned by TSMC and ourselves. We are leveraging our experience in that fab facility in optimizing our remaining wholly owned Nijmegen and Hamburg wafer fabs. Our other two remaining fabs are small and are focused exclusively on manufacturing power discretes. Emerging fabrication technologies employ larger wafer sizes and, accordingly, we expect that our production requirements will in the future shift towards larger substrate wafers.

We typically source our other raw materials in a similar fashion as our wafers, although our portfolio of suppliers is more diverse. Some of our suppliers provide us with materials on a just-in-time basis, which permits us to reduce our procurement costs and the negative cash flow consequences of maintaining inventories, but exposes us to potential supply chain interruptions. We purchase most of our raw materials on the basis of fixed price contracts, but generally do not commit ourselves to long-term purchase obligations, which permits us to renegotiate prices periodically.

In addition to our semiconductor fabrication facilities, we also operate certain non-semiconductor manufacturing plants, which produce mobile speakers for our sound solutions business and CAN tuners for our NuTune joint-venture with Technicolor. We announced in December 2010 the sale of both these businesses, and the dedicated related fabrication facilities have moved to the acquirers of those businesses.

Corporate and Other

We also sold CAN tuners through our former joint venture NuTune and software solutions for mobile phones through our NXP Software business. On December 22, 2010, we announced the sale of NuTune to AIAC. NuTune represented approximately half of Corporate and Other revenues in 2010.

The NXP Software solutions business develops audio and video multimedia solutions that enable mobile device manufacturers to produce differentiated hand held products that enhance the end-user experience. Our software has been incorporated into over 750 million mobile devices produced by the world’s leading mobile device manufacturers.

Sales, Marketing and Customers

We market our products worldwide to a variety of OEMs, ODMs, contract manufacturers and distributors. We generate demand for our products by delivering High-Performance Mixed-Signal solutions to our customers, and supporting their system design-in activities by providing application architecture expertise and local field application engineering support. We have 39 sales offices in 30 countries.

Our sales and marketing teams are organized into six regions, which are EMEA (Europe, the Middle East and Africa), the Americas, Japan, South Korea, Greater China and Asia Pacific. These sales regions are responsible for managing the customer relationships, design-in and promotion of new products. We seek to further expand the presence of application engineers closely supporting our customers and to increase the amount of product development work that we can conduct jointly with our leading customers. Our web-based marketing tool is complementary to our direct customer technical support.

Our sales and marketing strategy focuses on deepening our relationship with our top OEMs and electronic manufacturing service customers and distribution partners and becoming their preferred supplier, which we believe assists us in reducing sales volatility in challenging markets. We have long-standing customer relationships with most of our customers. Our 10 largest direct customers are Apple, Bosch, Continental, Delphi, Harman/Becker, Nokia, Panasonic, Philips, Sony and Samsung. When we target new customers, we generally focus on companies that are leaders in their markets either in terms of market share or leadership in driving innovation. We also have a strong position with our distribution partners, being the number two semiconductor supplier (other than microprocessors) through distribution worldwide. Our key distribution partners are Arrow, Avnet, Digi-Key, Future, Mouser, Premier Farnell and WPG.

Based on total revenues during 2010, excluding the divestiture of our television systems and set-top box business lines to Trident, our top 40 direct customers accounted for 49% of our total revenues, our ten largest direct customers accounted for approximately 27% of our total revenues and no customer represented more than 10% of our total revenues. We generated approximately 22% of our total revenues through our four largest distribution partners, and another 9% with our other distributors.

Our sales and marketing activities are regulated by certain laws and government regulations, including antitrust laws, legislation governing our customers' privacy and regulations prohibiting or restricting the transfer of technology to foreign nationals and the export of certain electronic components that may have a military application. For example, we are required to obtain licenses and authorizations under the U.S. Export Administration Regulations and the International Traffic in Arms Regulations, in order to export some of our products and technology. Further, some of our products that contain encrypted information are required to undergo a review by the Bureau of Industry and Security of the U.S. Department of Commerce prior to export. While we believe that we have been and continue to be in compliance with these laws and regulations, if we fail to comply with their requirements, we could face fines or other sanctions. We do not believe any such fines or sanctions would be material to our business. In addition, we do not believe that such laws and government regulations impact on the time-to-market of our products. However, any changes in export regulations may impose additional licensing requirements on our business or may otherwise impose restrictions on the export of our products.

Research and development, patents and licenses, etc.

See "Part I—Item 5. Operating and Financial Review and Prospects—C. Research and development, patents and licenses, etc."

Competition

We compete with many different semiconductor companies, ranging from multinational companies with integrated research and development, manufacturing, sales and marketing organizations across a broad spectrum of product lines, to "fabless" semiconductor companies, to companies that are focused on a single application market segment or standard product. Most of these competitors compete with us with respect to some, but not all, of our businesses. Few of our competitors have operations across our business lines.

Our key competitors in alphabetical order include Analog Devices Inc., Atmel Corporation, Entropic Communications Inc., Fairchild Semiconductors International Inc., Freescale, Infineon, International Rectifier Corporation, Linear Technology Corporation, Maxim Integrated Products, Inc., MaxLinear, Inc., Microtune Inc., National Semiconductor, NEC Corporation, ON Semiconductor Corporation, Power Integrations Inc., ROHM Co., Ltd., Samsung, Silicon Laboratories Inc., STMicroelectronics and Texas Instruments Incorporated.

The basis on which we compete varies across market segments and geographic regions. Our High-Performance Mixed-Signal businesses compete primarily on the basis of our ability to timely develop new products and the underlying intellectual property and on meeting customer requirements in terms of cost, product features, quality, warranty and availability. In addition, our High-Performance Mixed-Signal system solutions businesses require in-depth knowledge of a given application market in order to develop robust system solutions and qualified customer support resources. In contrast, our Standard Products business competes primarily on the basis of manufacturing and supply chain excellence and breadth of product portfolio.

Legal Proceedings

We are regularly involved as plaintiffs or defendants in claims and litigation relating to matters such as commercial transactions and intellectual property rights. In addition, our divestments sometimes result in, or are followed by, claims or litigation by either party. From time to time, we also are subject to alleged patent infringement claims. We rigorously defend ourselves against these alleged patent infringement claims, and we rarely participate in settlement discussions. Although the ultimate disposition of asserted claims and proceedings 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.

We are the subject of an investigation by the European Commission in connection with alleged violations of competition laws in connection with the smart card chips we produce. The European Commission stated in its release of January 7, 2009, that it would start investigations in the smart card chip sector because it has reason to believe that the companies concerned may have violated European Union competition rules, which prohibits certain practices such as price fixing, customer allocation and the exchange of commercially sensitive information. As a company active in the smart card chip sector, we are subject to the ongoing investigation. We are cooperating in the investigation. We have received written requests for information from the European Commission and are co-operating with the European Commission in answering these requests.

For an overview of how we account for these legal proceedings, see "Part I—Item 5. Operating and Financial Review and prospects—A. Operating results—Critical Accounting Policies—Legal Proceedings" contained elsewhere in this annual report.

Environmental Regulation

In each jurisdiction in which we operate, we are subject to many environmental, health and safety laws and regulations that govern, among other things, emissions of pollutants into the air, wastewater discharges, the use and handling of hazardous substances, waste disposal, the investigation and remediation of soil and ground water contamination and the health and safety of our employees. We are also required to obtain environmental permits from governmental authorities for certain of our operations.

As with other companies engaged in similar activities or that own or operate real property, we face inherent risks of environmental liability at our current and historical manufacturing facilities. Certain environmental laws impose liability on current or previous owners or operators of real property for the cost of removal or remediation of hazardous substances. Certain of these laws also assess liability on persons who arrange for hazardous substances to be sent to disposal or treatment facilities when such facilities are found to be contaminated.

Soil and groundwater contamination has been identified at our property in Hamburg, Germany and our former property in Caen, France. At our Hamburg location, the remediation process has been ongoing for several years and is expected to continue for a further 25 years at a cost of approximately $1 million per year. At our former property in Caen, France, we continue to bear some responsibility for groundwater pollution. Although at present we are only required to monitor the status of the pollution, the environmental agency may require us to remediate the pollution in the future. Further, we may be required to remediate soil contamination on this property. We estimate that our aggregate potential liability in respect of this property will not be material.

Our former property in Lent, the Netherlands, is affected by trichloroethylene contamination. ProRail B.V., owns certain property located nearby and has claimed that we have caused trichloroethylene contamination on their property. We have rejected ProRail's claims, as we believe that the contamination was caused by a prior owner of our property in Lent. While we are currently not taking any remediation or other actions, we estimate that our aggregate potential liability, if any, in respect of this property will not be material.

Asbestos contamination has been found in certain parts of our properties in Hazelgrove and Southampton in the United Kingdom and in Nijmegen, the Netherlands. In the United Kingdom, we will be required to dispose of the asbestos when the buildings currently standing on the property are demolished. We estimate our potential liability will not be material. In the Netherlands, we will be required to remediate the asbestos contamination at a leased property, upon termination of the lease. The lease is not expected to end soon and we estimate the cost of remediation will not be material.

Climate change poses both regulatory and physical risks that could harm our results of operations or affect the way we conduct our business. In addition to the possible direct economic impact that climate change could have on us, climate change mitigation programs and regulation may increase our costs. For example, the cost of perfluorocompounds (PFCs), a gas that we use in our manufacturing, could increase over time under some climate-change-focused emissions trading programs that may be imposed by government regulation. If the use of PFCs is prohibited, we would need to obtain substitute materials that may cost more or be less available for our manufacturing operations. We also see the potential for higher energy costs driven by climate change regulations. Our costs could increase if utility companies pass on their costs, such as those associated with carbon taxes, emission cap and trade programs, or renewable portfolio standards.

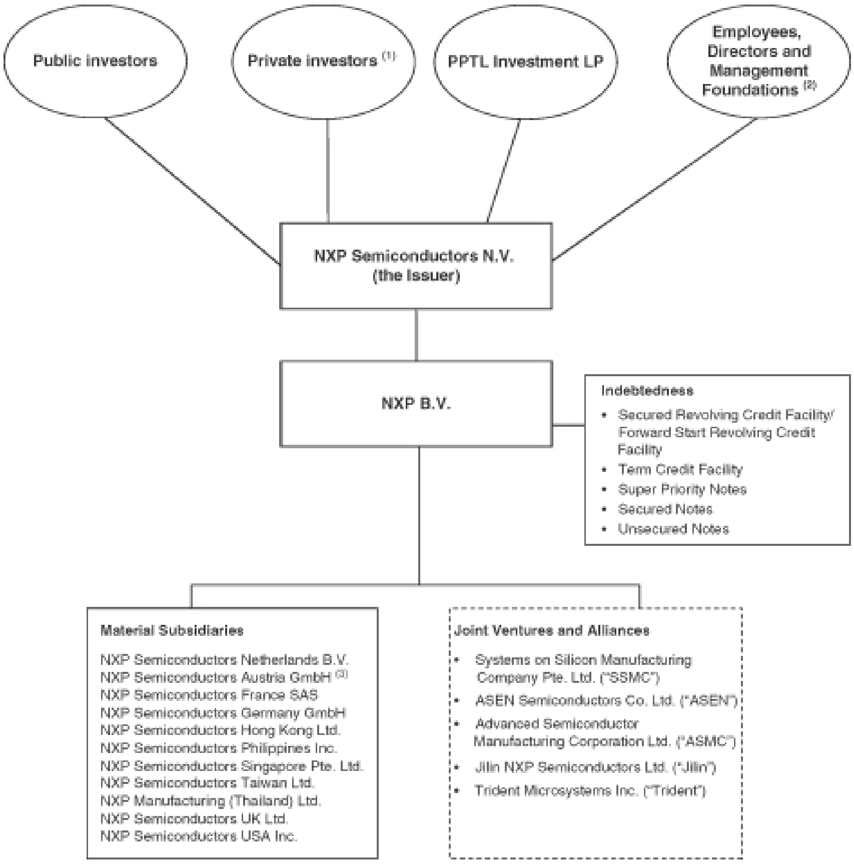
It is our belief that the risks of the environmental issues described above, either individually or on a combined basis, will not have a material adverse effect on our consolidated financial position. However, such outcomes may be material to our consolidated statement of operations for a particular period.

C. *Organizational structure.*

A list of our significant subsidiaries, including name, country of incorporation or residence and proportion of ownership interest and voting power is provided in "Part III—Item 19. Exhibits—Exhibit 21.1", which is incorporated herein by reference.

CORPORATE STRUCTURE

The following chart reflects our corporate structure as per December 31, 2010.



(1) Includes the Private Equity Consortium, as well as certain co-investors. Some of our co-investors have recently sold all or part of their shares of our common stock, in accordance with the applicable securities law exemptions from registration.

(2) The management foundations are two foundations that hold shares of NXP Semiconductors N.V. on behalf of participants in our management equity stock option plan ("Management Equity Stock Option Plan") and our Long-Term Incentive Plan 2010. For a more detailed description of these plans, see "Part I —Item 6.Management—B. Compensation—Share Based Compensation Plans".

(3) We and Dover Corporation (NYSE:DOV) have announced on December 22, 2010, that we have signed a definitive agreement whereby Dover Corporation's affiliate, Knowles Electronics, will acquire our Sound Solutions business. Consequently, all the shares in NXP Semiconductors Austria GmbH will transfer to a subsidiary of Dover Corporation.

D. *Property, plants and equipment.*

We own approximately 6.3 million square feet of building space in nine countries, and lease approximately 3.3 million square feet of building space in 25 countries. The following table sets out our principal real property holdings as of December 31, 2010:

Location	Use	Owned/leased	Building space (square feet)
Eindhoven, the Netherlands	Headquarters	Leased	258,848
Hamburg, Germany	Manufacturing	Owned	766,092
Nijmegen, the Netherlands	Manufacturing	Owned	2,199,623
Singapore	Manufacturing	Leased	864,348
Bangkok, Thailand	Manufacturing	Owned	604,231
Cabuyao, Philippines	Manufacturing	Owned	523,981
Kaohsuing, Taiwan	Manufacturing	Leased	578,912
Manchester, United Kingdom	Manufacturing	Owned	221,787
Jilin, China(1)	Manufacturing	Leased	138,783
Hong Kong, China	Manufacturing	Leased	240,000
Guangdong, China	Manufacturing	Leased	916,000
Seremban, Malaysia	Manufacturing	Owned	291,037
Beijing, China(2)	Manufacturing	Leased	267,418

(1) Leased by the Jilin joint venture.

(2) Leased by NXP Semiconductors (Beijing) Ltd. The shares of this subsidiary are intended to transfer to a subsidiary of Dover Corporation in connection with the contemplated sale of our Sound Solutions business to Dover Corporation. The lease is intended to transfer accordingly.

In addition to the foregoing, we own or lease over 51 additional sites around the world for research and development, sales and administrative activities.

The following is a summary of the terms of our material lease agreements:

SSMC leases 840,743 square feet of space at 70 Pasir Ris Drive 1 in Singapore from Jurong Town Corporation for use as a manufacturing facility. The lease commenced on June 1, 1999 for a term of 30 years at an annual rental rate of 1,484,584 Singapore Dollars ($1,156,696), which amount is subject to revision up to, but not exceeding, 5% of the yearly rent for the immediately preceding year, on the anniversary of the lease commencement date.

We lease 916,000 square feet of manufacturing space through our subsidiary, NXP Semiconductors Guangdong Ltd., at Tian Mei High Tech, Industrial Park, Huang Jiang Town, Dongguan City, China, from Huangjiang Investment Development Company (“Huangjiang”). The lease commenced on October 1, 2003 for a term of 13 years at an annual rental rate calculated to be the greater of: (a) a yearly rental rate of RMB96 ($15) per square meter or (b) a yearly rent equal to 13% of the actual construction cost of the leased facility. The rental amount is subject to revision on an annual basis, subject to the interest rate Huangjiang must pay for loans used in the construction of the facilities agreed upon in the lease.

We lease approximately 267,418 square feet of manufacturing space through our subsidiary, NXP Semiconductors (Beijing) Ltd. at No. 20 Tong Ji Nan Lu of the Beijing Economic-Technical Development Area of China, from Beijing Economic-Technological Investment & Development Corporation. The lease commenced on September 15, 2009, for a five year term. From commencement of the lease to June 30, 2012, the rent is RMB 99,375.64 ($15,081) per month, subject to certain conditions under the lease. On July 1, 2012, the rent shall increase to RMB 1,018,600.31 ($154,579) per month for the remainder of the lease term.

We lease 187,234 square feet of public land and manufacturing space through our subsidiary, NXP Semiconductors Taiwan Ltd., located in Nanzi Manufacturing and Export Zone, Taiwan, from the Export Processing Zone Administration, Ministry of Economic Affairs). We lease the manufacturing space and its associated parcels of land in a series of leases, the earliest of which commenced on March 13, 2000 and the last of which expires on September 30, 2018. Our monthly rental rate on the combined leases is 3,582,979 New Taiwan Dollars ($123,147) per month plus a 5% business tax applicable thereto as from July 1, 2008. We also own 176,516 square feet of land and manufacturing space located in Nanzi Manufacturing and Export Zone, Taiwan.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

A. *Operating results.*

Basis of Presentation

New Segments

On January 1, 2010, we reorganized our prior segments into four reportable segments in compliance with FASB ASC Topic 280. We have two market-oriented business segments, High-Performance Mixed-Signal and Standard Products and two other reportable segments, Manufacturing Operations and Corporate and Other. See "Part I—Item 4. Information on the Company—A. History and development of the Company—Reporting Segments". The presentation of our financial results and the discussion and analysis of our financial condition and results of operations have been restated to reflect the new segments.

Discontinued Operations

On December 22, 2010, we signed a definitive agreement whereby Knowles Electronics will acquire our Sound Solutions business. The transaction is scheduled to close on or about the end of the first quarter of 2011, subject to regulatory approvals and customary closing conditions. The financial results attributable to our interest in our Sound Solutions business (formerly included in our Standard Products segment) have been presented and separated as discontinued operations in the consolidated financial statements. The previous years have been restated accordingly.

Significant Divestments

2010:

- Our Sound Solutions business to be acquired by Knowles Electronics; and
- Major portion of our former Home segment sold to Trident Microsystems, Inc.

2008:

- Wireless operations of our former Mobile & Personal segment contributed to the ST-NXP Wireless joint venture.

Initial Public Offering (IPO)

On August 10, 2010, we completed our initial public offering of 34 million shares of common stock priced at $14 per share. The shares are traded on the NASDAQ Global Select Market under the ticker symbol "NXPI." This resulted in net proceeds of $448 million, after deducting underwriting discounts and commissions and offering expenses totaling $28 million. These proceeds have been used to improve our capital structure by retiring a portion of the long-term indebtedness entered into by the Company's wholly-owned subsidiary NXP B.V. in a series of privately negotiated purchases.

Use of Certain Non-GAAP Financial Measures

Comparable revenue growth is a non-GAAP financial measure that reflects the relative changes in revenues between periods adjusted for the effects of foreign currency exchange rate changes and material acquisitions and divestments, combined with reclassified product lines (which we refer to as consolidation changes). Our revenues are translated from foreign currencies into our reporting currency, the U.S. dollar, at monthly exchange rates during the respective years. As such, revenues as reported are impacted by significant foreign currency movements year over year. In addition, revenues as reported are also impacted by material acquisitions and divestments. We believe that an understanding of our underlying revenues performance on a comparable basis year over year is enhanced after these effects are excluded.

We understand that, although comparable revenue growth is used by investors and securities analysts in their evaluation of companies, this concept has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of our results of operations as reported under U.S. GAAP. Comparable revenue growth should not be considered as an alternative to nominal revenue growth, or any other measure of financial performance calculated and presented in accordance with U.S. GAAP. Calculating comparable revenue growth involves a degree of management judgment and management estimates and you are encouraged to evaluate the adjustments we make to nominal revenue growth and the reasons we consider them appropriate. Comparable revenue growth may be defined and calculated differently by other companies, thereby limiting its comparability with comparable revenue growth used by such other companies.

Net debt is a non-GAAP financial measure and represents total debt (short-term and long-term debt) after deduction of cash and cash equivalents. Management believes this measure is a good reflection of our net leverage.

Factors Affecting Comparability

Economic Downturn

In 2010, the overall market recovery had a positive impact on our revenues and operating income, which had been negatively affected by the global economic downturn in 2008 and 2009. This also affected the utilization levels of our factories during the second half of 2008 and the first half of 2009. During the second half of 2009, our revenues partly recovered due to replenishment of inventory by our customers, market share gains driven by design wins across a wide range of our business lines and the economic recovery generally. This also had a positive impact on our factory utilization levels.

Restructuring and Redesign Program

Since our separation from Philips, we have taken significant steps to reposition our businesses and operations through a number of acquisitions, divestments and restructurings. As a result of the Redesign Program and other restructurings, costs were reduced significantly, driven by reduced costs in manufacturing, research and development and selling, general and administrative activities. The Redesign Program, announced in September 2008, was our response to a challenging economic environment and the refocusing and resizing of our business.

Due to the continuing adverse market conditions in the first half of 2009, steps were taken to accelerate certain aspects of the Redesign Program and expand it to include other restructuring activities. As a result of the expanded Redesign Program, approximately $794 million in annualized savings have been achieved by end of year 2010, as compared to our annualized third quarter results for 2008, which was the quarter during which we contributed our wireless operations to ST-NXP Wireless. We expect to realize additional annual savings from, amongst others, further rationalizing of central support functions, such as IT, supply chain management, and corporate overhead. Through December 31, 2010, $656 million have been paid related to the accelerated and expanded Redesign Program and other restructuring activities.

Capital Structure

As of December 31, 2010, the book value of our total debt was $4,551 million and included $423 million of short-term debt and $4,128 million of long-term debt. This is $732 million lower than the book value of our total debt of $5,283 million as of December 31, 2009.

In 2010, our initial public offering of 34 million shares of common stock and the issuance of a new bond, the 2018 Dollar Fixed Rate Secured Notes, which increased the book value of our long-term debt by $1,000 million, enabled us to reduce part of an outstanding long term debt through individually negotiated transactions . The effect of foreign exchange differences also reduced our long-term debt by $138 million, while an accrual of debt discount increased our long-term debt by $15 million in 2010. In China, we borrowed $18 million in order to repay a loan to NXP Semiconductors (Beijing) Ltd., which increased our total debt in 2010. In 2010, total debt was also reduced by $187 million in short-term debt, of which $200 million consisted of a repayment under our Secured Revolving Credit Facility. See “Part I—Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Debt Position”.

As a result of the individually negotiated cash buy-backs and favorable interest rates, also our full year net interest expense was reduced from $475 million in 2008 to $359 million in 2009 and $318 million in 2010.

The total amount of cash used in 2010 as a result of the individually negotiated cash buy-backs amounted to $1,383 million. The total gain on these transactions recognized in 2010 was $57 million, compared to $1,020 million in 2009. The net cash proceeds from the issuance of the 2018 Dollar Fixed Rate Secured Notes in 2010 amounted to $974 million.

In 2009, through a combination of cash buy-backs and debt exchange offers, we were able to reduce our total long-term debt by $1,331 million. This was partially offset by the negative impact of foreign exchange of $32 million and an $8 million accrual of debt discount. In 2009, the reduction in total debt was also partially offset by an increase of $207 million in short-term debt, of which $200 million consisted of a drawdown under our Secured Revolving Credit Facility.

Impairment of Goodwill and Other Intangibles

Our goodwill is tested for impairment on an annual basis in accordance with ASC 350 (FASB Statement 142). To test our goodwill for impairment, the fair value of each “reporting unit” that has goodwill is determined. If the carrying value of the net assets in the “reporting unit” exceeds the fair value of the “reporting unit”, there is an additional assessment performed to determine the implied fair value of the goodwill. If the carrying value of the goodwill exceeds this implied fair value, we record impairment for the difference between the carrying value and the implied fair value.

The determination of the fair value of the reporting unit requires us to make significant judgments and estimates including projections of future cash flows from the business. We base our estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, we make judgments and assumptions in allocating assets and liabilities to each of our reporting units. The key assumptions considered for computing the fair value of reporting units include: (a) cash flows based on financial projections for periods ranging from 2010 through 2013 and which were extrapolated until 2021, (b) terminal values based on terminal growth rates not exceeding 3% and (c) discount rates based on the weighted average cost of capital ranging from 11.7% to 13.5%. A sensitivity analysis, in which long-term growth rates become approximately zero and the weighted average cost of capital is increased by 200 basis points, indicates that for all reporting units, the fair value exceeds the book value substantially.

Based on the impairment analysis in the third and fourth quarter of 2010, we have concluded that there is no impairment required in 2010 because the fair value significantly exceeded the carrying value.

In 2009, following the announcement to sell a major portion of our former Home segment to Trident, the assets and liabilities to be divested were reported as held for sale at fair value less cost to sell. For these assets held for sale, an impairment of $69 million was recorded in 2009 and included in the segment Divested Home Activities.

The goodwill impairment analysis in 2008 led to an impairment of $430 million, of which $381 million related to our former Home segment, $144 million of this amount was subsequently re-allocated to the High-Performance Mixed-Signal segment, $160 million was re-allocated to the Divested Home Activities and $77 million was re-allocated to the Corporate and Other segment. The remaining goodwill impairment of $49 million in 2008 was related to the Corporate and Other segment.

Effect of Acquisition Accounting

Our Formation

On September 29, 2006, Philips sold 80.1% of its semiconductor business to the Private Equity Consortium in a multi-step transaction. We refer to this acquisition as our “Formation”.

The Formation has been accounted for using the acquisition method. Accordingly, the $10,601 million purchase price has been “pushed down” within the NXP group and allocated to the fair value of assets acquired and liabilities assumed.

The carrying value of the net assets acquired and liabilities assumed, as of the Formation date on September 29, 2006, amounted to $3,302 million. This resulted in an excess of the purchase price over the carrying value of $7,299 million. The excess of the purchase price was allocated to intangible assets, step-up on tangible assets and liabilities assumed, using the estimated fair value of these assets and liabilities.

An amount of $3,096 million, being the excess of the purchase price over the estimated fair value of the net assets acquired, was allocated to goodwill. This goodwill is not amortized, but is tested for impairment at least annually.

Other Significant Acquisitions and Divestments

- ***2010***

On December 22, 2010, we signed a definitive agreement whereby Knowles Electronics, an affiliate of Dover Corporation, will acquire our Sound Solutions business, a leading provider of speaker and receiver components for the mobile handset market. Under the terms of the agreement, subject to regulatory approvals and customary closing conditions, Knowles Electronics will acquire Sound Solutions for $855 million in cash.

The financial results attributable to the Company’s interest in Sound Solutions, formerly included in NXP’s Standard Products segment, have been presented as discontinued operations. The transaction is expected to close on or about the end of the first quarter of 2011.

On December 20, 2010, we completed the sale of our 55% shareholding in the NuTune joint venture. This joint venture represented the combination of our CAN tuner modules operation with those of Technicolor (formerly Thomson S.A.).

In September 2010, we sold all of the Virage Logic Corporation (“Virage Logic”) shares that we held.

On February 8, 2010, we completed the transaction to sell the television systems and set-top-box business lines, which were included in our former business segment Home, to Trident Microsystems, Inc., which is listed on the NASDAQ in the United States. After completion of this transaction, we held approximately 60% of the outstanding common stock of Trident. The total consideration related to this transaction was a net payment of $54 million (of which $7 million was paid afterwards) and a receipt of a 60% shareholding in Trident valued at $177 million, based on the quoted market price at the transaction date.

- ***2009***

On November 16, 2009, we completed our strategic alliance with Virage Logic and obtained approximately 9.8% of Virage Logic's outstanding common stock. This transaction included the transfer of our advanced CMOS horizontal intellectual property and development team in exchange for the rights to use Virage Logic's intellectual property and services. Virage Logic is a provider of both functional and physical semiconductor intellectual property for the design of complex integrated circuits. The shares of Virage Logic are listed on the NASDAQ Global Market. Considering the terms and conditions agreed between the parties, we accounted for our investment in Virage Logic at cost.

- ***2008***

On September 1, 2008, we completed the combination of our CAN tuner modules operation with those of Technicolor S.A., formerly known as Thomson S.A. ("Technicolor") operating in a new joint venture named NuTune. Until the sale in December, 2010, we had a 55% shareholding in NuTune, which was fully consolidated in our Corporate and Other segment.

On August 11, 2008, we completed our acquisition of the broadband media processing business of Conexant Systems, Inc. ("Conexant"), which provides solutions for satellite, cable and IPTV applications. These activities were included in our Divested Home Activities segment and a majority of these activities were transferred to Trident in February 2010.

On July 28, 2008, we combined our key wireless operations with those of STMicroelectronics N.V. ("STMicroelectronics") to form a new joint-venture company, at that time named ST-NXP Wireless, into which we contributed businesses and assets forming a substantial portion of our former Mobile & Personal segment (our sound solutions, mobile infrastructure and amplifiers businesses were not contributed and are now part of our High-Performance Mixed-Signal and Standard Products segments). We received a 20% ownership interest in the joint venture and a cash consideration of $1.55 billion in connection with the divestment. Effective February 2, 2009, STMicroelectronics purchased our remaining stake in the joint venture (subsequently renamed "ST-Ericsson") for a purchase price of $92 million.

In January 2008, we completed the acquisition of GloNav, Inc. ("GloNav") a U.S.-based fabless semiconductor company developing single-chip solutions for global positioning systems and other satellite navigation systems. The activities of this new acquisition were included in the former Mobile & Personal segment and were subsequently transferred to ST-NXP Wireless on July 28, 2008.

The acquisitions described above have been accounted for using the acquisition method. Accordingly, the respective purchase prices have been "pushed down" within the NXP group and allocated to the fair value of assets acquired and liabilities assumed. Adjustments in fair values associated with our Formation and these acquisitions had a negative impact on our 2010 operating income of $302 million, compared to $371 million in 2009 and $658 million in 2008, due to additional amortization and depreciation charges. This was partly offset by the tax effect on the purchase price adjustments. As used in this discussion, the term "PPA effect" includes the cumulative net effect of acquisition accounting applied to these acquisitions, as well as the Formation. Certain PPA effects are recorded in our cost of revenues, which affect our gross profit and operating income, and other PPA effects are recorded in our operating expenses, which only affect our operating income.

Restructuring and Other Incidental Items

Certain gains and losses of an incidental but sometimes recurring nature have affected the comparability of our results over the years. These include costs related to the Redesign Program and other restructuring programs, process and product transfer costs, costs related to our separation from Philips and gains and losses resulting from divestment activities and impairment charges.

Certain of these restructuring and other incidental items are recorded in our cost of revenues, which affects our gross profit and operating income, while certain other restructuring and other incidental items are recorded in our operating expenses, which only affect our operating income.

Research and Development

The divestment of our Wireless Activities and Home Activities in 2008 and 2010, respectively, resulted in a reduction of our research and development expenses. These divested activities accounted for $538 million of research and development expenses in 2008 (of which $319 million related to our Divested Wireless Activities and $219 million related to our Divested Home Activities), $239 million in 2009 and $16 million until February 8, 2010 (both of which related to our Divested Home Activities). This reduction in research and development expenses is in addition to our cost savings from the Redesign Program.

Statement of Operations Items

Revenues

Our revenues are primarily derived from sales of our semiconductor and other components to OEMs and similar customers, as well as from sales to distributors. Our revenues also include sales from wafer foundry and packaging services to our divested businesses, which are reported under our segment Manufacturing Operations.

Cost of Revenues

Our cost of revenues consists primarily of the cost of semiconductor wafers and other materials, and the cost of assembly and test. Cost of revenues also includes personnel costs and overhead related to our manufacturing and manufacturing engineering operations, related occupancy and equipment costs, manufacturing quality, order fulfillment and inventory adjustments, including write-downs for inventory obsolescence, gains and losses due to conversion of accounts receivable and accounts payable denominated in currencies other than the functional currencies of the entities holding the positions, gains and losses on cash flow hedges that hedge the foreign currency risk in anticipated transactions and subsequent balance sheet positions, and other expenses.

Gross Profit

Gross profit is our revenues less our cost of revenues, and gross margin is our gross profit as a percentage of our revenues. Our revenues include sales from wafer foundry and packaging services to our divested businesses, which are reported under our segment Manufacturing Operations. In accordance with the terms of our divestment agreements, because the sales to our divested businesses are at a level approximately equal to their associated cost of revenues, there is not a significant contribution to our gross profit from these specific sales and hence they are dilutive to our overall company gross margin. As these divested businesses develop or acquire their own foundry and packaging capabilities, our revenues from these sources are expected to decline, and, therefore, the dilutive impact on gross profit is expected to decrease over time.

Research and Development Expenses

Research and development expenses consist primarily of personnel costs for our engineers engaged in the design, development and technical support of our products and related developing technologies and overhead. These expenses include third-party fees paid to consultants, prototype development expenses and computer services costs related to supporting computer tools used in the engineering and design process.

Selling Expenses

Our sales and marketing expense consists primarily of compensation and associated costs for sales and marketing personnel including field application engineers and overhead, revenues commissions paid to our independent sales representatives, costs of advertising, trade shows, corporate marketing, promotion, travel related to our sales and marketing operations, related occupancy and equipment costs and other marketing costs.

General and Administrative Expenses

Our general and administrative expense consists primarily of compensation and associated costs for management, finance, human resources and other administrative personnel, outside professional fees, allocated facilities costs and other corporate expenses. General and administrative expenses also include amortization and impairment charges for intangibles assets other than goodwill, impairment charges for goodwill and impairment charges for assets held for sale.

Other Income (Expense)

Other income (expense) primarily consists of gains and losses related to divestment of activities and subsidiaries, as well as gains and losses related to the sale of long-lived assets and other non-recurring items.

Operating Income (Loss)

Operating income (loss) from operations is our gross profit less our operating expenses (which consist of selling expenses, general and administrative expenses, research and development expenses and write-offs of acquired in-process research and development activities), plus other income (expense).

Extinguishment of Debt

Extinguishment of debt is the gain or loss arising from the exchange or repurchase of our bonds, net of write downs for the proportionate costs related to the initial bond issuances.

Other Financial Income (Expense)

Other financial income (expense) consists of interest earned on our cash, cash equivalents and investment balances, interest expense on our debt (including debt issuance costs), results on the sale of securities, gains and losses due to foreign exchange rates, other than those included in cost of revenues, and certain other miscellaneous financing costs and income.

Provision for Income Taxes

We have significant net deferred tax assets resulting from net operating loss carry forwards, tax credit carry forwards and deductible temporary differences that reduce our taxable income. Our ability to realize our deferred tax assets depends on our ability to generate sufficient taxable income within the carry back or carry forward periods provided for in the tax law for each applicable tax jurisdiction.

Results Relating to Equity-Accounted Investees

Results relating to equity-accounted investees consist of our equity in all gains and losses of joint ventures and alliances that are accounted for under the equity method.

Net Income (Loss) from Discontinued Operations

Net income (loss) from discontinued operations represents the financial results of the Sound Solution business. On December 22, 2010, we signed a definitive agreement whereby Knowles Electronics will acquire our Sound Solutions business.

Net Income (Loss)

Net income (loss) is the aggregate of operating income (loss), financial income (expense), income tax benefit (expense), results relating to equity-accounted investees, gains or losses resulting from a change in accounting principles, extraordinary income (loss) and gains or losses related to discontinued operations.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009 for the Group

Revenues

The following table presents the aggregate revenues by segment for the years ended December 31, 2010 and 2009.

	For the year ended December 31,					
	2009			2010		
($ in millions, unless otherwise stated)	Revenues	% nominal growth	% comparable growth	Revenues	% nominal growth	% comparable growth
High-Performance Mixed-Signal	2,011	(19.9)	(18.2)	2,846	41.5	43.4
Standard Products	567	(25.0)	(23.6)	848	49.6	52.0
Manufacturing Operations	324	—	(29.0)	525	62.0	(13.3)
Corporate and Other	165	(24.7)	(58.3)	136	(17.6)	(12.7)
Divested Home Activities	452	(10.0)	(22.7)	47	—	—
Total	3,519	(31.1)	(22.6)	4,402	25.1	36.1

The following table summarizes the calculation of comparable revenue growth and provides the reconciliation from nominal revenue growth, the most directly comparable financial measure presented in accordance with U.S. GAAP, for the years presented:

	For the year ended December 31,	
(in %)	2009	2010
Nominal revenue growth	(31.1)	25.1
Effects of foreign currency exchange rate changes(1)	1.3	1.7
Consolidation changes(2)	7.2	9.3
Comparable revenue growth(3)	(22.6)	36.1

(1) Reflects the currency effects that result from the translation of our revenues from foreign currencies into our reporting currency, the U.S. dollar, at the monthly exchange rates during the respective years.

(2) Reflects the relative changes in revenues between periods arising from the effects of material acquisitions and divestments and reclassified product lines. For an overview of our significant acquisitions and divestments, see “Part I—Item 5. Operating and Financial Review and Prospects—A. Operating results—Factors Affecting Comparability—Effect of Acquisition Accounting”.

(3) Comparable revenue growth reflects the relative changes in revenues between periods adjusted for the effects of foreign currency exchange rate changes, material acquisitions and divestments and reclassified product lines. Our revenues are translated from foreign currencies into our reporting currency, the U.S. dollar, at the monthly exchange rates during the respective years. As a result of significant currency movements throughout the year and the impact of material acquisitions and divestments on comparable revenue figures, we believe that an understanding of our revenues performance is enhanced after these effects are excluded.

Revenues were $4,402 million in 2010 compared to $3,519 million in 2009, a nominal increase of 25.1%, and a comparable increase of 36.1%. This increase in revenues was due to the overall market recovery, our ability to ramp up production to meet higher demand and our share gains across a wide range of our business lines.

The increase in our total revenues was partly offset by the divestment of a major portion of our former Home segment to Trident on February 8, 2010. Revenues of these Divested Home Activities amounted to $47 million in 2010 compared to $452 million in 2009. However, NXP agreed to continue supplies for the related divested activities and these amounted to $244 million in 2010, compared to nil in 2009 and are reported under the Manufacturing Operations segment. Furthermore, revenues in 2010 compared to 2009 were also affected by unfavorable currency effects of $51 million.

Gross Profit

Our gross profit increased to $1,823 million in 2010, or 41.4% of our revenues, from $898 million in 2009, or 25.5% of our revenues, Our gross profit as a percentage of our revenues were impacted by the dilutive effect of our Manufacturing Operations segment. The PPA effects that were included in our gross profit amounted to $21 million in 2010, compared to $69 million in 2009. Also included in our gross profit were restructuring and other incidental items, which amounted to an aggregate cost of $31 million in 2010 and were mainly related to process and product transfer costs and other restructuring costs as part of the Redesign Program. The restructuring and other incidental items included in our gross profit in 2009 amounted to an aggregate cost of $158 million and were largely related to process and product transfer costs and our exit of certain product lines in connection with our Redesign Program.

The increase in gross profit in 2010 was largely due to higher revenues and was supported by the cost reductions that we achieved as a result of the ongoing Redesign Program. Our factory utilization also improved from 60% in 2009 to 96% in 2010. The divestment of a major portion of our former Home segment to Trident also had an impact on our gross profit. These Divested Home Activities achieved a gross profit of $16 million until February 8, 2010, compared to a gross profit of $130 million for the full year of 2009.

Research and Development Expenses

Our research and development expenses were $568 million in 2010, or 12.9% of our revenues, compared to $764 million in 2009, or 21.7% of our revenues, in 2009. In 2010, research and development expenses included restructuring and other incidental items amounting to an aggregate income of $6 million. These were mainly due to the release of certain restructuring liabilities. The restructuring and other incidental items in 2009 amounted to an aggregate cost of $69 million and were mainly related to restructuring costs and merger and acquisition related costs.

The decline in research and development expenses was largely due to the divestment of a major portion of our former Home segment to Trident. Research and development expense for the Divested Home Activities amounted to $16 million in 2010 (until February 8, 2010) compared to $239 million in 2009. Further reductions in our research and development expenses were achieved as a result of our transaction with Virage Logic and our ongoing Redesign Program. However, these reductions were partly offset by higher investments in High-Performance Mixed-Signal applications.

Selling Expenses

Our selling expenses were $265 million in 2010, or 6.0% of our revenues, in 2010, compared to $271 million in 2009, or 7.7% of our revenues. We made additional investments in resources in our sales and marketing organization to execute our High-Performance Mixed-Signal strategy. We have created “application marketing” teams that focus on delivering solutions and systems reference designs that leverage our broad portfolio of products and better serve our customers with High-Performance Mixed-Signal solutions. The additional investment of resources in our sales and marketing organizations was offset by the effect of the divestment of a major portion of our former Home segment to Trident. Furthermore, selling expenses included certain restructuring and other incidental items, which amounted to an aggregate income of $2 million in 2010, compared to an aggregate cost of $9 million in 2009.

General and Administrative Expenses

General and administrative expenses amounted to $701 million in 2010, or 15.9% of our revenues, compared to $781 million in 2009, or 22.2% of our revenues. The PPA effects included in general and administrative expense amounted to $281 million in 2010, compared to $302 million in 2009. Furthermore, 2009 included an impairment charge related to assets held for sale amounting to $69 million related to the divestment of a major portion of our former Home segment. Also included in general and administrative expenses are the restructuring and other incidental items which amounted to an aggregate cost of $68 million in 2010 compared to an aggregate cost of $88 million in 2009. The restructuring and other incidental items in 2010 and 2009 were mainly related to certain divestment and acquisition related costs, IT system reorganization costs and other restructuring costs.

Other Income (Expense)

Other income and expense was a loss of $16 million in 2010, compared to a loss of $13 million in 2009. Included are incidental items, amounting to an aggregate cost of $19 million in 2010, compared to $20 million in 2009. The loss in 2010 was mainly related to the divestment of a major portion of our former Home segment, partly offset by gains on sale of certain tangible fixed assets. The loss in 2009 was related to the losses on the sale of various smaller businesses and gains on disposal of various tangible fixed assets.

Restructuring Charges

In 2010, we had restructuring charges of $7 million, mainly related to the divestment of a major portion of our former Home segment. Charges in previous years were mainly related to the ongoing Redesign Program of the Company and amounted to $112 million in 2009, compared to $610 million in 2008. These charges were offset by a release of restructuring liabilities of $40 million in 2010 compared to $92 million in 2009 and $16 million in 2008 and related to prior announced restructuring projects. In addition, we incurred $53 million of restructuring related costs in 2010 (excluding product transfers) which were directly charged to our operating income, compared to $83 million in 2009.

In the aggregate, the net restructuring charges that affected our operating income for 2010 were $20 million, compared to $103 million in 2009 and $594 million in 2008.

Operating Income (Loss)

The following tables present the aggregate operating income (loss) by segment for the years ended December 31, 2010 and 2009, which includes the effects of PPA, restructuring and other incidental items and impairment charges:

	For the year ended December 31, 2010		
($ in millions)	Operating income (loss)	Effects of PPA	Restructuring and Other Incidental Items
High-Performance Mixed-Signal	387	(222)	12
Standard Products	91	(54)	(2)
Manufacturing Operations	(57)	(25)	(35)
Corporate and Other	(117)	(1)	(55)
Divested Home Activities	(31)	—	(30)
Total	273	(302)	(110)

($ in millions)	For the year ended December 31, 2009 Operating income (loss)	Effects of PPA	Restructuring and Other Incidental Items	Impairment Charges
High-Performance Mixed-Signal	(187)	(218)	(84)	—
Standard Products	(120)	(61)	(15)	—
Manufacturing Operations	(175)	(83)	(101)	—
Corporate and Other	(188)	(2)	(127)	—
Divested Home Activities	(261)	(7)	(17)	(69)
Total	(931)	(371)	(344)	(69)

Financial Income (Expense)

($ in millions)	For the year ended December 31, 2009	2010
Interest income	4	2
Interest expense	(363)	(320)
Foreign exchange rate results	39	(331)
Gain on extinguishment of debt	1,020	57
Other	(18)	(36)
Total	682	(628)

Financial income and expense (including the extinguishment of debt) was a net expense of $628 million in 2010, compared to a net income of $682 million in 2009. Financial income and expense included a loss of $331 million in 2010, as a result of a change in foreign exchange rates mainly applicable to remeasurement of our U.S. dollar-denominated notes and short-term loans, which reside in a euro functional currency entity, compared to a gain of $39 million in 2009. Extinguishment of debt in 2010 amounted to a gain of $57 million compared to a gain of $1,020 million in 2009. The net interest expense amounted to $318 million in 2010 compared to $359 million in 2009.

Provision for Income Taxes

Income tax expense for 2010 was $24 million, compared to $10 million in 2009, and our effective income tax expense rate was (6.8%) in 2010, compared to (4.0%) in 2009. The increase of the effective tax rate was primarily attributable to an increase of the prior year adjustments. The main component of the income tax expense related to the tax expense in tax jurisdictions in which we are in a tax paying position and in which we have not recorded a valuation allowance.

Results Relating to Equity-accounted Investees

Results relating to the equity-accounted investees amounted to a loss of $86 million in 2010, compared to a profit of $74 million in 2009. The loss in 2010 was related to our investment in Trident. The profit in 2009 was due to the release of translation differences related to the sale of our 20% share in the ST-NXP Wireless joint venture.

Income (Loss) on Discontinued Operations

The income on discontinued operations, net of taxes was $59 million in 2010 compared to $32 million in 2009. This related entirely to the results of our Sound Solutions business, which is intended to be sold in 2011.

Net Income (Loss)

Our net loss in 2010 was $406 million, compared to a net loss of $153 million in 2009. The improvement of $1,204 million in operating income achieved in 2010 was offset by the following factors which led to a higher net loss in 2010 compared to 2009:

- gains resulting from debt extinguishment amounted to $57 million in 2010 compared to $1,020 million in 2009;
- foreign exchange results included in the financial income and expenses amounted to a loss of $331 million in 2010 compared to a profit of $39 million in 2009;
- results related to equity-accounted investees amounted to a loss of $86 million in 2010 compared to a profit of $74 million in 2009.

Non-controlling Interests

The share of non-controlling interests amounted to a profit of $50 million in 2010, compared to a profit of $14 million 2009. This was mostly related to the third-party share in the results of consolidated companies, predominantly SSMC.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009 by Segment

Revenues

The following table presents the reconciliation from nominal revenue growth to comparable revenue growth for the year ended December 31, 2010, compared to the year ended December 31, 2009.

(in %)	Nominal Growth	Consolidation Changes(1)	Currency Effects(2)	Comparable Growth(3)
High-Performance Mixed-Signal	41.5	—	1.9	43.4
Standard Products	49.6	—	2.4	52.0
Manufacturing Operations	62.0	(75.3)	—	(13.3)
Corporate and Other	(17.6)	4.8	0.1	(12.7)
Total Group	25.1	9.3	1.7	36.1

(1) Reflects the relative changes in revenues between periods arising from the effects of material acquisitions and divestments and reclassified product lines. For an overview of our significant acquisitions and divestments, see “Part I—Item 5. Operating and Financial Review and Prospects—A. Operating results —Factors Affecting Comparability—Effect of Acquisition Accounting”.

(2) Reflects the currency effects that result from the translation of our revenues from foreign currencies into our reporting currency, the U.S. dollar, at the monthly exchange rates during the respective years.

(3) Comparable revenue growth reflects the relative changes in revenues between periods adjusted for the effects of foreign currency exchange rate changes, material acquisitions and divestments and reclassified product lines. Our revenues are translated from foreign currencies into our reporting currency, the U.S. dollar, at the monthly exchange rates during the respective years. As a result of significant currency movements throughout the year and the impact of material acquisitions and divestments on comparable revenue figures, we believe that an understanding of our revenues performance is enhanced after these effects are excluded.

High-Performance Mixed-Signal

($ in millions)	For the year ended December 31, 2009	2010
Revenues	2,011	2,846
% nominal growth	(19.9)	41.5
% comparable growth	(18.2)	43.4
Gross profit	785	1,525
Operating income (loss)	(187)	387
Effects of PPA	(218)	(222)
Total restructuring charges	(53)	15
Total other incidental items	(31)	(3)

Revenues

Revenues were $2,846 million in 2010 compared to $2,011 million in 2009, an increase of 41.5% on a nominal basis and 43.4% on a comparable basis. This increase in revenues was largely attributable to the global economic recovery, generally supported by our share gains across a wide range of our business lines. Revenues increased across all of our focus areas. In particular, revenues in the Automotive and Identification business increased by over 50% compared to 2009. In specific consumer and PC markets, the demand during the second half year of 2010 was not as strong as in the first half of the year.

Gross Profit

Gross profit in 2010 was $1,525 million, or 53.6% of revenues, compared to $785 million in 2009, or 39.0% of revenues. The PPA effects that were included in gross profit amounted to $13 million in 2010, compared to $2 million in 2009. Also included in our gross profit were restructuring and other incidental items, which amounted to an aggregate income of $3 million in 2010 and were mainly related to release of certain restructuring liabilities. The restructuring and other incidental items included in our gross profit in 2009 amounted to an aggregate cost of $61 million and were mainly related to process and product transfer costs and restructuring costs as part of the Redesign Program. The improvement in gross margin in 2010 resulted primarily from cost savings achieved from the ongoing Redesign Program as well as higher revenues and higher factory utilization. Moreover, revenues in 2010 benefited from a higher-margin product mix, as compared to 2009, which has also led to improvements in our gross profit.

Operating Expenses

Operating expenses amounted to $1,133 million in 2010, or 39.8% of revenues, compared to $979 million in 2009, or 48.7% of revenues. Included in our operating expenses in 2010 were PPA effects of $209 million, compared to PPA effects of $216 million in 2009. The increase in operating expenses was largely due to the increased investment in research and development activities and also due to the set-up of “application marketing” teams to better serve our customers.

Operating Income (Loss)

Income from operations amounted to $387 million in 2010, compared to a loss from operations of $187 million in 2009. Included are PPA effects of $222 million in 2010, compared to PPA effects of $218 million in 2009. Restructuring and other incidental items amounted to an aggregate income of $12 million mainly related to the release of certain restructuring liabilities. In 2009, restructuring and other incidental items amounted to an aggregate cost of $84 million and were mainly related to process and product transfer costs and restructuring costs as part of the Redesign Program. The improvement in income from operations was mainly due to higher gross profits partly offset by higher operating expenses.

Standard Products

($ in millions)	For the year ended December 31, 2009	2010
Revenues	567	848
% nominal growth	(25.0)	49.6
% comparable growth	(23.6)	52.0
Gross profit	74	280
Operating income (loss)	(120)	91
Effects of PPA	(61)	(54)
Total restructuring charges	(9)	(1)
Total other incidental items	(6)	(1)

Revenues

Revenues were $848 million in 2010, compared to $567 million in 2009, an increase of 49.6% on a nominal basis and 52% on a comparable basis. This increase in revenues was to a significant extent attributable to the global economic recovery and the replenishment of inventories by customers and our ability to successfully ramp up production to meet the related increase in demand. Next to that, we also succeeded in improving our product/technology mix and in gaining market share in specific segments. Finally, due to supply shortages in all Standard Products segments, there was limited to no price erosion in 2010, compared to an average annual price erosion of mid-to high single digits over the past cycles.

Gross Profit

Gross profit in 2010 was $280 million, or 33.0% of revenues, compared to $74 million in 2009, or 13.1% of revenues. There was no PPA effect included in 2010 or in 2009. Restructuring and other incidental items amounted to an aggregate cost of $2 million in 2010 compared to $14 million in 2009 and were mainly related to restructuring costs. The increase in gross profit was mainly due to the higher volumes supported by favorable prices and higher factory utilization.

Operating Expenses

Operating expenses amounted to $189 million in 2010, or 22.3% of revenues, compared to $194 million in 2009, or 34.2% of our revenues. Operating expenses in 2010 included PPA effects of $54 million, compared to PPA effects of $61 million in 2009.

Operating Income (Loss)

Income from operations amounted to $91 million in 2010, compared to a loss of $120 million in 2009. Included are PPA effects of $54 million in 2010, compared to PPA effects of $61 million in 2009. The increase in income from operations was mainly due to higher gross profits driven by higher factory utilization. The restructuring and other incidental items in 2010 amounted to an aggregate cost of $2 million, compared to an aggregate cost of $15 million in 2009, and were primarily related to restructuring costs.

Manufacturing Operations

The main function of our Manufacturing Operations segment is to supply products to our High-Performance Mixed-Signal and Standard Products segments; however, we also derive external revenues and costs of sales from providing wafer foundry and packaging services to our divested businesses in order to support their separation and, on a limited basis, their ongoing operations. As these divested businesses develop or acquire their own foundry and packaging capabilities, our revenues from these sources are expected to decline.

Revenues

Revenues of our Manufacturing Operations segment were $525 million in 2010 compared to $324 million in 2009. The increase in revenues was mainly due to supplies made to Trident after the divestment of a major portion of our former Home segment in 2010. These supplies amounted to $244 million in 2010. The revenues from providing wafer foundry and packaging services to our divested businesses declined, which was in line with our expectation.

Operating Expenses

Operating expenses amounted to $37 million in 2010 compared to $74 million in 2009. Operating expenses in 2010 and 2009 were mainly related to the real estate and facility management costs and the management fee allocated to our Manufacturing Operations segment.

Corporate and Other

Revenues

Revenues in 2010 were $136 million compared to $165 million in 2009 and were mainly related to NuTune which was divested in December 2010 and consequently deconsolidated. The revenues of NuTune amounted to $91 million in 2010 compared to $110 million in 2009.

Operating Expenses

Operating expenses amounted to $154 million in 2010 compared to $178 million in 2009. In 2010, restructuring and other incidental items amounted to an aggregate cost of $64 million compared to $118 million in 2009. These were mainly related to restructuring, IT system reorganization costs and divestment activities.

Divested Home Activities

On February 8, 2010, we divested a major portion of our former Home segment to Trident. The remaining part of the former Home segment has been moved into the High-Performance Mixed-Signal and Corporate and Other segments. Revenues for the Divested Home Activities amounted to $47 million until February 8, 2010 compared to $452 million in 2009.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008 for the Group

Revenues

The following table presents the aggregate revenues by segment for the years ended December 31, 2009 and 2008.

	For the year ended December 31,					
	2008			2009		
($ in millions, unless otherwise stated)	Revenues	% nominal growth	% comparable growth	Revenues	% nominal growth	% comparable growth
High-Performance Mixed-Signal	2,511	(4.3)	(7.3)	2,011	(19.9)	(18.2)
Standard Products	756	(1.6)	(4.1)	567	(25.0)	(23.6)
Manufacturing Operations	324	51.4	10.7	324	—	(29.0)
Corporate and Other	219	(45.9)	(28.4)	165	(24.7)	(58.3)
Divested Wireless Activities	792	(45.6)	NM	—	—	—
Divested Home Activities	502	(13.7)	(25.0)	452	(10.0)	(22.7)
Total	5,104	(15.7)	(8.6)	3,519	(31.1)	(22.6)

NM: Not meaningful

The following table summarizes the calculation of comparable revenue growth and provides a reconciliation from nominal revenue growth, the most directly comparable financial measure presented in accordance with U.S. GAAP, for the years presented:

	For the year ended December 31,	
(in %)	**2008**	**2009**
Nominal revenue growth	(15.7)	(31.1)
Effects of foreign currency exchange rate changes[1]	(1.8)	1.3
Consolidation changes[2]	8.9	7.2
Comparable revenue growth[3]	(8.6)	(22.6)

(1) Reflects the currency effects that result from the translation of our revenues from foreign currencies into our reporting currency, the U.S. dollar, at the monthly exchange rates during the respective years.

(2) Reflects the relative changes in revenues between periods arising from the effects of material acquisitions and divestments and reclassified product lines. For an overview of our significant acquisitions and divestments, see “Part I—Item 5. Operating and Financial Review and Prospects—A. Operating results —Factors Affecting Comparability—Effect of Acquisition Accounting”.

(3) Comparable revenue growth reflects the relative changes in revenues between periods adjusted for the effects of foreign currency exchange rate changes, material acquisitions and divestments and reclassified product lines. Our revenues are translated from foreign currencies into our reporting currency, the U.S. dollar, at the monthly exchange rates during the respective years. As a result of significant currency movements throughout the year and the impact of material acquisitions and divestments on comparable revenue figures, we believe that an understanding of our revenues performance is enhanced after these effects are excluded.

Revenues were $3,519 million in 2009 compared to $5,104 million in 2008, a nominal decrease of 31.1%, and a comparable decrease of 22.6%. Of the $1,585 million total decline in revenues in 2009, $792 million were due to the divestment of our wireless operations, which we combined in the joint venture, ST-NXP Wireless, with STMicroelectronics on July 28, 2008. The remaining decline in revenues was mainly attributable to the global economic and financial crisis and the weak economic environment, which affected all our business segments, primarily because of the negative impact on our sales volume, but also because of price erosion. Our revenues were severely affected by the crisis, especially in the first and second quarters of 2009. Our revenues in the third and fourth quarters of 2009 partly recovered due to increasing sales volumes attributable to the replenishment of inventory by our customers, our responsive manufacturing operations and the economic recovery. However, our revenues were still lower than in the pre-crisis period. Further, our 2009 revenues were affected by unfavorable currency movements of $71 million.

Gross Profit

Our gross profit was $898 million, or 25.5% of our revenues, in 2009, compared to $1,146 million, or 22.5% of our revenues, in 2008. Our gross profit as a percentage of revenues was impacted by the dilutive effect of our Manufacturing Operations segment. The PPA effects that were included in gross profit amounted to $69 million in 2009, compared to $151 million in 2008. Also included in our gross profit were restructuring and other incidental items, which amounted to an aggregate cost of $158 million in 2009 and were mainly related to process and product transfer costs and our exit of certain product lines in connection with our Redesign Program, whereas restructuring and other incidental items included in our gross profit in 2008 amounted to an aggregate cost of $402 million and were largely related to the restructuring charge of $348 million related to the Redesign Program and other costs associated with existing product lines.

The decline in gross profit was largely due to the significantly lower revenues during the first half of 2009 resulting from the economic downturn. This also reduced our factory utilization, based on starts, to an average of 60% in 2009, compared to 73% in 2008. The divestment of our wireless operations in July 2008 also resulted in a lower gross profit. The divested wireless activities had a gross profit of $222 million in the year 2008 (which includes PPA effects and incidental items amounting to an aggregate cost of $14 million). Furthermore, our gross profit was affected by an unfavorable currency effect of $48 million in 2009, compared to 2008. However, the decline in our gross profit was mitigated to some extent by cost reductions, which we achieved as a result of the ongoing Redesign Program.

Despite the decline in gross profit, our gross profit as a percentage of revenues increased by 3.0% in 2009, compared to 2008, as a result of the cost reductions in connection with the ongoing Redesign Program.

Research and Development Expenses

Our research and development expenses and write-off of acquired in-process research and development were $764 million in 2009, compared to $1,213 million in 2008. Our research and development expenses for 2009 did not include any write-off of acquired in-process research and development costs, compared to $26 million in 2008. In 2009, our research and development expenses included restructuring and other incidental items amounting to an aggregate cost of $69 million. These were mainly related to restructuring costs and merger and acquisition related costs. The restructuring and other incidental items in 2008 amounted to an aggregate cost of $107 million and were mainly related to the Redesign Program. In 2009, the divested business accounted for $239 million of research and development costs, compared to $538 million in 2008, of which $319 million was in connection with our Divested Wireless Activities and $219 million in connection with our Divested Home Activities. Our research and development expenses and write-off of acquired in-process research and development were 21.7% of revenues in 2009, compared to 23.8% in 2008.

The decline in research and development expenses was largely due to the divestments set out above and the result of the ongoing Redesign Program. Further, favorable currency effects reduced research and development expenses by $34 million in 2009 compared to 2008. These reductions were partly offset by $45 million additional research and development costs in 2009, due to the acquisition of Conexant's broadband media processing activities and the NuTune joint venture that we formed with Technicolor, which were only partially included in the consolidation of 2008. In addition, as our revenues in the third and fourth quarter partly recovered due to replenishment of inventory by our customers, market share gains driven by design wins across a wide range of our business lines, our responsive manufacturing operations and the economic recovery, we increased our research and development expenditures in the second half of 2009.

Selling Expenses

Our selling expenses were $271 million, or 7.7% of our revenues, in 2009, compared to $394 million, or 7.7% of our revenues, in 2008. The decline in selling expenses was mainly due to the divestment of our wireless activities ($66 million in 2008) and restructuring and other incidental items of $19 million (related to our Redesign Program) in 2008, compared to $9 million of restructuring and other incidental items in 2009. The remaining reduction in our selling expenses was mainly the result of the ongoing Redesign Program, as we have streamlined and strategically repositioned our sales force and marketing programs, and favorable currency effects.

General and Administrative Expenses

General and administrative expenses amounted to $781 million, or 22.2% of revenues, in 2009, compared to $1,817 million, or 35.6% of revenues, in 2008. The decline in general and administrative expenses resulted from the lower PPA amortization of $302 million in 2009 compared to $481 million in 2008, lower impairment charges of $69 million in 2009 compared to $714 million in 2008, lower restructuring and other incidental costs, the divestment of our wireless activities (which amounted to $223 million in 2008, including PPA effects and restructuring and other incidental items amounting to an aggregate cost of $139 million) and as a result of the ongoing Redesign Program. The decline in PPA amortization is mainly due to the divestment of our wireless activities in 2008. In addition, the general and administrative expenses were impacted by higher costs in 2009 as a result of higher bonuses accrued for employees due to our performance. In 2009, general and administrative expenses also included restructuring and other incidental items amounting to an aggregate cost of $88 million, compared to $207 million in 2008. The restructuring and other incidental items in 2009 were mainly related to restructuring costs of $36 million, IT system reorganization costs of $35 million and merger and acquisition related costs. Restructuring and other incidental items in 2008 included $124 million of restructuring costs, of which $83 million related to the Redesign Program, and $79 million related to IT system reorganization costs.

The general and administrative expenses in 2009 included an impairment of assets held for sale of $69 million related to the transaction with Trident. In 2008, the general and administrative expenses included impairment charges of goodwill and other intangibles of $714 million, which were related to our Divested Home Activities ($340 million), our High-Performance Mixed-Signal segment ($218 million) and our Corporate and Other segment ($156 million).

Other Income (Expense)

Other income and expense was a loss of $13 million in 2009, compared to a loss of $365 million in 2008. Included are incidental items, amounting to an aggregate cost of $20 million in 2009 and an aggregate cost of $387 million in 2008. The loss in 2009 was related to the losses on the sale of various smaller businesses and gains on disposal of various tangible fixed assets. The loss in 2008 was due to a loss of $413 million related to the sale of our wireless activities, partly offset by gains from divestments of other activities and various tangible fixed assets.

Restructuring Charges

In 2009, a restructuring charge of $112 million was recorded, resulting from the new restructuring projects in 2009, which included the closure of one of the wafer factories in Nijmegen, the Netherlands, scheduled for early 2011, and employee termination costs related to the transaction with Trident. This charge was offset by the release of certain restructuring liabilities for an amount of $92 million, related to restructuring projects announced earlier. In addition, cash expensed restructuring costs amounting to $83 million were directly charged to our income statement in 2009. In the aggregate, the net restructuring charges that affected our operating income for 2009 amounted to $103 million. In 2008, a charge of $594 million was recorded for restructuring, of which $443 million was related to the Redesign Program. The restructuring charges related to the Redesign Program included write downs for assets, costs related to the closure of businesses, employee termination expenses and various other restructuring charges.

Operating Income (Loss)

The following tables present the aggregate operating income (loss) by segment for the years ended December 31, 2009 and 2008, which includes the effects of PPA, restructuring and other incidental items and impairment charges:

	For the year ended December 31, 2009			
($ in millions)	Operating income (loss)	Effects of PPA	Restructuring and Other Incidental Items	Impairment Charges
High-Performance Mixed-Signal	(187)	(218)	(84)	—
Standard Products	(120)	(61)	(15)	—
Manufacturing Operations	(175)	(83)	(101)	—
Corporate and Other	(188)	(2)	(127)	—
Divested Home Activities	(261)	(7)	(17)	(69)
Total	(931)	(371)	(344)	(69)

($ in millions)	For the year ended December 31, 2008 Operating income (loss)	Effects of PPA	Restructuring and Other Incidental Items	Impairment Charges
High-Performance Mixed-Signal	(210)	(239)	(45)	(218)
Standard Products	(14)	(50)	(3)	—
Manufacturing Operations	(544)	(134)	(367)	—
Corporate and Other	(504)	(12)	(266)	(156)
Divested Wireless Activities	(785)	(154)	(414)	—
Divested Home Activities	(586)	(69)	(27)	(340)
Total	(2,643)	(658)	(1,122)	(714)

Financial Income (Expense)

($ in millions)	For the year ended December 31, 2008	2009
Interest income	27	4
Interest expense	(502)	(363)
Impairment loss securities	(38)	—
Foreign exchange results	(87)	39
Extinguishment of debt	—	1,020
Other	(14)	(18)
Total	(614)	682

Financial income and expenses (including the extinguishment of debt) was a net income of $682 million in 2009, compared to a net expense of $614 million in 2008.

The extinguishment of debt in 2009 amounted to a gain of $1,020 million, net of a write down of $25 million related to capitalized initial bond issuance costs, as a result of (i) private offers to exchange our Secured Notes and Unsecured Notes for the Super Priority Notes, (ii) a private tender offer to purchase our Secured Notes and our Unsecured Notes for cash and (iii) several privately negotiated transactions to purchase our Existing Secured Notes and/or Existing Unsecured Notes for cash and/or additional Super Priority Notes. As a result of these transactions, our net interest expense also decreased from $475 million in 2008 to $359 million in 2009. Further, financial income in 2009 included a gain of $39 million as a result of a change in foreign exchange rates mainly applicable to our U.S. dollar-denominated notes and short-term loans, compared to a loss of $87 million in 2008.

Provision for Income Taxes

Income tax expense for 2009 was $10 million, compared to $42 million in 2008, and our effective income tax expense rate was (4.0%) in 2009, compared to (1.3)% in 2008. The change in the effective tax rate was primarily attributable to higher amount of net operating losses as a deferred tax asset, withholding tax expense of $19 million in 2009 related to current and future repatriations of earnings to the Netherlands, non-deductible expenses and a net prior year adjustment in 2009 of $17 million benefit resulting from tax filings and assessments.

Results Relating to Equity-accounted Investees

Results relating to the equity-accounted investees in 2009 resulted in a gain of $74 million, compared to a loss of $268 million in 2008. The gain in 2009 was largely due to the release of translation differences related to the sale of our 20% share in ST-NXP Wireless (subsequently renamed “ST-Ericsson”). The loss in 2008 was largely related to the write-off to the fair market value of our 20% share in ST-NXP Wireless.

Income (Loss) on Discontinued Operations

The income on discontinued operations, net of taxes, was $32 million in 2009 compared to $36 million in 2008. This related entirely to the results of our Sound Solutions business, which is intended to be sold in 2011.

Net Income (Loss)

Net income for the year 2009 amounted to a loss of $153 million compared to a loss of $3,531 million in 2008. The decrease in net loss was attributable to:

- lower PPA effects, lower restructuring and other incidental costs and lower impairment charges;
- improved operating results;
- the gain in 2009 on extinguishment of debt; and
- better results from equity-accounted investees.

Non-controlling Interests

The share of non-controlling interests in the 2009 results amounted to a profit of $14 million compared to $26 million in 2008 related to the third-party share in the results of consolidated companies, predominantly SSMC and NuTune. As a result, the net loss attributable to our stockholders amounted to $167 million in 2009, compared to $3,557 million in 2008.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008 by Segment

Revenues

The following table presents the reconciliation from nominal revenue growth to comparable revenue growth for the year ended December 31, 2009, compared to the year ended December 31, 2008.

(in %)	Nominal Growth	Consolidation Changes(1)	Currency Effects(2)	Comparable Growth(3)
High-Performance Mixed-Signal	(19.9)	—	1.7	(18.2)
Standard Products	(25.0)	—	1.4	(23.6)
Manufacturing Operations	—	(29.0)	—	(29.0)
Corporate and Other	(24.7)	(33.8)	0.2	(58.3)
Divested Wireless Activities	—	—	—	—
Divested Home Activities	(10.0)	(13.1)	0.4	(22.7)
Total Group	(31.1)	7.2	1.3	(22.6)

(1) Reflects the relative changes in revenues between periods arising from the effects of material acquisitions and divestments and reclassified product lines. For an overview of our significant acquisitions and divestments, see “Part I—Item 5. Operating and Financial Review and Prospects—A. Operating results—Factors Affecting Comparability—Effect of Acquisition Accounting”.

(2) Reflects the currency effects that result from the translation of our revenues from foreign currencies into our reporting currency, the U.S. dollar, at the monthly exchange rates during the respective years.

(3) Comparable revenue growth reflects the relative changes in revenues between periods adjusted for the effects of foreign currency exchange rate changes, material acquisitions and divestments and reclassified product lines. Our revenues are translated from foreign currencies into our reporting currency, the U.S. dollar, at the monthly exchange rates during the respective years. As a result of significant currency movements throughout the year and the impact of material acquisitions and divestments on comparable revenue figures, we believe that an understanding of our revenues performance is enhanced after these effects are excluded.

High-Performance Mixed-Signal

($ in millions)	For the year ended December 31, 2008	2009
Revenues	2,511	2,011
% nominal growth	(4.3)	(19.9)
% comparable growth	(7.3)	(18.2)
Gross profit	1,065	785
Operating income (loss)	(210)	(187)
Effects of PPA	(239)	(218)
Total restructuring charges	(8)	(53)
Total other incidental items	(37)	(31)
Impairment goodwill and other intangibles	(218)	—

Revenues

Revenues in 2009 were $2,011 million, compared to $2,511 million in 2008, a nominal decrease of 19.9%, and a comparable decrease of 18.2%. The decline in revenues over 2008 reflects the impact of the global recession on our industry, which led to a steep decline in revenues across the entire High-Performance Mixed-Signal portfolio, primarily because of the negative impact on our sales volume, but also because of price erosion. However, our revenues in the third and fourth quarters partly recovered due to increasing sales volumes attributable to the replenishment of inventory by our customers, market share gains driven by design wins across a wide range of our business lines, our responsive manufacturing operations and the economic recovery. The High-Performance Mixed-Signal revenues in 2009 were also affected by unfavorable currency effects of $46 million compared to 2008.

Gross Profit

Gross profit in 2009 was $785 million, compared to $1,065 million in 2008. Included are the PPA effects of $2 million in 2009, compared to $23 million in 2008. Restructuring and other incidental items amounted to an aggregate cost of $61 million in 2009, compared to $33 million in 2008. The restructuring and other incidental items in 2009 were mainly related to process and product transfer costs and restructuring costs as part of the Redesign Program. The lower gross profit in 2009 was largely due to the lower revenues resulting from the economic crisis that particularly affected the revenues in the first half of the year 2009. However, the decline in gross profit was partly offset by the cost savings resulting from the ongoing Redesign Program.

Operating Expenses

Operating expenses amounted to $979 million in 2009, compared to $1,283 million in 2008. Operating expenses included the PPA effects of $216 million in 2009, compared to $216 million in 2008. In addition, operating expenses for 2008 included an impairment charge of $218 million related to goodwill and other intangibles. The selling costs, research and development costs and general and administrative costs were lower in 2009 compared to 2008, largely as a result of the ongoing Redesign Program and favorable currency effects compared to 2008.

Operating Income (Loss)

We had a loss from operations of $187 million in 2009, compared to a loss from operations of $210 million in 2008. Included are the PPA effects of $218 million in 2009 compared to $239 million in 2008 and restructuring and other incidental items which amounted to an aggregate cost of $84 million in 2009 compared to $45 million in 2008. The restructuring and other incidental items in 2009 were mainly related to process and product transfer costs and restructuring costs as part of the Redesign Program. In 2008, restructuring and other incidental items were mainly related to process and product transfer costs in relation to the closure of our factory in Boeblingen in Germany and restructuring costs. Also, the loss from operations was higher in 2008 due to an impairment charge of $218 million. The remaining decline in operating income was mainly due to the lower revenues resulting from the economic downturn, which affected the overall semiconductor industry, partly offset by a decline in operating expenses as a result of the ongoing Redesign Program.

Standard Products

	For the year ended December 31,	
($ in millions)	**2008**	**2009**
Revenues	756	567
% nominal growth	(1.6)	(25.0)
% comparable growth	(4.1)	(23.6)
Gross profit	182	74
Operating income (loss)	(14)	(120)
Effects of PPA	(50)	(61)
Total restructuring charges	(9)	(9)
Total other incidental items	6	(6)

Revenues

Revenues in 2009 were $567 million, compared to $756 million in 2008, a nominal decrease of 25.0% and a comparable decrease of 23.6%. Revenues, especially during first half of the year, were severely affected by the lower end-customer demand and tight inventory controls at our distribution partners in an overall weak market. The decrease was visible across the whole Standard Products portfolio and was primarily driven by decreasing sales volumes, but also due to price erosion. However, our revenues in the third and fourth quarters of 2009 partly recovered due to increasing sales volumes attributable to the replenishment of inventory by our customers, an increase in end-customer demand and the economic recovery. The revenues in 2009 were also affected by unfavorable currency effects of $18 million compared to 2008.

Gross Profit

Gross profit in 2009 was $74 million, compared to $182 million in 2008. There are no PPA effects in 2009, compared to $12 million in 2008. Restructuring and other incidental items amounted to an aggregate cost of $14 million in 2009, compared to $3 million in 2008. The restructuring and other incidental items in 2009 and 2008 were mainly related to restructuring costs. The decline in gross profit was largely due to the decline in revenues and the related lower factory utilization, partly compensated by the cost savings resulting from the ongoing Redesign Program.

Operating Expenses

Operating expenses amounted to $194 million in 2009, compared to $195 million in 2008. Operating expenses included PPA effects of $61 million in 2009, compared to $38 million in 2008. The selling costs, general and administrative costs and research and development costs were lower in 2009 compared to 2008, largely due to effects of the ongoing Redesign Program.

Operating Income (Loss)

We had a loss from operations of $120 million in 2009, compared to a loss of $14 million in 2008. Included are the PPA effects of $61 million in 2009 compared to $50 million in 2008. The decline in operating income was mainly due to the lower gross profit resulting from lower revenues. This decline was partly offset by the reduction of operating expenses resulting from the ongoing Redesign Program. The restructuring and other incidental items in 2009 amounted to an aggregate cost of $15 million, compared to $3 million in 2008, both primarily related to restructuring costs.

Manufacturing Operations

Revenues

Revenues of our Manufacturing Operations segment were $324 million in 2009 (including wafer sales of $149 million to ST-Ericsson), compared to $324 million in 2008 (including wafer sales of $85 million to ST-Ericsson). Excluding wafer sales to ST-Ericsson, the revenues in 2009 declined due to the lower demand as a result of the economic downturn, which affected the semiconductor industry and negatively impacted on our sales volume. The factory utilization rate, based on starts, for 2009 was reduced to 60% compared to 73% in 2008 due to the poor demand, mainly during the first half of the year.

Operating Expenses

Operating expenses amounted to $74 million in 2009, compared to $30 million in 2008. Operating expenses in 2009 mainly related to the real estate and facility management costs and the management fee allocated to our Manufacturing Operations segment. Operating expenses in 2008 mainly related to PPA effects.

Corporate and Other

Revenues

Revenues in 2009 were $165 million, which primarily related to NuTune, compared to $219 million in 2008. The decline in revenues was primarily due to the overall weak market conditions and the associated decline in NuTune’s business and was mainly driven by decreasing sales volumes.

Operating Expenses

Operating expenses amounted to $178 million in 2009, compared to $568 million in 2008. In 2009, restructuring and other incidental items amounted to an aggregate cost of $118 million and were mainly related to restructuring costs, IT system reorganization costs and merger and acquisition related costs. In 2008, restructuring and other incidental items amounted to an aggregate cost of $287 million and were mainly related to restructuring costs and merger and acquisition related costs. In addition, we incurred an impairment charge of $156 million in 2008 related to goodwill and other intangibles.

Divested Wireless Activities

On July 28, 2008, we and STMicroelectronics announced the termination of our agreement, bringing the wireless operations of both companies into the joint venture ST-NXP Wireless. Subsequently, the related assets and liabilities were deconsolidated. The operations until July 28, 2008 remained consolidated in the consolidated accounts under the new segment Divested Wireless Activities.

We held a 20% share in this joint venture as at December 31, 2008. On February 2, 2009, the 20% share was sold to STMicroelectronics for $92 million (and subsequently renamed “ST-Ericsson”).

Divested Home Activities

On February 8, 2010, we divested a major portion of our former Home segment to Trident. The remaining part of the former Home segment has been moved into the High-Performance Mixed-Signal and Corporate and Other segments.

Revenues in 2009 were $452 million, compared to $502 million in 2008, a nominal decrease of 10.0%. Revenues during the first half year of 2009 were severely affected by the economic crisis. Revenues during the second half of the year recovered partly compared to the steep decline in the first half year of 2009, but were still significantly lower compared to the same period in 2008. In the TV business, growth was seen in the Digital TV markets, whereas the analog market continued to decline. Also, the mainstream (retail) set-top box market was weak. The decline in revenues was partly offset due to the consolidation effects of our broadband media processing activities, which contributed for the full year of 2009 compared to only four months in 2008.

B. *Liquidity and capital resources.*

Liquidity and Capital Resources

At the end of 2010 our cash balance was $898 million. Taking into account the available undrawn amount of the Secured Revolving Credit Facility, we had access to $1,156 million of liquidity as of December 31, 2010. We started 2010 with a cash balance of $1,026 million and during the year our cash decreased by $128 million. The Redesign Program resulted in a cash outflow of $223 million and we also repaid $200 million on our Secured Revolving Credit Facility in 2010, while our initial public offering of 34 million shares resulted in a net cash inflow of $448 million, after deducting related expenses of $28 million.

Net capital expenditures were higher in 2010 due to our increased investments to support our High Performance Mixed Signal strategy which resulted in a cash outflow of $227 million. In 2010, we received cash of $27 million from the sale of other financial assets (mainly our shares in Virage Logic) and we received $39 million for the sale of property, plant & equipment and assets held for sale which were mainly related to our sites in Boeblingen, Hausbruch and San Jose. We paid $54 million to Trident (of which $7 million was paid afterwards) and acquired Jennic Ltd. ("Jennic") for $8 million. The sale of our participation in NuTune resulted in a cash outflow of $6 million.

On a going-forward basis, as a result of our Redesign Program and our efforts to streamline our fixed assets related to our manufacturing operations, we expect our capital expenditures to be less than historical levels. We currently expect our capital expenditures to be in the area of 5% of our revenues. In addition, for the foreseeable future, we expect capital expenditures as a percent of revenues from our business segments (High-Performance Mixed-Signal and Standard Products) to generally be consistent with our expected capital expenditures for 2011.

Since December 31, 2009, our total debt has reduced from $5,283 million to $4,551 million as of December 31, 2010. Retirement of debt for cash combined with the issuance of a new bond, the 2018 Dollar Fixed Rate Secured Notes, resulted in a total long-term debt reduction of $440 million. In 2010, the reduction in total debt was also supported by a decrease of $187 million in our short-term debt, a majority of which reduction consisted of a repayment under our Secured Revolving Credit Facility. The total amount of cash used for financing activities amounted to $155 million.

After the repayment of $200 million under our Secured Revolving Credit Facility we had drawings outstanding of $400 million on the Secured Revolving Credit Facility at year-end 2010. At the end of 2010 we still had a capacity of $258 million remaining under the Secured Revolving Credit Facility, after taking into account outstanding bank guarantees, based on the end of year exchange rate. However, the amount of this availability varies with fluctuations between the euro and the U.S. dollar as the total amount of the facility, €500 million, is denominated in euro, and the amounts presently drawn are denominated in U.S. dollars.

For the year ended December 31, 2010, we incurred a total net interest expense of $318 million and had an average interest rate on our debt instruments of 7%, compared to a total net interest expense of $359 million and had an average interest rate on our debt instruments of 6% in 2009. For the year ended December 31, 2008, we incurred a total net interest expense of $475 million and had an average interest rate on our debt instruments of 8%.

At December 31, 2010, our cash balance was $898 million, of which $338 million was held by SSMC, our joint venture company 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. In 2010 no dividends were distributed.

Our sources of liquidity include cash on hand, cash flow from operations and amounts available under the Secured Revolving Credit Facility. We believe that, based on our current level of operations as reflected in our results of operations for the year ended December 31, 2010, these sources of liquidity will be sufficient to fund our operations, capital expenditures, and debt service for at least the next twelve months.

Our ability to make scheduled payments or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions. In the future, we may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. Our business may not generate sufficient cash flow from operations, or future borrowings under our Secured Revolving Credit Facility or Forward Start Revolving Credit Facility, as the case may be, or from other sources may not be available to us in an amount sufficient, to enable us to repay our indebtedness, including the Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be the Term Loan, the Super Priority Notes, the Secured Notes, the Unsecured Notes, or to fund our other liquidity needs, including our Redesign Program and working capital and capital expenditure requirements. In any such case, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness.

Cash Flows

The condensed consolidated statements of cash flows are presented as follows:

	For the year ended December 31,		
($ in millions)	**2008**	**2009**	**2010**
Cash flow from operating activities:			
Net income (loss)	(3,531)	(153)	(406)
Adjustments to reconcile net income (loss) to net cash provided by operating activities	2,874	(577)	765
Net cash provided by (used for) operating activities	(657)	(730)	359
Net cash (used for) provided by investing activities	1,046	63	(269)
Net cash (used for) provided by financing activities	318	(80)	(155)
Net cash provided by (used for) continuing operations	707	(747)	(65)
Net cash provided by (used for) discontinued operations	2	—	(5)
Net cash provided by (used for) continuing and discontinued operations	709	(747)	(70)
Effect of changes in exchange rates on cash positions	46	(8)	(63)
Cash and cash equivalents at beginning of period	1,041	1,796	1,041
Cash and cash equivalents at end of period	1,796	1,041	908
Less cash and cash equivalents at end of period—discontinued operations	15	15	10
Cash and cash equivalents at end of period—continuing operations	1,781	1,026	898

Cash Flow from Operating Activities

In 2010, we generated $359 million of cash from operating activities compared to a usage of $730 million of cash in 2009. This improvement in cash flow was driven by increased revenues in 2010 and further cost savings as a result of our Redesign Program. Payments related to the Redesign Program and other restructuring activities amounted to $223 million in 2010 compared to $385 million in 2009. Cash interest payments were $278 million in 2010, compared to $391 million in 2009. The use of the net proceeds of our initial public offering resulted in a further improvement of our capital structure and contributed to lower interest expenses in the year.

In 2010 we had a positive cash inflow of approximately $4.5 billion from our customers versus payments amounting to approximately $3.9 billion related to our suppliers and staff.

In 2009, net cash used for operating activities was $730 million. This was mainly driven by our operational performance in the year with lower revenues and an increase in operational working capital. The redesign payments amounted to $385 million.

In 2008, the cash from operating activities was a cash out of $657 million. This was mainly driven by lower sales levels and interest payments of $483 million, tax payments of $84 million and redesign payments of $48 million.

Cash Flow from Investing Activities

Net cash used for investing activities was $269 million in 2010, compared to a net cash inflow of $63 million in 2009. Our capital expenditures increased from $92 million in 2009 to $258 million in 2010. The sale of assets, mainly is Germany and the US, resulted in proceeds of $39 million in total and we acquired Jennic for $8 million in 2010. The cash payments related to the sale of our businesses (Trident and NuTune) amounted to $60 million. Due to the acquisition of Virage Logic by Synopsis in 2010, we were able to sell our shares in Virage Logic for a consideration of $25 million.

Net cash provided by investing activities in 2009 was $63 million. Included are gross capital expenditures of $92 million, proceeds from disposals of property, plant and equipment of $21 million, proceeds from the sale of DSPG securities of $20 million, proceeds of $92 million related to the sale of the 20% shareholding in the ST-NXP Wireless joint-venture and proceeds related to a cash settlement with Philips of $21 million.

Net cash provided by investing activities in 2008 was $1,046 million. Included are net proceeds from the sale of our wireless activities of $1,433 million, partially offset by cash paid for the acquisition of the broadband media processing business of Conexant of $111 million and cash paid for the acquisition of Glonav of $87 million. Other significant factors affecting our cash from investing activities included net capital expenditures on property, plant and equipment of $295 million and proceeds from the sale of our Crolles assets of $130 million.

Cash Flow from Financing Activities

In 2010, we used $155 million for financing activities compared to $80 million in 2009. In 2010, we first negotiated the Forward Start Revolving Credit Facility to replace the Secured Revolving Credit Facility which is maturing in September 2012. This transaction extends our revolving credit into 2015. In addition in 2010, we issued a new bond of $1,000 million due 2018, the 2018 Dollar Fixed Rate Secured Notes, with net cash proceeds of $974 million and in August we completed an initial public offering of the Company on the NASDAQ Global Select Market and raised $448 million of net proceeds. The funds from the 2018 Dollar Fixed Rate Secured Notes and our initial public offering, were used to retire $1,383 million of our debt and to pay $200 million on our Secured Revolving Credit Facility. In China we borrowed $18 million locally in order to repay a loan to NXP Beijing. NXP Beijing is part of our Sound Solutions business and will be part of the sale to Knowles Electronics in 2011.

Net cash used for financing activities in 2009 amounted to $80 million. The net cash outflow from financing activities in 2009 mainly consisted of a $286 million outflow related to our offer to repurchase the Secured Notes or the Unsecured Notes for cash and the net inflow of $200 million from drawing under the Secured Revolving Credit Facility.

Net cash provided by financing activities in 2008 was $318 million, which mainly consisted of $400 million from the drawing of the Secured Revolving Credit Facility. Furthermore, SSMC (in which we have a 61.2% ownership share) repaid $200 million of paid in capital to its shareholders. As a consequence, the $78 million cash paid to TSMC (our joint venture partner in SSMC) reduced the consolidated cash position by $78 million.

Debt Position

Short-term Debt

($ in millions)	As of December 31, 2008	2009	2010
Revolving credit facility	400	600	400
Other short-term bank borrowings	3	10	18
Current portion of long-term debt	—	—	5
Total	403	610	423

Short-term bank borrowings for the periods presented mainly consisted of borrowings under our Secured Revolving Credit Facility. The weighted average interest rate under the Secured Revolving Credit Facility was 3.2% and 3.5% for the years ended December 31, 2010 and 2009, respectively.

We have a Secured Revolving Credit Facility of €500 million, equivalent to $669 million, based on the exchange rate on December 31, 2010 and equivalent to $720 million based on the exchange rate on December 31, 2009, which we entered into on September 29, 2006, in order to finance our working capital requirements and general corporate purposes. On December 31, 2010, we had remaining borrowing capacity of an additional $258 million under that facility. Although the Secured Revolving Credit Facility expires in 2012, as we have the flexibility of drawing and repaying under this facility on a short term basis, the amounts drawn under the Secured Revolving Credit Facility are classified as short-term debt.

On May 10, 2010, we entered into a €458 million Forward Start Revolving Credit Facility, which becomes available, subject to specified conditions, on September 28, 2012, and matures on September 28, 2015, to replace our existing Secured Revolving Credit Facility. The conditions to utilization of the Forward Start Revolving Credit Facility include specified closing conditions, as well as conditions (i) that our consolidated net debt does not exceed $3,750 million as of June 30, 2012 (and if it exceeds $3,250 million on such date, the commitments under the Forward Start Revolving Credit Facility will be reduced by 50%), and (ii) that we issued on or before September 28, 2012, securities with gross proceeds of $500 million, having a maturity at least 180 days after the maturity of the Forward Start Revolving Credit Facility, the proceeds of which are to be used to refinance debt (other than debt under the Secured Revolving Credit Facility) that matures before the maturity of the Forward Start Revolving Credit Facility. With the issuance of the 2018 Dollar Fixed Rate Secured Notes, we have satisfied the condition to issue securities with gross proceeds of $500 million on or before September 28, 2012.

In 2010 we borrowed locally $18 million in China for one of our subsidiaries in order to repay a loan to Sound Solutions Beijing. The latter company is now classified as discontinued operations and part of the sale of our Sound Solutions business to Knowles Electronics.

Long-term Debt

As of December 31, 2010, the euro-denominated notes and U.S. dollar-denominated notes represented 29% and 71%, respectively, of the total principal amount of the notes outstanding. The fixed rate notes and floating rate notes represented 61% and 39%, respectively, of the total principal amount of the notes outstanding at December 31, 2010.

($ in millions)	December 31, 2009	Currency Effects	Accrual of Debt Discount	Debt Exchanges/ Repurchases/ new borrowings	Other[4]	December 31, 2010[5]
Euro-denominated 10% super priority notes due July 2013[1][2]	25	(2)	3	—	—	26
U.S. dollar-denominated 10% super priority notes due July 2013[2]	166	—	12	—	—	178
Euro-denominated floating rate senior secured notes due October 2013[1][3]	1,214	(103)	—	(259)	—	852
U.S. dollar-denominated floating rate senior secured notes due October 2013[3]	1,201	—	—	(435)	—	766
U.S. dollar-denominated 7 7/8% senior secured notes due October 2014	845	—	—	(483)	—	362
Euro-denominated 8 5/8% senior notes due October 2015[1]	427	(32)	—	(81)	—	314
U.S. dollar-denominated 9 1/2% senior notes due October 2015	788	—	—	(182)	—	606
U.S. dollar-denominated 9 3/4% senior secured notes due August 2018	—	—	—	1,000	—	1,000
	4,666	(137)	15	(440)	—	4,104
Other long-term debt	7	(1)	—	(2)	20	24
Total long-term debt	4,673	(138)	15	(442)	20	4,128

(1) Converted into U.S. dollars at $1.337 per €1.00, the exchange rate in effect at December 31, 2010.

(2) Balance at December 31, 2010 is at the fair value of debt issued, which differs from the principal amount outstanding. The principal amounts outstanding at December 31, 2010 were $38 million of Euro-denominated 10% super priority notes due July 2013 and $221 million of U.S. dollar-denominated 10% super priority notes due July 2013.

(3) Interest accrues at a rate of three-month EURIBOR plus 2.75%.

(4) Other includes reclassifications related to previous year adjustments with respect to liabilities arising from capital lease transactions.

(5) On March 4, 2011, we entered into a new $500 million Term Loan, which has not been drawn as of the date of this annual report. It is intended that the Term Loan will be drawn on April 6, 2011 and the proceeds, together with cash on hand and available borrowing capacity under the Secured Revolving Credit Facility will be used to redeem all $362 million of outstanding 2014 Dollar Fixed Rate Notes, together with $100 million of Dollar Floating Rate Secured Notes, €143 million of Euro Floating Rate Secured Notes and the cash payment of $16 million for accrued and unpaid interest. We estimate that our annual average interest expense will decrease by $10 million the drawing under into of the Term Loan.

We may from time to time continue to seek to retire or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise.

Certain Terms and Covenants of the Notes

We are not required to make mandatory redemption payments or sinking fund payments with respect to the Super Priority Notes, the Secured Notes or the Unsecured Notes.

The Indentures governing the Super Priority Notes, the Existing Secured Notes and the Existing Unsecured Notes contain covenants that, among other things, limit our ability and that of our restricted subsidiaries to incur additional indebtedness, create liens, pay dividends, redeem capital stock, 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. As of December 31, 2009, and as of the date of filing of this annual report on Form 20-F, we are in compliance with our restrictive covenants contained in the Indentures.

The Super Priority Notes, the Term Loan the Secured Notes and the Unsecured Notes are fully and unconditionally guaranteed jointly and severally, on a senior basis by certain of our current and future material wholly owned subsidiaries.

Pursuant to various security documents related to the Super Priority Notes, the Term Loan the Secured Notes and the Secured Revolving Credit Facility, we have granted first priority liens and security interests in substantially all of our assets, including the assets of our material wholly owned subsidiaries (other than, in the case of the Super Priority Notes and the Secured Notes, our shares).

In 2010, through a combination of cash buy-backs and debt exchange offers, we were able to reduce the book value of our total long-term debt by $545 million.

This was related to a combination of the buy backs of $1,440 million of our outstanding debt and by a new financing program of $1,000 million senior secured notes due 2018 partly offset by a $15 million of accruals of debt discount in 2010 and a reclassification related to previous year adjustments with respect to liabilities arising from capital leases for $20 million.

From the beginning of 2009 to the end of the year, the total long-term debt has been reduced from $5,964 million to $4,673 million. The long-term debt level was reduced in 2009 mainly by $1,331 million related to the several private and open market transactions. These transactions were executed during the second and third quarter of the year.

In the second quarter of 2009, we reduced our overall debt by $517 million through a private offer to exchange Unsecured Notes and Secured Notes for new Dollar Super Priority Notes and Euro Super Priority Notes. Translation and exchange differences on our notes had an impact on this reduction as well.

As a result of our tender offer and several privately negotiated transactions to purchase notes for cash, and a privately negotiated transaction in which a purchase of Secured Notes for cash was combined with an exchange of Unsecured Notes for new Super Priority Notes, our overall debt level was reduced by $814 million in the third quarter of 2009.

Critical Accounting Policies

The preparation of financial statements and related disclosures in accordance with U.S. GAAP requires our management to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and the accompanying notes. Our management bases its estimates and judgments on historical experience, current economic and industry conditions and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. If actual results differ significantly from management's estimates, there could be a material adverse effect on our results of operations, financial condition and liquidity.

Summarized below are those of our accounting policies where management believes the nature of the estimates or assumptions involved is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change.

Inventories

Inventories are stated at the lower of cost or market. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion of inventories include direct labor and fixed and variable production overheads, taking into account the stage of completion. The cost of inventories is determined using the first-in, first-out (FIFO) method. In determining the value of our inventories, estimates are made of material, labor and overhead consumed. In addition, our estimated yield has a significant impact on the valuation. We estimate yield based on historical experience.

An allowance is made for the estimated losses due to obsolescence. This allowance is determined for groups of products based on purchases in the recent past and/or expected future demand.

Impairment of Long-Lived Assets

- **Goodwill.** We review goodwill for impairment on an annual basis in the fourth quarter of each year, or more frequently if there are events or circumstances that indicate the carrying amount may not be recoverable. To assess for impairment we determine the fair value of each "reporting unit" that carries goodwill. If the carrying value of the net assets including goodwill in the "reporting unit" exceeds the fair value, we perform an additional assessment to determine the implied fair value of the goodwill. If the carrying value of the goodwill exceeds this implied fair value, we record impairment for the difference between the carrying value and the implied fair value.

  The determination of the fair value of the "reporting unit" requires us to make significant judgments and estimates including projections of future cash flows from the business. These estimates and required assumptions include estimated revenues and revenue growth rates, operating margins used to calculate projected future cash flows, estimated future capex investments, future economic and market conditions, determination of market comparables and the estimated weighted average cost of capital ("WACC").

  A sensitivity analysis, in which long-term growth rates become approximately zero and the WACC is being increased with 200 basis points, indicates that for all reporting units, the fair value exceeds the book value substantially.

  We base our estimates on assumptions we believe to be reasonable but any such estimates are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, we make judgments and assumptions in allocating assets and liabilities to each of our reporting segments.

  We cannot predict certain future events that might adversely affect the reported value of goodwill, which totaled $2,299 million at December 31, 2010.

- **Long-Lived Assets other than Goodwill.** We review long-lived assets for impairment when events or circumstances indicate that carrying amounts may not be recoverable. A potential impairment exists when management has determined that cash flows to be generated by those assets are less than their carrying value. Management must make significant judgments and apply a number of assumptions in estimating the future cash flows. The estimated cash flows are determined based on, among other things, our strategic plans, long-range forecasts, estimated growth rates and assumed profit margins.

  If the initial assessment based on undiscounted projected cash flows indicates a potential impairment, the fair value of the assets is determined. We generally estimate fair value based on discounted cash flows. The discount rates applied to the estimated cash flows are generally based on the business segment specific WACC, which ranged between 11% and 14% in 2010. An impairment loss is recognized for the difference between the carrying value and the estimated fair value. An indication of impairment exists, similar to goodwill, based on the unfavorable developments in the economic climate.

In 2008, we performed an impairment assessment of our tangible fixed assets and other intangible assets. The projected cash flows were modified significantly from prior periods due to the changing economic environment, which resulted in lower projected cash flows (and fair values).

As a result of this assessment, we recorded an impairment of $284 million to our intangible assets. The assumptions applied were consistent with our impairment assessment for goodwill.

Except for impairment of certain real estate that has been classified as held-for-sale ($69 million in 2009), no other impairment losses were recorded in 2009 and 2010. Any changes in future periods related to the estimated cash flows from these assets could result in an additional impairment in future periods.

At December 31, 2010, we had $1,486 million of other intangible assets and $1,164 million of remaining long-lived assets.

Restructuring

The provision for restructuring relates to the estimated costs of initiated reorganizations that have been approved by our management team and that involve the realignment of certain parts of the industrial and commercial organization. When such reorganizations require discontinuance and/or closure of lines of activities, the anticipated costs of closure or discontinuance are included in restructuring provisions.

Management uses estimates to determine the amount of the restructuring provision. Our estimates are based on our anticipated personnel reductions and average associated costs. These estimates are subject to judgment and may need to be revised in future periods based on additional information and actual costs.

Revenue Recognition

Our revenues are primarily derived from sales to OEMs and similar customers and from sales to distributors.

We apply the guidance in SEC Staff Accounting Bulletin Topic 13 “Revenue Recognition” and recognize revenues when persuasive evidence of an arrangement exists, delivery has occurred or the service has been provided, the sales price is fixed or determinable, and collection is reasonably assured, based on the terms and conditions of the sales contract. For “made to order” sales, these criteria are met at the time the product is shipped and delivered to the customer and title and risk have passed to the customer. Examples of delivery conditions typically meeting these criteria are “Free on board point of delivery” and “Costs, insurance paid point of delivery”. Generally, the point of delivery is the customer’s warehouse. Acceptance of the product by the customer is generally not contractually required, since, for “made-to-order” customers, after design approval, manufacturing commences and subsequently delivery follows without further acceptance protocols. Payment terms used are those that are customary in the particular geographic market.

When we have established that all aforementioned conditions for revenue recognition have been met and no further post-shipment obligations exist, revenues are recognized.

For sales to distributors, the same recognition principles apply and similar terms and conditions as for sales to other customers are applied. However, for some distributors, contractual arrangements are in place that allow these distributors to return a product if certain conditions are met. These conditions generally relate to the time period during which return is allowed and reflect customary conditions in the particular geographic market. Other return conditions relate to circumstances arising at the end of a product life cycle, when certain distributors are permitted to return products purchased during a pre-defined period after we have announced a product's pending discontinuance. Long notice periods associated with these announcements prevent significant amounts of product from being returned, however. We do not enter into repurchase agreements with OEMs or distributors. For sales where return rights exist, we have determined, based on historical data, that only a very small percentage of the sales to this type of distributor is actually returned. In accordance with this historical data, a pro rata portion of the sales to these distributors is not recognized but deferred until the return period has lapsed or the other return conditions no longer apply. Revenues are recorded net of sales taxes, customer discounts, rebates and similar charges.

Royalty income, which is generally earned based upon a percentage of revenues or a fixed amount per product sold, is recognized on an accrual basis. Government grants, other than those relating to purchases of assets, are recognized as income as qualified expenditures are made.

A provision for product warranty is made at the time of revenue recognition and reflects the estimated costs of replacement and free-of-charge services that will be incurred by us with respect to the sold products. In cases where the warranty period is extended and the customer has the option to purchase such an extension, which is subsequently billed separately to the customer, revenue recognition related to the warranty extension occurs on a straight-line basis over the contract period.

Income Taxes

Income taxes in the consolidated financial statements are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and any tax loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We operate in numerous countries where our income tax returns are subject to audits and adjustments. Because we operate globally, the nature of the audit items is often very complex. We employ internal and external tax professionals to minimize audit adjustment amounts where possible. We have applied the provisions of ASC 740 "Income Taxes" with regard to uncertain tax positions and have recognized a liability for the income tax positions taken that do not have a cumulative realizability of more than 50%.

We have significant deferred tax assets primarily related to net operating losses in the Netherlands, France, Germany, the USA and other countries. At December 31, 2010, tax loss carryforwards amounted to $2,803 million and tax credit carryforwards, which are available to offset future tax, if any, amounted to $69 million. The realization of deferred tax assets is not assured and is dependent on the generation of sufficient taxable income in the future. We have exercised judgment in determining whether it is more likely than not that we will realize the benefit of these net operating losses and other deductible temporary differences, based upon estimates of future taxable income in the various jurisdictions and any feasible tax planning strategies. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that a portion or all of the deferred tax assets will not be realized.

Benefit Accounting

We account for the cost of pension plans and postretirement benefits other than pensions in accordance with ASC 715 "Compensation-Retirement Benefits".

Our employees participate in pension and other postretirement benefit plans in many countries. The costs of pension and other post retirement benefits and related assets and liabilities with respect to our employees participating in defined-benefit plans have been based upon actuarial valuations and recorded each period. If the projected benefit obligation exceeds the fair value of plan assets, we recognize in the consolidated balance sheet a liability that equals the excess. If the fair value of plan assets exceeds the projected benefit obligation, we shall recognize in its statement of financial position an asset that equals the excess. Pension costs in respect of defined-benefit pension plans primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets.

In calculating obligation and expense, we are required to select certain actuarial assumptions. These assumptions include discount rate, expected long-term rate of return on plan assets and rates of increase in compensation costs. Our assumptions are determined based on current market conditions, historical information and consultation with and input from our actuaries. Changes in the key assumptions can have a significant impact on the projected benefit obligations, funding requirements and periodic pension cost incurred.

Share-Based Compensation

We record share-based compensation arrangements in accordance with ASC 718, “Compensation-Stock Compensation”. ASC 718 requires the cost of share-based payment arrangements to be recorded in the statement of operations.

Share-based compensation plans for employees were introduced in 2007. Subsequent to becoming a listed company in August 2010, the Company introduced additional share-based compensation plans for eligible employees in November 2010.

Post-IPO Plan

After we became a publicly listed company in August 2010, a new share-based payments program, the Long-Term Incentive Plan 2010, was launched in November 2010. Under this program performance stock, stock options and restricted shares were granted to eligible employees. The options have a strike price equal to the closing share price on the grant date of November 2, 2010. The fair value of the options has been calculated with the Black-Scholes-Merton formula, using the following assumptions:

- an expected life of 6.25 years, calculated in accordance with the guidance provided in SEC Staff bulletin No. 110 for plain vanilla options using the simplified method, given that our equity shares have been publicly traded for only a limited period of time we do not have sufficient historical exercise data;
- a risk-free interest rate of 1.67%;
- no expected dividend payments; and
- a volatility of 45% based on the volatility of a set of peer companies. Peer company data has been used given the short period of time our shares have been publicly traded.

Changes in the assumptions can materially affect the fair value estimate. See also “Item 6.—B. Compensation—Shared Based Compensation Plans,” for more information in relation to our Post-IPO Plan.

Pre-IPO Plans

Under the pre-IPO plans, including the Management Equity Stock Option Plan, stock options were issued to certain employees of the Company. In accordance with the Management Equity Stock Option Plan, the members of our management team and certain other executives that were granted stock options will be allowed to exercise, from time to time, their vested options. The proportion of options available for exercise cannot exceed the proportion of the aggregate number of shares of common stock sold by our co-investors, including the Private Equity Consortium, to the total number of shares of common stock owned by such co-investors. The exercise prices of stock options granted in 2007 and 2008 ranged from €1.00 to €2.50; for comparison reasons and according to the reverse stock split on August 2010, these exercise prices currently range from €20.00 to €50.00.

Also, equity rights were granted to certain non-executive employees under the global equity incentive program (the "Global Equity Incentive Program") giving the right to acquire our shares of common stock for no consideration after the rights have vested, upon a change of control (in particular, the Private Equity Consortium no longer jointly holding 30% of our common stock).

Since none of our stock options, equity rights or shares of common stock were traded on any stock exchange until August 2010, and exercise is dependent upon certain conditions, employees can receive no value nor derive any benefit from holding these options or rights without the fulfillment of the conditions for exercise. We have concluded that the fair value of the share-based payments could best be estimated by the use of a binomial option-pricing model because such model takes into account the various conditions and subjective assumptions that determine the estimated value. In addition to the estimated value of the Company based on projected cash flows, the assumptions used were:

- expected life of the options and equity rights is calculated as the difference between the grant dates and an exercise triggering event occurring not before the end of 2011. For the options granted under the Pre-IPO plans, expected lives varying from 4.25 to 3 years have been assumed;
- risk-free interest rate varying from 4.1% to 1.6%;
- expected asset volatility varying from 27% to 38% (based on the average volatility of comparable companies over an equivalent period from valuation date to exit date);
- dividend pay-out ratio of nil;
- lack of marketability discounts—used was between 35% and 26%; and
- the Business Economic Value of the NXP group, based on projected discounted cash flows as derived from our business plan for the next 3 years, extrapolated until 2021 and using 3% terminal growth rates (the discount factor was based on a weighted average cost of capital of 12.4%).

Because the stock options and equity rights were not traded, an option-based approach (the Finnerty model) was used to calculate an appropriate discount for lack of marketability. The expected life of the stock options and equity rights is an estimate based on the time period private equity investors typically take to liquidate a portfolio investment. The volatility assumption has been based on the average volatility of comparable companies over an equivalent period from valuation to exit date.

In May 2009, we executed a stock option exchange program for stock options granted up until that date and which were estimated to be deeply out of the money. Under this stock option exchange program, stock options with new exercise prices, different volumes and, in certain cases, revised vesting schedules, were granted to eligible individuals, in exchange for their existing stock options. By accepting the new stock options all existing stock options (vested and unvested) owned by the eligible individuals were cancelled. The number of employees eligible for and affected by the stock option exchange program was approximately 120. Since May 2009, stock options have been granted to eligible individuals under the revised stock options program. The exercise prices of these stock options ranged from €0.10 to €2.00; for comparison reasons and according to the reverse stock split on August 2010, these exercise prices currently range from €2.00 to €40.00. No modifications occurred with respect to the equity rights of the non-executive employees. No further options or rights will be granted under the pre-IPO plans. See also "Item 6.—B. Compensation—Share Based Compensation Plans," for more information in relation to our Pre-IPO Plans.

In accordance with the provisions of Topic 718, the unrecognized portion of the compensation costs of the cancelled stock options continues to be recognized over the remaining requisite vesting period. For the replacement stock options, the compensation costs are determined as the difference between the fair value of the cancelled stock options immediately before the grant date of the replacement stock options and the fair value of these replacement stock options at the grant date. This incremental compensation cost will be recognized in accordance with the vesting schedule over the next 2.5 years.

Legal Proceedings

In accordance with ASC 450, we account for losses that may result from ongoing legal proceedings based on our best estimate of what such losses could be or, when such best estimate cannot be made, we record for the minimum potential loss contingency. Estimates require the application of considerable judgment, and are refined each accounting period as additional information becomes known. We are often initially unable to develop a best estimate of loss and therefore the minimum amount, which could be zero, is recorded until a better estimate can be developed. As information becomes known, the minimum loss amount can be increased, resulting in additional loss provisions, or a best estimate can be made, which may or may not result in additional loss provisions. There can be no assurances that our recorded reserves will be sufficient to cover the extent of our costs and potential liability.

For a summary of the material legal proceedings to which we are subject, see "Part I—Item 4. Information on the Company—B. Business overview—Legal Proceedings" contained elsewhere in this annual report.

C. *Research and development, patents and licenses, etc.*

Research and Development

We believe that our future success depends on our ability to both improve our existing products and to develop new products for both existing and new markets. We direct our research and development efforts largely to the development of new High-Performance Mixed-Signal semiconductor solutions where we see significant opportunities for growth. We target applications that require stringent overall system and subsystem performance. As new and challenging applications proliferate, we believe that many of these applications will benefit from our solutions. We have assembled a team of highly skilled semiconductor and embedded software design engineers with expertise in RF, analog, power management, interface, security and digital processing. As of December 31, 2010, we had approximately 3,000 employees in research and development, of which over 2,600 support our High-Performance Mixed-Signal businesses and approximately 200 support our Standard Products businesses. Our engineering design teams are located in India (Bangalore), China (Shanghai), the United States (San Jose, San Diego, Tempe, Bellevue), France (Caen, Suresnes, Sophia Antipolis), Germany (Hamburg, Dresden, Villingen), Austria (Gratkorn, Vienna), the Netherlands (Nijmegen, Eindhoven), Hong Kong, Singapore, the UK (Hazelgrove, Southampton), Switzerland (Zurich) and Belgium (Leuven). Our research and development expenses and write-off of acquired in-process research and development were $764 million in 2009 and $1,187 million in 2008. Our research and development expense was $568 million in 2010, 80% of which related to our High-Performance Mixed-Signal businesses.

Largely as a result of our scale and the level of our investments in research and development, we have achieved a significant number of market leadership positions and are able to extend those positions. In High-Performance Mixed-Signal markets where we already have a strong number one market leadership position, such as CAN/ LIN/-FlexRay in-vehicle networking, e-passports and most of our other identification businesses, we invest in research and development to extend our market position and to outpace market growth. In High-Performance Mixed-Signal markets where we are the leader, but with a smaller market share lead over our competition, such as car access and immobilizers, car radio, TV front-end and radio frequency identification, and in High-Performance Mixed-Signal markets where we are not the market share leader, we are investing in research and development to grow significantly faster than the market and improve our relative market position. In addition, we are investing to build or expand leading positions in a number of promising, high growth markets such as AC-DC power conversion, CFL and LED lighting drivers, 32-bit ARM microcontrollers, hearin g aids and integrated mobile audio solutions. Finally, we invest around 3% of our total research and development expenditures in research activities that develop fundamental new technologies or product categories that could contribute significantly to our company growth in the future. Examples of current developments include biosensors and MEMS oscillators.

We annually perform a fundamental review of our business portfolio and our related new product and technology development opportunities in order to decide on changes in the allocation of our research and development resources. For products targeting established markets, we evaluate our research and development expenditures based on clear business need and risk assessments. For break-through technologies and new market opportunities, we look at the strategic fit and synergies with the rest of our portfolio and the size of the potential addressable market. Overall, we allocate our research and development to maintain a healthy mix of emerging, growth and mature businesses.

Intellectual Property

The creation and use of intellectual property is a key aspect of our strategy to differentiate ourselves in the marketplace. We seek to protect our proprietary technologies by seeking patents, retaining trade secrets and defending, enforcing and utilizing our intellectual property rights, where appropriate. We believe this strategy allows us to preserve the advantages of our products and technologies, and helps us to improve the return on our investment in research and development. Our portfolio of approximately 14,000 patents and patent applications, as well as our royalty-free licenses to patents held by Philips, give us the benefit of one of the largest patent portfolios positions in the High-Performance Mixed-Signal and Standard Products markets. To protect confidential technical information that is not subject to patent protection, we rely on trade secret law and frequently enter into confidentiality agreements with our employees, customers, suppliers and partners. In situations where we believe that a third party has infringed on our intellectual property, we enforce our rights through all available legal means to the extent that we determine the benefits of such actions to outweigh any costs involved. For more information on the intellectual property arrangements we have entered into with Philips, see “Part I—Item 7. Major Shareholders and Related Party Transactions—B. Related party transactions—Intellectual Property Transfer and License Agreement” contained elsewhere in this annual report.

We have engaged occasionally in licensing and other activities aimed at generating income and other benefits from our intellectual property assets. We believe that there is an opportunity to generate additional income and other benefits from our intellectual property assets. This is a process that will take time before meaningful benefits can be reaped. We are in the early phases of developing the program.

While our patents and trade secrets constitute valuable assets, we do not view any one of them as being material to our operations as a whole. Instead, we believe it is the combination of our patents and trade secrets that creates an advantage for our business.

In addition to our own patents and trade secrets, we have entered into licensing, broad-scope cross licensing and other agreements authorizing us to use patents, trade secrets, confidential technical information, software and related technology owned by third parties and/or operate within the scope of patents owned by third parties. We are party to process technology partnerships, such as our collaboration with TSMC and the Interuniversitair Microelektronica Centrum VZW, through which we jointly develop complex semiconductor-related process technology. We also maintain research partnerships with universities across the world, particularly in Europe, China and India.

We own a number of trademarks and, where we consider it desirable, we develop names for our new products and secure trademark protection for them.

D. *Trend information.*

We focus our business development efforts on what we believe to be the fastest-growing product opportunities and geographic markets.

We address four key macro growth trends in electronics: energy efficiency, mobility and connected mobile devices, security and healthcare. Examples of recent development activities targeting the need for greater energy efficiency are our CFL and LED lighting products, "green chip" high-efficiency AC-DC power conversion ICs for notebook adaptors, and optimized reference designs for smart metering. Our new high-performance RF power amplifier products allow wireless network operators to expand network capacity with fewer base stations, our secure microcontrollers enable many new forms of mobile electronic payments, and our innovative magnetic induction radio enables implantable medical devices such as hearing aids.

We believe that we are strategically positioned to capture rapid growth in emerging markets through our strong position in Asia Pacific (excluding Japan), which represented 58% of our revenues both in 2010 and 2009, compared to a peer average of 49% of revenues in 2009. In particular, Greater China represented 37% of our revenues in 2010, compared to 35% of our revenues in 2009.

E. *Off-balance sheet arrangements.*

As of December 31, 2010, we had no off-balance sheet arrangements.

F. *Tabular disclosure of contractual obligations.*

Presented below is a summary of our contractual obligations as at December 31, 2010.(1)(2)

($ in millions)	Total	2011	2012	2013	2014	2015	2016 and thereafter
Long-term debt	4,109	—	1	1,823	362	921	1,002
Capital lease obligations	24	5	9	5	3	1	1
Short-term debt(3)	418	418	—	—	—	—	—
Operating leases	150	27	23	20	18	18	44
Interest on the notes(4)	1,564	295	292	292	210	182	293
Long-term purchase contracts	249	90	69	39	22	10	19
Unrecognized tax benefits	9	9	—	—	—	—	—
Total contractual cash obligations(4)(5)	6,523	844	394	2,179	615	1,132	1,359

(1) This table does not include liabilities related to unrecognized tax benefits amounting to $62 million, payments associated with our defined benefit plans, restructuring obligations and any obligations contingent on future events. In addition, this does not include purchase orders entered into in the normal course of business.

(2) On March 4, 2011, we entered into a new $500 million Term Loan, which has not been drawn as of the date of this annual report. It is intended that the Term Loan will be drawn on April 6, 2011 and the proceeds, together with cash on hand and available borrowing capacity under the Secured Revolving Credit Facility will be used to redeem all $362 million of outstanding 2014 Dollar Fixed Rate Notes, together with $100 million of Dollar Floating Rate Secured Notes, €143 million of Euro Floating Rate Secured Notes and the cash payment of $16 million for accrued and unpaid interest. We estimate that our annual average interest expense will decrease by $10 million with the drawing under into of the Term Loan.

(3) Short-term debt consists of outstanding borrowings and guarantees under our Secured Revolving Credit Facility as of December 31, 2010. Although the Secured Revolving Credit Facility expires in 2012, the amount drawn is classified as short-term debt because we have the flexibility of drawing and repaying under this facility. Any amount still outstanding under the Secured Revolving Credit Facility on September 28, 2012 will be due in full immediately on that date. The Forward Start Revolving Credit Facility will become available to us on September 28, 2012, the maturity date of our current Secured Revolving Credit Facility, subject to customary terms and conditions and certain financial conditions.

(4) The interest on the notes was determined on the basis of LIBOR and EURIBOR interest rates and USD/Euro balance sheet rates as at December 31, 2010. We have also drawn amounts under our Secured Revolving Credit Facility, but have not included these interest amounts due to the revolving nature of the debt.

(5) Certain of these obligations are denominated in currencies other than U.S. dollars, and have been translated from foreign currencies into U.S. dollars based on an aggregate average rate of $1.3326 per €1.00, in effect at December 31, 2010. As a result, the actual payments will vary based on any change in exchange rate.

As of December 31, 2010, accrued interest on debt amounted to $92 million.

Certain contingent contractual obligations, which are not reflected in the table above, include (a) contractual agreements, such as supply agreements, containing provisions that certain penalties may be charged if we do not fulfill our commitments, (b) a contractual agreement to contribute $18 million in our joint venture called ASEN Semiconductors Co. Ltd. if our venture partner also contributes its contractually agreed amounts, which may occur in 2011.

We sponsor pension plans in many countries in accordance with legal requirements, customs and the local situation in the countries involved. These are defined-benefit pension plans, defined contribution pension plans and multi-employer plans. Contributions to funded pension plans are made as necessary, to provide sufficient assets to meet future benefits payable to plan participants. These contributions are determined by various factors, including funded status, legal and tax considerations and local customs. We currently estimate contributions to pension plans will be $65 million in 2011, consisting of $3 million in employer contributions to defined-benefit pension plans and $62 million in employer contributions to defined-contribution pension plans and multi-employer plans. The expected cash outflows in 2011 and subsequent years are uncertain and may change as a consequence of statutory funding requirements as well as changes in actual versus currently assumed discount rates, estimations of compensation increases and returns on pension plan assets.

In addition, we have made certain commitments to SSMC, in which we have a 61.2% ownership share, whereby we are obligated to make, as cost compensation, payments to SSMC should we fail to utilize, on an annual basis, at least 42% (approximately 7.5 million mask steps) of the total available capacity at SSMC's fabrication facilities but only in case TSMC does not utilize our shortfall and the overall SSMC utilization levels drop below 70% of the total available capacity. In the event that we and TSMC fail to utilize at least 70% of SSMC's total available capacity, we would be required to compensate SSMC for full coverage of all unavoidable costs associated with what we fail to utilize below 42% of the total available capacity. No such payments have been made since 2002.

G. Safe harbor.

This annual report includes forward-looking statements. When used in this annual report, the words “anticipate”, “believe”, “estimate”, “forecast”, “expect”, “intend”, “plan” and “project” and similar expressions, as they relate to us, our management or third parties, identify forward-looking statements. Forward-looking statements include statements regarding our business strategy, financial condition, results of operations and market data, as well as any other statements that are not historical facts. These statements reflect beliefs of our management, as well as assumptions made by our management and information currently available to us. Although we believe that these beliefs and assumptions are reasonable, these 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 expressly qualify all subsequent oral and written forward-looking statements attributable to us or persons acting on our behalf and include, in addition to those listed under “Part I—Item 3. Key Information—D. Risk factors” and elsewhere in this annual report, 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;
- our ability to 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;
- our ability to develop products for use in our customers' equipment and products;
- our ability to successfully hire and retain key management and senior product engineers; and
- our ability to maintain good relationships with our suppliers.

We do not assume any obligation to update any forward-looking statements and disclaim any obligation to update our view of any risks or uncertainties described herein or to publicly announce the result of any revisions to the forward-looking statements made in this annual report, except as required by law.

In addition, this annual report contains information concerning the semiconductor industry and 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 and business segments will develop. We have based these assumptions on information currently available to us, including through the market research and industry reports referred to in this annual report. Although we believe that this information is reliable, we have not independently verified and cannot guarantee its accuracy or completeness. 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, they could have a material adverse effect on our future results of operations and financial condition, and the trading price of our common stock.

Subsequent events

Potential Secondary Offering of Common Stock

On or about March 9, 2011, we will file a registration statement with the SEC for a potential secondary offering of our shares of common stock.

Share Based Compensation Plans

On or about March 9, 2011, we will file a registration statement with the SEC in relation to the Management Equity Stock Option Plan, the Global Equity Incentive Program and the Long Term Incentive plan 2010, which we introduced in November 2010. Following the filing of such registration statement, pursuant to our Management Equity Stock Option Plan, members of our management team and certain other executives will be allowed to exercise, from time to time, their vested options. The proportion of options available for exercise cannot exceed the proportion of the aggregate number of shares of common stock sold by our co-investors, including the Private Equity Consortium, to the total number of shares of common stock owned by such co-investors. We expect that following the completion of this offering, up to 15% of the vested options under the Management Equity Stock Option Plan will become exercisable, subject to the applicable laws and regulations.

Term Loan

On March 4, 2011, we entered into a $500 million Term Loan to finance general corporate purposes (including refinancing or repaying indebtedness). Utilization of the Term Loan is subject to satisfaction of customary closing conditions. Loans under the Term Loan are denominated in U.S. dollars and bear interest at a rate per annum (calculated on a 360 day basis or, in respect of Alternate Base Rate (“ABR”) loans calculated on the basis of the prime rate, a 365 day basis) (i) in the case of LIBOR loans, equal to LIBOR plus 3.25% (provided that LIBOR shall be deemed not to be less than 1.25%) and (ii) in the case of Alternate Base Rate (ABR) loans, equal to ABR (the higher of (a) the prime rate, (b) the federal funds effective rate plus 1/2 of 1% and (c) LIBOR plus 1.00%) plus 2.25%. The Term Loan will amortize in equal quarterly installments of 0.25% of the aggregate initial principal amount with the balance payable on the final maturity date. The Term Loan has substantially the same covenants as our existing Secured Revolving Credit Facility.

In connection with the Term Loan, on March 7, 2011 we issued redemption notices for all $362 million outstanding of our 2014 Dollar Fixed Rate Secured Notes due 2014, together with $100 million of our Dollar Floating Rate Secured Notes and €143 million of our Euro Floating Rate Secured Notes. The redemptions will be conditional on the receipt of proceeds from the new term loan facility.

Item 6. Management

A. *Directors, Executive Officers and Key Employees*

The following description sets forth certain information about management and management-related matters. We have a one-tier board structure.

Board of Directors

Set forth below are the names, ages as of December 31, 2010, and positions of the persons who serve as members of our board of directors.

Name	Age	Position
Richard L. Clemmer	59	Executive director, president and chief executive officer
Sir Peter Bonfield	66	Non-executive director and chairman of the board
Johannes P. Huth	50	Non-executive director and vice-chairman of the board
Nicolas Cattelain	37	Non-executive director
Eric Coutinho	59	Non-executive director
Egon Durban	37	Non-executive director
Kenneth A. Goldman	61	Non-executive director
Josef Kaeser	53	Non-executive director
Ian Loring	44	Non-executive director
Michel Plantevin	54	Non-executive director
Richard Wilson	45	Non-executive director

- **Richard L. Clemmer (1951, American).** Mr. Clemmer became executive director, president and chief executive officer on January 1, 2009. Prior to that, from December 2007, Mr. Clemmer was a member of the supervisory board of NXP B.V. and a senior advisor of Kohlberg Kravis Roberts & Co. Prior to joining NXP, he drove the turnaround and re-emergence of Agere, a spin-off from Lucent and a leader in semiconductors for storage, wireless data, and public and enterprise networks. He also served as Chairman of u-Nav Microelectronics Corporation, a leading GPS technology provider, and held a five-year tenure at Quantum Corporation where he was executive vice president and chief financial officer. Prior to that, Mr. Clemmer worked for Texas Instruments Incorporated as senior vice president and semiconductor group chief financial officer. Mr. Clemmer also serves on the boards of NCR Corporation and Trident Microsystems, Inc.
- **Sir Peter Bonfield (1944, British).** Sir Peter has been appointed as a non-executive director and as the chairman of our board of directors. Prior to that, Sir Peter was the chairman of the supervisory board of NXP B.V. from September 29, 2006. Sir Peter served as chief executive officer and chairman of the executive committee for British Telecom plc from 1996 to 2002 and prior to that was chairman and chief executive officer of ICL plc (now Fujitsu Services Holdings Ltd.). Sir Peter also worked in the

semiconductor industry during his tenure as a divisional director at Texas Instruments Incorporated, for whom he held a variety of senior management positions around the world. Sir Peter currently holds non-executive directorships at Telefonaktiebolaget LM Ericsson, Taiwan Semiconductor Manufacturing Company Limited, Mentor Graphics Corporation and Sony Corporation.

- **Johannes P. Huth (1960, German).** Mr. Huth has been appointed as a non-executive director and vice-chairman of our board of directors. Prior to that, Mr. Huth was a member and chairman of our supervisory board and a member and vice-chairman of NXP B.V.'s supervisory board from September 29, 2006. Mr. Huth is a managing director of Kohlberg Kravis Roberts & Co., Europe. He has been with Kohlberg Kravis Roberts & Co. for eleven years. Currently, he is on the board of directors of Kohlberg Kravis Roberts & Co. Ltd., ProSiebenSat.1 Media AG (chairman), Kion Holding GmbH and BMG-Bertelsmann Music Group. Mr. Huth started his professional career with Salomon Brothers in New York and London. Following that, he worked with Investcorp International Ltd. in London.
- **Nicolas Cattelain (1973, French).** Mr. Cattelain has been appointed as a non-executive director of our board of directors. Mr. Cattelain became a member of our supervisory board and the supervisory board of NXP B.V. in February 2010 and is a director of Kohlberg Kravis Roberts & Co., Europe. He has been with Kohlberg Kravis Roberts & Co. for ten years. Before 2000, Mr. Cattelain was with the private equity firm Industri Kapital in London and prior to that he worked in the Mergers and Acquisitions Department of Merrill Lynch.
- **Eric Coutinho (1951, Dutch).** Mr. Coutinho has been appointed as a non-executive director of our board of directors. Mr. Coutinho became a member of our supervisory board and the supervisory board of NXP B.V. on September 29, 2006 and is chief legal officer and general secretary of Koninklijke Philips Electronics N.V. and a member of its group management committee. He has been with Philips since 1979 during which time he has worked in various positions. He is also deputy chairman of The Netherlands Philips Pension Fund.
- **Egon Durban (1973, German).** Mr. Durban is a managing director of Silver Lake Partners based in Menlo Park. Mr. Durban joined Silver Lake in 1999 as a founding principal and has worked in the firm's London, Menlo Park and New York offices. Mr. Durban serves on the Supervisory Board of Skype and is the chairman of its operating committee, the board of directors of Intelsat, Ltd., the board of directors of Multiplan Inc., the operating committee of SunGard Capital Corporation, and Silver Lake's Management, Investment and Fund 3 Operating and Valuation Committees. Prior to Silver Lake, Mr. Durban worked in Morgan Stanley's Investment Banking Division.
- **Kenneth A. Goldman (1949, American).** Mr. Goldman has been appointed as a non-executive director of our board of directors effective August 6, 2010. Mr. Goldman is the senior vice president and chief financial officer of Fortinet, Inc. Prior to that, Mr. Goldman served as senior vice president, finance and administration, and chief financial officer of Siebel Systems, Inc. from 2000 to 2006. Mr. Goldman has also served as senior vice president and chief financial officer of Excite@Home Corporation and Sybase, Inc., as well as serving as chief financial officer of Cypress Semiconductor Corporation and VLSI. Technology, Inc. Mr. Goldman also serves on the board of directors of BigBand Networks, Inc. and Infinera, Inc. and several private companies.
- **Josef Kaeser (1957, German).** Mr. Kaeser has been appointed as a non-executive director of our board of directors effective September 1, 2010. Mr. Kaeser is the executive vice president and chief financial officer of Siemens AG. Prior to this, Mr. Kaeser served as chief strategy officer for Siemens AG from 2004 to 2006 and as the chief financial officer for the mobile communications group from 2001 to 2004. Mr. Kaeser has additionally held various other positions within the Siemens group since he joined Siemens in 1980. Mr. Kaeser also serves on the managing board of Siemens AG and the board of directors of Siemens Ltd., India, Bayerische Börse AG, Allianz AG, Germany and Nokia Siemens Networks B.V.

- **Ian Loring (1966, American).** Mr. Loring has been appointed a non-executive director of our board of directors. Mr. Loring became a member of our supervisory board and the supervisory board of NXP B.V. on September 29, 2006 and is a managing director of Bain Capital Partners, LLC. Prior to joining Bain Capital Partners in 1996, Mr. Loring worked at Berkshire Partners and has previously also worked at Drexel Burnham Lambert. He serves as a director of Clear Channel Communications Inc., The Weather Channel Inc., Warner Music Group Corporation, Denon & Marantz and Contec Co. Ltd. Mr. Loring previously served on the board of Cumulus Media Inc. and Echelon Telecom Inc.
- **Michel Plantevin (1956, French).** Mr. Plantevin has been appointed a non-executive director of our board of directors. Mr. Plantevin became a member of our supervisory board and the supervisory board of NXP B.V. on September 29, 2006 and is a managing director of Bain Capital Ltd. Prior to joining Bain Capital Ltd. in 2003, Mr. Plantevin worked at Goldman Sachs in London, and prior to that he was a partner with Bain & Company in London and Paris. He also serves as a director of FCI S.A., Brakes Group, Stylon and IMCD.
- **Richard Wilson (1965, British).** Mr. Wilson has been appointed as a non-executive director of our board of directors. Mr. Wilson became a member of our supervisory board and the supervisory board of NXP B.V. on October 22, 2008 and is a senior partner of Apax Partners LLP. Prior to joining Apax Partners in 1995, he served as a consultant with Scientific Generics Inc. and also worked for Marconi Space Systems Ltd. He has sat on a number of boards of Apax fund portfolio companies, such as Inmarsat plc, Weather Investments SpA and affiliates of TDC A/S, and in 2009/2010 was the chairman of the European Private Equity and Venture Capital Association.

Management Team

Set forth below are the names, ages as of December 31, 2010, and positions of the executive officers who together with our chief executive officer, Mr. Clemmer, constitute our management team.

Name	Age	Position
Richard L. Clemmer	59	Executive director, president and chief executive officer
Chris Belden	50	Executive vice president and general manager of operations
Guido Dierick	51	Senior vice president and general counsel
Alexander Everke	47	Executive vice president and general manager of High-Performance Mixed-Signal businesses focused on wireless infrastructure, lighting, industrial, mobile, consumer and computing applications
Mark Hamersma(1)	42	Senior vice president, responsible for business development
Peter Kleij	50	Senior vice president, responsible for human resource management
Mike Noonen	47	Executive vice president, responsible for global sales
Rene Penning De Vries	56	Senior vice president and chief technology officer
Ruediger Stroh	48	Executive vice president and general manager of High-Performance Mixed-Signal businesses focused on identification applications
Frans Scheper	48	Senior vice president and general manager of the Standard Products applications
Kurt Sievers	41	Senior vice president and general manager of High-Performance Mixed-Signal businesses focused on automotive applications
Karl-Henrik Sundström	50	Executive vice president and chief financial officer

(1) Until January 1, 2011.

(2) As of March 1, 2011, Peter Kelly (1957, American) is executive vice president operations and member of our management team. He shares responsibility with Mr. Belden for managing our overall operations. Mr. Kelly has over 25 years of experience in the technology industry working for companies in Europe and the USA, being a key part of the management team that led the spin-off of Agere from Lucent, where he led the global operations team.

- **Chris Belden (1960, American).** Mr. Belden is executive vice president, general manager of operations and member of the management team. He joined NXP as senior vice president, global manufacturing on March 1, 2008. Previously Mr. Belden worked for Applied Materials Inc., where he was responsible for global operations. Before that, he spent the majority of his career at Motorola, Inc. and Freescale Semiconductor Inc., where he was responsible for Freescale's global manufacturing operations.
- **Guido Dierick (1959, Dutch).** Mr. Dierick is senior vice president, general counsel, secretary of our board of directors and member of the management team. Since 2000 he has been responsible for legal and intellectual property matters at NXP. He previously was employed by Philips from 1982 and worked in various legal positions.
- **Alexander Everke (1963, German).** Mr. Everke is executive vice president, member of the management team and general manager of our High-Performance Mixed-Signal businesses focused on the wireless infrastructure, lighting, industrial, mobile, consumer and computing application markets. He previously served in various senior management positions within NXP. Mr. Everke joined NXP in 2006 from Infineon Technologies AG, where he served last as general manager of the Chip Card & Security ICs business unit. Before Infineon, Mr. Everke worked for several years at Siemens AG.
- **Mark Hamersma (1968, Dutch).** Mr. Hamersma is senior vice president, responsible for business development and member of the management team. Since joining NXP in 2004, he held the position of senior vice president of strategy & strategic marketing and subsequently, in 2008 was appointed senior vice president responsible for business development. Prior to joining NXP, Mr. Hamersma was a partner with McKinsey & Company, where he focused on serving high-tech, telecommunication and private equity clients.
- **Peter Kleij (1960, Dutch).** Mr. Kleij is senior vice-president, responsible for human resource management and member of the management team. Prior to joining Philips in 1996, he worked for various large companies, including AT&T Inc.
- **Mike Noonen (1963, American).** Mr. Noonen is executive vice president, responsible for global sales and marketing and member of the management team since November 10, 2008. He previously served in a global sales position at National Semiconductor Corporation, which he joined in 2001. Before that he worked for various high-tech companies including NCR Corporation and Cisco Systems Inc.
- **Rene Penning De Vries (1954, Dutch).** Mr. Penning De Vries is senior vice president, chief technology officer and member of the management team. He holds the same position in NXP B.V. He previously was employed by Philips from 1984 in various managerial positions.
- **Ruediger Stroh (1962, German).** Mr. Stroh is executive vice president, member of the management team and general manager of our High-Performance Mixed-Signal businesses focused on the identification application markets. Before joining NXP on May 18, 2009, he led LSI Corporation's Storage Peripherals business, overseeing silicon solutions for hard disk and solid state drives addressing consumer and enterprise markets. Previously, he headed Agere System Inc's storage division and served as chief executive officer for a number of start-up companies. Mr. Stroh began his career at Siemens AG where he held multiple management positions before joining Infineon Technologies AG.
- **Frans Scheper (1962, Dutch).** Mr. Scheper has been senior vice president and general manager for the Standard Products business since November, 2009, and has been a member of the management team

since January 1, 2010. He has previously served as general manager of the general applications (discretes) business line within the multimarket business and served in various positions at Philips since 2000.

- **Kurt Sievers (1969, German).** Mr. Sievers has been senior vice president and general manager of our High-Performance Mixed-Signal businesses focused on the automotive application markets since November, 2009 and since January 2010, he has been a member of the management team. He has previously managed the automotive safety and comfort business line and served in various positions at Philips since 1995.
- **Karl-Henrik Sundström (1960, Swedish).** Mr. Sundström became executive vice president and chief financial officer of NXP B.V. and a member of our management team on May 13, 2008. In a successful 22 year career at Ericsson AB, Mr. Sundström gained general management experience leading the company's global services operations and its Australian and New Zealand business before his appointment as chief financial officer of Ericsson AB in 2003 until the end of 2007. Mr. Sundström also serves on the board of Swedbank AB.

On March 1, 2011, we announced the appointment of Mr. Peter Kelly as executive vice president operations and member of our management team. He joins Mr. Chris Belden reporting to Mr. Rick Clemmer and will share responsibility with Mr. Belden for managing our overall operations. Mr. Kelly has over 25 years of experience in the technology industry working for companies in Europe and the USA, being a key part of the management team that led the spin-off of Agere from Lucent Technology and leading the Global Operations team responsible for significantly improving margins, asset turnover and customer service.

B. *Compensation.*

In accordance with Dutch law, our stockholders have adopted a compensation policy for the board of directors. The remuneration of our executive directors is resolved upon by our board of directors, with due observance of our compensation policy. The respective executive director does not participate in the discussions of our board of directors on his compensation, nor does the chief executive officer vote on such a matter. Our chief executive officer is our only executive director. The remuneration of the non-executive directors has been resolved upon by our stockholders at a stockholder meeting at the proposal of our board of directors, prior to the consummation of the initial public offering in August 2010. To the extent the stockholders at a future stockholder meeting do not adopt the proposal of the board, the board must prepare a new proposal. After adoption of a proposal, only subsequent amendments will require stockholder approval. Furthermore, any proposed share or option-based director compensation (including any performance conditions relating to such compensation) must be submitted by our board to the general meeting of stockholders for its approval, detailing the number of shares or options over shares that may be awarded to the directors and the criteria that apply to such award or any modification of such rights. Prior to the consummation of the initial public offering in August 2010, our stockholders have approved such equity-based director compensation.

Compensation Policy and Objectives

The objective in establishing the compensation policies for our chief executive officer, the other members of our management team and our other executives, will be to provide a compensation package that is aligned with our strategic goals and that enables us to attract, motivate and retain highly qualified professionals. We believe that the best way to achieve this is by linking executive compensation to individual performance targets, on the one hand, and to NXP's performance, on the other hand. Our executive compensation package will therefore include a significant variable part, consisting of an annual cash incentive and depositary receipts for shares and stock options. Executive performance targets will be determined annually, at the beginning of the year, and assessed at the end of the year by, respectively, our nominating and compensation committee, our executive officers or the other members of our management team. The compensation package for our chief executive officer, the other members of our management team and our NXP executives is benchmarked on a regular basis against other companies in the high-tech and semiconductors industry.

Base Salary

We currently pay our chief executive officer an annual base salary of €1,142,000, the chairman of our board of directors an annual fixed fee of €275,000 and the other members of our board of directors an annual fixed fee of $85,000 gross. Members of our Audit Committee and the Nominating & Compensation Committee receive an additional annual fixed fee of $6,000 gross and the chairmen of both committees receive an additional annual fixed fee of $10,000 and $8,000 gross, respectively. For the year ended December 31, 2010, the members of our management team as a group received a total aggregate compensation of €6,200,000, compared to a total aggregate compensation of €6,680,000 in 2009.

Our chief executive officer, the other members of our management team and most of our executives have a contract of employment for an indefinite term. The main elements of any new employment contract that we will enter into with a member of the board of directors will be made public no later than the date of the public notice convening the general meeting of stockholders at which the appointment of such member of the board of directors will be proposed.

Annual Incentive

Each year, our chief executive officer, the other members of our management team and our other executives can qualify to earn a variable cash incentive, subject to whether certain specific and challenging performance targets have been met. For our chief executive officer, the on-target cash incentive percentage was set at 100% of the base salary, with the maximum cash incentive set at 200% of the annual base salary. The cash incentive pay-out in any year relates to the achievements of the preceding financial year in relation to agreed targets. In 2010, an amount of €2,284,000 has been paid to our chief executive officer as annual incentive bonus for our performance in 2009. The total annual incentive bonus amount paid in 2010 to members of our management team, including our chief executive officer, is €9,830,000. In 2009, no annual incentive bonuses were paid to our board members, management team or to the executives due to the economic and financial crisis during the course of 2008 and early 2009, as well as our performance and the continuing future uncertainty in economic developments.

Share Based Compensation Plans

The purpose of our share based compensation plans, including the Management Equity Stock Option Plan implemented prior to the consummation of our initial public offering in August 2010 and the Long-Term Incentive Plan 2010 introduced in November 2010, is to align the interests of management with those of our stockholders by providing additional incentives to improve our medium and long term performance, by offering the participants an opportunity to share in the success of NXP.

We granted stock options to the members of our management team and to approximately 135 of our other executives in 2007 and 2008 under the Management Equity Stock Option Plan. In May 2009, we executed a stock option exchange program, under which stock options, with new exercise prices, different volumes and—in certain cases—revised vesting schedules, were granted to eligible individuals, in exchange for their owned stock options. By accepting the new stock options all previously granted stock options (vested and unvested) owned by the eligible individual were cancelled. As of May 2009, when the stock options exchange program was consummated, stock options have been granted to eligible individuals under the revised Management Equity Stock Option Plan. Under this stock option plan the participants acquire the right to purchase a certain number of shares of common stock at a predetermined price, i.e. exercise price, provided that certain conditions are met. The stock options have a vesting schedule as specified upon the grant to the individuals. Following the filing of such registration statement, pursuant to our Management Equity Stock Option Plan, members of our management team and certain other executives will be allowed to exercise, from time to time, their vested options. The proportion of options available for exercise cannot exceed the proportion of the aggregate number of shares of common stock sold by our co-investors, including the Private Equity Consortium, to the total number of shares of common stock owned by such co-investors. We expect that following the completion of this offering, up to 15% of the vested options under the Management Equity Stock Option Plan will become exercisable, subject to the applicable laws and regulations. In the event of a change of control, participants may exercise (in particular, the Private Equity Consortium no longer jointly holding 30% of our common stock). As of December 31, 2010, a total of 18 million stock options were granted under the Management Equity Stock Option Plan to a group of approximately 125 (current and former) NXP executives (which includes our chief executive officer and the other members of the management team and our chairman of the board of directors). These stock options can be exercised at exercise prices which vary from €2.00 to €50.00 per stock option.

In November 2010, we introduced a new Long Term Incentive Plan 2010, under which performance stock, restricted stock and stock options may be granted to the members of our board of directors, management team, our other executives, selected other key employees/talents of the NXP group and selected new hires. Under the Long Term Incentive Plan 2010, equity incentives may be granted on the dates NXP publishes its quarterly financials, beginning on November 2, 2010. Performance stock and restricted stock vest over a period of three years, subject to relevant performance criteria being met, and stock options vest over four years. The size of the annual equity pool available for Long Term Incentive Plan 2010 awards from November 2, 2010 up to the fourth quarter of 2011 is for an aggregate of up to 7,200,000 common shares in our share capital. On December 31, 2010, grants were made to 980 participants, in total representing 5,880,000 shares of common stock, consisting of 847,000 performance stock, 1,283,000 restricted shares and 3,750,000 stock options.

Shares to be delivered under any equity program may be newly issued, for up to 10% of our share capital, or they may come out of treasury stock or be purchased from time to time upon the decision of our board of directors.

As of December 31, 2010, the following stock options, restricted stock, performance stock, shares of common stock, depositary receipts for shares of common stock were outstanding with members of our board of directors:

Richard L. Clemmer, CEO and president

As of December 31, 2010, our chief executive officer held 76,125 depositary receipts and had been granted the following stock options and performance stock units, which were outstanding.

Series	Number of Stock Options	Exercise Price (in $)	Number of Stock Options per vesting schedule			
			11/02/11	11/02/12	11/02/13	11/02/14
2010/November	360,252	13.27	90,063	90,063	90,063	90,063

Series	Number of Stock Options	Exercise Price (in €)	Number of Stock Options per vesting schedule			
			01/01/10	01/01/11	01/01/12	01/01/13
2009/1	415,000	2.00	103,750	103,750	103,750	103,750
2009/2	1,400,000	15.00	350,000	350,000	350,000	350,000
2009/3	234,000	30.00	58,500	58,500	58,500	58,500
2009/4	374,252	40.00	93,563	93,563	93,563	93,563
Total:	2,423,252		605,813	605,813	605,813	605,813

Series	Number of Performance Stock Units	Number of Performance Stock Units per vesting schedule		
		11/02/11	11/02/12	11/02/13
2010/November	240,162	Maximum 33% of total	Maximum 67% of total	Up to 100% of total

Sir Peter Bonfield, chairman of the board of directors

As of December 31, 2010 the following stock options and restricted stock units had been granted to the chairman of our board of directors and were outstanding:

Series	Number of Performance Stock Units	Number of Performance Stock Units per vesting schedule		
		11/02/11	11/02/12	11/02/13
2010/November	10,000	3,333	3,333	3,334

Series	Number of Stock Options	Exercise Price (in €)	Number of Stock Options per vesting schedule		
			10/01/10	10/01/11	10/01/12
2009/2	23,550	15.00	7,850	7,850	7,850
2009/3	23,550	30.00	7,850	7,850	7,850
Total:	47,100		15,700	15,700	15,700

Other members of our board of directors

To each of Messrs. Huth, Cattelain, Durban, Goldman, Kaeser, Loring, Plantevin and Wilson, all being member of our board of directors, the following restricted stock units had been granted and were outstanding as of December 31, 2010:

Series	Number of Restricted Stock Units	Number of Performance Stock Units per vesting schedule		
		11/02/11	11/02/12	11/02/13
2010/November	10,000	3,333	3,333	3,334

Pensions

Our chief executive officer and eligible members of the management team participate in the executives' pension plan, which we set up in the Netherlands and which consists of a combination of a career average and a defined-contribution plan. The target retirement age under the plan is 62.5. The plan does not require employee contributions. We paid for our chief executive officer a total pension plan contribution of €569,530 in 2010 (2009: €552,350). We also paid a total pension plan contribution in the aggregate of €1,650,000 (2009: €1,619,000) to the members of our management team.

Additional Arrangements

In addition to the main conditions of employment, a number of additional arrangements apply to our chief executive officer and other members of the management team. These additional arrangements, such as expense compensation and relocation allowances, medical insurance, accident insurance, school fee compensation and company car arrangements are broadly in line with those for the NXP executives globally. In the event of disablement, our chief executive officer and other members of the management team are entitled to benefits in line with those for other NXP executives. In line with regulatory requirements, the Company's policy forbids personal loans, guarantees or similar arrangements to members of our board, and consequently no loans, guarantees or similar arrangements were granted to such members in 2009 or in 2010, nor were such loans outstanding as of December 31, 2010.

Unless the law provides otherwise, the members of our board of directors are expected to be reimbursed by us for various costs and expenses, such as reasonable costs of defending claims, as formalized in the articles of association. Under certain circumstances, described in the articles of association, such as an act or failure to act by a member of our board of directors that can be characterized as intentional *(opzettelijk)*, intentionally reckless *(bewust roekeloos)* or seriously culpable *(ernstig verwijtbaar)*, there will be no entitlement to this reimbursement.

Summary Compensation Table

The following table sets forth the annual compensation paid to the members of our board of directors on an individual basis for services in all capacities during the year ended December 31, 2010.

	Salary and/ or fees (1 in €; 2 in $)	Performance related compensation (€)	Number of stock, stock options of stock units outstanding	Non-equity incentive plan compensation or benefits in kind (€)	Contingent or deferred compensation	Pension, retirement or similar benefits (€)	Other
Richard L. Clemmer	1,142,000(1)	2,284,000	600,414	711,901	—	569,531	—
Sir Peter Bonfield	275,000(1)	—	57,100	—	—	—	—
Johannes P. Huth	37,917(2)	—	10,000	—	—	—	—
Nicolas Cattelain	35,417(2)	—	10,000	—	—	—	—
Eric Coutinho	35,417(2)	—	—	—	—	—	—
Egon Durban	35,417(2)	—	10,000	—	—	—	—
Kenneth A. Goldman	41,250(2)	—	10,000	—	—	—	—
Josef Kaeser	30,333(2)	—	10,000	—	—	—	—
Ian Loring	35,417(2)	—	10,000	—	—	—	—
Michel Plantevin	41,250(2)	—	10,000	—	—	—	—
Richard Wilson	35,417(2)	—	10,000	—	—	—	—
Total:	1,417,000(1) 327,835(2)	2,284,000	737,514	711,901	—	569,531	—

C. ***Board practices.***

Management Structure

We have a one-tier board structure, consisting of an executive director and non-executive directors.

Powers, Composition and Function

The number of executive and non-executive directors is determined by the board of directors. The board of directors will consist of one executive director and ten non-executive directors. The executive director, Mr.Clemmer, has been appointed as our chief executive officer.

The appointment of the directors will be made by our general meeting of stockholders upon a binding nomination of the board of directors. A resolution to appoint a director nominated by the board of directors shall be adopted by a simple majority of the votes cast. The board of directors shall make a list of candidates containing the names of at least the number of persons prescribed by law, which is currently two, for each vacancy to be filled. The nomination shall state whether the director is proposed to be an executive or non-executive director. The general meeting of stockholders may at all times overrule the binding nature of such a nomination by a resolution adopted by at least a two thirds majority of the votes cast, provided such majority represents more than half of our issued share capital. The board of directors may then make a new nomination, containing at least the number of persons prescribed by law, which currently is two. If a nomination has not been made or has not been made in due time, this shall be stated in the notice and the general meeting of stockholders shall be free to appoint a director at its discretion. The latter resolution of the general meeting of stockholders must also be adopted by at least two thirds majority of the votes cast, provided such majority represents more than half of our issued share capital.

As the holder of more than 50% of our common stock, the Private Equity Consortium has the ability to elect our entire board, subject to any limitations in our shareholders' agreement.

In addition, the Private Equity Consortium and Philips have entered into an amended and restated shareholders' agreement that provides Philips with certain rights, including with respect to board representation, and requires the Private Equity Consortium to vote their shares in a manner that implements such rights. See "Certain Relationships and Related Party Transactions—Shareholders' Agreement".

Under our articles of association and Dutch corporate law, the members of the board of directors are collectively responsible for the management, general and financial affairs and policy and strategy of our company. Our executive director will be responsible for the day-to-day management of the Company and for the preparation and execution of board resolutions, to the extent these tasks are not delegated to a committee of the board of directors. Our chief executive officer or all directors acting jointly may represent our company with third parties.

A conflict of interest between the Company and one or more of our directors is not expected to have any impact on the authority of directors to represent the Company. Under our board regulations, a conflict needs to be reported to the board of directors and the board of directors shall resolve on the consequences, if any. Under current Dutch law, in case of a conflict, the general meeting of stockholders may at any time resolve to designate a person to represent the Company. Although current Dutch law allows our directors to participate in deliberations and to vote on matters on which the respective director is conflicted, the Dutch corporate governance code and our board regulations do not allow directors to participate in discussions or vote on such matters.

Our non-executive directors will supervise the executive director and our general affairs and provide general advice to the executive director. Furthermore the non-executive directors will perform such acts that are delegated to them pursuant to our articles of association or by our board regulation. One of the non-executive directors has been appointed as chairman of the board and another non-executive director has been appointed as vice-chairman of the board of directors.

Each director owes a duty to us to properly perform the duties assigned to him and to act in the corporate interest of our company. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as stockholders, creditors, employees, customers and suppliers.

Our directors are appointed for one year and will be re-electable each year at the general meeting of stockholders. The members of our board of directors may be suspended or dismissed at any time by the general meeting of stockholders. A resolution to suspend or dismiss a director will have to be adopted by at least a two thirds majority of the votes cast, provided such majority represents more than half of our issued share capital and unless the proposal to suspend or dismiss a member of the board of directors is made by the board of directors itself, in which case resolutions shall be adopted by a simple majority of votes cast. Currently, Dutch law does not allow executive directors to be suspended by the board of directors; however, Dutch law is expected to be amended in mid 2011 to facilitate the suspension of executive directors by the board.

In the event that one or more directors are prevented from acting or in the case of a vacancy or vacancies for one or more directors, the board of directors remains properly constituted. The board of directors is expected to have the power, without prejudice to its responsibility, to cause our company to be represented by one or more attorneys. These attorneys shall have such powers as shall be assigned to them on or after their appointment and in conformity with our articles of association, by the board of directors.

The board of directors has adopted board regulations governing its performance, its decision making, its composition, the tasks and working procedure of the committees and other matters relating to the board of directors, the chief executive officer, the non-executive directors and the committees established by the board of directors. In accordance with our board regulations, resolutions of our board of directors will be adopted by a simple majority of votes cast in a meeting at which at least the majority of its members is present or represented. Each member of the board of directors has the right to cast one vote. In a tie vote, the proposal will be rejected.

Board Committees

While retaining overall responsibility, our board of directors has assigned certain of its tasks to permanent committees. Members of the permanent committees will be appointed by the board of directors. The board of directors will also determine the tasks of each committee. Our board of directors has established an audit committee and a nominating and compensation committee, each of which will have the responsibilities and composition described below:

- ***Audit Committee.*** Our audit committee consists of three independent non-executive directors, Messrs. Goldman, Kaeser and Sir Peter Bonfield. Mr. Goldman, who is appointed as chairman of the audit committee, will qualify as an "audit committee financial expert" as such term is defined in Item 407(d)(5) of Regulation S-K and as determined by our board of directors. Our audit committee will assist the board of directors in supervising, monitoring and advising the board of directors on financial reporting, risk management, compliance with relevant legislation and regulations and our business code of conduct. It will oversee the preparation of our financial statements, our financial reporting process, our system of internal business controls and risk management, our internal and external audit process and our internal and external auditor's qualifications, independence and performance. Our audit committee also will review our annual and interim financial statements and other public disclosures, prior to publication. At least once per year, the non-executive directors who are part of the audit committee will report their findings to the plenary board of directors. Our audit committee also recommends to our stockholders the appointment of external auditors. The external auditor will attend most meetings of the audit committee. The findings of the external auditor, the audit approach and the risk analysis are also discussed at these meetings.

- ***Nominating and Compensation Committee.*** Our nominating and compensation committee consists of three non-executive directors, Messrs. Huth and Plantevin and Sir Peter Bonfield, who is also an independent director. Mr. Plantevin is appointed as chairman of this committee. The nominating & compensation committee will determine selection criteria and appointment procedures for members of our board of directors, to periodically assess the scope and composition of our board of directors and to evaluate the performance of its individual members. It will be responsible for recommending to the board of directors the compensation package for our executive directors, with due observance of the remuneration policy adopted by the general meeting of stockholders. It will review employment contracts entered into with our executive directors, make recommendations to our board of directors with respect to major employment-related policies and oversee compliance with our employment and compensation-related disclosure obligations under applicable laws.

Limitation of Liability and Indemnification Matters

Unless prohibited by law in a particular circumstance, our articles of association require us to reimburse the members of the board of directors and the former members of the board of directors for damages and various costs and expenses related to claims brought against them in connection with the exercise of their duties. However, there shall be no entitlement to reimbursement if and to the extent that (i) a Dutch court has established in a final and conclusive decision that the act or failure to act of the person concerned may be characterized as willful (*opzettelijk*), intentionally reckless (*bewust roekeloos*) or seriously culpable (*ernstig verwijtbaar*) conduct, unless Dutch law provides otherwise or this would, in view of the circumstances of the case, be unacceptable according to standards of reasonableness and fairness, or (ii) the costs or financial loss of the person concerned are covered by an insurance and the insurer has paid out the costs or financial loss. We may enter into indemnification agreements with the members of the board of directors and our officers to provide for further details on these matters. We expect to purchase directors' and officers' liability insurance for the members of the board of directors and certain other officers, substantially in line with that purchased by similarly situated companies.

At present, there is no pending litigation or proceeding involving any member of the board of directors, officer, employee or agent where indemnification will be required or permitted. We are not aware of any threatened litigation or proceedings that might result in a claim for such indemnification.

Insofar as indemnification of liabilities arising under the Securities Act of 1933, as amended, may be permitted to members of the board of directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is therefore unenforceable.

D. *Employees.*

The following table provides an overview of the number of full time employees we had per segment:

	As of December 31,	
	2009	**2010**
High-Performance Mixed-Signal	2,806	2,864
Standard Products	1,488	1,746
Manufacturing Operations	14,320	15,526
Corporate:		
NuTune	3,033	—
Central research and development	963	654
Sales and marketing	527	846
Information technology	457	369
Other shared services	2,158	2,061
Other (including NXP Software)	334	405
Divested Home Activities	1,186	—
Total	27,272	24,471

The following table indicates the number of full time employees per geographic area:

	As of December 31,	
	2009	**2010**
Europe and Africa	8,278	7,347
Americas	728	542
Greater China	6,737	6,926
Asia Pacific	11,529	9,656
Total	27,272	24,471

The tables above represent the number of our employees excluding the 941 employees from our discontinued Sound Solutions business at December 31, 2010 (December 31, 2009: 878)

We have not experienced any material strikes or labor disputes in the past. A number of our employees are members of a labor union. In various countries, local law requires us to inform and consult with employee representatives on matters relating to labor conditions. We consider our employee relations to be good.

E. *Share ownership.*

Information with respect to share ownership of members of our board of directors is included in Item 7 “Major Shareholders and Related Party Transactions” and notes 32 and 33 to our consolidated financial statements, which are incorporated herein by reference. Information with respect to the grant of shares and stock options to employees is included in note 34 to our consolidated financial statements which are incorporated herein by reference.

Item 7. Major Shareholders and Related Party Transactions

A. *Major shareholders.*

The following table shows the amount of our common stock beneficially owned as of December 31, 2010 by (i) each person who is known by us to own beneficially more than 5% of our common stock, (ii) each member of our board of directors, (iii) each director nominee, (iv) each of the named executive officers, (v) certain former members of management and (vi) all members of the board, director nominees and all of our executive officers as a group. A person is a "beneficial owner" of a security if that person has or shares voting or investment power over the security or if he has the right to acquire beneficial ownership within 60 days. Unless otherwise noted, these persons may be contacted at our executive offices and, to our knowledge, have sole voting and investment power over the shares listed. Percentage computations are based on 250,751,500 shares of our common stock outstanding as of December 31, 2010. As shown in the table below, funds advised by KKR, Bain and Silver Lake are considered U.S. beneficial holders and collectively beneficially owned 42.22% of our shares of common stock.

	Common Stock Beneficially Owned	
	Number	%
Funds advised by KKR(1)(6)	48,119,770	19.19
Funds advised by Bain(2)(6)	38,494,427	15.35
Funds advised by Silver Lake(3)(6)	19,248,819	7.68
Funds advised by Apax(4)(6)	21,651,415	8.63
Funds advised by Alpinvest(5)	9,622,242	3.84
NXP Co-Investment Partners L.P.(6)	22,461,600	8.96
PPTL Investment LP(7)	42,715,650	17.04
Richard L. Clemmer	217,287	0.09
Sir Peter Bonfield	2,355	0.001
Johannes P. Huth	70,000	0.03
Nicolas Cattelain	—	—
Eric Coutinho	—	—
Egon Durban(8)	19,259,319	7.68
Ian Loring(9)	38,494,427	15.35
Kenneth Goldman	5,000	0.002
Michel Plantevin	—	—
Richard Wilson	—	—
Josef Kaeser	—	—
All directors and executive officers as a group(10)	137,441,815	54.81

(1) KKR's affiliates and certain funds advised by KKR, through various KKR-affiliated entities, hold shares of our common stock through a newly organized Luxembourg holding company. The following KKR-affiliated entities (the "KKR Entities") have an indirect interest in 48,119,770 shares of our common stock through their ownership of such newly organized Luxembourg holding company: KKR NXP (2006) Limited (3,752,674 shares); KKR NXP (European II) Limited (24,055,605 shares); KKR NXP (Millennium) Limited (20,311,480 shares); and KKR Associates Europe II Limited Partnership (11 shares). As the designated members of KKR Management LLC (which may be deemed to indirectly control one or more general partners, stockholders or members of the entities that own or control the KKR Entities), Henry R. Kravis and George R. Roberts may be deemed to beneficially own the shares of our common stock indirectly held by the KKR Entities, but disclaim beneficial ownership of such shares. In addition, as the voting partner of certain affiliates of the KKR Entities, KKR SP Limited may be deemed to beneficially own the shares of our common stock indirectly held by the KKR Entities, but disclaims beneficial ownership of such shares. The principal business address of each of the entities and persons identified in this footnote except Mr. Roberts is c/o Kohlberg Kravis Roberts & Co. L.P., 9 West 57th Street, New York, NY 10019, U.S.A. The principal business office for Mr. Roberts is c/o Kohlberg Kravis Roberts & Co. L.P., 2800 Sand Hill Road, Suite 200, Menlo Park, CA 94025, U.S.A.

(2) Bain Pumbaa LuxCo S.à.r.l. owns 38,494,427 shares of our common stock. As a shareholder of Bain Pumbaa LuxCo S.à.r.l., Bain Capital Lion Holdings, L.P. ("Lion Holdings") has voting and dispositive power over 38,488,968 shares of our common stock held by Bain Pumbaa LuxCo S.à.r.l. and may be deemed to beneficially own all shares of our common stock held by Bain Pumbaa LuxCo S.à.r.l. In addition, as a shareholder of Bain Pumbaa LuxCo S.à.r.l., Bain Capital Fund IX, L.P. ("Fund IX") has voting and dispositive power over 5,459 shares of our common stock held by Bain Pumbaa LuxCo S.à.r.l. Bain Capital Investors, LLC ("BCI") is the managing general partner of Lion Holdings as well as the general partner of Bain Capital Partners IX, L.P., which in turn is the general partner of Fund IX. As a result, BCI may be deemed to beneficially own all of the shares of our common stock held by Lion Holdings and Fund IX, but disclaims beneficial ownership of such shares of our common stock. BCI is controlled by an investment committee composed of 17 members, Andrew Balson, Steven Barnes, Joshua Bekenstein, John Connaughton, Todd Cook, Paul Edgerley, Christopher Gordon, Blair Hendrix, Jordan Hitch, Matthew Levin, Ian Loring, Philip Loughlin, Mark Nunnelly, Stephen Pagliuca, Mark Verdi, Michael Ward and Stephen Zide. Each such investment committee member, disclaims beneficial ownership of shares indirectly held by Lion Holdings and Fund IX. In addition, the Bain-affiliated funds and individuals named above may be deemed by virtue of their rights under the shareholders' agreement with respect to the Company to share voting power with respect to the shares of our common stock held by the other parties to the shareholders' agreement, but disclaim beneficial ownership of such shares. The address of each of BCI, Lion Holdings and Fund IX is 111 Huntington Avenue, Boston, MA 02199, U.S.A.

(3) SL II NXP S.à.r.l. owns 19,248,819 shares of our common stock. As a shareholder of SL II NXP S.à.r.l., SLP II Cayman NXP Ltd. has voting and dispositive power over 19,166,049 shares of our common stock held by SL II NXP S.à.r.l. and may be deemed to beneficially own all shares of our common stock held by SL II NXP S.à.r.l. In addition as a shareholder of SL II NXP S.à.r.l. , SLTI II Cayman L.P. has voting and dispositive power over 82,770 shares of our common stock held by SL II NXP S.à.r.l. and may be deemed to beneficially own all shares of our common stock held by SL II NXP S.à.r.l. Silver Lake Partners II Cayman, L.P. is the sole shareholder of SLP II Cayman NXP, Ltd. Silver Lake Technology Investors II Cayman, L.P. is the sole shareholder of SLTI II Cayman NXP, L.P. Silver Lake Technology Associates II Cayman, L.P. is the general partner of Silver Lake Partners II Cayman, L.P. Silver Lake (Offshore) AIV GP II, Ltd. is the general partner of each of Silver Lake Technology Associates II Cayman, L.P. and Silver Lake Technology Investors II Cayman, L.P. Silver Lake (Offshore) AIV GP II, Ltd. disclaims beneficial ownership of the shares of our common stock indirectly owned by Silver Lake Partners II Cayman, L.P. and Silver Lake Technology Investors II Cayman, L.P. (together, the "Silver Lake Funds"). Messrs. James A. Davidson, Glenn H. Hutchins, David J. Roux, Alan K. Austin, Michael J. Bingle, Gregory Keith Mondre, Charles Giancarlo, Andrew Wagner and Kenneth Y. Hao and Mses. Karen King and Yolande A. Jun serve as directors of Silver Lake (Offshore) AIV GP II, Ltd. They disclaim beneficial ownership of the ordinary shares indirectly owned by the Silver Lake Funds. In addition, the Silver Lake-affiliated funds and individuals named above may be deemed by virtue of their rights under the shareholders' agreement with respect to the Company to share voting power with respect to the shares of our common stock held by the other parties to the shareholders' agreement, but disclaim beneficial ownership of such shares. Silver Lake's address is c/o 2775 Sand Hill Road, Suite 100 Menlo Park, CA 94025, USA.

(4) 21,651,415 shares of our common stock are held, directly or indirectly, by (i) Apax US VII, L.P., which is ultimately managed by Apax US VII GP Ltd. and is advised by Apax Partners L.P., (ii) Apax Europe V (a collection of nine partnerships comprised of Apax Europe V-A, L.P., Apax Europe V-B, L.P., Apax Europe V C GmbH & Co. KG, Apax Europe V-D, L.P., Apax Europe V-E, L.P., Apax Europe V-F, C.V., Apax Europe V-G, C.V., Apax Europe V-1, LP and Apax Europe V-2, LP), which is managed by Apax Partners Europe Managers Ltd., which is advised by Apax Partners LLP, and (iii) Apax Europe VI (a collection of two partnerships comprised of by Apax Europe VI – A L.P. and Apax Europe VI-1 L.P.), which is managed by Apax Partners Europe Managers Ltd., which in turn is advised by Apax Partners LLP. Apax US VII, L.P., Apax Europe V and Apax Europe VI each disclaim beneficial ownership of the shares held by the other. As director and shareholder of Apax US VII GP Ltd. John Megrue may be deemed to beneficially own the shares of our common stock indirectly held by Apax US VII, L.P., but disclaims beneficial ownership of such shares. As directors and shareholders of Apax Partners Europe Managers Ltd., Martin

Halusa and Ian Jones may be deemed to beneficially own the shares of our common stock indirectly held by Apax Europe V and Apax Europe VI, but disclaim ownership of such shares. In addition, the Apax-affiliated funds and individuals named above may be deemed by virtue of their rights under the shareholders' agreement with respect to the Company to share voting power with respect to the shares of our common stock held by the other parties to the shareholders' agreement, but disclaim beneficial ownership of such shares. The address of Apax Partners LLP and Apax Partners Europe Managers Ltd. is 33 Jermyn Street, London SW1Y 6DN, England, and the address of Apax Partners L.P. is 601 Lexington Avenue, 53rd Floor, New York, NY 10022, U.S.A.

(5) AlpInvest Partners CSI 2006 Lion C.V. owns 9,543,580 shares in our common stock and AlpInvest Partners Later Stage II-A Lion C.V. owns 78,662 shares of our common stock. As the managing director of AlpInvest Partners Beheer 2006 B.V. (which manages AlpInvest Partners CSI 2006 Lion C.V. and AlpInvest Partners Later Stage II-A Lion C.V.), AlpInvest Partners N.V. may be deemed to hold voting and dispositive power with respect to the shares in our common stock beneficially owned by AlpInvest Partners CSI 2006 Lion C.V. and AlpInvest Partners Later Stage II-A Lion C.V., but disclaims beneficial ownership of such shares. As managing directors of AlpInvest Partners N.V. Volkert Doeksen, Wim Borgdorff, Johan Paul de Klerk and Erik Thyssen may be deemed to beneficially own the shares of our common stock owned by AlpInvest Partners Later Stage II-A Lion C.V. and AlpInvest Partners CSI 2006 Lion C.V., but disclaim beneficial ownership of such shares.

In addition, the Alpinvest-affiliated funds and individuals named above may be deemed by virtue of their rights under the shareholders' agreement with respect to the Company to share voting power with respect to the shares of our common stock held by the other parties to the shareholders' agreement, but disclaim beneficial ownership of such shares. Alpinvest's address is c/o Alpinvest Beheer, Jachthavenweg 118, 1081 KJ Amsterdam, the Netherlands.

(6) As the general partner of NXP Co-Investment Partners L.P., NXP Co-Investment GP Ltd. beneficially owns the shares held indirectly by NXP Co-Investment Partners L.P. Funds and entities advised by KKR, Bain, Silver Lake and Apax own NXP Co-Investment GP Ltd., but none of them own a majority, and none may be deemed to beneficially own them.

(7) PPTL Investment LP and the individuals named above may be deemed by virtue of their rights under the shareholders' agreement with respect to the Company to share voting power with respect to the shares of our common stock held by the other parties to the shareholders' agreement, but disclaim beneficial ownership of such shares. PPTL Investment LP is a Scottish law limited partnership of which PPTL Investment Limited is the general partner and Philips Pension Trustees Limited (in its capacity as the trustee of the Philips Pension Fund) is the sole limited partner investor. The business address of PPTL Investment is15 Atholl Crescent Edinburgh EH3 8HA, United Kingdom.

(8) Mr. Durban is a director of our Company, as well as a director of Silver Lake (Offshore) AIV GP II, Ltd. Amounts disclosed for Mr. Durban include shares beneficially owned by the funds advised by Silver Lake. Mr. Durban disclaims beneficial ownership of any shares owned directly or indirectly by funds advised by Silver Lake. Mr. Durban personally owns 10,500 of our common stock.

(9) Mr. Loring is a director of our Company, as well as a member of the investment committee of Bain Capital Investors, LLC. Amounts disclosed for Mr. Loring include shares beneficially owned by the funds advised by Bain. Mr. Loring disclaims beneficial ownership of any shares owned directly or indirectly by funds advised by Bain.

(10) Reflects shares that may be beneficially owned by our directors. However, each director disclaims beneficial ownership of such shares. In addition, as per December 31, 2010, our directors and executive officers beneficially owned as a group options, performance stock units and restrictive stock units representing 3,160,766 shares of our common stock. If exercised, these shares would represent 1.26% of the shares of our common stock. At any time that the Private Equity Consortium reduces its shareholding in us or in the event that the Private Equity Consortium no longer holds in the aggregate at least 30% of our common stock, vested stock options granted under our Management Equity Stock Option Plan would become exercisable. The stock options, performance related stock units and the restricted stock units granted under our Long Term Incentive Plan 2010 vest over a three or four year period, subject to certain conditions and are exercisable immediately after vesting stock options will vest. Under the post-IPO Long Term Incentive Plan

2010 implemented in November 2010, our directors and executive officers have been awarded with restrictive or performance related stock, vesting between one and three-years from when such stock was awarded.

B. *Related party transactions.*

Private Equity Consortium, Philips and Philips Pension Trustees

Advisory Services Agreements

The members of the Private Equity Consortium will provide certain advisory services to us. We have entered into separate agreements in this regard with the respective parties, under which each of the various legal entities will receive an annual advisory fee of $25,000 (with an aggregate total amount of $125,000 annually).

Shareholders' Agreement

Prior to the consummation of the initial public offering in August 2010, the members of the Private Equity Consortium restructured their indirect shareholding in our common stock such that each of them holds directly, or indirectly through a separate Luxembourg holding company, shares of our common stock. At the same time, KASLION Holding B.V. ceased to hold shares of our common stock. In connection with this restructuring, the members of the Private Equity Consortium, Philips and the Management Foundation (together, the "Existing Shareholders") entered into a new shareholders' agreement among themselves, which replaced the shareholders' agreement entered into on September 29, 2006. We are not a party to the new shareholders' agreement.

Under the terms of the new shareholders' agreement, the Existing Shareholders and any affiliate to which the Existing Shareholders transfer common stock are only allowed to sell shares of our common stock after having received approval from an investors committee consisting of representatives of the Private Equity Consortium. These restrictions will terminate upon the Existing Shareholders collectively ceasing to hold a percentage of shares of our common stock equal to at least (i) 25% of their shareholding immediately prior to the initial public offering and (ii) 10% (or, with respect to restrictions on sales by Philips, its affiliate transferees and transferees pursuant to clause (ii) of the following paragraph (collectively, the "Philips Parties"), 20%) of the shares of our common stock outstanding at any time, whichever occurs earlier. Any approved sale, other than sales by any Philips Party, will also be subject to pro rata tag-along rights for other Existing Shareholders.

The transfer restrictions do not apply to (i) transfers of shares of our common stock by the Existing Shareholders to their respective affiliates, (ii) transfers of shares of our common stock held by Philips to affiliated entities or one or more pension funds operated for the benefit of Philips' current and former employees, provided such persons enter into the new shareholders' agreement, and (iii) transfers of shares in our common stock held by Philips Parties, provided that the aggregate number of shares of our common stock that can be sold by Philips Parties may not exceed (a) 4% of the Outstanding Share Amount during the twelve-month period immediately preceding the date of the consummation of the relevant transfer or (b) 2% of the Outstanding Share Amount during the three-month period immediately preceding the date of the consummation of the relevant transfer. For purposes of these restrictions, "Outstanding Share Amount" shall mean (i) with respect to any transfer in respect of which a Form 144 has been filed with the SEC, the number of shares of common stock outstanding as shown on such form and (ii) with respect to any other transfer, that number of shares of common stock outstanding that we shall have most recently disclosed in our public filings with the SEC.

Existing Shareholders proposing to sell at least 40% of the shares of our common stock outstanding at any time to a third party purchaser can also require the other Existing Shareholders to sell to such third party purchaser.

The new shareholders' agreement also contains voting agreements among the Existing Shareholders with respect to, among other matters, the election of certain non-executive members to our board of directors. The shareholders' agreement provides that our board of directors shall be comprised of, among others, seven non-executive members and that certain stockholders have the right to designate such non-executive members, subject to their election by our general meeting of stockholders. So long as Philips, or entities affiliated with Philips or operated for the benefit of Philips' current and former employees, beneficially owns at least 10% of our outstanding shares of common stock, Philips will have the right to designate one member to our board of directors. So long as any fund advised by KKR, Bain, Silver Lake, Apax or AlpInvest beneficially owns at least 2.5% of the outstanding shares of our common stock, such fund shall have the right to designate either one or two members to our board of directors. The funds advised by KKR and Bain each have the right to designate two members of our board of directors and the funds advised by Silver Lake and Apax each have the right to designate one member to our board of directors. If any party's shareholding falls below the relevant threshold, it will cause the board member(s) nominated by it to promptly resign from the board of directors, unless otherwise agreed.

The new shareholders agreement will terminate upon the occurrence of certain events, including: (i) with respect to the individual parties to the agreement, upon such party ceasing to hold shares of common stock, (ii) with respect to Philips, upon the date that is three years after the consummation of the initial public offering in August 2010 and (iii) with respect to all parties, upon certain parties' collective shareholdings falling below specified thresholds.

Registration Rights Agreement

In connection with the restructuring, the Existing Shareholders and certain other investors have entered into a registration rights agreement with us. In accordance with the registration rights agreement, we have agreed to file a shelf registration statement with the SEC immediately following the first anniversary of the date of the initial public offering on August 5, 2010 for that purpose. In addition, the registration rights agreement provides the Existing Shareholders with an unlimited number of demand registration rights and with piggyback registration rights, with a right to participate for certain other investors, which, in either case if exercised, would impose on us an obligation to register for public resale with the SEC shares of our common stock that are held by the Existing Shareholders or such other investors. The demand registration rights can be exercised at any time after the expiration of the lockup period. The piggyback registration rights may be exercised whenever we propose to register any of our securities under the Securities Act or equivalent non-U.S. securities laws, other than the initial public offering on August 5, 2010 or a registration pursuant to demand registration rights, on Form F-4 or S-4 or any successor form or solely relating to an offering and sale to our employees or directors pursuant to any employee stock option plan or any other benefit plan arrangement. In each such event, we are required to pay the registration expenses.

Philips, Philips Pension Trustees Limited and PPTL Investment LP

On September 7, 2010, Philips Pension Trustees Limited purchased Philips' 42,715,650 shares of common stock in the Company ("Transfer Shares") in a private transaction. In a subsequent private transaction, on October 29, 2010, PPTL Investment LP purchased the Transfer Shares from Philips Pension Trustees Limited by way of a transfer agreement, to which also Philips is a party ("Amended Transfer Agreement"). PPTL Investment LP acquired the Transfer Shares for the purpose of owning and managing such assets as may be contributed to Philips Pension Trustees Limited. In connection with this transaction, PPTL Investment LP was required to join the new shareholders agreement, to which Philips and Philips Pension Trustees Limited were already a party. Under the terms of the new shareholders agreement, PPTL Investment LP is required to vote the Transfer Shares in favor of certain other parties' nominees to the Company's board of directors. In addition, PPTL Investment LP may be required in the future to sell the Transfer Shares and to vote in favor of a sale of control of the Company pursuant to drag-along provisions contained in the new shareholders agreement, and may, if joining together with other parties thereto to form the percentage of common stock required to trigger such drag-along provisions, similarly require the other parties thereto to sell common stock and vote in favor of a sale of control of the Issuer. Philips may appoint the majority of the board of directors of Philips Pension Trustees Limited. In addition, the Amended Transfer Agreement limits the ability of PPTL Investment LP as the holder of the Transfer Shares to dispose of the Transfer Shares without the consent of Philips. Furthermore, the shareholders' agreement grants Philips the right to nominate one non-executive member of the Issuer's board of directors and requires PPTL Investment LP to vote the Transfer Shares in favor of such nominee.

Intellectual Property Transfer and License Agreement

The Intellectual Property Transfer and License Agreement dated September 28, 2006, which we refer to as the "IP Agreement", governs the licensing of certain intellectual property from Philips to us and from us to Philips. Under the terms of this agreement, Philips assigned to us approximately 5,300 patent families. The IP Agreement also provides for certain design and processing requirements with respect to a very limited number of patents, the so-called phase change memory patents, which provide that if we fail to exploit these patents within five years, we must reassign them to Philips. If we are required to re-assign patents, we will receive a non-transferable, royalty-free irrevocable license to use such patents following the re-assignment.

In addition to assigning patents to us, Philips has granted us a non-exclusive, royalty-free and irrevocable license to all patents that Philips held but did not assign to us, to the extent that they were entitled to the benefit of a filing date prior to the separation between us and Philips and for which Philips was free to grant licenses to third parties without the consent of or accounting to any third party other than an entity owned or controlled by Philips or us and to certain know-how that was available to us, where such patents and know-how relate: (1) to our products and technologies, as of September 29, 2006, as well as successor products and technologies, (2) to technology that was developed for us prior to the separation between us and Philips, and (3) to technology developed pursuant to contract research work co-funded by us. Philips has also granted us a non exclusive, royalty free and irrevocable license (1) under certain patents for use in giant magneto-resistive devices outside the field of healthcare and bio applications, and (2) under certain patents relevant to polymer electronics resulting from contract research work cofounded by us in the field of radio frequency identification tags. This license is subject to exclusions. The license does not cover (1) patents which are necessary for the implementation of an adopted standard, (2) patents which as of September 29, 2006, were used or will be used by Philips in industry-wide licensing programs of which Philips has informed us in writing, (3) patents and know-how relating to 3D applications, or (4) unless originating from work co-funded by us or generated by our employees, patents for solid state lighting applications. The license is non-transferable (although divested companies will have an option, under certain circumstances, to enter into a new license agreement with Philips) but includes certain rights to grant sublicenses and to have products made by third party manufacturers ("have-made rights"). The license is subject to certain prior commitments and prior undertakings. In return, we granted Philips a non-exclusive, royalty-free, irrevocable license under all patents and know-how that Philips assigned and transferred to us under the IP Agreement. This license is non-transferable and includes specified sub-license and have-made rights. In particular Philips has been granted the right to have products made by third party manufacturers, solely for the account of, and use or resale by, Philips. Philips also has the right to grant sub-licenses for (a) integrated circuits and discretes, miniature loudspeakers, kits or RF front-end solutions and other products, (b) for features that are designed by or exclusively for Philips, (c) to third party manufacturers, that have obtained a right to make products for Philips for the duration of such manufacturer delivering such products to Philips, enabling such manufacturer to supply such products to third parties for the same applications as used by Philips after expiration of the lead times as agreed between Philips and the supplier. Philips is furthermore entitled to grant sub-licenses (1) to third parties insofar as necessary to enable primarily technology co-operations and to license software to third parties other than customers, (2) to third parties, with whom Philips or any of its associated companies has entered or will enter into cross-license agreements and to which we or any of our associated companies become a party and (3) insofar as necessary for the sale or licensing, directly or indirectly, of services, software and/or IP blocks by Philips.

Philips has granted us a non-transferable, non-exclusive, royalty-free, irrevocable license to use any software retained by it within the scope of our business to the extent such software was available to us at the closing of our separation and to the extent necessary for the sale of existing products supplied by us at the time of the separation. This license includes the right to modify and create derivative works and the right to grant sublicenses in the context of, and to the extent necessary for, the marketing or supplying certain products supplied by us on the date of the closing of our separation. In return, we have granted Philips a cross-license with respect to all software rights that Philips has assigned or transferred to us.

Under the IP Agreement, Philips has also assigned to us certain copyrights, know-how, trademarks and domain names as well as certain patent license and patent ownership agreements. The copyrights assigned include all copyrights relating to integrated circuits and discrete semiconductors, miniature loudspeakers, kits and radio frequency front-end solutions that historically have been marketed by or developed by, or exclusively for, our business and any drawings and documentation relating to such products. The business know-how assigned includes know-how that originated within Philips but is used or intended to be used primarily within our business. The trademarks and domain names assigned include Nexperia® and TriMedia®.

In accordance with the IP Agreement, we have ceased using the term “Philips” as a brand name or trade name without Philips’ consent. This includes the use of the Philips trademark and logo, and any derivative or combination mark. We are, however, permitted under certain circumstances to use the tag “founded by Philips” in accordance with Philips’ guidelines for a period of five years after our separation from Philips.

Private Equity Consortium and Certain Co-investors

We have been advised by the Private Equity Consortium that it has entered into an agreement relating to shares of our common stock with certain co-investors that participated with the Private Equity Consortium in connection with its purchase from Philips of 80.1% of its semiconductor business in 2006. Pursuant to this agreement, without the approval of an investors committee consisting of representatives of the Private Equity Consortium, the co-investors are generally prohibited from selling the shares of our common stock held by them as of the date of the initial public offering on August 5, 2010 for a period of first six months from the date we completed the initial public offering on August 5, 2010 and, thereafter, may only sell those shares in accordance with certain volume and other limitations. These volume and other limitations terminate 15 months after the initial public offering on August 5, 2010, after which time the co-investors may freely sell their shares without restriction under the agreement. As of December 31, 2010, the aggregate number of shares our common stock beneficially owned by these co-investors was 12,337,577, representing approximately 4.9% of our outstanding shares.

Other

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. The only material alliance partner with whom we have entered into transactions is Trident.

C. *Interests of experts and counsel.*

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information.

Consolidated Statements

See “Part III—Item 18. Financial Statements”.

Dividend Policy

Our ability to pay dividends on our common stock is limited by the covenants of our Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, the Term Loan and the Indentures and may be limited by the terms of any future debt or preferred securities. As a result, we currently expect to retain future earnings for use in the operation and expansion of our business and the repayment of our debt, and do not anticipate paying any cash dividends in the foreseeable future. Whether or not dividends will be paid in the future will depend on, among other things, our results of operations, financial condition, level of indebtedness, cash requirements, contractual restrictions and other factors that our board of directors and our stockholders may deem relevant. If, in the future, our board of directors decides not to allocate profits to our reserves (making such profits available to be distributed as dividends), any decision to pay dividends on our common stock will be at the discretion of our stockholders.

B. ***Significant Changes.***

No significant changes have occurred since the date of our consolidated financial statements.

Item 9. The Offer and Listing.

A. ***Offer and listing details.***

The shares of common stock of the Company are listed on the stock market of the NASDAQ Global Select Market in New York under the ticker symbol "NXPI".

The following table shows the high and low closing sales prices of the common stock on the stock market of NASDAQ as reported in the Official Price List since its introduction on August 6, 2010. The table also shows the introduction price which was fixed on August 5, 2010.

	NASDAQ	
	High	**Low**
August 5, 2010	14.00	14.00
August 2010	14.00	10.68
September 2010	12.69	11.73
October 2010	13.19	11.85
November 2010	13.97	12.58
December 2010	20.93	13.26
January 2011	26.08	21.43
February 2011	31.95	25.01

B. ***Plan of distribution.***

Not applicable.

C. ***Markets.***

The Super Priority Notes, Secured Notes and Unsecured Notes, each of which was co-issued by NXP Funding LLC and NXP B.V. both of which are wholly-owned subsidiaries of us, and which are guaranteed by certain of our other wholly-owned subsidiaries, are listed on the Global Exchange Market of the Irish Stock Exchange.

D. ***Selling shareholders.***

Not applicable.

E. ***Dilution.***

Not applicable.

F. ***Expenses of the issue.***

Not applicable.

Item 10. Additional Information.

A. ***Share capital.***

Not applicable.

B. ***Memorandum and articles of association.***

The information required by this section is incorporated by reference to Exhibit 3.2 of Amendment No. 7 to the Company's Registration Statement on Form F-1, filed on August 5, 2010 (File No. 333-166128).

C. ***Material contracts.***

Other than the material contracts described below, we have not entered into any material contracts other than in the ordinary course of business.

On December 22, 2010 we entered into a definitive agreement with Dover Corporation whereby Knowles Electronics will acquire our Sound Solutions business relating to speaker and receiver components for the mobile handset market. Our Sound Solutions business is operated out of Vienna, Austria and Beijing, China. Under the terms of the agreement, Knowles Electronics will acquire the Sound Solutions business and obtain certain intellectual property for $855 million in cash. In conjunction with the transaction, we have agreed with Knowles Electronics to the terms of a strategic relationship whereby we will become Knowles' exclusive source for certain High Performance Mixed Signal semiconductors. The transaction is expected to close on or about the end of the first quarter of 2011, subject to regulatory approval and customary closing conditions.

D. ***Exchange controls.***

Cash dividends payable on our ordinary shares and cash interest payments to holders of our debt securities may be remitted from the Netherlands to nonresidents without legal restrictions imposed by the laws of the Netherlands, except that (i) such payments must be reported to the Dutch Central Bank for statistical purposes only and (ii) the transfer of funds to jurisdictions subject to general economic sanctions adopted in connection with policies of the United Nations, European Commission or similar measures imposed directly by the Government of the Netherlands may be restricted.

E. ***Taxation.***

Certain tax considerations—holder of common stock

For purposes of this section, all references herein to "we", "our" and "us" are to NXP Semiconductors N.V.

Summary of Dutch Tax Considerations

The following summary describes the material Dutch tax consequences of the ownership and disposition of our shares of common stock as of the date hereof and is intended as general information only. This summary does not contain a detailed description of all the Dutch tax law consequences to you as a holder of shares of common stock in the Company in light of your particular circumstances and does not address the effects of any non-Dutch tax laws. For Dutch tax purposes, a holder of our shares may include an individual or entity who does not have the legal title of the shares, but to whom nevertheless the shares are attributed based either on such individual or entity holding a beneficial interest in the shares or based on specific statutory provisions, including statutory provisions pursuant to which shares are attributed to an individual who is, or who has directly or indirectly inherited from a person who was, the settlor, grantor or similar originator of a trust, foundation or similar entity that holds the shares.

If you are considering the purchase, ownership or disposition of our shares, you should consult your own tax advisors concerning the Dutch tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.

The following summary is based on the Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect. For the purpose of this paragraph, "Dutch taxes" means taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities and a resident of the Netherlands does not include residents of the islands of Bonaire, St. Eustatius and Saba. Any reference hereafter made to a treaty for the avoidance of double taxation concluded by the Netherlands, includes the Tax Regulation for the Kingdom of the Netherlands (*Belastingregeling voor het Koninkrijk*).

Withholding Tax

A stockholder is generally subject to Dutch dividend withholding tax at a rate of 15 percent on dividends distributed by us. Generally, we are responsible for the withholding of such dividend withholding tax at source; the dividend withholding tax is for the account of the stockholder.

Dividends distributed by us include, but are not limited to:

(i) distributions of profits in cash or in kind, whatever they be named or in whatever form;

(ii) proceeds from the liquidation of the Company, or proceeds from the repurchase of shares by the Company, in excess of the average paid—in capital recognized for Dutch dividend withholding tax purposes;

(iii) the par value of shares issued to a stockholder or an increase in the par value of shares, to the extent that no contribution, recognized for Dutch dividend withholding tax purposes, has been made or will be made; and

(iv) partial repayment of paid—in capital, that is not recognized for Dutch dividend withholding tax purposes, or recognized for Dutch dividend withholding tax purposes, to the extent that we have net profits (*zuivere winst*) and unless (a) the general meeting of stockholders has resolved in advance to make such repayment, and (b) the par value of the shares concerned has been reduced with an equal amount by way of an amendment to our articles of association.

Notwithstanding the above, no withholding is required in the event of a repurchase of shares, if certain conditions are fulfilled.

Furthermore, subject to certain exceptions under Dutch domestic law, we may not be required to transfer to the Dutch tax authorities the full amount of Dutch dividend withholding tax withheld in respect of dividends distributed by us, if we have received a profit distribution from a qualifying foreign subsidiary (including a subsidiary resident on Aruba, Curaçao, St. Maarten, Bonaire, St. Eustatius or Saba), which distribution is exempt from Dutch corporate income tax and has been subject to a foreign withholding tax of at least 5 percent. The amount that does not have to be transferred to the Dutch tax authorities can generally not exceed the lesser of

(i) 3 percent of the dividends distributed by us and (ii) 3 percent of the profit distributions that we received from qualifying foreign subsidiaries in the calendar year in which we distribute the dividends (up to the moment of such dividend distribution) and in the two previous calendar years. Further limitations and conditions apply. We will, upon request, provide stockholders with information regarding the Dutch dividend withholding tax that was retained by us.

If a stockholder is resident in a country other than the Netherlands under the provisions of a treaty for the avoidance of double taxation between the Netherlands and such country, such stockholder may, depending on the terms of such treaty, be entitled to an exemption from, reduction in or refund of Dutch dividend withholding tax on dividends distributed by us.

If a stockholder is subject to Dutch corporate income tax and is entitled to the participation exemption in relation to the benefits derived from its shares and such shares are attributable to an enterprise carried out in the Netherlands, such stockholder will generally be entitled to an exemption from Dutch dividend withholding tax on dividends distributed by us.

If a stockholder (i) is resident in another member state of the European Union or an appointed state of the European Economic Area, i.e. Iceland and Norway, according to the tax laws of that state and, under the terms of a double taxation agreement concluded by that state with a third state, is not considered to be resident for tax purposes outside the European Union, Norway or Iceland; and (ii) owns an interest in us to which the Dutch participation exemption would be applicable if the stockholder were resident in the Netherlands; such stockholder will generally be eligible for an exemption from Dutch dividend withholding tax on dividends distributed by us.

Furthermore, if a stockholder:

(a) is an entity which is resident for Dutch tax purposes in a member state of the European Union, Norway or Iceland;

(b) is not subject to a tax levied by reference to profits by that member state; and

(c) would not have been subject to Dutch corporate income tax had the stockholder been resident in the Netherlands for corporate income tax purposes;

such stockholder will generally be eligible for a full refund of Dutch dividend withholding tax on dividends distributed by us, unless such stockholder carries out duties or activities similar to an exempt investment institution (*vrijgestelde beleggingsinstelling*) or fiscal investment institution (*fiscale beleggingsinstelling*), as defined respectively in article 6a and 28 of the Dutch corporate income tax act (*Wet op de vennootschapsbelasting 1969*).

A stockholder who is considered to be resident in the United States and is entitled to the benefits of the convention between the United States and the Netherlands for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, dated December 18, 1992, as amended most recently by the Protocol signed March 8, 2004 (the “Treaty”), will be entitled to a reduction in the Dutch withholding tax by way of an exemption, reduction or refund, as follows:

- if the U.S. stockholder is an exempt pension trust, as described in article 35 of the Treaty, or an exempt organization, as described in article 36 of the Treaty, the U.S. stockholder will be exempt from Dutch dividend withholding tax;
- if the U.S. stockholder is a company which holds directly at least 10 percent of the voting power in the company, the U.S. stockholder will be subject to Dutch withholding tax at a rate not exceeding 5 percent;
- if the U.S. stockholder is a company which holds directly at least 80 percent of the voting power in the company and certain other conditions are met, the U.S. stockholder will be exempt from Dutch dividend withholding tax; and

- in all other cases, the U.S. stockholder will be subject to Dutch dividend withholding tax at a rate not exceeding 15 percent.

According to Dutch domestic anti-dividend stripping rules, no credit against Dutch (corporate) income tax, exemption from, reduction in or refund of, Dutch dividend withholding tax will be granted if the recipient of the dividend paid by us is not considered to be the beneficial owner (*uiteindelijk gerechtigde*) of such dividends as meant in these rules.

Taxes on Income and Capital Gains

The description of taxation set out in this section of the prospectus does not apply to any stockholder who is an individual for whom the income or capital gains derived from our shares of common stock are attributable to employment activities, the income from which is taxable in the Netherlands.

A stockholder will not be subject to Dutch taxes on income or capital gains in respect of the ownership and disposal of our shares, other than Dutch dividend withholding tax as described above, except if:

(i) the stockholder is, or is deemed to be, resident in the Netherlands for Dutch (corporate) income tax purposes;

(ii) the stockholder is an individual and the stockholder has opted to be treated as resident in the Netherlands for purposes of Dutch income tax;

(iii) the stockholder derives profits from an enterprise, whether as entrepreneur (*ondernemer*) or pursuant to a co—entitlement to the net worth of such enterprise other than as an entrepreneur or a stockholder, which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands, to which the shares are attributable;

(iv) the stockholder is an individual and derives benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*) carried out in the Netherlands in respect of the shares, including, without limitation, activities which are beyond the scope of active portfolio investment activities;

(v) the stockholder is entitled, other than by way of the holding of securities, to a share in the profits of an enterprise effectively managed in the Netherlands to which the shares are attributable; or

(vi) the stockholder has a substantial interest (*aanmerkelijk belang*) or a fictitious substantial interest (*fictief aanmerkelijk belang*) in the company, which is not attributable to the assets of an enterprise.

Generally, a stockholder has a substantial interest if such stockholder, alone or together with its partner, directly or indirectly (a) owns, or holds certain rights on, shares representing five percent or more of the total issued and outstanding capital of the company, or of the issued and outstanding capital of any class of shares of the company; (b) holds rights to acquire shares, whether or not already issued, representing five percent or more of the total issued and outstanding capital of the company, or of the issued and outstanding capital of any class of shares of the company; or (c) owns, or holds certain rights on, profit participating certificates that relate to five percent or more of the annual profit of the company or to five percent or more of the liquidation proceeds of the company. A stockholder will also have a substantial interest if its partner or one of certain relatives of the stockholder or of its partner has a substantial interest.

Generally, a stockholder has a fictitious substantial interest (*fictief aanmerkelijk belang*) in the company if, without having an actual substantial interest in the company (i) an enterprise has been contributed to the company in exchange for shares on an elective non-recognition basis; (ii) the shares have been obtained under inheritance law or matrimonial law, on a non-recognition basis, while the disposing stockholder had a substantial interest in the company; (iii) the shares have been acquired pursuant to a share merger, legal merger or legal demerger, on an elective non-recognition basis, while the stockholder prior to this transaction had a substantial interest in an entity that was party thereto; or (iv) the shares held by the stockholder, prior to dilution, qualified as a substantial interest and, by election, no gain was recognized upon disqualification of these shares.

Gift Tax and Inheritance Tax

No Dutch gift or inheritance tax is due in respect of any gift of the shares by, or inheritance of the shares on the death of, a stockholder, except if:

(i) at the time of the gift or death of the stockholder, the stockholder is resident, or is deemed to be resident, in the Netherlands;

(ii) the stockholder passes away within 180 days after the date of the gift of the shares and is not, or not deemed to be, at the time of the gift, but is, or deemed to be, at the time of its death, resident in the Netherlands; or

(iii) the gift of the shares is made under a condition precedent and the stockholder is resident, or is deemed to be resident, in the Netherlands at the time the condition is fulfilled.

For purposes of Dutch gift or inheritance tax, an individual who is of Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or its death. For purposes of Dutch gift tax, any individual, irrespective of its nationality, will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the 12 months preceding the date of the gift.

Other Taxes and Duties

No other Dutch Taxes, including turnover tax and taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by or on behalf of a stockholder by reason only of the purchase, ownership and disposal of the shares.

Residency

A stockholder will not become resident, or deemed resident in the Netherlands for tax purposes by reason only of holding the shares.

United States Federal Income Tax Considerations

The following summary describes the material United States federal income tax consequences of the ownership and disposition of our shares as of the date hereof. The discussion set forth below is applicable to United States Holders (as defined below) (i) who are residents of the United States for purposes of the Treaty, (ii) whose shares do not, for purposes of the Treaty, form part of the business property of a permanent establishment, or pertain to a fixed base, in the Netherlands, and (iii) who otherwise qualify for the full benefits of the Treaty. Except where noted, this summary deals only with shares held as capital assets. As used herein, the term “United States Holder” means a beneficial owner of a share that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary does not describe all of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding our shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our voting stock;
- a person holding our shares in connection with a trade or business conducted outside of the United States;
- a partnership or other pass-through entity for United States federal income tax purposes; or
- a person whose "functional currency" is not the United States dollar.

The discussion below is based upon the provisions of the United States Internal Revenue Code of 1986, as amended (the "Code"), and regulations (including proposed regulations), rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified so as to result in United States federal income tax consequences different from those discussed below.

If a partnership holds our shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our shares, you should consult your tax advisors.

This discussion does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the effects of any state, local or non-United States tax laws. If you are considering the purchase, ownership or disposition of our shares, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.

Taxation of Dividends

The gross amount of distributions on the shares (including amounts withheld to reflect Dutch withholding taxes to the extent such amounts are actually transferred to the Dutch tax authorities, as described in "Certain Tax Considerations—Holders of Common Stock—Summary of Dutch Tax Considerations—Withholding Tax") will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income (including withheld taxes paid over to the Dutch tax authorities) will be includable in your gross income as ordinary income on the day actually received by you or on the day received by your nominee or agent that holds the shares on your behalf. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

With respect to non-corporate United States investors, certain dividends received in taxable years beginning before January 1, 2013 from a qualified foreign corporation may be subject to reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the United States Treasury Department determines to be satisfactory for these purposes and which includes an exchange of information provision. The United States Treasury Department has determined that the Treaty meets these requirements. We believe we are currently eligible for the benefits of the Treaty. A foreign corporation is also treated as a qualified foreign corporation with respect to dividends paid by that corporation on shares that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our shares, which are listed on the NASDAQ Global Select Market, are considered readily tradable on an established securities market in the United States. There can be no assurance that our shares will be considered readily tradable on an established securities market in later years. Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from a risk of loss or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. For this purpose, the minimum holding period requirement will not be met if a share has been held by a holder for 60 days or less during the 121-day period beginning on the date which is 60 days before the date on which such share becomes ex-dividend with respect to such dividend, appropriately reduced by any period in which such holder is protected from risk of loss. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the application of this legislation to your particular circumstances.

The maximum rate of withholding tax on dividends paid to you pursuant to the Treaty is 15 percent. You may be required to properly demonstrate to the Company and the Dutch tax authorities your entitlement to the reduced rate of withholding under the Treaty. Subject to certain conditions and limitations imposed by the United States federal income tax rules relating to the availability of the foreign tax credit, Dutch withholding taxes on dividends will be treated as foreign taxes eligible for credit against your United States federal income tax liability. However, amounts withheld to reflect Dutch withholding taxes will not be creditable to the extent that we are allowed to reduce the amount of the withholding tax that is actually transferred to the Dutch tax authorities, as described in "Certain Tax Considerations—Holders of Common Stock—Summary of Dutch Tax Considerations—Withholding Tax". For purposes of calculating the foreign tax credit, dividends paid on the shares will be treated as income from sources outside the United States and will generally constitute passive category income. Further, in certain circumstances, you will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on the shares if you:

- have held shares for less than a specified minimum period during which you are not protected from risk of loss, or
- are obligated to make payments related to the dividends.

The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the shares, and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange. However, we do not expect to keep earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

Passive Foreign Investment Company

Based on the composition of our income and valuation of our assets, including goodwill, we do not believe we were a passive foreign investment company (a "PFIC") for the 2010 taxable year, and we do not expect to become one in the future, although there can be no assurance in this regard.

In general, a foreign corporation will be treated as a PFIC for any taxable year in which:

- at least 75% of its gross income is passive income, or
- at least 50% of the value (determined based on a quarterly average) of its assets is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income.

The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may become a PFIC in the current or any future taxable year due to changes in our asset or income composition. If we are a PFIC for any taxable year during which you hold our shares, you will be subject to special tax rules discussed below.

If we are a PFIC for any taxable year during which you hold our shares, you will be subject to special tax rules with respect to any "excess distribution" received and any gain realized from a sale or other disposition, including a pledge, of shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to tax at the highest applicable tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

In addition, non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us in taxable years beginning prior to January 1, 2013 if we are a PFIC in our taxable year in which such dividends are paid or in the preceding taxable year.

You will be required to file an annual report if you hold our shares in any year in which we are classified as a PFIC.

If we are a PFIC for any taxable year during which you hold our shares and any of our non-United States subsidiaries is also a PFIC, a United States Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, you may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such stock is regularly traded on a qualified exchange. Our shares are listed on the NASDAQ Global Select Market, which is a qualified exchange for purposes of the mark-to-market election. However, no assurance can be given that the shares will be "regularly traded" for purposes of the mark-to-market election.

If you make an effective mark-to-market election, you will include in each year that we are a PFIC as ordinary income the excess of the fair market value of your shares at the end of the year over your adjusted tax basis in the shares. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted tax basis in the shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If you make an effective mark-to-market election, any gain you recognize upon the sale or other disposition of your shares in a year in which we are a PFIC will be treated as ordinary income. Any loss will be treated as ordinary loss, but only to the extent of the net amount of previously included income as a result of the mark-to-market election.

Your adjusted tax basis in the shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If you make a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the shares are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election. You are urged to consult your tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

Alternatively, holders of PFIC shares can sometimes avoid the rules described above by electing to treat such PFIC as a “qualified electing fund” under Section 1295 of the Code. However, this option is not available to you because we do not intend to comply with the requirements, or furnish you with the information, necessary to permit you to make this election.

You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding shares if we are considered a PFIC in any taxable year.

Taxation of Capital Gains

For United States federal income tax purposes, you will recognize taxable gain or loss on any sale or exchange of a share in an amount equal to the difference between the amount realized for the share and your tax basis in the share. Subject to the discussion above under “Passive Foreign Investment Company”, such gain or loss will be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss.

Information Reporting and Backup Withholding

In general, information reporting will apply to dividends in respect of our shares and the proceeds from the sale, exchange or redemption of our shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. Backup withholding may apply to such payments if you fail to provide a taxpayer identification number or certification of other exempt status or if you have previously failed to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the Internal Revenue Service.

Certain tax considerations—holder of notes

For purposes of this section only, all references herein to the “Issuer” refer to NXP B.V. and all references to the “notes” herein refer to the notes issued by NXP B.V.

Summary of Dutch Tax Considerations

The following is intended as general information only and it does not purport to present any comprehensive or complete description of all aspects of Dutch tax law which could be of relevance to a holder of notes (a "Noteholder"). For Dutch tax purposes, a Noteholder may include an individual or entity who does not have the legal title to the notes, but to whom nevertheless the notes are attributed based either on such individual or entity owning a beneficial interest in the notes or based on specific statutory provisions, including statutory provisions pursuant to which notes are attributed to an individual who is, or who has directly or indirectly inherited from a person who was, the settlor, grantor or similar originator of a trust, foundation or similar entity that holds the notes.

Prospective Noteholders should therefore consult their tax adviser regarding the tax consequences of any purchase, ownership or disposal of notes.

The following summary is based on the Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

For the purpose of this paragraph, "Dutch Taxes" shall mean taxes of whatever nature levied by the Netherlands or any of its subdivisions or taxing authorities and a resident of the Netherlands shall not include residents of the islands of Bonaire, St. Eustatius and Saba.

Withholding Tax

Any payments made under the notes will not be subject to withholding or deduction for any Dutch Taxes.

Taxes on Income and Capital Gains

This section does not purport to describe the possible Dutch tax considerations or consequences that may be relevant to a Noteholder who has a (fictitious) substantial interest in the Issuer, or to Noteholders that are individuals for whom the income and capital gains derived from the Notes are attributable to employment activities the income from which is taxable in the Netherlands.

Generally, a Noteholder has a substantial interest (*aanmerkelijk belang*) if such Noteholder, alone or together with his partner, directly or indirectly:

(i) owns, or holds certain rights on, shares representing five percent or more of the total issued and outstanding capital of the Issuer, or of the issued and outstanding capital of any class of shares of the Issuer;

(ii) holds rights to acquire shares, whether or not already issued, representing five percent or more of the total issued and outstanding capital of the Issuer, or of the issued and outstanding capital of any class of shares of the Issuer; or

(iii) owns, or holds certain rights on, profit participating certificates that relate to five percent or more of the annual profit of the Issuer or to five percent or more of the liquidation proceeds of the Issuer.

A Noteholder who owns shares of the Issuer will also have a substantial interest if his partner or one of certain relatives of the Noteholder or of his partner has a substantial interest.

Generally, a Noteholder has a fictitious substantial interest (*fictief aanmerkelijk belang*) if, without having an actual substantial interest in the Issuer:

(i) an enterprise has been contributed to the Issuer in exchange for shares on an elective non-recognition basis;

(ii) the shares have been obtained under gift law, inheritance law or matrimonial law, on a non-recognition basis, while the disposing Noteholder had a substantial interest in the Issuer;

(iii) the shares have been acquired pursuant to a share merger, legal merger or legal demerger, on an elective non-recognition basis, while the Noteholder prior to this transaction had a substantial interest in an entity that was party thereto; or

(iv) the shares held by the Noteholder, prior to dilution, qualified as a substantial interest and, by election, no gain was recognized upon disqualification of these shares.

Residents in the Netherlands

The description of certain Dutch tax consequences in this paragraph is only intended for the following Noteholders:

(i) individuals who are resident or deemed to be resident in the Netherlands;

(ii) individuals who opt to be treated as if resident in the Netherlands for purposes of Dutch taxation ((i) and (ii) jointly “Dutch Individuals”); and

(iii) entities that are subject to the Dutch Corporate Income Tax Act 1969 (“CITA”) and are resident or deemed to be resident in the Netherlands for the purposes of the CITA, excluding:

- pension funds (*pensioenfondsen*) and other entities, that are, in whole or in part, exempt from Dutch corporate income tax; and
- Investment institutions (*beleggingsinstellingen*); (“Dutch Corporate Entities”).

Dutch Individuals not engaged or deemed to be engaged in an enterprise or in miscellaneous activities

Generally, a Dutch Individual who holds notes (i) that are not attributable to an enterprise from which he derives profits as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a shareholder, or (ii) from which he derives benefits which are not taxable as benefits from miscellaneous activities (*overige werkzaamheden*), which include the performance of activities with respect to the notes that exceed regular, active portfolio management (*normaal actief vermogensbeheer*), will be subject annually to an income tax imposed on a fictitious yield on such notes. The notes held by such Dutch Individual will be taxed under the regime for savings and investments (*inkomen uit sparen en beleggen*). Irrespective of the actual income or capital gains realized, the annual taxable benefit of all the assets and liabilities of a Dutch Individual that are taxed under this regime, including the notes, is set at a fixed amount. The fixed amount equals 4 percent of the fair market value of these assets and liabilities measured, in general, exclusively at the beginning of every calendar year. The current tax rate under the regime for savings and investments is a flat rate of 30 percent.

Dutch Individuals engaged or deemed to be engaged in an enterprise or in miscellaneous activities

Dutch Individuals are generally subject to income tax at progressive rates with a maximum of 52 percent with respect to any benefits derived or deemed to be derived from notes (including any capital gains realized on the disposal thereof) that are either attributable to an enterprise from which a Dutch Individual derives profits, whether as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder), or attributable to miscellaneous activities (*overige werkzaamheden*), which include the performance of activities with respect to the notes that exceed regular, active portfolio management (*normaal actief vermogensbeheer*).

Dutch Corporate Entities

Dutch Corporate Entities are generally subject to corporate income tax at statutory rates up to 25 percent with respect to any benefits derived or deemed to be derived (including any capital gains realized on the disposal thereof) of notes. A reduced rate of 20% applies to the first EUR 200,000 of taxable profits.

Non-Residents

A Noteholder other than a Dutch Individual or Dutch Corporate Entity will not be subject to any Dutch taxes on income or capital gains in respect of the ownership and disposal of the notes, except if:

(i) the Noteholder derives profits from an enterprise, whether as entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a shareholder, which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands, to which notes are attributable; or

(ii) the Noteholder is an individual and derives benefits from miscellaneous activities (*overige werkzaamheden*), which include the performance of activities with respect to the notes that exceed regular, active portfolio management (*normaal actief vermogensbeheer*), performed in the Netherlands in respect of notes, including, without limitation, activities which are beyond the scope of active portfolio investment activities; or

(iii) the Noteholder is entitled to a share in the profits or is entitled to the net worth of an enterprise effectively managed in the Netherlands, other than by way of the holding of securities or in case of an individual, through an employment contract, to which enterprise the notes are attributable.

Gift Tax or Inheritance Tax

No Dutch gift or inheritance tax is due in respect of any gift of the notes by, or inheritance of the notes on the death of, a Noteholder, except if

(i) at the time of the gift or death of the Noteholder, the Noteholder is resident, or is deemed to be resident, in the Netherlands;

(ii) the Noteholder passes away within 180 days after the date of the gift of the notes and is not, or not deemed to be, at the time of the gift, but is, or deemed to be, at the time of his death, resident in the Netherlands;

(iii) the gift of the notes is made under a condition precedent and the Noteholder is resident, or is deemed to be resident, in the Netherlands at the time the condition is fulfilled.

For purposes of Dutch gift or inheritance tax, an individual who is of Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, any individual, irrespective of his nationality, will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the 12 months preceding the date of the gift.

Other Taxes and Duties

No other Dutch Taxes, including turnover tax and taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by or on behalf of a Noteholder by reason only of the issue, acquisition or transfer of the notes.

Residency

Subject to the exceptions above, a Noteholder will not become resident, or a deemed resident, in the Netherlands for tax purposes solely by reason of the Noteholder’s acquisition, holding and/or disposal of the notes.

EC Council Directive

Based on Directive 2003/48/EC (the “EC Savings Directive”), the tax authorities of the EU Member States provide each other with details of payments of interest and similar income made to individuals who are the beneficial owner of those payments, but permits Austria and Luxembourg instead to impose a withholding tax on the payments concerned for a "transitional period" (i.e. 20% until June 30, 2011, and 35% from July 1, 2011 onwards). We will not pay any additional amounts if withholding tax is imposed pursuant to the EC Savings Directive. The EC Savings Directive also provides that no such withholding tax should be levied where the beneficial owner of the payment authorizes an exchange of information and/or where the beneficial owner presents a certificate from the tax authority of the EU Member State in which the beneficial owner is resident. A number of non-EU countries and certain dependent or associated territories, including Switzerland, have agreed to adopt similar measures (in certain cases on a reciprocal basis). The EC Savings Directive does not preclude EU Member States from levying other types of withholding tax. On April 24, 2009, the European Parliament approved an amended version of certain changes proposed by the European Commission to these provisions, which would, if implemented, cause them to apply in a wider range of circumstances.

United States Federal Income Tax Considerations

The following discussion is a summary of the material United States federal income tax consequences of the purchase, ownership and disposition of notes as of the date hereof. Except where noted, this summary deals only with notes that are held as capital assets by a U.S. holder. As used herein, a "U.S. holder" means a beneficial owner of notes that is for United States federal income tax purposes any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. This summary does not address all aspects of United States federal income taxes and does not deal with foreign, state, or local or other tax considerations that may be relevant to holders in light of their personal circumstances. In addition, it does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, certain financial institutions, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities for United States federal income tax purposes, tax-exempt entities or insurance companies;
- tax consequences to persons holding the notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to holders of the notes whose "functional currency" is not the United States dollar; or
- alternative minimum tax consequences, if any.

If a partnership holds notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our notes, you should consult your tax advisor.

If you purchase or have purchased notes at a price other than the initial offering price, which for this purpose will equal the first price to the public (not including bond houses, brokers or similar person or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the notes is sold for money, the rules regarding the taxation of amortizable bond premium or market discount may also apply to you. You should consult your tax advisor regarding this possibility.

You should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the ownership of the notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

Payments of Interest

Interest on a note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for tax purposes.

If you are a taxpayer that uses the cash method of accounting for tax purposes and you receive an interest payment that is denominated in, or determined by reference to, euro, you must recognize income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

If you are a taxpayer that uses an accrual method of accounting for tax purposes, you may determine the amount of income that you recognize with respect to an interest payment denominated in, or determined by reference to, euro by using one of two methods. Under the first method, you will determine the amount of income accrued based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year. If you elect the second method, you would determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if you receive a payment of interest within five business days of the last day of your accrual period or taxable year, you may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that you actually receive the interest payment. If you elect the second method it will apply to all debt instruments that you hold at the beginning of the first taxable year to which the election applies and to all debt instruments that you subsequently acquire. You may not revoke this election without the consent of the Internal Revenue Service. When you actually receive an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of your note, denominated in, or determined by reference to, euro for which you accrued an amount of income, you will recognize ordinary income or loss measured by the difference, if any, between the exchange rate that you used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

Although interest payments on the notes are currently exempt from Dutch taxation, if there is a change in law requiring any Dutch tax to be withheld from interest payments, you will be required to include in income any such tax and any additional amounts in respect thereof. You may be entitled to deduct or credit this tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your foreign taxes for a particular tax year). Interest income (including any Dutch taxes withheld and any additional amounts in respect thereof) on a note generally will be considered foreign source income and, for purposes of the United States foreign tax credit, generally will be considered passive category income. You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Sale, Exchange, Retirement or Other Disposition of Notes

Your tax basis in a note will, in general, be your U.S. dollar cost for that note. Upon the sale, exchange, retirement or other disposition of a note, you will recognize gain or loss equal to the difference between the amount you realize upon the sale, exchange, retirement or other disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and your adjusted tax basis of the note. Except as discussed below, such gain or loss will be capital gain or loss and will generally be treated as United States source gain or loss. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

If you purchase your note with euro, the U.S. dollar cost of your note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if you are a cash basis taxpayer, or an electing accrual basis taxpayer, and your note is traded on an established securities market, as defined in the applicable Treasury regulations, the U.S. dollar cost of your note will be the U.S. dollar value of the purchase price on the settlement date of your purchase. If your note is sold, exchanged or retired for an amount in euro, the amount you realize will be the U.S. dollar value of such amount on the date the note is sold, exchanged or retired, except that in the case of a note that is traded on an established securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an electing accrual basis taxpayer, will determine the amount realized based on the U.S. dollar value of the euro on the settlement date of the sale.

You must treat any portion of the gain or loss that you recognize on the sale, exchange or retirement of a note as ordinary income or loss to the extent attributable to changes in U.S. dollar/euro exchange rates. The amount of exchange gain or loss will be limited to the overall gain or loss realized on the disposition of the note. Exchange gain or loss will be treated as ordinary income or loss and generally will be U.S. source gain or loss.

Exchange Gain or Loss with Respect to Euro

If you receive euro as interest on your note or on the sale or retirement of your note, your tax basis in the euro will equal its U.S. dollar value when the interest is received or at the time of the sale or retirement. If you purchase euro, you generally will have a tax basis equal to the U.S. dollar value of the euro on the date of your purchase. If you sell or dispose of euro, including if you use it to purchase notes or exchange it for U.S. dollars, any gain or loss recognized generally will be ordinary income or loss.

Backup Withholding and Information Reporting

Generally, information reporting requirements may apply to payments of principal and interest on a note and the proceeds from a sale of a note paid to you, unless you are an exempt recipient. Additionally, if you fail to provide your taxpayer identification number, or in the case of interest payments, have previously failed either to report in full dividend and interest income or fail to make certain certifications, you may be subject to backup withholding.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the Internal Revenue Service.

F. *Dividends and paying agents.*

Not applicable.

G. *Statement by experts.*

Not applicable.

H. ***Documents on display.***

It is possible to read and copy documents referred to in this annual report on Form 20-F that have been filed with the SEC at the SEC's public reference room located at 450 Fifth Street, NW, Washington, D.C. 20549.

Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges.

The Company's SEC filings are also publicly available through the SEC's website at http://www.sec.gov.

I. ***Subsidiary Information.***

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to changes in interest rates and foreign currency exchange rates because we finance certain operations through fixed and variable rate debt instruments and denominate our transactions in a variety of foreign currencies. Changes in these rates may have an impact on future cash flow and earnings. We manage these risks through normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not enter into financial instruments for trading or speculative purposes.

By using derivative instruments, we are subject to credit and market risk. The fair market value of the derivative instruments is determined by using valuation models whose inputs are derived using market observable inputs, including interest rate yield curves, as well as foreign exchange and commodity spot and forward rates, and reflects the asset or liability position as of the end of each reporting period. When the fair value of a derivative contract is positive, the counterparty owes us, thus creating a receivable risk for us. We are exposed to counterparty credit risk in the event of non-performance by counterparties to our derivative agreements. We minimize counterparty credit (or repayment) risk by entering into transactions with major financial institutions of investment grade credit rating. Our exposure to market risk is not hedged in a manner that completely eliminates the effects of changing market conditions on earnings or cash flow.

Interest Rate Risk

Given the leveraged nature of our Company, we have inherent exposure to changes in interest rates. Our Secured Revolving Credit Facility has a floating rate interest and so will our Forward Start Revolving Credit Facility. From time to time, we may execute a variety of interest rate derivative instruments to manage interest rate risk. Consistent with our risk management objective and strategy, we have no interest rate risk hedging transactions in place.

NXP has issued several series of notes with maturities ranging from 4 to 9 years and a mix of floating and fixed rates. The euro and U.S. dollar denominated notes represent 29% and 71% respectively of the total notes outstanding.

The following table summarizes the outstanding notes per December 31, 2010:

	Principal amount*	Fixed/ floating	Current coupon rate	Maturity date
Senior Priority Notes	€ 29	Fixed	10.0%	2013
Senior Priority Notes	$ 221	Fixed	10.0%	2013
Senior Secured Notes	€ 637	Floating	3.74%	2013
Senior Secured Notes	$ 766	Floating	3.04%	2013
Senior Secured Notes	$ 362	Fixed	7.875%	2014
Senior Notes	€ 235	Fixed	8.625%	2015
Senior Notes	$ 606	Fixed	9.5%	2015
Senior Secured Notes	$ 1,000	Fixed	9.75%	2018

* amount in millions

A sensitivity analysis in relation to our long-term debt shows that if interest rates were to increase/decrease instantaneously by 1% from the level of December 31, 2010, all other variables held constant, the annualized interest expense would increase/decrease by $16 million. This impact is based on the outstanding net debt position as of December 31, 2010.

We intend to draw on our new Term Loan on April 6, 2011 and use the proceeds together with cash on hand and the available borrowing capacity under the Revolving Credit Facility, to retire all $362 million of outstanding 2014 Dollar Fixed Rate Notes, together with $100 million of Dollar Floating Rate Secured Notes, €143 million of Euro Floating Rate Secured Notes. Our Term Loan has a principal amount of $500 million, matures on March 4, 2017, and bears interest at a floating rate of 3.25% above LIBOR, subject to a LIBOR floor of 1.25%.

Foreign Currency Risks

We are also exposed to market risk from changes in foreign currency exchange rates, which could affect operating results as well as our financial position and cash flows. We monitor our exposures to these market risks and generally employ operating and financing activities to offset these exposures where appropriate. If we do not have operating or financing activities to sufficiently offset these exposures, from time to time, we may employ derivative financial instruments such as swaps, collars, forwards, options or other instruments to limit the volatility to earnings and cash flows generated by these exposures. Derivative financial instruments are only used for hedging purposes and not for trading or speculative purposes. The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate and record these as assets or liabilities in the balance sheet. Changes in the fair values are recognized in the statement of operations immediately unless cash flow hedge accounting is applied.

Our primary foreign currency exposure relates to the U.S. dollar to euro exchange rate. However, our foreign currency exposures also relate, but are not limited, to the Chinese Yuan, the Japanese Yen, the Pound Sterling, the Malaysian Ringit, the Singapore Dollar, the Taiwan Dollar and the Thailand Baht.

It is our policy that transaction exposures are hedged. Accordingly, our organizations identify and measure their exposures from transactions denominated in other than their own functional currency. We calculate our net exposure on a cash flow basis considering balance sheet items, actual orders received or made and anticipated revenues and expenses. Committed foreign currency exposures are required to be fully hedged using forward contracts. The net exposures related to anticipated transactions are hedged with a combination of forward transactions up to a maximum tenor of 12 months and a cash position in both euro and dollar. The currency exposure related to our bonds has not been hedged.

The table below outlines the foreign currency transactions outstanding per December 31, 2010:

($ in millions)	Aggregate Contract Amount buy/(sell)[1]	Weighted Average Tenor (in months)	Fair Value
Foreign currency/ forward contracts[1]			
Euro (U.S. dollar)	(163)	2	(1.6)
(Euro) Japanese Yen	(10)	1	(0.3)
Pound Sterling (U.S. dollar)	(18)	1	(0.3)
(Euro) Pound Sterling	(2)	1	0.0
(U.S. dollar) Singapore dollar	(12)	2	0.2
(U.S. dollar) Chinese yuan	(2)	1	0.0
Euro (Singapore dollar)	(9)	1	0.0

(1) USD equivalent

See also note 38 “Other financial instruments, derivatives and currency risk” to our combined financial statements.

Item 12. Description of Securities Other than Equity Securities.

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

None

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

None

Item 15. Controls and Procedures.

Disclosure Controls and Procedures

As of the end of the period covered by this report, our management, with the participation of our chief executive officer and chief financial officer, conducted an evaluation pursuant to Rule 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our chief executive officer and chief financial officer concluded that as of the end of the period covered by this report such disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in reports we filed or submitted under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and included controls and procedures designed to ensure that information required to be disclosed in such reports was accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Remediation of Material Weaknesses in Prior Period

We are a newly listed public company and, as such, for the year ended December 31, 2010, we are not yet required to perform an assessment of the internal control over financial reporting. However, as we are a holding company whose only material assets are the direct ownership of 100% of the shares of NXP B.V., which has been an SEC registrant for a number of years, and has been required to assess and report on the effectiveness of internal control over financial reporting, we therefore decided to include the outcome of such assessment for the year ended December 31, 2010.

In connection with our assessment of the internal control over financial reporting for the year ended December 31, 2009, NXP B.V. identified and reported a material weakness related to the accounting and disclosure for income taxes, specifically relating to the execution of the procedures surrounding the preparation and review of our income tax provision. The execution of our controls did not ensure the accuracy and validity of our acquisition accounting adjustments and the determination of the valuation allowance for deferred tax assets. Part of the identified issue was caused by the complexity that resulted from the fact that step-ups from acquisitions are accounted for centrally.

We have implemented controls designed to improve our internal control over financial reporting to remediate the material weakness described above. The following steps were taken:

- We analyzed and improved our tax accounting process including the design and execution of our controls, involving our own staff as well as external subject matter experts;
- We implemented structural measures to improve the knowledge and expertise in the field of tax accounting;
- We hired a senior tax accountant to help ensure that tax accounting takes place in accordance with generally accepted accounting principles;
- We rolled out tax accounting training sessions throughout the year 2010.

Based on our evaluation of these enhanced controls and increased staffing levels, our management believes that, as of December 31, 2010, we have remediated the material weaknesses in internal control over financial reporting that we identified as of December 31, 2009.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15(d)-15(f) of the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance, not absolute assurance, regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2010 based on the criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment our management concluded that our internal control over financial reporting was effective as at December 31, 2010.

It should be noted that any control system, regardless of how well it is designed and operated, can provide only reasonable, not absolute, assurance that its objectives will be met. Control systems can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. In addition, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report regarding internal control over financial reporting of the Company's registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly listed public companies.

Item 16A. Audit committee financial expert.

Mr. Goldman, chairman of our audit committee, qualifies as an "audit committee financial expert" as such term is defined in Item 407(d)(5) of Regulation S-K and as determined by our board of directors.

Item 16B. Code of Ethics.

The NXP business code of conduct outlines our general commitment to be a responsible social partner and the way in which we attempt to interact with our stakeholders, including stockholders, suppliers, customers, employees and the market. The business code of conduct expresses our commitment to an economically, socially and ethically sustainable way of working. It covers our policy on a diverse array of subjects, including corporate gifts, child labor, ILO conventions, working hours, sexual harassment, free-market competition, bribery and the integrity of financial reporting.

We have also adopted a Financial Code of Ethics applicable to certain of our senior employees, which constitutes a "code of ethics" as such term is defined by the Securities and Exchange Commission. Both the NXP Business Code of Conduct and our Financial Code of Ethics are available on our website at www.nxp.com/investor/governance. The information contained on our website or that can be accessed through our website neither constitutes part of this annual report on form 20-F nor is incorporated by reference herein.

Item 16C. Principal Accountant Fees and Services.

The Company has instituted a comprehensive auditor independence policy that regulates the relation between the Company and its external auditors and is available on our website (www.nxp.com/investor/governance). The policy includes rules for the pre-approval by the audit committee of all services to be provided by the external auditor. The policy also describes the prohibited services that may never be provided. Proposed services may be pre-approved at the beginning of the year by the audit committee (annual pre-approval) or may be pre-approved during the year by the audit committee in respect of a particular engagement (specific pre-approval). The annual pre-approval is based on a detailed, itemized list of services to be provided, designed to ensure that there is no management discretion in determining whether a service has been approved and to ensure the audit committee is informed of each service it is pre-approving. Unless pre-approval with respect to a specific service has been given at the beginning of the year, each proposed service requires specific pre-approval during the year. Any annually pre-approved services where the fee for the engagement is expected to exceed pre-approved cost levels or budgeted amounts will also require specific pre-approval. The term of any annual pre-approval is 12 months from the date of the pre-approval unless the audit committee states otherwise. During 2010, there were no services provided to the Company by the external auditors which were not pre-approved by the audit committee.

The external auditor attends, in principle, all meetings of the audit committee. The findings of the external auditor, the audit approach and the risk analysis are also discussed at these meetings. The external auditor attends the meeting of the board of directors at which the report of the external auditor with respect to the audit of the annual accounts is discussed, and at which the annual accounts are approved. In its audit report on the annual accounts to the board of directors, the external auditor refers to the financial reporting risks and issues that were identified during the audit, internal control matters, and any other matters, as appropriate, requiring communication under the auditing standards generally accepted in the Netherlands and the United States.

Our consolidated financial statements for the year ended December 31, 2010 and 2009, included in this annual report, have been audited by KPMG Accountants N.V., an independent registered public accounting firm. The consolidated financial statements of the Company for the year ended December 31, 2008, included in this annual report, has been audited by Deloitte Accountants B.V., an independent registered public accounting firm. All of these financial statements have been approved by the relevant boards.

The aggregate fees billed for professional services rendered for the fiscal periods 2008 until 2010 were as follows:

Aggregate fees KPMG

($ in millions)	2008	2009	2010
Audit fees	—	2.0	3.7
Audit-related fees	—	2.2	1.9
Tax fees	—	0.1	0.1
Other fees	—	—	—
	—	4.3	5.7

Aggregate fees Deloitte

($ in millions)	2008	2009	2010
Audit fees	4.2	1.2	—
Audit-related fees	0.7	0.1	—
Tax fees	0.7	—	—
Other fees	0.2	—	—
	5.8	1.3	—

Audit fees consist of fees for the examination of both the consolidated and statutory financial statements and, in 2007, audit fees related to the start-up of NXP as a new company, separated from Philips.

Audit-related fees consist of fees in connection with audits of acquisitions and divestments.

Tax fees consist of fees for professional services in relation to tax compliance, tax advice and tax planning.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Not applicable.

Item 16F. Change in Registrant’s Certifying Accountant.

Not applicable.

Item 16G. Corporate Governance.

The Dutch Corporate Governance Code

Since our initial public offering in August 2010, we have been required to comply with the Dutch corporate governance code. The Dutch corporate governance code, as revised, became effective on January 1, 2009, and applies to all Dutch companies listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere. The code is based on a “comply or explain” principle. Accordingly, companies are required to disclose in their annual reports filed in the Netherlands whether or not they are complying with the various rules of the Dutch corporate governance code that are addressed to the board of directors or, if any, the supervisory board of the company and, if they do not apply those provisions, to give the reasons for such non-application. The code contains principles and best practice provisions for managing boards, supervisory boards, stockholders and general meetings of stockholders, financial reporting, auditors, disclosure, compliance and enforcement standards.

We expect to take various actions towards compliance with the provisions of the Dutch corporate governance code.

The Dutch corporate governance code provides that if a company indicates to what extent it applies the best practice provisions, such company will deemed to have applied the Dutch corporate governance code.

The following discussion summarizes the primary differences between our corporate governance structure and best practice provisions of the Dutch corporate governance code:

- Best practice provisions II.2.4 and II.2.5 state that stock options granted to members of our board shall, in any event, not be exercised in the first three years after the date of granting and shares granted to board members without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter. Under our equity incentive schemes, part of the stock options granted to our chief executive officer in November 2010 are exercisable one year after the date of grant, and members of our board who received restrictive shares and performance shares in November 2010 are not required to retain these shares for at least five years. Although a deviation from the Corporate Governance Code, we hold the view that the combination of equity incentives granted to our chief executive officer, in relation to his obligation to invest in the Company and the applicable strict vesting and performance criteria, as well as the limited exercise possibility for pre-IPO MEP stock options granted to him, will enhance the goal of promoting long-term investments in the Company. The same is true for the equity grants made to other members of our board, which also have very strict vesting criteria with the purpose of creating long-term commitment to the Company.

- Best practice provision III.8.4 states that the majority of the members of the board shall be independent. In our board of directors, three non-executive members are independent. It is our view that given the nature of our business and the practice in our industry and considering our stockholder structure, it is justified that only three non-executive directors are independent.
- Pursuant to best practice provision IV.1.1, a general meeting of stockholders is empowered to cancel binding nominations of candidates for the board, and to dismiss members of the board by a simple majority of votes of those in attendance, although the company may require a quorum of at least one third of the voting rights outstanding. If such quorum is not represented, but a majority of those in attendance vote in favor of the proposal, a second meeting may be convened and its vote will be binding, even without a one-third quorum. Our articles of association currently state that the general meeting of stockholders may at all times overrule a binding nomination by a resolution adopted by at least a two-thirds majority of the votes cast, if such majority represents more than half of the issued share capital. Although a deviation from provision IV.1.1 of the Dutch Corporate Governance Code, we hold the view that these provisions will enhance the continuity of the Company's management and policies.

Although Dutch law currently allows for directors to vote on matters with regard to which they have an interest, this is expected to change in the near future. The Dutch corporate governance code, as well as our board rules, does not allow directors to vote on a matter with regard to which they have an interest.

The NASDAQ Global Select Market Corporate Governance Rules

NASDAQ rules provide that NASDAQ may provide exemptions from its corporate governance standards to a foreign issuer when those standards are contrary to a law, rule or regulation of any public authority exercising jurisdiction over such issuer or contrary to generally accepted business practices in the issuer's country of domicile. We are exempt from certain NASDAQ corporate governance standards that are contrary to the laws, rules, regulations or generally accepted business practices of the Netherlands. These exemptions and the practices followed by our company are described below:

- We are exempt from NASDAQ's quorum requirements applicable to meetings of stockholders. Pursuant to Dutch corporate law, the validity of a resolution by the general meeting of stockholders does not depend on the proportion of the capital or stockholders represented at the meeting (i.e. quorum), unless the law or articles of association of a company provide otherwise. Our articles of association provide that a resolution proposed to the general meeting of stockholders by the board of directors shall be adopted by a simple majority of votes cast, unless an other majority of votes or quorum is required under Dutch law or our articles of association. All other resolutions shall be adopted by a two thirds majority of the votes cast, provided such majority represents at least half of the issued share capital, unless an other majority of votes or quorum is required under Dutch law. To this extent, our practice varies from the requirement of Listing Rule 5620(c), which requires an issuer to provide in its bylaws for a quorum, and that such quorum may not be less than one-third of the outstanding voting stock.

- We are exempt from NASDAQ's requirements regarding the solicitation of proxies and provision of proxy statements for meetings of stockholders. We inform stockholders of meetings in a public notice. We prepare a proxy statement and solicit proxies from the holders of our listed stock. Our practice in this regard, however, differs from the typical practice of U.S. corporate issuers in that the advance record date for determining the holders of record entitled to attend and vote at our stockholder meetings is determined by Dutch law (currently 28 days prior to the meeting). As an administrative necessity, we establish a mailing record date in advance of each meeting of stockholders for purposes of determining the stockholders to which the proxy statement and form of proxy will be sent. However, only stockholders of record on the specified record date are entitled to attend and vote, directly or by proxy, at the meeting.
- NASDAQ requires stockholder approval prior to the issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees or consultants. Under Dutch law and the Dutch corporate governance code, stockholder approval is only required for equity compensation plans (or changes thereto) for members of the board, and not for equity compensation plans for other groups of employees. However, we note that under Dutch law, the stockholders have the power to issue shares or rights to subscribe for shares at the general meeting of the stockholders unless such power has been delegated to the board. Our board is designated for a period of five years from the date of the public offering in August 2010 to issue shares and rights to subscribe for shares.
- NASDAQ requires the majority of the board of directors to be comprised of independent directors. Although the Dutch corporate governance code provides that the majority of the members of the board be independent, it also provides that if a company expressly indicates the reasons and the extent to which it does not apply the provisions of the Dutch corporate governance code, such company will deemed to have applied the code. As described under "—Corporate Governance—The Dutch Corporate Governance Code" above, three to four non-executive members of our board of directors will be independent. It is our view that given the nature of our business and the practice in our industry and considering our stockholder structure, it is justified that only three to four non-executive directors will be independent.
- We are exempt from NASDAQ's requirement to have independent director oversight of executive officer compensation. Under Dutch law and the Dutch corporate governance code, the general meeting of stockholders must adopt a policy in respect of the remuneration of the board. In accordance with our articles of association and our board rules, the remuneration of the executive directors is determined by the board of directors upon the recommendation of our nominating and compensation committee.
- We are exempt from NASDAQ's requirement to have independent director oversight of director nominations. In accordance with Dutch law, our articles of association require that our directors will be appointed by the general meeting of stockholders upon the binding nomination of the board. In accordance with our board rules, the nominating and compensation committee will recommend the nomination of directors to our board.
- NASDAQ requires us to adopt a nominations committee charter or a board resolution addressing the nominations process. In accordance with the Dutch corporate governance code, we have adopted the committee's charter. However, the nominations process has been set out in our articles of association and board rules.

Moreover, we will not distribute annual reports to all of our stockholders in accordance with NASDAQ rules. Dutch law requires that the external auditors be appointed at the general meeting of stockholders and not by the audit committee. Our audit committee, which consists of members of our board of directors, shall only make a recommendation to the stockholders through the board of directors for the appointment and compensation of the independent registered public accounting firm and shall oversee and evaluate the work of our independent registered public accounting firm.

PART III

Item 17. Financial Statements

We are furnishing the financial statements pursuant to the instructions of Part III—Item 18 of this annual report.

The financial statements for the year ended December 31, 2010, the six months in the period ended December 31, 2009 and for each of the two years in the period ended June 30, 2009, of Trident Microsystems, Inc., an equity accounted investee (of which we hold a 59% ownership), are included as Exhibit 15.1 pursuant to Rule 3-09 of Regulation S-X.

Item 18. Financial Statements

See pages F-1 to F-73

Item 19. Exhibits

Exhibit Number	Description of Document
2.1#	Sale and Purchase Agreement, dated as of December 22, 2010, between NXP Semiconductors N.V., NXP B.V., the Dover Corporation, Knowles Electronics, LLC and EFF Acht Beteiligungsverwaltung GmbH
3.1	Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of Amendment No. 7 to the Registration Statement on Form F-1 of NXP Semiconductors N.V., filed on August 2, 2010 (File No. 333-166128))
3.2	Articles of Association of NXP Semiconductors N.V. (incorporated by reference to Exhibit 3.2 of Amendment No. 7 to the Registration Statement on Form F-1 of NXP Semiconductors N.V., filed on August 2, 2010 (File No. 333-166128))
4.1	Senior Secured Indenture dated as of October 12, 2006 among NXP B.V. and NXP Funding LLC as Issuers, each of the Guarantors named on the signature pages thereto, Deutsche Bank Trust Company Americas as Trustee, Morgan Stanley Senior Funding Inc. as Global Collateral Agent and Mizuho Corporate Bank Ltd. as Taiwan Collateral Agent (incorporated by reference to Exhibit 4.1 of the Registration Statement on Form F-4 of NXP B.V. filed on April 23, 2007 (File No. 333-142287))
4.2	Super Priority Notes Indenture dated as of April 2, 2009 among NXP B.V. and NXP Funding LLC as Issuers, each of the Guarantors named on the signature pages thereto and Law Debenture Trust Company of New York as Trustee (incorporated by reference to Exhibit 4.2 of the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on April 16, 2010 (File No. 333-166128))
4.3	Senior Unsecured Indenture dated as of October 12, 2006 among NXP B.V. and NXP Funding LLC as Issuers, each of the Guarantors named on the signature pages thereto and Deutsche Bank Trust Company Americas as Trustee (incorporated by reference to Exhibit 4.2 of the Registration Statement on Form F-4 of NXP B.V. filed on April 23, 2007 (File No. 333-142287))
4.4	Collateral Agency Agreement dated as of September 29, 2006 among NXP Semiconductors N.V. (formerly known as KASLION Acquisition B.V.), NXP B.V., the Guarantors named therein, the Secured Parties as defined therein and from time to time parties thereto, Morgan Stanley Senior Funding, Inc. as Global Collateral Agent and Mizuho Corporate Bank Ltd. as Taiwan Collateral Agent (incorporated by reference to Exhibit 4.3 of the Registration Statement on Form F-4 of NXP B.V. filed on April 23, 2007 (File No. 333-142287))
4.5	Senior Secured Indenture dated as of July 20, 2010 among NXP B.V. and NXP Funding LLC as Issuers, each of the Guarantors named on the signature pages thereto, Deutsche Bank Trust Company Americas as trustee, Morgan Stanley Senior Funding Inc. as Global Collateral Agent and Mizuho Corporate Bank Ltd. as Taiwan Collateral Agent (incorporated by reference to Exhibit 4.5 of Amendment No. 5 to the Registration Statement on Form F-1 of NXP Semiconductors N.V., filed on July 22, 2010 (File No. 333-166128))

Exhibit Number	Description of Document
4.6	Amended and Restated Shareholders' Agreement dated August 5, 2010 among the AlpInvest Parties, Apax Parties, Bain Capital Parties, Co-Invest Parties, Kaslion S.à r.l., KASLION Holding B.V., the KKR Parties, Koninklijke Philips Electronics N.V., the Silver Lake Parties and Stichting Management Co-Investment NXP (incorporated by reference to Exhibit 2 of the current report on Form 6-K of NXP Semiconductors N.V. filed on August 10, 2010)
4.7	Registration Rights Agreement dated August 5, 2010 among NXP Semiconductors N.V., AlpInvest Partners CSI 2006 Lion C.V., AlpInvest Partners Later Stage II-A Lion C.V., Meridian Holding S.à.r.l., Bain Pumbaa Luxco S.à.r.l., KKR NXP Investor S.à.r.l., NXP Co-Investment Investor S.à.r.l., SLII NXP S.à.r.l., Koninklijke Philips Electronics N.V., Stichting Management Co-Investment NXP and certain hedge funds party to the agreement (incorporated by reference to Exhibit 3 of the current report on Form 6-K of NXP Semiconductors N.V. filed on August 10, 2010)
10.1	Intellectual Property Transfer and License Agreement dated as of September 28, 2006 between Koninklijke Philips Electronics N.V. and NXP B.V. (incorporated by reference to Exhibit 10.1 of the Amendment No. 3 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 30, 2010 (File No. 333-166128))
10.2	Intellectual Property Transfer and License Agreement dated as of November 16, 2009 among NXP B.V., Virage Logic Corporation and VL C.V. (incorporated by reference to Exhibit 10.2 of the Amendment No. 3 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 30, 2010 (File No. 333-166128))
10.3	Secured Revolving Credit Facility dated as of September 29, 2006 among NXP Semiconductors N.V., NXP B.V. and NXP Funding LLC as borrowers, Morgan Stanley Senior Funding, Inc. as Global Collateral Agent and Mizuho Corporate Bank, Ltd., as Taiwan Collateral Agent, Deutsche Bank AG, London Branch, as Syndication Agent, Merrill Lynch Capital Corporation as Documentation Agent and Morgan Stanley Bank International Limited, Deutsche Bank AG, London Branch and Merrill Lynch, Pierce, Fenner & Smith Incorporated as Joint-lead arrangers and Joint bookrunners (incorporated by reference to Exhibit 10.1 of the Registration Statement on Form F-4 of NXP B.V. filed on April 23, 2007 (File No. 333-142287))
10.4	Shareholders' agreement dated as of March 30, 1999, as amended among EBD Investments Pte. Ltd., Koninklijke Philips Electronics N.V. and Taiwan Semiconductor Manufacturing Company Ltd. (incorporated by reference to Exhibit 10.4 of the Amendment No. 3 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 30, 2010 (File No. 333-166128))
10.5	Forward Start Revolving Credit Facility dated as of May 10, 2010 among NXP Semiconductors N.V., NXP B.V., NXP Funding LLC as borrowers, Morgan Stanley Senior Funding, Inc. as Global Collateral Agent and Administrative Agent and Barclays Capital, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank), Credit Suisse Securities (USA) LLC, Fortis Bank (Nederland) N.V., Goldman Sachs International, HSBC Bank plc, Merrill Lynch International and Morgan Stanley Bank International Limited as Joint-Lead Arrangers and Joint Bookrunners (incorporated by reference to Exhibit 10.5 of the Amendment No. 1 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on May 24, 2010 (File No. 333-166128))
10.6	Lease Agreement dated as of September 15, 2009 between Beijing Economic-Technological Investment & Development Corporation and NXP Semiconductors (Beijing) Limited for the property at No. 20 Tong Ji Nan Lu of the Beijing Economic-Technological Area of China (incorporated by reference to Exhibit 10.6 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.7	Supplementary Agreement dated as of September 15, 2009 to the Lease Agreement dated as of September 15, 2009, between Beijing Economic-Technological Investment & Development Corporation and NXP Semiconductors (Beijing) Limited for the property at No. 20 Tong Ji Nan Lu of the Beijing Economic-Technological Area of China (incorporated by reference to Exhibit 10.7 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))

Exhibit Number	Description of Document
10.8	Lease Agreement dated as of December 23, 2004 between Jurong Town Corporation and Systems on Silicon Manufacturing Company Pte. Ltd. for the property at No. 70 Pasir Ris Drive 1, Singapore (incorporated by reference to Exhibit 10.8 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.9	Lease Agreement dated September 26, 2003 between Huangjiang Investment Development Company and NXP Semiconductors (Guangdong) Company Ltd. for the property at Tian Mei High Tech Industrial Park, Huang, Jiang Town, Dongguan City, China (incorporated by reference to Exhibit 10.9 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.10	Building Lease Contract dated as of May 12th, 2000 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.10 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.11	Agreement with regard to the Lease of a Single (vehicle) Shelter dated as of October 30, 2009 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.11 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.12	Agreement with regard to the Lease of a Standard Plant Basement dated as of July 1, 2009 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.12 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.13	Agreement with regard to the Lease of a Single (vehicle) Shelter dated as of March 8, 2010 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.13 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.14	Agreement with regard to the Lease of Additional Land dated as of July 1, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.14 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.15	Agreement with regard to the Lease of a Dangerous Goods Warehouse dated as of November 27, 2009 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.15 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.16	Agreement with regard to the Lease of a Standard Plant Basement dated as of July 1, 2009 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.16 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.17	Storage and Transportation Agreement dated as of January 15, 2007 between Phi-Kai Technology Co., Ltd. and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.17 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))

Exhibit Number	Description of Document
10.18	Agreement with regard to the Lease of Land at Property Number AL012 dated as of July 1, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.18 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.19	Agreement with regard to the Lease of Land at Property Number AL020 dated as of July 1, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.19 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.20	Agreement with regard to the Lease of Land at Property Number AL071 dated as of July 1, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.20 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.21	Agreement with regard to the Lease of Land at Property Number CL102 dated as of July 1, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.21 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.22	Agreement with regard to the Lease of Land dated as of September 30, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.22 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.23	Management Equity Stock Option Plan Terms and Conditions dated August 2010
10.24	Management Equity Stock Option Plan Terms and Conditions dated January 2011
10.25	Long Term Incentive Plan 2010 Terms and Conditions with regard to the Stock Option Plan, the Performance Stock Unit Plan, Restricted Stock Unit Plan and Share Plan
10.26	NXP Global Equity Incentive Program (incorporated by reference to Exhibit 10.26 of the Amendment No. 3 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 30, 2010 (File No. 333-166128))
10.27	Secured Term Credit Agreement dated March 4, 2011, among NXP B.V. and NXP Funding LLC as borrowers, Barclays Bank plc as Administrative Agent, Mizuho Corporate Bank, Ltd. as Taiwan Collateral Agent, Morgan Stanley Senior Funding, Inc. as Global Collateral Agent and the lenders party thereto
12.1	Certification of R. Clemmer filed pursuant to 17 CFR 240. 13a-14(a)
12.2	Certification of K. Sundström filed pursuant to 17 CFR 240. 13a-14(a)
13.1	Certification of R. Clemmer furnished pursuant to 17 CFR 240. 13a-14(b)
13.2	Certification of K. Sundström furnished pursuant to 17 CFR 240. 13a-14(b)
15.1	Separate Financial Statements of Trident Microsystems, Inc. for the fiscal year ended December 31, 2010
21.1	List of Significant Subsidiaries of the Registrant

\# Confidential treatment requested

GLOSSARY

32 bit ARM microcontrollers	Microcontroller based on a 32-bit processor core developed and licensed by ARM Technologies.
AC-DC	Conversion of alternating current to direct current.
Analog	A form of transmission that is a continuous wave of an electrical signal that varies in frequency and/or amplitude in response to variations of physical phenomena such as human speech or music.
ASIC	Application Specific Integrated Circuit. An integrated circuit customized for a particular use for a particular customer, rather than a general purpose use. For example, a chip designed solely to run a mobile phone is an ASIC.
AUP	Advanced Ultra low Power, is the smallest, high-performance, low voltage logic available.
Back-end	The packaging, assembly and testing stages of the semiconductors manufacturing process, which takes place after electronic circuits are imprinted on silicon wafers in the front-end process.
BCD-SOI	A mixed-signal silicon-on-insulator process technology combining Bipolar, CMOS and DMOS devices.
BCDMOS	Bipolar CMOS DMOS. A process technology that combines elements of bipolar, CMOS and DMOS technology and is capable of handling high voltages.
BiCMOS	A process technology that combines bipolar and CMOS processes, typically by combining digital CMOS circuitry with higher voltage or higher speed bipolar circuitry.
Bipolar	A process technology used to create semiconductors for applications involving the use of higher power levels than are possible with a CMOS chip. Due to the geometry of a bipolar circuit, these devices are significantly larger than CMOS devices. The speed of the most advanced bipolar devices exceeds those attainable with CMOS, but only at very large electrical currents. As a result, the number of bipolar devices that can be integrated into a single product is limited.
CAN tuner	A module component used in television systems to convert broadcasts into a format suitable for television projection. CAN tuners are rapidly being replaced by silicon tuners.
CAN	Controller Area Network. A network technology used in automotive network architecture.
CATV	An abbreviation for cable television.
Car access and immobilizers	An automobile technology segment focused on keyless entry and car immobilization applications. An automobile immobilizer is an electronic device fitted to an automobile which prevents the engine from running unless the correct key (or other token) is present.
Chip	Semiconductor device.
CFL	Compact Fluorescent Light. A type of fluorescent lamp designed to replace an incandescent lamp, while using less power and increasing rated life.

CMOS	Complementary Metal Oxide Semiconductor. The most common integrated circuit fabrication technology in the semiconductor industry. The technology is used to make integrated circuits where small size and high speed are important. As a result of the very small feature sizes that can be attained through CMOS technology, however, the ability of these integrated circuits to cope with high electrical currents and voltages is limited.
Coolflux DSP	A low power digital signal processor designed for mobile audio applications.
Cordless and VoIP	Cordless and Voice Over Internet Protocol. A cordless and VoIP terminal operating on a wireless local area network allows cordless telephony on private networks.
Digital	A form of transmission where data is represented by a series of bits or discrete values such as 0 and 1.
Diode	A semiconductor that allows currents to flow in one direction only.
Discrete semiconductors	Unlike integrated circuits, which contain up to tens of millions of transistors, discrete semiconductors are single devices, usually with two terminals (diodes) or three terminals (transistors). These are either applied as peripheral components on printed circuit boards, or used for special purposes such as very high power applications.
DMOS	Diffused Metal on Silicon Oxide Semiconductor. A process technology used to manufacture integrated circuits that can operate at high voltage.
DSP	Digital signal processor. A specialized microprocessor optimized to process sequences of numbers or symbols which represent signals.
DVB-T2	Digital Video Broadcasting—Second Generation Terrestrial. A television broadcasting standard used to transmit compressed digital audio, video and other data using land based (terrestrial) signals.
e-passport	A passport with secure data source chip used in providing personalized information.
ESD	Electrostatic discharge. The sudden and momentary electric current that flows between two objects caused by direct contact or induced by an electrostatic field. This term is used in the context of electronics to describe momentary unwanted currents that may cause damage to electronic equipment.
EURIBOR	Euro Interbank Offered Rate. The benchmark rate at which euro interbank term deposits within the eurozone are offered by one prime bank to another prime bank.
Fab (or wafer fab)	A semiconductor fabrication facility in which front-end manufacturing processes take place.
Fabless semiconductor company	A semiconductor company that does not have any internal wafer fab manufacturing capacity but instead focuses on designing and marketing its products, while outsourcing manufacturing to an independent foundry.
FlexRay	A new communications protocol designed for the high data transmission rates required by advanced automotive control systems.
Foundry	A semiconductor manufacturer that manufactures chips for third parties.

Front-end	The wafer processing stage of the semiconductors manufacturing process in which electronic circuits are imprinted onto raw silicon wafers. This stage is followed by the packaging, assembly and testing stages, which together comprise the back-end process.
GPS	Global Positioning System.
HDMI	High-Definition Multimedia Interface. A compact audio/video interface for transmitting uncompressed digital data.
HID	High-Intensity Discharge. HID lighting is a generally brighter, more energy efficient alternative to fluorescent or incandescent lighting.
I^2C	A multi-master serial single-ended computer bus that is used to attach low-speed peripherals to a motherboard, embedded system or mobile phone.
IC	Integrated Circuit. A miniaturized electronic circuit that has been manufactured in the surface of a thin substrate of semiconductor material.
ICN5	NXP wafer fab facilities located in Nijmegen, Netherlands, processing 5” diameter wafers.
In-process research and development	The value allocated to incomplete research and development projects in acquisitions treated as purchases.
IPTV	Internet Protocol Television. A system through which digital television service is delivered using the internet.
Leadframe	A thin layer of metal that connects the wiring from tiny electrical technicals on the semiconductor surface to the large scale circuitry on electrical devices and circuit boards. Leadframes are used in almost all semiconductor packages.
LDMOS	Laterally Diffused Metal Oxide Semiconductor. A transistor used in RF/microwave power amplifiers.
LED	Light Emitting Diode. A semiconductor device which converts electricity into light.
LIN	Local Interconnect Network. A network technology used in automotive network architecture.
LNA	Low-Noise Amplifier. An electronic amplifier used to amplify very weak signals.
MR	Magneto-resistive sensors. Sensors that use magnetic field changes that occur when metallic objects pass within close proximity of a permanent magnet to detect position, velocity and acceleration of metallic moving objects without physical contact.
Magneto-resistive device	A device fabricated with magneto-resistive material (material that has the ability to change the value of its electrical resistance when an external magnetic field is applied to it).
Memory	Any device that can store data in machine readable format. Usually used synonymously with random access memory and read only memory.
MEMS	Micro Electro Mechanical Systems. Tiny mechanical devices that are built onto semiconductor chips and are measured in micrometers.

Microcontroller	A microprocessor combined with memory and interface integrated on a single circuit and intended to operate as an embedded system.
Micron	A metric unit of linear measure which equals one millionth of a meter. A human hair is about 100 microns in diameter.
MIFARE	Trademarked name, owned by NXP, for the most widely used contactless smart card, or proximity card, technology, for payment in transportation systems.
Mixed-signal	The mixed-signal part of an application solution refers to the devices and sub-system solutions that translate real world analog signals and phenomena such as radio frequency communication and power signals, sound, light, temperature, pressure, acceleration, humidity and chemical characteristics into digital or power signals that can be fed into the central microprocessing or storage devices at the heart of an application system solution
MMIC	Monolithic Microwave Integrated Circuit. A type of integrated circuit device that operates at microwave frequencies.
MOS	Metal Oxide Semiconductor. A metal insulator semiconductor structure in which the insulating layer is an oxide of the substrate material.
MOSFET	Metal Oxide Semiconductor Field Effect Transistor. A device used for amplifying or switching electronic signals.
Nanometer	A metric unit of linear measure which equals one billionth of a meter. There are 1,000 nanometers in 1 micron.
Near field communication	A technology which allows devices to establish a secure point-to-point wireless connection at very close ranges (within several centimeters), and which is being increasingly adopted in mobile devices and point-of-sale terminals or other devices.
ODM	Original Design Manufacturer. A company which manufactures a product which ultimately will be branded by another firm for sale.
OEM	Original Equipment Manufacturer. A manufacturer that designs and manufactures its products for the end consumer market.
Power MOS	A specific type of metal oxide semiconductor designed to handle large amounts of power.
Power scaling	Design technique used to increase output power without changing the geometry, shape, or principle of operation.
Process technologies	The technologies used in front-end processes to convert raw silicon wafers into finished wafers containing hundreds or thousands of chips.
Rectifier	An electrical device that converts alternating current to direct current.
RF	Radio Frequency. A high frequency used in telecommunications. The term radio frequency refers to alternating current having characteristics such that, if the current is input to an antenna, an electromagnetic (EM) field is generated suitable for wireless broadcasting and/or communications.
Radio Frequency Identification	An RF chip used for identification.

Semiconductors	Generic term for devices such as transistors and integrated circuits that control the flow of electrical signals. The most common semiconductor material for use in integrated circuits is silicon.
Silicon	A type of semiconducting material used to make wafers. Silicon is widely used in the semiconductor industry as a base material.
Silicon tuners	Semiconductor devices for receiving broadcast television signals. Silicon tuners are expected to displace mechanical CAN tuners as the dominant technology in television receivers.
SIM	Subscriber Identity Module. A smart card that stores the key identifying a cellular phone service subscriber and related information.
Solid State Lighting	A type of lighting that uses semiconductor light-emitting diodes (LEDs), organic light-emitting diodes (OLED), or polymer light-emitting diodes (PLED) as sources of illumination rather than electrical filaments, plasma or gas.
SPI	Serial Peripheral Interface Bus. A synchronous serial data link standard that operates in full duplex mode.
SS MOS	Small signal power discrete including a metal oxide semiconductor field effect transistor.
SS Transistor	A small signal transistor.
Substrate	The base material made from silicon on which an integrated circuit is printed.
Telematics	The science of sending, receiving and storing information via telecommunication devices.
Thyristor	A four-layer semiconductor that is often used for handling large amounts of electrical power.
UART	Universal Asynchronous Receiver/Transmitter. An integrated circuit used for serial communications over a computer or peripheral device serial port.
USB	Universal Serial Bus. A standard that provides a serial bus standard for connecting devices, usually to a computer.
VoIP	Voice over Internet Protocol. The routing of voice conversations over the internet or any other internet protocol based network.
WACC	Weighted Average Cost of Capital. A calculation of a company's cost of capital in which each category of capital is proportionally weighted.
Wafer	A disk made of a semiconducting material, such as silicon, usually either 100, 125, 150, 200 or 300 millimeters in diameter, used to form the substrate of a chip. A finished wafer may contain several thousand chips.
White goods	A term which refers to large household appliances such as refrigerators, stoves, dishwashers and other similar items.
Yield	The ratio of the number of usable products to the total number of manufactured products.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

NXP Semiconductors N.V.
(Registrant)

/s/ RICK CLEMMER	/s/ KARL SUNDSTRÖM
Rick Clemmer	Karl Sundström
Chief executive officer	Chief financial officer
(Principal Executive Officer)	(Principal financial and accounting officer)

Date: March 9, 2011.

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The following financial statements and related schedules, together with reports of independent registered public accounting firms thereon, are filed as part of this annual report:

Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of NXP Semiconductors N.V.:

We have audited the accompanying consolidated balance sheets of NXP Semiconductors N.V. and subsidiaries ("the Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, comprehensive income, cash flows, and changes in equity for each of the years in the two-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG Accountants N.V.

Amstelveen, the Netherlands
March 9, 2011

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of NXP Semiconductors N.V.:

We have audited the accompanying consolidated statements of operations and comprehensive income, changes in equity and cash flows for the year ended December 31, 2008 of NXP Semiconductors N.V. and subsidiaries (the "Company"). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements, present fairly, in all material respects, the results of operations and cash flows of NXP Semiconductors N.V. and subsidiaries for the year ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the disclosures in the accompanying 2008 financial statements have been retrospectively adjusted for the "Reverse stock split", which is as of August 2, 2010.

As discussed in Note 3 to the consolidated financial statements, the disclosures in the accompanying 2008 financial statements have been retrospectively adjusted for the effect of presenting the Company's interest in Sound Solutions as discontinued operations, which is as of March 9, 2011.

/s/ Deloitte Accountants B.V.

Amsterdam, the Netherlands, April 16, 2010 (except as to Note 1, under paragraph Reverse stock split, which is as of August 2, 2010, Note 1, under paragraph Adjustments, which is as of March 9, 2011 and Note 3, which is as of March 9, 2011)

Consolidated statements of operations of NXP Semiconductors N.V.

	($ in millions unless otherwise stated)	For the years ended December 31 2008	2009	2010
	Revenues	5,104	3,519	4,402
	Cost of revenues	(3,958)	(2,621)	(2,579)
	Gross profit	1,146	898	1,823
	Research and development expenses	(1,187)	(764)	(568)
	Write-off of acquired in-process research and development	(26)	—	—
	Selling expenses	(394)	(271)	(265)
	General and administrative expenses:			
	Impairment of goodwill	(430)	—	—
	Impairment of other intangibles	(284)	—	—
	Impairment of assets held for sale	—	(69)	—
	Other general and administrative expenses	(1,103)	(712)	(701)
	Other income (expense)	(365)	(13)	(16)
6,7	**Operating income (loss)**	(2,643)	(931)	273
8	Financial income (expense):			
	Extinguishment of debt	—	1,020	57
	Other financial income (expense)	(614)	(338)	(685)
	Income (loss) before income taxes	(3,257)	(249)	(355)
9	Provision for income taxes	(42)	(10)	(24)
	Income (loss) after income taxes	(3,299)	(259)	(379)
10	Results relating to equity-accounted investees	(268)	74	(86)
	Income (loss) from continuing operations	(3,567)	(185)	(465)
3	Income (loss) on discontinued operations, net of tax	36	32	59
	Net income (loss)	(3,531)	(153)	(406)
	Attribution of net income (loss) for the period:			
	Net income (loss) attributable to stockholders	(3,557)	(167)	(456)
11	Net income (loss) attributable to non-controlling interests	26	14	50
	Net income (loss)	(3,531)	(153)	(406)
12	**Earnings per share data[1]:**			
	Net income (loss) per common share in $:			
	Basic and diluted income (loss) from continuing operations	(19.79)	(0.86)	(2.03)
	Basic and diluted income (loss) from discontinued operations	0.20	0.15	0.26
	Basic and diluted net income (loss)	(19.59)	(0.71)	(1.77)
	Basic and diluted net income (loss) attributable to stockholders	(19.74)	(0.78)	(1.99)
	Basic and diluted weighted average number of shares of common stock used in computing per share amounts (in thousands)	180,210	215,252	229,280

(1) As adjusted for the impact of the 1-for-20 reverse stock split as discussed in note 1.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of comprehensive income of NXP Semiconductors N.V.—(Continued)

($ in millions unless otherwise stated)	For the years ended December 31 2008	2009	2010
Net income (loss)	(3,531)	(153)	(406)
Unrealized gain (loss) on available for sale securities	6	—	—
Recognition funded status pension benefit plan	(38)	19	(20)
Foreign currency translation adjustments	215	76	160
Reclassifications into income	—	(78)	(2)
Income tax on net current period changes	7	(4)	1
Total comprehensive income (loss)	(3,341)	(140)	(267)
Attribution of comprehensive income (loss) for the period:			
Income (loss) attributable to stockholders	(3,367)	(154)	(317)
Income (loss) attributable to non-controlling interests	26	14	50
Total net comprehensive income (loss)	(3,341)	(140)	(267)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated balance sheets of NXP Semiconductors N.V.

Note	($ in millions unless otherwise stated)	As of December 31 2009		As of December 31 2010	
	Assets				
	Current assets				
35	Cash and cash equivalents		1,026		898
13,33	Receivables:				
	Accounts receivable—net	393		396	
	Other receivables	55		42	
			448		438
14	Assets held for sale		144		48
3	Current assets of discontinued operations		103		110
15	Inventories		522		513
9,16	Other current assets		270		129
	Total current assets		2,513		2,136
	Non-current assets				
10	Investments in equity-accounted investees		43		132
17	Other non-current financial assets		35		19
3	Non-current assets of discontinued operations		297		266
9,18	Other non-current assets		85		135
19,30	Property, plant and equipment:				
	At cost	2,301		2,139	
	Less accumulated depreciation	(973)		(975)	
			1,328		1,164
20	Intangible assets excluding goodwill:				
	At cost	3,202		2,928	
	Less accumulated amortization	(1,316)		(1,442)	
			1,886		1,486
21	Goodwill		2,392		2,299
	Total non-current assets		6,066		5,501
	Total assets		8,579		7,637
	Liabilities and equity				
	Current liabilities				
33	Accounts payable		556		593
14	Liabilities held for sale		2		21
3	Current liabilities of discontinued operations		64		60
22	Accrued liabilities		666		461
9,23,24,25,31	Short-term provisions		268		95
26	Other current liabilities		87		95
27	Short-term debt		610		423
	Total current liabilities		2,253		1,748
	Non-current liabilities				
28,30	Long-term debt		4,673		4,128
9,23,24,25,31	Long-term provisions		423		415
3	Non-current liabilities of discontinued operations		30		20
29	Other non-current liabilities		159		107
	Total non-current liabilities		5,285		4,670
30,31	Contractual obligations and contingent liabilities				
	Equity				
11	Non-controlling interests		198		233
32	Stockholders' equity:				
	Common stock, par value €0.20 per share(1):				
	Authorized: 430,503,000 shares (2009: 430,503,000 shares)	—			
	Issued: 250,751,500 shares (2009: 215,251,500 shares)	42		51	
	Capital in excess of par value	5,555		6,006	
	Accumulated deficit	(5,153)		(5,609)	
	Accumulated other comprehensive income (loss)	399		538	
	Total Stockholder's equity		843		986
	Total equity		1,041		1,219
	Total liabilities and equity		8,579		7,637

(1) As adjusted for the impact of the 1-for-20 reverse stock split as discussed in note 1.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of cash flows of NXP Semiconductors N.V.

($ in millions)	For the years ended December 31 2008	2009	2010
Cash flows from operating activities:			
Net income (loss)	(3,531)	(153)	(406)
(Income) loss from discontinued operations, net of tax	(36)	(32)	(59)
Income (loss) from continuing operations	(3,567)	(185)	(465)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	1,184	818	684
Write-off of in-process research and development	26	—	—
Impairment goodwill and other intangibles	714	—	—
Impairment assets held for sale	—	69	—
Net (gain) loss on sale of assets	369	(58)	21
Gain on extinguishment of debt	—	(1,045)	(57)
Results relating to equity-accounted investees	268	—	86
Dividends paid to non-controlling interests	(19)	(29)	(2)
Changes in operating assets and liabilities:			
(Increase) decrease in receivables and other current assets	173	(66)	109
(Increase) decrease in inventories	144	31	8
Increase (decrease) in accounts payable, accrued and other liabilities	(343)	(194)	(117)
Decrease (increase) in other non-current assets	254	105	(157)
Increase (decrease) in provisions	20	(178)	(120)
Other items	120	2	369
Net cash provided by (used for) operating activities	(657)	(730)	359
Cash flows from investing activities:			
Purchase of intangible assets	(36)	(8)	(7)
Capital expenditures on property, plant and equipment	(356)	(92)	(258)
Proceeds from disposals of property, plant and equipment	61	21	31
Proceeds from disposals of assets held for sale	130	—	8
Proceeds from the sale of securities	—	20	—
Purchase of other non-current financial assets	(14)	(2)	(2)
Proceeds from the sale of other non-current financial assets	10	1	27
Purchase of interests in businesses	(198)	—	(8)
Proceeds from (cash payments related to) sale of interests in businesses	1,449	123	(60)
Net cash provided by (used for) investing activities	1,046	63	(269)
Cash flows from financing activities:			
Net (repayments) borrowings of short-term debt	(4)	7	8
Amounts drawn under the revolving credit facility	400	400	—
Repayments under the revolving credit facility	—	(200)	(200)
Repurchase of long-term debt	—	(286)	(1,383)
Net proceeds from the issuance of long-term debt	—	—	974
Principal payments on long-term debt	—	(1)	(2)
Capital repayments to non-controlling interests	(78)	—	—
Net proceeds from the issuance of common stock	—	—	448
Net cash provided by (used for) financing activities	318	(80)	(155)
Net cash provided by (used for) continuing operations	707	(747)	(65)
Cash flows from discontinued operations:			
Net cash provided by (used for) operating activities	35	(15)	10
Net cash provided by (used for) investing activities	(31)	15	(17)
Net cash provided by (used for) financing activities	(2)	—	2
Net cash provided by (used for) discontinued operations	2	—	(5)
Net cash provided by (used for) continuing and discontinued operations	709	(747)	(70)
Effect of changes in exchange rates on cash positions	46	(8)	(63)
Increase (decrease) in cash and cash equivalents	755	(755)	(133)
Cash and cash equivalents at beginning of period	1,041	1,796	1,041
Cash and cash equivalents at end of period	1,796	1,041	908
Less cash and cash equivalents at end of period-discontinued operations	15	15	10
Cash and cash equivalents at end of period-continuing operations	1,781	1,026	898

For a number of reasons, principally the effects of translation differences and consolidation changes, certain items in the statements of cash flows do not correspond to the differences between the balance sheet amounts for the respective items.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of cash flows of NXP Semiconductors N.V.—(Continued)

($ in millions)	For the years ended December 31 2008	2009	2010
Supplemental disclosures to the consolidated statements of cash flows			
Net cash paid during the period for:			
Interest	483	391	278
Income taxes	84	50	19
Net gain (loss) on sale of assets:			
Cash proceeds from the sale of assets	1,650	165	6
Book value of these assets	(2,172)	(159)	(142)
Non-cash gains (losses)	153	52	115
	(369)	58	(21)
Non-cash investing information:			
36 Assets received in lieu of cash from the sale of businesses:			
Trident shares	—	—	177
Virage Logic shares/options	—	15	—
ST-NXP Wireless JV	341	—	—
Others	13	5	—
Other items:			
Other items consist of the following non-cash elements in income:			
Exchange differences	87	(39)	353
Share-based compensation	27	28	12
Value adjustments/impairment financial assets	38	—	(4)
Non-cash tax benefit against goodwill	(29)	—	—
Non-cash tax expense against other intangibles	—	5	—
Non-cash interest cost due to applying effective interest method	—	8	15
Others	(3)	—	(7)
	120	2	369

Consolidated statements of changes in equity of NXP Semiconductors N.V.

($ in millions)	Common stock	Capital in excess of par value	Accumulated deficit	Accumulated other comprehensive income (loss)					Total stock-holders equity	Non-controlling interests	Total equity
				Currency translation differences	Unrealized gain (loss) on available-for-sale securities	Unrecognized net periodic pension cost	Changes in fair value of cash flow hedges	Total accum. other compr. income			
Balance as of December 31, 2007	133	5,409	(1,429)	148	—	48	—	196	4,309	257	4,566
Net income (loss)			(3,557)						(3,557)	26	(3,531)
Components of other comprehensive income:											
—Recognition of funded status pension benefit plan						(38)		(38)	(38)		(38)
—Unrealized gain (loss) on available for sale securities					6			6	6		6
—Foreign currency translation adjustments				215				215	215		215
—Income tax on current period changes						7		7	7		7
Restructuring of share capital	(91)	91							—		—
Share-based compensation plans		27[1]							27		27
Dividends distributed										(19)	(19)
Capital repayment										(78)	(78)
Changes in participations										27	27
Balance as of December 31, 2008	42	5,527	(4,986)	363	6	17	—	386	969	213	1,182
Net income (loss)			(167)						(167)	14	(153)
Components of other comprehensive income:											
—Recognition of funded status pension benefit plan						19		19	19		19
—Foreign currency translation adjustments				76				76	76		76
—Reclassifications into income				(72)	(6)			(78)	(78)		(78)
—Income tax on current period changes						(4)		(4)	(4)		(4)
Share-based compensation plans		28							28		28
Dividends distributed										(29)	(29)
Balance as of December 31, 2009	42	5,555	(5,153)	367	—	32	—	399	843	198	1,041
Net income (loss)			(456)						(456)	50	(406)
Components of other comprehensive income:											
—Recognition of funded status pension benefit plan						(20)		(20)	(20)		(20)
—Foreign currency translation adjustments				160				160	160		160
—Reclassifications into income				(2)				(2)	(2)		(2)
—Income tax on current period changes						1		1	1		1
Share-based compensation plans		12							12		12
Net proceeds from the issuance of common stock	9	439							448		448
Dividends distributed										(2)	(2)
Changes in participations										(13)	(13)
Balance as of December 31, 2010	51	6,006	(5,609)	525	—	13	—	538	986	233	1,219

(1) The total charge in 2008 for share-based compensation plans amounted to $35 million, offset by $8 million relating to the liability arising from transfer of employees to the new established ST-NXP Wireless joint-venture.

The accompanying notes are an integral part of these consolidated financial statements.

All amounts in millions of $ unless otherwise stated

1 Introduction

The consolidated financial statements include the accounts of NXP Semiconductors N.V. and its consolidated subsidiaries, including NXP B.V.

NXP Semiconductors N.V. (the 'Company' or 'NXP') is a holding company, whose only material assets are the direct ownership of 100% of the shares of NXP B.V., which provides leading High-Performance Mixed-Signal and Standard Products solutions that leverages application insight and technology and manufacturing expertise in radio frequency, analog, power management, interface, security and digital processing products. NXP's product solutions are used in a wide range of automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. The Company headquarters are in the Netherlands. In its current form, NXP was established on September 29, 2006, when Koninklijke Philips Electronics N.V. ("Philips") sold 80.1% of its semiconductor business (with over 50 years of innovation and operating history) to a consortium of private equity investors (the "Private Equity Consortium") in a multi-step transaction. In order to carry out this transaction, Philips transferred 100% of its semiconductor business to a separate legal entity, being NXP B.V., on September 28, 2006. Subsequently, on September 29, 2006, all of the issued and outstanding shares of NXP B.V. were then acquired by the Company. We refer to this multi-step transaction as the "Formation".

At the time of the Formation, the Company was called KASLION Acquisition B.V., a Dutch private company with limited liability. On May 21, 2010, the Company converted into a public company with limited liability (*naamloze vennootschap*) and changed its name to NXP Semiconductors N.V. In August 2010, the Company completed its initial public offering and since then has been listed on the NASDAQ Global Select Market under the ticker symbol "NXPI".

Reverse stock split

In connection with the IPO, the Company amended its Articles of Association on August 2, 2010 in order to effect a 1-for-20 reverse stock split of its shares of common stock. As a consequence, the number of shares outstanding has been adjusted retrospectively to reflect the reverse stock-split in all periods presented. Basic and diluted weighted average shares outstanding and earnings per share have been adjusted retrospectively to reflect the reverse stock split in all periods presented. Also, the exercise price and the number of shares of common stock issuable under the Company's share based compensation plans were proportionately adjusted retrospectively to reflect the reverse stock split. In addition, authorized and issued share capital has been adjusted retrospectively to reflect the reverse stock split.

The effect of the 1-for-20 reverse stock split of our shares of common stock is reflected in the table below:

	Before stock split	After stock split	
	December 31, 2009	December 31, 2009	December 31, 2010
Number of common shares outstanding before issuance of new shares	4,305,030,000	215,251,500	215,251,500
Issuance of new shares from IPO	—	—	34,000,000
Issuance of new shares for equity incentive plan	—	—	1,500,000
Number of common shares outstanding at the end of the period	4,305,030,000	215,251,500	250,751,500

Conversion

In addition to the reverse stock split, the Company has also amended its Articles of Association in order to convert a certain percentage of previously authorized common stock to preferred stock. Including the shares issued upon the public offering in August 2010 and the shares of common stock issued in view of a new equity incentive plan in November 2010, the final result is that the stock capital of the Company as of December 31, 2010 consists of 1,076,257,500 authorized shares, including 430,503,000 authorized shares of common stock (of which 250,751,500 are issued), as well as 645,754,500 authorized but unissued shares of preferred stock.

Accounting policies

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States (US GAAP). Historical cost is used as the measurement basis unless otherwise indicated.

The preparation of financial statements in conformity with US GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reporting currency

Effective January 1, 2008, the Company changed its reporting currency from Euro to U.S. dollars in order to better align with the rest of the semiconductor market and to permit easier comparison with the financial results of its peers.

The financial statements have been restated for all periods prior to 2008 to reflect the change in reporting currency on a consistent basis. For restating the historical financial statements from euro to U.S. dollars, the Company has applied the process described in the accounting policies.

The functional currency of the Company and the various entities within the NXP Group were not changed as a result of the change in reporting currency.

Segment reporting

In compliance with FASB ASC Topic 280 “Segment Reporting”, as from January 1, 2010 four segments are distinguished as business segments. The Company is structured in two market-oriented business segments: High-Performance Mixed-Signal and Standard Products, which each represent a reportable operating segment. The two other reportable segments are Manufacturing Operations and Corporate and Other.

Adjustments to previously reported financial statements

Amounts previously reported in the consolidated balance sheet as of December 31, 2009 have been adjusted to correct immaterial errors in the application of functional currency to certain intangible assets and goodwill recorded in conjunction with certain business combinations. These adjustments affecting the consolidated balance sheet are set out in the table hereafter.

Consolidated balance sheet for the period ending December 31, 2009:

($ in millions)	As originally reported	Adjustments	As reported before discontinued operations	Discontinued operations	As currently reported
Intangible assets excluding goodwill	2,006	(55)	1,951	(65)	1,886
Goodwill	2,621	(39)	2,582	(190)	2,392
Total non-current assets	6,160	(94)	6,066		6,066
Total assets	8,673	(94)	8,579		8,579
Long-term provisions	(460)	7	(453)	30	(423)
Total non-current liabilities	(5,292)	7	(5,285)		(5,285)
Accumulated deficit	5,219	(66)	5,153		5,153
Accumulated other comprehensive income (loss)	(552)	153	(399)		(399)
Total stockholders' equity	(930)	87	(843)		(843)
Total liabilities and equity	(8,673)	94	(8,579)		(8,579)

As a result of correcting the application of functional currency to certain intangible assets, a portion of the currency translation movements resulted in lower amortization expenses in the prior periods. As a result, the following line items affecting the consolidated statements of operations have been corrected for these immaterial errors:

Consolidated statement of operations:

	2009				
($ in millions)	As originally reported	Adjustments	As reported before discontinued operations	Discontinued operations	As currently reported
General and administrative expense	(803)	8	(795)	14	(781)
Provision for income taxes	(17)	—	(17)	7	(10)
Income (loss) from continuing operations	(161)	8	(153)	(32)	(185)
Basic earnings per share data:					
Income (loss) from continuing operations	(0.75)	0.04	(0.71)	(0.15)	(0.86)

	2008				
($ in millions)	As originally reported	Adjustments	As reported before discontinued operations	Discontinued operations	As currently reported
General and administrative expense	(1,875)	43	(1,832)	15	(1,817)
Provision for income taxes	(46)	—	(46)	4	(42)
Income (loss) from continuing operations	(3,574)	43	(3,531)	(36)	(3,567)
Basic earnings per share data:					
Income (loss) from continuing operations	(19.83)	0.24	(19.59)	(0.20)	(19.79)

The per share data of income (loss) from discontinued operations of 2008 and 2009 is not affected by the prior period adjustments.

2 Significant accounting policies and new standards after 2010

Principles for consolidated financial statements

The consolidated financial statements include the accounts of the Company together with its consolidated subsidiaries and all entities in which the Company holds a direct or indirect controlling interest, in such a way that the Company would have the power to direct the activities of the entity that most significantly impact the entity's economic performance and the obligation to absorb the losses or the right to receive benefits of the entity that could be potentially significant to the Company.

All intercompany balances and transactions have been eliminated in the consolidated financial statements. Net income (loss) includes the portion of the earnings of subsidiaries applicable to non-controlling interests. The income (loss) and equity attributable to non-controlling interests are disclosed separately in the consolidated statements of operations and in the consolidated balance sheets under noncontrolling interests.

Investments in equity-accounted investees

Investments in companies in which the Company does not have the ability to directly or indirectly control the financial and operating decisions, but does possess the ability to exert significant influence, are accounted for using the equity method. Generally, in the absence of demonstrable proof of significant influence, it is presumed to exist if at least 20% of the voting stock is owned. The Company's share of the net income of these companies is included in results relating to equity-accounted investees in the consolidated statements of operations.

The Company recognizes an impairment loss when an other-than-temporary decline in the value of an investment occurs.

When its share of losses exceeds the carrying amount of an investment accounted for by the equity method, the carrying amount of that investment is reduced to zero and recognition of further losses is discontinued unless the Company has guaranteed obligations of the investee or is otherwise committed to provide further financial support for the investee.

Accounting for capital transactions of a subsidiary or an equity-accounted investee

Until 2009 the Company's policy was to recognize in income dilution gains or losses arising from the sale or issuance of stock by a subsidiary that is included in the consolidated financial statements or an unconsolidated entity which is accounted for using the equity method of accounting in the consolidated statement of operations, unless the Company or the subsidiary either has reacquired or plans to reacquire such shares. In such instances, the result of the transaction was recorded directly in equity. Following the adoption on January 1, 2009 of SFAS No. 160 "Non-controlling Interests in Consolidated Financial Statements: an amendment of ARB No. 51" which has subsequently been included in ASC 810, the Company recognizes for transactions occurring after December 31, 2008 dilution gains or losses related to changes in ownership of consolidated entities directly in equity. In case of loss of control of the subsidiary following such transaction the dilution gain or loss is recognized in the consolidated statement of operations. In accordance with ASC 323-10, paragraph 40-1, any dilution gain or loss related to entities in which the Company has a non-controlling interest is recognized in the statement of operations.

Dilution gains or losses are presented in the consolidated statement of operations in the line item other income and expense upon loss of control of subsidiaries in accordance with ASC 810. Dilution gains and losses related to equity-accounted investees are presented in the line item results relating to equity-accounted investees.

All amounts in millions of $ unless otherwise stated

Foreign currencies

The Company uses the U.S. dollar as its reporting currency. For consolidation purposes, the financial statements of the entities within the Company with a functional currency other than the U.S. dollar, are translated into U.S. dollars. Assets and liabilities are translated using the exchange rates on the applicable balance sheet dates. Income and expense items in the statements of operations and cash flows are translated at monthly exchange rates in the periods involved.

The effects of translating the financial position and results of operations from functional currencies are recorded as a separate component of accumulated other comprehensive income (loss) within stockholder's equity. Cumulative translation adjustments are recognized as income or expense upon partial or complete disposal or substantially complete liquidation of a foreign entity.

The following table sets out the exchange rates for euros into US dollars applicable for translation of NXP's financial statements for the periods specified.

	$1 per €			
	period end	average(1)	high	low
2008	1.4061	1.4768	1.2749	1.5801
2009	1.4402	1.3978	1.2683	1.4916
2010	1.3370	1.3326	1.2183	1.4402

(1) The average rates are the accumulated average rates based on monthly quotations.

The functional currency of foreign entities is generally the local currency, unless the primary economic environment requires the use of another currency. When foreign entities conduct their business in economies considered to be highly inflationary, they record transactions in the Company's reporting currency instead of their local currency. Gains and losses arising from the translation or settlement of non-functional currency-denominated transactions, monetary assets and liabilities into the functional currency are recognized in income in the period in which they arise. However, currency differences on intercompany loans that have the nature of a permanent investment are accounted for as translation differences as a separate component of accumulated other comprehensive income (loss) within equity.

Derivative financial instruments

The Company uses derivative financial instruments principally in the management of its foreign currency risks.

The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate, and records these as assets or liabilities in the balance sheet. Changes in the fair values are immediately recognized in the statement of operations unless cash flow hedge accounting is applied.

Changes in the fair value of a derivative that is highly effective and designated and qualifies as a cash flow hedge are recorded in accumulated other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item.

The Company formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions and for which cash flow hedge accounting is applied, are highly effective in offsetting changes in cash flows of hedged items. When it is established that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur within a period of two months from the originally forecasted transaction date, the Company continues to carry the derivative on the consolidated balance sheets at its fair value, and gains and losses that were accumulated in other comprehensive income are recognized immediately in earnings.

In all other situations in which hedge accounting is discontinued, the Company continues to carry the derivative at its fair value on the consolidated balance sheets, and recognizes any changes in its fair value in earnings. The application of cash flow hedge accounting for foreign currency risks is limited to transactions that represent a substantial currency risk that could materially affect the financial position of the Company. Consequently, the application of cash flow hedge accounting seldom occurs.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments with a maturity of three months or less at acquisition that are readily convertible into known amounts of cash. It also includes cash balances that cannot be freely repatriated. Cash and cash equivalents are stated at face value.

Receivables

Receivables are carried at face value, net of allowances for doubtful accounts. As soon as trade accounts receivable can no longer be collected in the normal way and are expected to result in a loss, they are designated as doubtful trade accounts receivable and valued at the expected collectible amounts. They are written off when they are deemed to be uncollectible because of bankruptcy or other forms of receivership of the debtors.

The allowance for doubtful trade accounts receivable takes into account objective evidence about credit-risk concentration, collective debt risk based on average historical losses, and specific circumstances such as serious adverse economic conditions in a specific country or region.

Inventories

Inventories are stated at the lower of cost or market, less advance payments on work in progress. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion of inventories include direct labor and fixed and variable production overheads, taking into account the stage of completion. The cost of inventories is determined using the first-in, first-out (FIFO) method. An allowance is made for the estimated losses due to obsolescence. This allowance is determined for groups of products based on purchases in the recent past and/or expected future demand. Abnormal amounts of idle facility expense and waste are not capitalized in inventory. The allocation of fixed production overheads to the inventory cost is based on the normal capacity of the production facilities.

Other non-current financial assets

Other non-current financial assets include available-for-sale securities and cost-method investments.

The Company classifies its investment in equity securities that have readily determinable fair values based on quoted market prices as available-for-sale. Available-for-sale securities are recorded at fair value with changes in the fair value recorded in other comprehensive income in equity. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of other comprehensive income until realized. Fair value measurement is based on quoted market prices for the assets. If these are not available, the Company uses other observable inputs, such as quoted market prices for similar assets.

Lacking also that information, the Company uses unobservable inputs such as discounted projected cash flows. Available-for-sale securities that are contractually restricted from sale for a period longer than 1 year are accounted for by the cost method without changes in fair value being reflected in their measurement unless they are other than temporarily impaired in which case the impairment loss is charged to earnings. Similarly, restricted equity securities obtained as payment from the acquirer upon disposal of product lines are accounted for under the cost method. NXP recognizes in nonmonetary transactions initially the fair value of the assets surrendered or received, whichever is more reliably determinable, as consideration for acquired equity securities, as its interest in the acquirer at transaction date, which is the new cost basis going forward.

Impairments of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. The Company assesses its long-term investments accounted for as available-for-sale on a quarterly basis to determine whether declines in market value below cost are other-than-temporary, in which case the cost basis for the individual security is reduced and a loss realized in the period in which it occurs. When the decline is determined to be temporary, the unrealized loses are included in other comprehensive income.

If objective evidence indicates that cost-method investments need to be tested for impairment, calculations are based on information derived from business plans and other information available for estimating their fair value.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Assets constructed by the Company include direct costs, overheads and interest charges incurred during the construction period. Government investment grants are deducted from the cost of the related asset. Depreciation is calculated using the straight-line method over the expected economic life of the asset. Depreciation of special tooling is also based on the straight-line method unless a depreciation method other than the straight-line method better represents the consumption pattern. Gains and losses on the sale of property, plant and equipment are included in other income and expense. Costs related to repair and maintenance activities are expensed in the period in which they are incurred unless leading to an extension of the original lifetime or capacity. Plant and equipment under capital leases are initially recorded at the present value of minimum lease payments. These assets and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

The Company recognizes the fair value of an asset retirement obligation in the period in which it is incurred based on discounted projected cash flows in the absence of other observable inputs such as quoted prices, while an equal amount is capitalized as part of the carrying amount of the long-lived asset and subsequently depreciated over the useful life of the asset.

Leases

The Company leases various office space and equipment. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the statement of operations on a straight-line basis over the term of the lease.

Leases in which the Company has substantially all the risk and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the lease obligation. The lease obligations are included in other current and other non-current liabilities. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the assets and the lease term.

Goodwill

The Company accounts for goodwill in accordance with the provisions of ASC 805-30. Accordingly, goodwill is not amortized but tested for impairment annually in the fourth quarter or whenever impairment indicators require so. Previously, the Company carried out the annual impairment test in the third quarter. Due to changes in the Company's internal forecasting process in 2010, it was determined to be preferable to move the annual test to the fourth quarter. In order to comply with the ASC 805 requirement of testing goodwill for impairment at least once in every 12 month period, the goodwill impairment test was initially carried out in the third quarter of 2010. Beginning in the fourth quarter of 2010, the impairment test is annually executed in the fourth quarter of each financial year.

An impairment loss is recognized to the extent that the carrying amount of goodwill exceeds the asset's implied fair value. This determination is made at the business operating segment level, which is for the Company the reporting unit level in accordance with ASC 805, and consists of two steps. First, the Company determines the carrying value of each reporting unit by assigning the assets and liabilities, including the goodwill and intangible assets, to the reporting units. Furthermore, the Company determines the fair value of each reporting unit and compares it to the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds the fair value of the reporting unit, the Company performs the second step of the impairment test. In the second step, the Company compares the implied fair value of the reporting unit's goodwill with the carrying amount of the reporting unit's goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all of the assets (recognized and unrecognized) and liabilities of the reporting unit in a manner similar to acquisition accounting in a business combination. The residual fair value after this allocation is the implied fair value of the reporting unit's goodwill. The Company generally determines the fair value of the reporting units based on discounted projected cash flows in the absence of other observable inputs such as quoted prices.

Intangible assets

Intangible assets (other than goodwill) arising from acquisitions are amortized using the straight-line method over their estimated economic lives. Remaining useful lives are evaluated every year to determine whether events and circumstances warrant a revision to the remaining period of amortization. The Company considers renewal and extension options in determining the useful life. However, based on experience the Company concluded that these assets have no extension or renewal possibilities. There are currently no intangible assets with indefinite lives. Until 2009, in-process research and development with no alternative use was written off immediately upon acquisition. As from 2009 upon adoption of SFAS 141(R) "Business Combinations—Revised" as per January 1, 2009, which has been codified in ASC 350-30, in-process R&D is capitalized and indefinitely lived until completion or abandonment of the associated R&D efforts. The indefinitely lived assets are not amortized but tested annually for impairment until the completion or abandonment, upon which the assets are amortized over their remaining useful lives. Patents, trademarks and other intangible assets acquired from third parties are capitalized at cost and amortized over their remaining useful lives.

Certain costs relating to the development and purchase of software for internal use are capitalized and subsequently amortized over the estimated useful life of the software in conformity with ASC 350-40.

Impairment or disposal of intangible assets other than goodwill and tangible fixed assets

The Company accounts for intangible and tangible fixed assets in accordance with the provisions of ASC 360. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset with future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. The Company determines the fair value based on discounted projected cash flows. The review for impairment is carried out at the level where discrete cash flows occur that are largely independent of other cash flows in the absence of other observable inputs such as quoted prices. For the Manufacturing Operations segment, the review of impairment of long-lived assets is carried out on a Company-wide basis, as Manufacturing Operations is the shared manufacturing base for the other business segments with, for this purpose, no discrete cash flows that are largely independent of other cash flows. Assets held for sale are reported at the lower of the carrying amount or fair value, less cost to sell.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case the asset (or disposal group) must be available for immediate sale in its present condition and the sale must be highly probable. For the sale to be highly probable, (i) the appropriate level of management must be committed to a plan to sell the asset, (ii) an active program to locate a buyer and complete the plan must be initiated, (iii) the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value, (iv) the sale should generally be expected to qualify for recognition as a completed sale within one year from the date of classification and (v) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the asset's carrying amount and the fair value less costs to sell. The Company determines the fair value based on discounted projected cash flows in the absence of other observable inputs such as quoted prices. Depreciation or amortization of an asset ceases when it is classified as held for sale, or included within a disposal group that is classified as held for sale.

Discontinued operations

A discontinued operation is a component of the Company that either has been disposed of, or that is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operations that can be clearly distinguished from the rest of the Company in terms of operations and cash flows or (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Generally, a major line of business is a segment or business unit. Discontinued operations are carried at the lower of carrying amount and fair value less cost to sell. The Company determines the fair value based on discounted projected cash flows in the absence of other observable inputs such as quoted prices. Results from discontinued operations until the date of disposal are presented separately as a single amount in the consolidated statements of operations together with any gain or loss from disposal. Results from operations qualifying as discontinued operations as of the balance sheet date for the latest period presented, that have previously been presented as results from continuing operations, are re-presented as results from discontinued operations for all periods presented. The financial information of discontinued operations is excluded from the respective captions in the consolidated financial statements and related notes for all years presented.

Research and development

Costs of research and development are expensed in the period in which they are incurred, except for In-process research and development assets acquired in a business combinations since 2009, which are capitalized and after completion are amortized over their useful lives.

Advertising

Advertising costs are expensed when incurred.

Provisions and accruals

The Company recognizes provisions for liabilities and probable losses that have been incurred as of the consolidated balance sheet dates and for which the amount is uncertain but can be reasonably estimated.

Provisions of a long-term nature are stated at present value when the amount and timing of related cash payments are fixed or reliably determinable unless discounting is prohibited under US GAAP. Short-term provisions are stated at face value.

The Company accrues for losses associated with environmental obligations when such losses are probable and reasonably estimable. Additionally, the Company accrues for certain costs such as compensation and benefits for employees directly involved in the remediation activities. Measurement of liabilities is based on current legal requirements and existing technology. Liabilities and expected insurance recoveries, if any, are recorded separately. The carrying amount of liabilities is regularly reviewed and adjusted for new facts or changes in law or technology.

Restructuring

The provision for restructuring relates to the estimated costs of initiated reorganizations that have been approved by the Management Team, and which involve the realignment of certain parts of the industrial and commercial organization.

When such reorganizations require discontinuance and/or closure of lines of activities, the anticipated costs of closure or discontinuance are included in restructuring provisions only when the liability is incurred in accordance with ASC 420-10-25. The liability is initially measured at fair value. The Company determines the fair value based on discounted projected cash flows in the absence of other observable inputs such as quoted prices.

These liabilities, in as far as related to one-time employee termination benefits are recognized, in accordance with ASC 420-10-25, ratably over the future service period when those employees are required to render services to the Company, if that period exceeds 60 days or a longer legal notification period.

However, generally employee termination benefits are covered by a contract or an ongoing benefit arrangement and are recognized in accordance with ASC 712-10-15 when it is probable that the employees will be entitled to the benefits and the amounts can be reasonably estimated.

Guarantees

The Company complies with ASC 460-10-55. In accordance with this ASC "Guarantees", the Company recognizes, at the inception of a guarantee, a liability at the fair value of the obligation incurred, for guarantees within the scope of the recognition criteria. The Company determines the fair value based on either quoted prices for similar guarantees or discounted projected cash flows, whichever is available.

Debt and other liabilities

Debt and other liabilities, other than provisions, are stated at amortized cost. Debt issue costs are not expensed immediately but are reported as deferred charges and subsequently amortized over the term of the debt using the effective interest rate method. Unless the exchange would meet the criteria for troubled debt restructuring, debt that has been exchanged for other debt is initially measured at fair value in accordance with the provisions of ASC 470-50. Any gain or loss resulting from the exchange and adjusted for the unamortized portion of debt issue costs for the exchanged debt is immediately recognized in the statement of operations on the line item "Financial income (expense)". The Company determines the fair value based on quoted prices for the instruments or quoted prices for similar instruments. In the rare cases that such observable inputs are not available the Company determines the fair value based on discounted projected cash flows.

Loans that are hedged under a fair value hedge are remeasured for the changes in the fair value that are attributable to the risk that is being hedged.

Revenue recognition

The Company's revenues are primarily derived from made-to-order sales to Original Equipment Manufacturers ("OEMs") and similar customers. The Company's revenues are also derived from sales to distributors.

The Company applies the guidance in SEC Staff Accounting Bulletin (SAB) Topic 13 'Revenue Recognition' and recognizes revenues when persuasive evidence of an arrangement exists, delivery has occurred or the service has been provided, the sales price is fixed or determinable, and collection is reasonably assured, based on the terms and conditions of the sales contract. For made-to-order sales, these criteria are met at the time the product is shipped and delivered to the customer and title and risk have passed to the customer. Examples of delivery conditions typically meeting these criteria are 'Free on board point of delivery' and 'Costs, insurance paid point of delivery'. Generally, the point of delivery is the customer's warehouse. Acceptance of the product by the customer is generally not contractually required, since, for made-to-order customers, design approval occurs before manufacturing and subsequently delivery follows without further acceptance protocols. Payment terms used are those that are customary in the particular geographic market. When management has established that all aforementioned conditions for revenue recognition have been met and no further post-shipment obligations exist, revenue is recognized.

For sales to distributors, the same recognition principles apply and similar terms and conditions as for sales to other customers are applied. However, for some distributors contractual arrangements are in place, which allow these distributors to return products if certain conditions are met. These conditions generally relate to the time period during which return is allowed and reflect customary conditions in the particular geographic market. Other return conditions relate to circumstances arising at the end of a product life cycle, when certain distributors are permitted to return products purchased during a pre-defined period after the Company has announced a product's pending discontinuance. Long notice periods associated with these announcements prevent significant amounts of product from being returned, however. Repurchase agreements with OEMs or distributors are not entered into by the Company.

For sales where return rights exist, the Company has determined, based on historical data, that only a very small percentage of the sales to this type of distributors is actually returned. In accordance with these historical data, a pro rata portion of the sales to these distributors is not recognized but deferred until the return period has lapsed or the other return conditions no longer apply.

Revenues are recorded net of sales taxes, customer discounts, rebates and similar charges. Shipping and handling costs billed to customers are recognized as revenues. Expenses incurred for shipping and handling costs of internal movements of goods are recorded as cost of revenues. Shipping and handling costs related to revenues to third parties are reported as selling expenses.

A provision for product warranty is made at the time of revenues recognition and reflects the estimated costs of replacement and free-of-charge services that will be incurred by the Company with respect to the sold products. In cases where the warranty period is extended and the customer has the option to purchase such an extension, which is subsequently billed separately to the customer, revenues recognition related to the warranty extension occurs on a straight-line basis over the contract period.

Royalty income, which is generally earned based upon a percentage of revenues or a fixed amount per product sold, is recognized on an accrual basis. Royalty income, other license income or other income related to R&D arrangements and that is received in the form of non-refundable upfront payments is recognized as income pro rata over the term of the contract unless a separate earnings process has been completed. Government grants, other than those relating to purchases of assets, are recognized as income as qualified expenditures are made. Software revenue is recognized in accordance with ASC 985-605-25 “Software Revenue Recognition” when the 4 criteria of SAB Topic 13 are met.

Income taxes

Income taxes in the consolidated financial statements are accounted for using the asset and liability method. Income tax is recognized in the statement of operations except to the extent that it relates to an item that is initially recognized directly within equity, including other comprehensive income (loss), in which case the related tax effect is also recognized there.

Current tax is the expected tax payable on the taxable income for the year, using the applicable tax rates for the years, and any adjustment to tax payable in respect of previous years. Income tax payable includes amounts payable to tax authorities. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts. Measurement of deferred tax assets and liabilities is based upon the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date of the change. Deferred tax assets, including assets arising from loss carryforwards, are recognized, net of a valuation allowance, if it is more likely than not that the asset or a portion thereof will be realized. Deferred tax assets and liabilities are not discounted. Deferred tax liabilities for withholding taxes are recognized for subsidiaries in situations where the income is to be paid out as dividends in the foreseeable future, to the extent that these withholding taxes are not expected to be refundable and deductible.

Income tax benefit from an uncertain tax position is recognized only if it is more likely than not that the tax position will be sustained upon examination by the relevant taxing authorities, based on the technical merits of the position. The income tax benefit recognized in the financial statements from such position is measured based on the largest benefit that is more than 50% likely to be realized upon settlement with a taxing authority that has full knowledge of all relevant information. The liability for unrecognized tax benefits including related interest and penalties is recorded under provisions in the balance sheet as current or non-current based on the timing of the expected payment. Penalties are recorded as income tax expense, whereas interest is reported as financial expense in the statement of operations.

Benefit accounting

The Company accounts for the cost of pension plans and postretirement benefits other than pensions in accordance with ASC 715 "Compensation-Retirement Benefits".

The Company employees participate in pension and other postretirement benefit plans in many countries. The costs of pension and other postretirement benefits and related assets and liabilities with respect to the Company's employees participating in defined-benefit plans have been allocated to the Company based upon actuarial valuations. Some of the Company's defined-benefit pension plans are funded with plan assets that have been segregated and restricted in a trust, foundation or insurance company to provide for the pension benefits to which the Company has committed itself.

The net pension liability or asset recognized in the balance sheet in respect of defined benefit pension plans is the present value of the projected defined-benefit obligation less the fair value of plan assets at the balance sheet date.

Most of our plans result in a pension provision (no assets for the plan) or a net pension liability.

The projected defined-benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

Pension costs in respect of defined-benefit pension plans primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets and net of employee contributions.

Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and what has actually occurred. They are recognized in the statement of operations, over the expected average remaining service periods of the employees with applying the corridor. Events which invoke a curtailment or a settlement of a benefit plan will be recognized in our statement of operations if such event has a material impact on our results.

Unrecognized prior-service costs related to pension plans and postretirement benefits other than pensions are being amortized by assigning a proportional amount to the statements of operations of a number of years, reflecting the average remaining service period of the active employees.

Obligations for contributions to defined-contribution and multi-employer pension plans are recognized as an expense in the statements of operations as incurred.

In accordance with the requirements of ASC 715, if the projected benefit obligation exceeds the fair value of plan assets, we recognize in the consolidated balance sheet a liability that equals the excess. If the fair value of plan assets exceeds the projected benefit obligation, we shall recognize in its statement of financial position an asset that equals the excess.

The Company determines the fair value based on quoted prices for the plan assets or comparable prices for non-quoted assets. For a defined-benefit pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement defined benefit plan it is the accumulated postretirement benefit obligation.

The Company recognizes as a component of accumulated other comprehensive income, net of taxes, the gains or losses and prior service costs that arise during the year but are not recognized as a component of net periodic benefit cost pursuant to ASC 715. Amounts recognized in accumulated other comprehensive income, including the gains or losses and the prior services costs are adjusted as they are subsequently recognized as components of net periodic benefit costs pursuant to the recognition provisions of ASC 715.

For all of the Company's defined pension benefit plans, the measurement date on which it determines the funded status is year-end.

Share-based compensation

Share-based payment plans were first introduced by NXP Semiconductors N.V. for NXP employees in 2007 and new plans were introduced in 2010 after NXP Semiconductors' initial public offering of common shares in the United States. All plans are accounted for in accordance with the provisions of ASC 718 "Compensation-Stock Compensation" at the estimated fair value of the equity instruments measured at the grant date. For the grants issued up to August 2010 under the 2007 plans, the Company used a binomial option-pricing model to determine the estimated fair value of the options and determines the fair value of the equity rights on the basis of the estimated fair value of the Company, using a discounted cash flow technique. For the grants issued since August 2010 under the 2010 plans the Company used the Black-Scholes-Merton method. The estimated fair value of the equity instruments is recognized as compensation expense over the vesting period on a straight-line basis taking into account estimated forfeitures.

The share-based compensation plans that the Company's employees participate in contain contingent cash settlement features upon an exit or change in control in combination with a termination of employment. The Company has concluded that the likelihood of these events occurring is remote and therefore not probable. Also, upon death or disablement the Company may offer cash settlement, but the employee or his dependents must consent. Therefore, the Company has concluded that the requirement in ASC 718 that share options and restricted shares that have contingent cash settlement features that are outside the control of the employee, such as a change in control or the death or disability of an employee, to be accounted for as liabilities rather than equity if the contingent event is probable of occurring, is not applicable to the Company. However, in the case that for certain employees the vested share-based payment rights have been declared to become cash settled such instruments will be recorded as liabilities at fair value as from the date of such event.

During 2009, NXP Semiconductors N.V. executed an option exchange program for options granted in 2007, 2008 and 2009, and which were estimated to be deeply out of the money. Under this option exchange program, options with new exercise prices, different volumes and—in certain cases—revised vesting schedules were granted to eligible individuals, in exchange for their owned options. By accepting the new options, all options (vested and unvested) owned by the eligible individuals were cancelled. As of May 2009 until August 2010, options have been granted to eligible individuals under the revised stock option program. In accordance with the provisions of ASC 718 the unrecognized portion of the compensation costs of the cancelled options continues to be recognized over their remaining requisite vesting period. For the replacement options the compensation costs are determined as the difference between the fair value of the cancelled options immediately before the grant date of the replacement option and the fair value of these replacement options at the grant date. This compensation cost will be recognized in accordance with the vesting schedule over the remaining vesting period. In November 2010, following NXP Semiconductors N.V. becoming a listed company, a new option program and share program was launched in addition to the existing option program and equity rights program.

Cash flow statements

Cash flow statements have been prepared using the indirect method. Cash flows in foreign currencies have been translated into U.S. dollar using the weighted average rates of exchange for the periods involved.

Cash flows from derivative instruments that are accounted for as fair value hedges or cash flow hedges are classified in the same category as the cash flows from the hedged items. Cash flows from other derivative instruments are classified consistent with the nature of the instrument.

Concentration of risk

The Company's revenues are for a large part dependent on a limited number of customers, none of which individually exceeds 10% of total revenues. Furthermore, the Company is using outside suppliers of foundries for a portion of its manufacturing capacity.

Accounting standards adopted in 2010

Following accounting pronouncements that are of relevance to the Company became effective in 2010 and were adopted by the Company.

- **ASU 2009-16. "Transfer and Servicing" (ASU Topic 860)**

  On 12 June 2009, the Financial Accounting Standards Board (FASB) issued ASU 2009-16.

  The most significant amendments resulting from ASU 2009-16 consist of the removal of the concept of a qualifying special-purpose entity (QSPE) from Statement 140, and the elimination of the exception for QSPEs from the consolidation guidance of FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities (FIN 46(R)).

  In addition, ASU 2009-16 amends and clarifies sale accounting and requires among others that a transferor recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a sale while eliminating the practicability exception for the measurement at fair value.

  ASU 2009-16 is effective as of 1 January 2010 and has been codified in ASC 860. The Company adopted the accounting guidance as of its effective date.

  The Company has evaluated the consequences of ASU 2009-16 and concluded since it is currently not involved with any QSPE, this element of the ASU does not affect the Company. With regard to the transfer of assets guidance, the ASU had no impact in 2010 but may affect future transactions, if any.

- **ASU No. 2010-06. "Fair Value Measurements and Disclosures" (Topic 820)**

  On January 21, 2010 the FASB issued ASU 2010-06. The ASU amends ASC 820 to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The impact for NXP is limited to disclosures about transfers between levels 1, 2 and 3, which, however, seldom occur.

- **ASU 2009-17. "Consolidation" (ASC Topic 810)**

  On 12 June 2009, the FASB issued ASU 2009-17, which (1) addresses the effects of eliminating the qualifying special-purpose entity (QSPE) concept from FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities and (2) modifies some provisions about the application of certain key provisions of FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities (FIN 46(R)). ASU 2009-17 has been codified in ASC 810 and became effective for NXP as of 2010. It requires among other things a qualitative rather than a quantitative analysis to determine the primary beneficiary of a Variable Interest Entity (VIE) and amends certain guidance for determining whether an entity is a VIE, which may change an enterprise's assessment of which entities with which it is involved are VIEs. Furthermore, it requires continuous assessments of whether an enterprise is the primary beneficiary of a VIE.

The Company has reconsidered its consolidation conclusions for all entities with which it is involved and concluded that the new guidance will not result in the consolidation of new entities or deconsolidation of entities.

- **ASU No. 2010-20 "Receivables (ASC 310). Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses"**

  The ASU was issued by the FASB in July 2010. Extended disclosures are required for trade accounts receivable with a contractual maturity exceeding 1 year and resulting from delivering of goods or rendering services. In the exceptional cases where this occurs, the amounts are insignificant and therefore this guidance is not expected to have a significant impact for the Company. The new rules are effective for NXP as of 2010.

New standards to be adopted after 2010

The FASB issued several pronouncements, of which the following are to various degrees of relevance to the Company and which were not yet effective in 2010.

- **Accounting Standards Update No. 2009-13 "Revenue Recognition (ASC 605). Multiple-Deliverable Revenue Arrangements; a consensus of the FASB Emerging Issues Task Force"**

  ASU 2009-13, issued in October 2009, changes the guidance regarding revenues recognition for multiple-element arrangement and relaxes some of the earlier requirements. Since NXP is rarely involved in these types of arrangements the impact is expected to be infrequent and preliminarily estimated to be insignificant. The new guidance becomes effective prospectively for the Company for arrangements entered into or materially modified after December 31, 2010.

- **ASU No. 2010-17 "Revenue Recognition-Milestone Method (ASC 605). A consensus of the FASB Emerging Issues Task Force"**

  The ASU specifically affects vendors that provide research or development deliverables in an arrangement in which one or more payments are contingent upon achieving uncertain future events or circumstances.

  NXP is rarely involved in these types of arrangements although the Company has collaborative development contracts with third parties. Generally, these take the form of upfront payments and subsequent cost-sharing arrangements but do not contain milestones as defined in the Master Glossary of the ASC.

  The current accounting policies applied to these arrangements do vary with the type of contractual provisions. We either use a milestone method for the majority of the contractual amounts or a pro rata basis. The Company does not foresee to change its current accounting policy. Therefore we have concluded that this ASU will not have a significant effect on the Company's financial statements and is also not expected to have in the foreseeable future.

  The ASU becomes effective for NXP as of July, 2010.

3 Discontinued operations

On December 22, 2010, we announced the signing of a definitive agreement whereby Knowles Electronics, an affiliate of Dover Corporation, will acquire the Company's Sound Solutions business, the leading provider of speaker and receiver components for the mobile handset market. Under the terms of the agreement, Knowles will acquire Sound Solutions for $855 million in cash. The transaction is expected to close on or about the end of the first quarter of 2011.

All amounts in millions of $ unless otherwise stated

The financial results attributable to the Company's interest in Sound Solutions (formerly included in the Company's Standard Products segment) have been presented as discontinued operations.

The following table summarizes the results of the Sound Solutions business included in the consolidated statements of income as discontinued operations for 2008, 2009 and 2010:

	2008	2009	2010
Revenues	339	324	354
Costs and expenses	(299)	(285)	(283)
Operating income (loss)	40	39	71
Income (loss) before taxes	40	39	71
Provision for income taxes	(4)	(7)	(12)
Net income (loss) from discontinued operations	36	32	59

The following table presents the assets and liabilities held for sale of the Sound Solutions business, classified as discontinued operations, in the consolidated balance sheets as at December 31, 2009 and 2010:

	December 31,	
	2009	2010
Cash and cash equivalents	15	10
Amounts receivables	66	78
Inventories	20	19
Property, plant and equipment	33	27
Intangible assets including goodwill	255	231
Other assets	11	11
Assets of discontinued operations	400	376
Accounts payable	26	30
Provisions	16	9
Deferred tax liabilities	15	12
Other liabilities	37	29
Liabilities of discontinued operations	94	80

4 Information by segment and main country

On January 1, 2010, NXP reorganized the current segments into four reportable segments in compliance with FASB ASC Topic 280.

NXP has now two market-oriented business segments, High-Performance Mixed-Signal ("HPMS") and Standard Products ("SP,") and two other reportable segments, Manufacturing Operations and a segment Corporate and Other.

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.

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.

Our manufacturing operations are conducted through a combination of wholly owned manufacturing facilities, manufacturing facilities operated jointly with other semiconductor companies and third-party foundries and assembly and test subcontractors. While the main function of our Manufacturing Operations segment is to supply products to our HPMS and SP segments, the segment also sells products to external customers, mainly divested businesses.

Our “Corporate and other” segment includes unallocated research expenses not related to any specific business segment, corporate restructuring charges and other expenses, not allocated to the other business segments as well as operations not included in our two business segments, such as marketing and selling of CAN tuners and software solutions for mobile phones “NXP Software”.

The presentation of our financial results and our discussion and analysis of our financial condition and results of operations have been restated to reflect the new segments. The segment information for all years in this note has also been restated to reflect the new segment structure.

On July 28, 2008, our key wireless operations from our former Mobile & Personal segment were contributed to a joint venture, ST-NXP Wireless. As a result, all assets and liabilities involved in the joint venture have been deconsolidated from the former Mobile & Personal segment. The results of the divested operations until July 28, 2008, are presented in our consolidated accounts under a separate new reporting segment named “Divested Wireless Activities”. The continuing business of the former Mobile & Personal segment not divested has been regrouped into the segments High-Performance Mixed-Signal, Standard Products and Corporate and Other. All previous periods reported have been restated accordingly.

On February 8, 2010, we divested a major portion of our former Home segment to Trident Microsystems, Inc. (“Trident”). For the years 2008, 2009 and 2010 until February 8, 2010, the results of the divested operations are presented in our consolidated accounts under a separate new reporting segment named “Divested Home Activities”. The continuing business of the former Home segment not divested has been regrouped into the segments High-Performance Mixed-Signal and Corporate and Other. All previous periods have been restated accordingly.

All amounts in millions of $ unless otherwise stated

Detailed information by segment for the years 2010, 2009 and 2008 on a restated basis is presented in the following tables.

	Segments				
	Revenues	Research and development expenses	Operating income (loss)	Operating income (loss) as a % of revenues	Results relating to equity-accounted investees
2010					
HPMS	2,846	454	387	13.6	—
SP	848	32	91	10.7	—
Manufacturing Operations(*)	525	18	(57)	(10.9)	—
Corporate and Other	136	48	(117)	N.M.	(86)
Divested Home activities	47	16	(31)	(66.0)	—
	4,402	568	273	6.2	(86)
2009					
HPMS	2,011	413	(187)	(9.3)	(2)
SP	567	35	(120)	(21.2)	—
Manufacturing Operations(*)	324	12	(175)	(54.0)	—
Corporate and Other	165	65	(188)	NM	76
Divested Home activities	452	239	(261)	(57.7)	—
	3,519	764	(931)	(26.5)	74
2008					
HPMS	2,511	453	(210)	(8.4)	(2)
SP	756	39	(14)	(1.9)	—
Manufacturing Operations(*)	324	—	(544)	(167.9)	—
Corporate and Other	219	157	(504)	NM	(266)
Divested Wireless activities	792	319	(785)	(99.1)	—
Divested Home activities	502	219	(586)	(116.7)	—
	5,104	1,187	(2,643)	(51.8)	(268)

(*) For the year ended December 31, 2010 Manufacturing Operations supplied $1,235 million (2009: 1,087 million; 2008: $1,830 million) to other segments, which have been eliminated in the consolidated results.

NM Not meaningful

All amounts in millions of $ unless otherwise stated

Certain assets of the Company have been used jointly or managed at Corporate level. Arithmetical allocation of these assets to the various businesses is not deemed to be meaningful and as such total assets by segment has been omitted. Instead, inventories per segments are included.

	Segments				
	Inventories	Long-lived assets[1]	Total liabilities excl. debt	Gross capital expenditures	Depreciation property, plant and equipment[2]
2010					
HPMS	240	2,670	313	15	13
SP	136	828	127	15	35
Manufacturing Operations	137	1,055	748	209	220
Corporate and Other	—	396	599	19	91
Divested Home activities	—	—	—	—	—
	513	4,949	1,787	258	359
Discontinued operations			80		
			1,867		
2009					
HPMS	249	3,023	225	15	34
SP	91	973	121	18	49
Manufacturing Operations	181	1,156	920	49	321
Corporate and Other	1	454	893	9	81
Divested Home activities	—	—	2	1	—
	522	5,606	2,161	92	485
Discontinued operations			94		
			2,255		
2008					
HPMS	244	3,204	60	13	60
SP	114	1,043	13	35	77
Manufacturing Operations	156	1,641	663	269	449
Corporate and Other	22	354	1,840	18	52
Divested Wireless activities	—	—	—	16	13
Divested Home activities	55	172	2	5	11
	591	6,414	2,578	356	662
Discontinued operations			86		
			2,664		

(1) Long-lived assets include property, plant and equipment, goodwill and other intangible fixed assets.
(2) Excluding additional write down of property classified as held for sale (2010: $30 million; 2009: $5 million).

All amounts in millions of $ unless otherwise stated

	Goodwill assigned to segments					
	Carrying value at January 1, 2010	Acquisitions	Divestments	Impairment	Translation differences and other changes	Carrying value at December 31, 2010
HPMS	1,720	2	—	—	(86)	1,636
SP	330	—	—	—	(15)	315
Manufacturing Operations	319	—	—	—	7	326
Corporate and Other	23	—	—	—	(1)	22
Divested Home activities	—	—	—	—	—	—
	2,392	2	—	—	(95)	2,299

	Main countries			
	Total revenues	Property, plant and equipment	Gross capital expenditures	Depreciation property, plant and equipment
2010				
China	1,496	109	33	31
Netherlands	126	348	12	120
Taiwan	115	80	29	25
United States	337	20	4	4
Singapore	480	194	62	51
Germany	434	101	19	19
South Korea	202	—	—	—
Other countries	1,212	312	99	109
	4,402	1,164	258	359
2009				
China	1,106	110	7	34
Netherlands	108	465	21	144
Taiwan	120	70	5	20
United States	261	25	1	32
Singapore	411	185	9	82
Germany	303	166	18	75
South Korea	182	—	—	—
Other countries	1,028	307	31	98
	3,519	1,328	92	485
2008				
China	1,599	139	48	36
Netherlands	195	565	63	250
Taiwan	93	63	12	32
United States	354	66	11	22
Singapore	465	259	20	117
Germany	474	250	39	68
South Korea	490	—	—	—
Other countries	1,434	404	163	137
	5,104	1,746	356	662

5 Acquisitions and divestments

2010

On December 22, 2010, we announced that NuTune, a joint venture (55% shareholding) formed in June 2008 with Technicolor to combine NXP's and Technicolor's can tuner module operations, has been sold to affiliates of AIAC (American Industrial Acquisition Corporation). As a consequence, these divested operations (formerly included in the Company's Corporate and Other segment) were deconsolidated in our consolidated balance sheet as at December 31, 2010. The results of the divested business until the date of transaction, December 14, 2010, remain included in our consolidated statements of operations and cash flows for all years presented under the Corporate and Other segment.

On July 26, 2010, we acquired 100% ownership of Jennic Ltd., a leading developer of low power RF solutions for wireless applications in smart energy, environment, logistics and consumer markets, for a consideration of $8 million. As from the acquisition date it is consolidated within the segment HPMS.

On February 8, 2010, the Company completed the transaction to sell the digital television and set-top-box business with those of Trident Microsystems, Inc., a publicly listed US Company. As of December 31, 2009, NXP has separated its assets and liabilities designated to be transferred into the separate line items assets and liabilities held-for-sale. These assets and liabilities held-for-sale were measured at fair value less cost to sell and resulted in an impairment loss of $69 million recorded in 2009 (refer to note 14).

The total consideration related to the above transaction was a net cash payment of $54 million (of which $7 million was paid afterwards) and a receipt of a 60% shareholding in Trident valued at $177 million, based on quoted market price at transaction date and included in our balance sheet as “Investments in equity accounted investees”. The transaction closed on February 8, 2010 and resulted in a net loss of $26 million, reported under other income (expense) in the first quarter of 2010.

After the acquisition, our shareholding was diluted as a result of Trident's issuance of share capital. We now own 59% of the outstanding stock of Trident, with a 30% voting interest in participatory rights and a 59% voting interest for certain protective rights only. Considering the terms and conditions agreed between the parties, we account for our investment in Trident under the equity method.

As a result of retaining the 59% interest in Trident this transaction did not result in reporting the asset group as discontinued operations.

2009

On November 16, 2009, we completed our strategic alliance with Virage Logic Corporation (“Virage Logic”) and obtained approximately 9.8% of Virage Logic's outstanding common stock. This transaction included the transfer of our Advanced CMOS Semiconductor Horizontal IP Technology and Development Team in exchange for the rights to use Virage's IP and services. Virage Logic is a leading provider of both functional and physical semiconductor intellectual property (IP) for the design of complex integrated circuits. Shares of Virage Logic are listed on the NASDAQ Global Market in the United States. In September 2010 we sold all of the Virage shares we held.

In 2009 no acquisition transactions occurred.

2008

During 2008, the Company entered into a number of acquisitions. The more important business combinations in 2008 were the acquisitions of GloNav, Conexant's Broadband Media Processing business, and

All amounts in millions of $ unless otherwise stated

NuTune. All acquisitions, both individually and in the aggregate, were deemed immaterial in respect of the FASB ASC Topic 805 (formerly SFAS 141 (R)) disclosure requirements.

In January, 2008, NXP acquired GloNav Inc., a US-based fabless semiconductor company, adding GPS (Global Positioning Systems) to the connected entertainment portfolio. The assets acquired amounted to $2 million, the liabilities assumed amounted to $4 million. The purchase price was $87 million and was allocated to other intangible assets ($69 million) and goodwill ($20 million, net of deferred taxes).

As a result of the contribution of the wireless operations into the new joint venture ST-NXP Wireless, GloNav was part of this transaction and as such also included in this transfer of net assets on August 2, 2008.

On August 11, 2008, NXP completed its acquisition of the Broadband Media Processing (BMP) business of Conexant Systems, Inc. which provides industry-leading solutions for satellite, cable and IPTV applications. The assets acquired amounted to $22 million, the liabilities assumed amounted to $1 million. The purchase price (net of cash acquired) was $111 million and was allocated to Other intangible assets ($58 million) and Goodwill ($32 million). The revenues in the year of acquisition since the date of acquisition was $63 million.

NXP also has an additional consideration of up to $35 million based on the achievement of certain revenues milestones over the period from closing through 2009.

On September 1, 2008, NXP and Thomson combined their can tuner module operations in a joint venture, named NuTune. NXP has a 55% ownership and Thomson the remaining 45%.

The net assets acquired amounted to $20 million and resulted in a goodwill allocation of $16 million. The revenues in the year of acquisition since the date of acquisition was $31 million.

The most significant divestment in 2008 was the major part of the Company’s Mobile & Personal business segment.

On July 28, 2008, NXP and STMicroelectronics (STM) combined their wireless operations to form a new joint-venture company—ST-NXP Wireless—, in which NXP contributed business and assets forming a substantial portion of its Mobile & Personal business segment (excluding Sound Solutions, Mobile Infrastructure and amplifiers). STM owns a majority stake (80%) and NXP has a 20% ownership while receiving $1.55 billion from STM. The 20% investment in the combined wireless operations is accounted for by the equity method because the Company has significant influence. As a result of retaining this 20% investment and the ongoing significant cash flows, the divestment is not reported as a discontinued operation. The net assets divested amounted to $1,976 million, resulting in a loss on the transaction of $413 million, which has been reported under Other business income. In February 2009, STM exercised its option to buy the 20% ownership for an amount of $92 million.

6 Operating income (loss)

For information related to revenues and operating income on a business and geographical basis, see note 4, “Information by segment and main country”, of this Annual Report.

Revenues composition

	2008	2009	2010
Goods	5,081	3,513	4,394
Licenses	23	6	8
	5,104	3,519	4,402

All amounts in millions of $ unless otherwise stated

Salaries and wages

	2008	2009	2010
Salaries and wages	2,163	1,276	1,084
Pension and other postemployment costs	128	78	84
Other social security and similar charges:			
—Required by law	213	138	115
—Voluntary	13	13	11
	2,517	1,505	1,294

Salaries and wages in 2010 include $5 million (2009: $101 million; 2008: $449 million) relating to restructuring charges. Pension and other postemployment costs include the costs of pension benefits, other postretirement benefits, and postemployment benefits, including obligatory severance.

Depreciation and amortization

Depreciation and amortization, including impairment charges, are as follows:

	2008	2009	2010
Depreciation of property, plant and equipment	662	485	359
Write-down assets held for sale	—	5	30
Amortization of internal use software	40	26	14
Amortization and impairment of other intangibles and goodwill:			
—Amortization of other intangible assets	482	302	281
—Impairment of goodwill	430	—	—
—Impairment of other intangible assets	284	—	—
Impairment of assets held for sale	—	69	—
Write-off of in-process research and development	26	—	—
	1,924	887	684

Depreciation of property, plant and equipment in 2010 includes an additional write-off in connection with the retirement of property, plant and equipment amounting to $7 million (2009: $25 million; 2008: $4 million). Depreciation of property, plant and equipment resulting from the acquisition accounting amounting to $21 million (2009: $69 million; 2008: $151 million) is also included. Furthermore, depreciation of property, plant and equipment in 2010 includes $21 million relating to write-downs and impairment charges (2009: $67 million; 2008: $6 million). The 2010 write-downs related to additional depreciation of our ICN5 and ICN6 wafer fabs in Nijmegen, the Netherlands.

In 2009 a write-down of $5 million for real estate and other property has been recognized as a result of classifying certain tangible fixed assets as held-for-sale, following the effects of the Redesign Program upon which a number of activities were closed or are in the process of being closed. Reference is also made to note 14.

In 2009 impairment charges for assets held for sale ($69 million) are related to the Trident assets held for sale. Refer to note 14.

Included in the amortization of other intangible assets in 2010 is the amortization of other intangible assets resulting from acquisition accounting amounting to $281 million (2009: $302 million; 2008: $482 million).

Depreciation of property, plant and equipment and amortization of software are primarily included in cost of revenues. Amortization and impairment of intangible assets are reported in the General and Administrative expenses.

The Company periodically reviews the remaining useful lives and residual values of its long-lived assets and reviews annually the carrying value of its recorded goodwill.

In 2010 and 2009, no goodwill impairment was recognized.

Following the ongoing loss-making situation of the Company as a result of poor economic market circumstances, goodwill impairment tests were carried-out in the third quarter of 2008. As a result of these tests, an impairment was identified in our former segments Home and Corporate and Other. Simultaneously we have tested for impairment other intangible assets belonging to these segments. Following these tests a goodwill impairment charge of $430 million was recognized in 2008. Of this impairment an amount of $381 million related to our former segment Home and an amount of $49 million related to the segment Corporate and Other. The impairment test for other intangible assets resulted in an impairment loss of $284 million, which was fully attributable to the former Home segment.

Rent

Rent expenses amounted to $60 million in 2010 (2009: $63 million; 2008: $80 million).

Research and development expenses

Expenditures for research and development activities amounted to $568 million in 2010 (2009: $764 million; 2008: $1,187 million).

For information related to research and development expenses on a segment basis, refer to the separate section Information by segment and main country.

Write-off of acquired in-process research and development

In 2008, the write-off of acquired in-process research and development related to the acquisition of GloNav Inc. amounting to $12 million and Conexant Systems Inc. amounting to $14 million.

The full amounts have been written-off immediately because no alternative use was available and were charged to the statement of operations for 2008.

Selling expenses

Selling expenses incurred in 2010 totaled $265 million (2009: $271 million; 2008: $394 million). Included are shipping and handling costs of $1 million (2009: $1 million; 2008: $25 million).

The selling expenses mainly relate to the cost of the revenues and marketing organization. This mainly consists of account management, marketing, first and second line support, and order desk.

General and administrative expenses

General and administrative expenses include the costs related to management and staff departments in the corporate center, business segments and business lines, amounting to $701 million in 2010 (2009: $712 million; 2008: $1,103 million)

All amounts in millions of $ unless otherwise stated

Other income and expense

Other income and expense consists of the following:

	2008	2009	2010
Results on disposal of properties	4	9	8
Results on disposal of businesses	(374)	(23)	(37)
Remaining income (expense)	5	1	13
	(365)	(13)	(16)

In 2010, the result on disposal of properties mainly related to the sale of a building in Hamburg, Germany ($5 million), which was classified as assets held for sale. In 2009, the result on disposal of properties mainly related to the sale of equipment in Fishkill, USA ($5 million) and the sale of land in Laguna, Philippines ($3 million). In 2008, the result on disposal of properties included a gain of $8 million from the sale of buildings in Boeblingen Germany, a loss of $8 million related to the Crolles factory in France and various other sales of properties.

In 2010, the result on disposal of businesses mainly related to the divestment of Trident (loss $26 million) and the divestment of NuTune (loss $7 million). In 2009 the result on disposal of businesses related to various smaller items with regard to businesses sold in previous years. The result on disposal of businesses in 2008 includes a loss of $413 million related to the divestment of the major part of the former Mobile & Personal business segment. The net cash proceeds from this transaction were $1,433 million and in addition a 20% shareholding in ST-NXP Wireless J.V. was received with a fair value of $341 million, resulting in a total consideration of $1,774 million. In connection with these proceeds, net assets divested amounted $1,976 million and liabilities of $211 million were recognized, finally resulting in a loss on this transaction of $413 million.

At year-end 2008, the Company had recorded a non cash impairment charge of $249 million, as a result of the decline in fair value of the 20% shareholding in the ST-NXP Wireless J.V., which was recorded under Results relating to equity-accounted investees. Reference is also made to note 10.

Furthermore, in 2008 gains on disposals of R/F Mems activities ($15 million) and part of software activities ($14 million), and a merger gain on NuTune ($12 million) were included in results on disposal of businesses.

The remaining income consists of various smaller items for all periods reported.

7 Restructuring charges

The most significant projects for restructuring in 2010

There were no new restructuring projects in 2010. In 2010 the restructuring charges mainly related to the divestment of a major portion of our former Home business.

The most significant projects for restructuring in 2009

In 2009 the restructuring charges mainly related to the ongoing Redesign Program of the Company being:

- the closure of the “ICN 6” part of the facility in Nijmegen;
- effects of the transaction with Trident;
- the Fit for Future Program.

All amounts in millions of $ unless otherwise stated

The most significant projects for restructuring in 2008

In 2008, the restructuring charges mainly related to the Redesign Program of the Company, resulting in the planned closure or sale of:

- The “ICN5” part of the facility in Nijmegen, the Netherlands;
- The “ICH” fab of the Hamburg facility, Germany;
- The fab in Fishkill, in the USA;
- The factory in Caen, France.

Furthermore, a reduction in support functions at the Corporate Center is part of the Redesign Program as a consequence of the downsizing of the Company.

The following table presents the changes in the position of restructuring liabilities in 2010 by segment:

	Balance January 1, 2010	Additions	Utilized	Released	Other changes(1)	Balance December 31, 2010
HPMS	46	—	(5)	(15)	(2)	24
SP	5	—	(3)	(3)	2	1
Manufacturing Operations	144	—	(77)	(3)	(20)	44
Corporate and Other	96	3	(61)	(20)	10	28
Divested Home activities	22	4	(15)	1	(12)	—
	313	7	(161)	(40)	(22)	97

(1) Other changes primarily related to translation differences and reclassifications between segments

The total restructuring liability as of December 31, 2010 of $97 million is classified in the balance sheet under provisions for $87 million (short-term: $55 million; long-term: $32 million) and under accrued liabilities for $10 million.

The following table presents the changes in the position of restructuring liabilities in 2009 by segment:

	Balance January 1, 2009	Additions	Utilized	Released	Other changes (1)(2)	Balance December 31, 2009
HPMS	2	44	(4)	—	4	46
SP	—	7	(5)	—	3	5
Manufacturing Operations	276	22	(109)	(78)	33	144
Corporate and Other	208	20	(85)	(12)	(35)	96
Divested Wireless activities	1	—	(1)	—	—	—
Divested Home activities	11	19	(7)	(2)	1	22
	498	112	(211)	(92)	6	313

(1) Other changes primarily related to translation differences
(2) The provision for restructuring for the “ICN 5/8” facility in Nijmegen, amounting to $58 million at December 31, 2009, has been reclassified from Corporate and Other to Manufacturing Operations.

The total restructuring liability as of December 31, 2009 of $313 million is classified in the balance sheet under provisions for $300 million and under accrued liabilities for $13 million.

All amounts in millions of $ unless otherwise stated

The additions to the restructuring liabilities, less releases, in 2010, 2009 and 2008 by segment were as follows:

	2008	2009	2010
HPMS	8	44	(15)
SP	9	7	(3)
Manufacturing Operations	360	(56)	(3)
Corporate and Other	171	8	(17)
Divested Home activities	27	17	5
Divested Wireless activities	19	—	—
	594	20	(33)

The utilization of the restructuring liabilities mainly reflect the realization of the ongoing Redesign Program of the Company initiated in earlier years.

The 2010 additions to the restructuring liabilities of $7 million, charged to operating income, mainly related to the divestment of the major part of our former Home business. The previous year additions to the restructuring liabilities were mainly related to the ongoing Redesign Program of the Company, which was initiated in September 2008(2009: $112 million; 2008: $610 million).

Releases of restructuring liabilities were recorded for an amount of $40 million in 2010 (2009: $92 million; 2008: $16 million), primarily attributable to reduction to severance payment due to voluntary leavers and employees that were transferred to other position in NXP, who were originally expected to be laid off.

Although additional actions under the Redesign Program are being evaluated, uncertainty regarding the outlook for 2011 impedes our ability to forecast the scope and impact of potential actions.

The components of restructuring charges less releases recorded in the liabilities in 2010, 2009 and 2008 are as follows:

	2008	2009	2010
Personnel lay-off costs	449	101	5
Write-down of assets	36	4	2
Other restructuring costs	125	7	—
Release of excess provisions/accruals	(16)	(92)	(40)
Net restructuring charges	594	20	(33)

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

	2008	2009	2010
Cost of revenues	348	(46)	(14)
Selling expenses	19	11	(2)
General and administrative expenses	124	3	(8)
Research & development expenses	97	52	(9)
Other income and expenses	6	—	—
Net restructuring charges	594	20	(33)

In addition, restructuring related costs (excluding product transfers) amounting to $53 million were directly charged to operating income in 2010 (2009: $83 million; 2008: nil).

All amounts in millions of $ unless otherwise stated

The details by segment were as follows:

	2008	2009	2010
HPMS	—	9	—
SP	—	2	4
Manufacturing Operations	—	13	23
Corporate and Other	—	57	27
Divested Home activities	—	2	(1)
	—	83	53

On aggregate, restructuring charges less releases and restructuring related costs charged to operating income for 2010 amounted to $20 million (2009: $103 million; 2008: $594 million).

8 Financial income and expenses

	2008	2009	2010
Interest income	27	4	2
Interest expense	(502)	(363)	(320)
Total interest expense, net	(475)	(359)	(318)
Net gain on extinguishment of debt	—	1,020	57
Sale of securities and other financial assets	—	(4)	8
Foreign exchange rate results	(87)	39	(331)
Miscellaneous financing costs/income, net	(52)	(14)	(44)
Total other income and expense	(139)	1,041	(310)
Total	(614)	682	(628)

In 2010, interest expense, net, of $318 million (2009: $359 million; 2008: $475 million) was mainly related to the interest expense on the euro-denominated and U.S. dollar-denominated notes. The lower interest expense in 2010 resulted from the bond exchanges and repurchases completed in the third quarter and lower interest rates applicable to the Floating Rate Notes.

Furthermore in 2010, a net gain on extinguishment of debt of $57 million was recorded in connection with the various bond exchange and repurchase offers in 2010. In 2009, a gain on debt extinguishment of $1,020 million, net of a write-down of $25 million related to the capitalized initial bond issuing costs, was recorded in this respect. Refer to note 28.

Included in the sale of securities and other financial assets is the sale of Virage shares in 2010 (a gain of $7 million) and the sale of the DSPG shares in 2009, which resulted in a loss of $4 million.

In 2010 foreign exchange results amounted to a loss of $331 million (2009: a gain of $39 million; 2008: a loss of $87 million) and are composed of exchange rate fluctuations:

- related to the remeasurement of the U.S. dollar-denominated notes and short term loans, which reside in a EURO functional currency entity, a loss of $307 million (2009: a gain of $38 million; 2008: a loss of $230 million);
- related to intercompany financing a gain of $16 million (2009: a loss of $5 million; 2008: a loss of $46 million);
- related to the Company’s foreign currency cash and cash equivalents of a loss of $43 million (2009: a loss of $2 million; 2008: a gain of $163 million);

All amounts in millions of $ unless otherwise stated

- related to foreign currency contracts a gain of $2 million (2009: a gain of $2 million; 2008: a gain of $25 million);
- related to remaining items, a gain of $1 million in 2010 (2009: a gain of $6 million; 2008: a gain of $1 million).

Included in miscellaneous financing costs in 2010 is the amortization of capitalized fees (relating to the issuance of the EUR/U.S. dollar-denominated notes) amounting to $31 million (2009: $14 million; 2008: $14 million). Furthermore, in 2008 miscellaneous financing costs included an impairment charge of $25 million related to the DSPG shares, that were received in connection with the divestment of the Cordless and VoIP Terminals operations in 2007. Moreover, an impairment loss of $13 million was recorded in 2008 on the fair value of a put option that was received in connection with a partial sale of software activities.

9 Provision for income taxes

In 2010, NXP generated a loss before income taxes of $355 million (2009: $249 million). The components of loss before income taxes are as follows:

	2009	2010
Netherlands	81	(490)
Foreign	(330)	135
	(249)	(355)

The components of the provision for income taxes are as follows:

	2008	2009	2010
Netherlands:			
Current taxes	—	(18)	(12)
Deferred taxes	43	(58)	3
	43	(76)	(9)
Foreign:			
Current taxes	(120)	(11)	(40)
Deferred taxes	35	77	25
	(85)	66	(15)
Income tax benefit (expense)	(42)	(10)	(24)

All amounts in millions of $ unless otherwise stated

A reconciliation of the statutory income tax rate in the Netherlands as a percentage of income (loss) before income taxes and the effective income tax rate is as follows:

	2008	2009	2010
Statutory income tax in the Netherlands	25.5	25.5	25.5
Rate differential local statutory rates versus statutory rates of the Netherlands	(3.3)	(1.1)	1.6
Changes in the valuation allowance:			
New tax loss carryforwards, tax credits and temporary differences not expected to be realized	(15.0)	(19.5)	(16.7)
Prior year adjustments	(0.8)	6.9	(1.6)
Non-taxable income	—	0.5	0.7
Non-tax-deductible expenses/losses	(5.8)	(9.2)	(12.3)
Other taxes and tax rate changes	—	(1.8)	0.1
Withholding taxes	—	(7.9)	(4.1)
Unrecognized tax benefits	(0.5)	(0.2)	(2.5)
Tax incentives and other	(1.4)	2.8	2.5
Effective tax rate	(1.3)%	(4.0)%	(6.8)%

We currently benefit 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 income tax holiday of one of our subsidiaries is expected to expire at the end of 2016.

Deferred tax assets and liabilities

The principal components of deferred tax assets and liabilities are presented below:

	2009		2010	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	56	(379)	49	(317)
Property, plant and equipment	33	(18)	43	(47)
Inventories	9	—	1	—
Receivables	3	(7)	1	(2)
Other assets	4	(6)	2	—
Provisions:				
Pensions	47	(3)	37	(1)
Restructuring	90	—	20	—
Other	—	(17)	12	(5)
Long-term debt	24	(149)	2	(81)
Undistributed earnings of foreign subsidiaries	—	(23)	—	(24)
Other liabilities	14	(1)	20	(10)
Tax loss carryforwards (including tax credit carryforwards)	873	—	713	—
Total gross deferred tax assets (liabilities)	1,153	(603)	900	(487)
Net deferred tax position	550		413	
Valuation allowances	(628)		(482)	
Net deferred tax assets (liabilities)	(78)		(69)	

All amounts in millions of $ unless otherwise stated

The Company has significant deferred tax assets resulting from net operating loss carryforwards, tax credit carryforwards and deductible temporary differences that may reduce taxable income in future periods. Valuation allowances have been established for deferred tax assets based on a “more likely than not” threshold. The realization of our deferred tax assets depends on our ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction.

The following possible sources of taxable income have been considered when assessing the realization of our deferred tax assets:

- Future reversals of existing taxable temporary differences;
- Future taxable income exclusive of reversing temporary differences and carryforwards;
- Taxable income in prior carryback years; and
- Tax-planning strategies.

The increase in the total valuation allowance during 2008 and 2009 was $496 million and $120 million, respectively, while in 2010 the valuation allowance decreased by $146 million. Of this decrease, $135 million was offset by a corresponding decrease in the deferred tax assets for tax loss carryforwards.

At the moment that the Group’s operating performance improves on a sustained basis, our conclusion regarding the need for such valuation allowance could change.

Subsequently recognized tax benefits related to the valuation allowance for deferred tax assets as of December 31, 2010, will be allocated as follows: $475 million of income tax benefit that would be reported in the consolidated statement of comprehensive income, $7 million to additional paid-in capital.

After the recognition of the valuation allowance against deferred tax assets, a net deferred tax liability remains of $69 million at December 31, 2010 (2009: $78 million). This net deferred tax liability consists of certain taxable temporary differences reversing outside the tax loss carryforward periods, deferred tax liabilities recorded for profitable entities and of the deferred tax liabilities for withholding taxes on undistributed earnings of foreign subsidiaries.

At December 31, 2010 tax loss carryforwards of $2,803 million will expire as follows:

Total	2011	2012	2013	2014	2015	2016—2020	later	unlimited
2,803		3	16	16	327	1,482	114	845

The Company also has tax credit carryforwards of $69 million, which are available to offset future tax, if any, and which will expire as follows:

Total	2011	2012	2013	2014	2015	2016—2020	later	unlimited
69							10	59

All amounts in millions of $ unless otherwise stated

The classification of the deferred tax assets and liabilities in the Company's consolidated balance sheets is as follows:

	2009	2010
Deferred tax assets grouped under other current assets	67	9
Deferred tax assets grouped under other non-current assets	(10)	30
Deferred tax liabilities grouped under short-term provisions	(1)	(2)
Deferred tax liabilities grouped under long-term provisions	(134)	(106)
	(78)	(69)

The net income tax receivable (excluding the liability for unrecognized tax benefits) as of December 31, 2010 amounted to $5 million (2009: $21 million receivable) and includes amounts directly payable to or receivable from tax authorities.

As of December 31, 2008 the Group did not recognize a deferred income tax liability related to the undistributed earnings of foreign subsidiaries that were considered to be indefinitely reinvested. However as from 2009 the Group intends to repatriate these undistributed earnings of subsidiaries. Therefore these undistributed earnings are no longer indefinitely reinvested in the overseas jurisdictions. Consequently the Group has recognized a deferred income tax liability of $24 million at December 31, 2010 (2009: $23 million) for the additional taxes payable upon the future remittances of these earnings of foreign subsidiaries.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2008	2009	2010
Balance as of January 1,	35	50	52
Increases from tax positions taken during prior periods	14	5	10
Decreases from tax positions taken during prior periods	—	(1)	(7)
Increases from tax positions taken during current period	1	9	140
Decreases relating to settlements with the tax authorities	—	(11)	—
Balance as of December 31,	50	52	195

Of the total unrecognized tax benefits at December 31, 2010 $140 million, if recognized, would not impact the effective tax rate as this amount would be offset by compensating adjustments in the Company's deferred tax assets that would be subject to valuation allowance based on conditions existing at the reporting date. All other unrecognized tax benefits, if recognized, would affect the effective tax rate for each year disclosed above.

The Company classifies interest related to unrecognized tax benefits as financial expense and penalties as income tax expense. The total related interest and penalties recorded during the year 2010 amounted to $5 million (2009: $2 million; 2008: $2 million). As of December 31, 2010 the Company has recognized a liability for related interest and penalties of $11 million (2009: $6 million). It is reasonably possible that the total amount of unrecognized tax benefits may significantly increase/decrease within the next 12 months of the reporting date due to, for example, completion of tax examinations; however, an estimate of the range of reasonably possible change amount cannot be made other than for one jurisdiction where approximately $7 million of unrecognized tax benefits will decrease in the next 12 months as a result of settlement of tax examinations, although this is not expected to impact income tax expense or the effective tax rate.

Tax years that remain subject to examination by major tax jurisdictions (mainly related to the Netherlands, Germany, USA, China, Taiwan, Thailand and the Philippines) are 2006, 2007, 2008, 2009 and 2010.

All amounts in millions of $ unless otherwise stated

10 Investments in equity-accounted investees

Results relating to equity-accounted investees

	2008	2009	2010
Company's participation in income (loss)	(4)	—	(86)
Results on sale of shares	—	74	—
Investment impairment charges	(268)	—	—
Incidental results	4	—	—
	(268)	74	(86)

Company's participation in income (loss)

	2008	2009	2010
Trident	—	—	(94)
ASMC	2	1	4
Moversa	(3)	(2)	—
ASEN	3	—	4
Others	(6)	1	—
	(4)	—	(86)

Results on sale of shares

In 2009, the Company sold its 20% Shareholding in the ST-NXP Wireless joint venture at its carrying value, resulting in a release of translation differences, previously accounted for under shareholders equity, amounting to $72 million. Furthermore, Geotate shares were sold, resulting in a gain of $2 million.

Investment impairment charges

In 2008, the Company's investment in the ST-NXP Wireless joint-venture was tested for impairment. Effective February 2, 2009, STMicroelectronics exercised its option to buy NXP's 20% ownership in the ST-NXP Wireless joint-venture for an agreed purchase price of $92 million. As a result, a non-cash impairment loss of $249 million had to be recorded. In determining the impairment loss, the fair value of our investment was based on level 3 measures. The level 3 measure has been derived from the execution of STMicroelectronics' call option on our investment.

Due to an other-than-temporary decline of the fair value of the shareholding in ASMC, the Company recorded impairment losses in 2008 of $19 million.

Investments in and loans to equity-accounted investees

The changes in 2010 are as follows:

	Investments
Balance as of January 1	43
Changes:	
Acquisitions/additions	177
Share in income (loss)	(86)
Translation and exchange rate differences	(2)
Balance as of December 31	132

All amounts in millions of $ unless otherwise stated

There were no loans granted to equity-accounted investees.

Acquisitions is entirely due to the acquisition of and initial 60% shareholding (with 30% voting interest in participatory rights and a 60% voting interest for certain protective rights only) in Trident Microsystems, Inc. resulting from the sale of our television systems and set-top box business lines. Considering the terms and conditions agreed between the parties, we account for our investment in Trident under the equity method.

The total carrying value of investments in equity-accounted investees is summarized as follows:

	2009		2010	
	Shareholding %	Amount	Shareholding %	Amount
Trident	—	—	59	82
ASMC	27	7	27	10
ASEN	40	36	40	40
		43		132

The fair value of NXP's shareholding in the publicly listed companies Trident and ASMC based on quoted market prices at December 31, 2010 is $185 million and $39 million, respectively.

Investments in equity-accounted investees are included in the segment Corporate and Other.

Summarized information of equity-accounted investees

Summarized financial information on the Company's investments in equity-accounted investees, on a combined basis, is presented below:

	2010
Revenues	745
Income (loss) before taxes	(107)
Provision for income taxes	(3)
Net income (loss)	(110)
Total share in net income (loss) of equity-accounted investees recognized in the consolidated statements of operations	(86)

	December 31, 2010
Current assets	373
Non-current assets	292
	665
Current liabilities	(243)
Non-current liabilities	(33)
Net asset value	389
Investments in equity-accounted investees included in the consolidated balance sheet	132

11 Non-controlling interests

The share of non-controlling interests in the results of the Company amounted to a profit of $50 million in 2010 (2009: profit of $14 million; 2008: profit of $26 million).

As of December 31, 2010, non-controlling interests totaled $233 million (2009: $198 million).

Non-controlling interests predominantly relate to the shareholding in SSMC.

12 Earnings per share

The Company amended its Articles of Association on August 2, 2010 in order to effect a 1-for-20 reverse stock split, decreasing the outstanding common shares from approximately 4.3 billion to approximately 215 million, and increased the nominal value of the common shares from €0.01 per share to €0.20 per share. In all prior periods presented, basic and diluted weighted average shares outstanding have been calculated to reflect the 1-for-20 reverse stock split.

The earnings per share (EPS) data have been calculated as follows:

	2008	2009	2010
Income (loss) from continuing operations	(3,567)	(185)	(465)
Income (loss) from discontinued operations	36	32	59
Net income (loss)	(3,531)	(153)	(406)
Weighted average number of shares (in thousands)	180,210	215,252	229,280
Plus incremental shares from assumed conversion of:			
Options, Restricted Share Units and Performance Share Units(1)	—	—	—
Equity rights(2)	—	—	—
Dilutive potential common shares	—	—	—
Adjusted weighted average number of shares (in thousands)	180,210	215,252	229,280
Basic/diluted earnings per share in $:			
Income (loss) from continuing operations	(19,79)	(0.86)	(2.03)
Income (loss) from discontinued operations	0.20	0.15	0.26
Net income (loss)	(19,59)	(0.71)	(1.77)

On February 29, 2008, through a multi-step transaction, the nominal value of the common shares was decreased from EUR 1 to EUR 0.01 and all preference shares were converted into common shares, resulting in an increase of outstanding common shares from 100 million into 4.3 billion.

1) In 2010, 1,656,179 securities (2009: 1,205,416 securities) that could potentially dilute basic EPS were not included in the computation of dilutive EPS because the effect would have been antidilutive for the period presented.

2) In 2010, 403,147 securities (2009: 603,018 securities) that could potentially dilute basic EPS were not included in the computation of dilutive EPS because the effect would have been antidilutive for the period presented.

In 2008, no stock options or equity rights could be considered as potential common share for the calculation of diluted earnings per share, because they had an exercise prices higher than the fair value.

All amounts in millions of $ unless otherwise stated

13 Receivables

Accounts receivable are summarized as follows:

	2009	2010
Accounts receivable from third parties	397	383
Accounts receivable from equity-accounted investees	—	19
Less: allowance for doubtful accounts	(4)	(6)
	393	396

Income taxes receivable current portion totaling $10 million (2009: $26 million) are included under other receivables.

The changes in allowances for doubtful accounts are as follows:

	2008	2009	2010
Balance as of January 1,	3	2	4
Additions charged to income	—	6	2
Deductions from allowance(1)	(1)	(2)	—
Other movements(2)	—	(2)	—
Balance end of period	2	4	6

(1) Write-offs for which an allowance was previously provided
(2) Included the effect of translation differences and consolidation changes

14 Assets and liabilities held for sale

The following table presents the major classes of assets and liabilities classified as held for sale in the consolidated balance sheets as at December 31, 2009 and 2010 related to the former business segment Home (digital television and set-top-boxes) that was sold to Trident Microsystems Inc. effective on February 8, 2010 onwards.

	2009	2010
Inventories	42	39
Property, plant and equipment	11	—
Intangible assets including goodwill	149	—
Impairment to fair value less cost to sell	(69)	—
Assets held for sale	133	39
Other liabilities	(2)	(21)
Liabilities held for sale	(2)	(21)

These assets held for sale as of December 31, 2009 were reported net of impairment charges of $69 million. The fair value, less cost to sell these assets, was a level 2 measurement based on the quoted market prices of the Trident publicly traded shares as adjusted for costs to sell the assets.

The total consideration of the above transaction was a net cash payment of $54 million (of which $7 million was paid afterwards) and the receipt of a 60% shareholding in Trident valued at $177 million under equity accounted investees. All assets and liabilities were transferred to Trident, except inventories ($39 million) which will be delivered gradually during 2011 and for which a liability was recorded for an amount of $21 million in promissory notes. The transaction resulted in a net loss of $26 million, reported under “Other income and expense”.

All amounts in millions of $ unless otherwise stated

In addition to the assets and liabilities classified as held for sale as presented in the table above, which related to the former Home segment sold to Trident, other assets held for sale on December 31, 2010 amounted to a book value of $9 million, after an additional write-down of $30 million (as of the end of 2009, $11 million net of a write-down of $5 million). These assets held for sale related to real estate and other property that is held for sale following exits or planned exits as a result of the Redesign Program. The fair value of these assets classified as held for sale has been based on quoted broker values and is therefore a level 2 measurement.

Total assets held for sale at December 31, 2010 were $48 million (as of end of 2009: $144 million) whereas the liabilities amounted to $21 million at the end of December 2010 (as of end of 2009: $2 million).

15 Inventories

Inventories are summarized as follows:

	2009	2010
Raw materials and supplies	304	313
Work in process	141	116
Finished goods	77	84
	522	513

A portion of the finished goods stored at customer locations under consignment amounted to $19 million as of December 31, 2010 (2009: $23 million).

The amounts recorded above are net of an allowance for obsolescence.

The changes in the allowance for obsolescence are as follows:

	2008	2009	2010
Balance as of January 1	86	83	107
Additions charged to income	76	67	44
Deductions from allowance	(48)	(33)	(35)
Other movements[1]	(31)	(10)	(30)
Balance as of December 31	83	107	86

1) Included the effect of translation differences and acquisition and divestments (referred to as consolidation changes).

16 Other current assets

Other current assets are summarized as follows:

	2009	2010
Deferred taxes	67	9
Derivative instrument assets	2	4
Capitalized unamortized fees related to the issuance of notes	9	12
Prepayments related to Electronics Design Applications (EDA) contracts	34	1
Other prepaid expenses	158	103
	270	129

All amounts in millions of $ unless otherwise stated

17 Other non-current financial assets

The changes during 2010 are as follows:

Balance as of January 1	35
Changes:	
Acquisitions/additions	3
Sales/repayments	(21)
Value adjustments	3
Translation and exchange differences	(1)
Balance as of December 31	19

Sales/repayments mainly relate to the sale of shares and options of the strategic alliance with Virage Logic Corporation.

The balance as of December 31 mainly consist of blocked liquid assets of $9 million and guarantee deposits of $6 million.

18 Other non-current assets

Other non-current assets are summarized as follows:

	2009	2010
Prepaid pension costs	28	22
Deferred taxes	(10)	30
Capitalized unamortized fees related to the issuance of notes	57	50
Capitalized unamortized fees related to the revolving credit facility	—	10
Other	10	23
	85	135

The term of amortization of capitalized fees related to the issuance cost of notes and revolving credit facility is on average 5 years.

All amounts in millions of $ unless otherwise stated

19 Property, plant and equipment

Property, plant and equipment consisted of:

	Total	Land and buildings	Machinery and installations	Other equipment	Prepayments and construction in progress	No longer productively employed
Balance as of January 1, 2010:						
Cost	2,301	708	1,374	204	10	5
Accumulated depreciation	(973)	(89)	(759)	(120)	—	(5)
Book value	1,328	619	615	84	10	—
Changes in book value:						
Reclassifications	51	—	26	25	—	—
Capital expenditures	258	—	—	—	258	—
Transfer assets put into use	—	14	166	21	(201)	—
Retirements and sales	(35)	(27)	(5)	(3)	—	—
Depreciation	(331)	(53)	(246)	(32)	—	—
Write-downs and impairments	(21)	(14)	(3)	(4)	—	—
Transfer to assets held for sales	(33)	(33)	—	—	—	—
Consolidation changes	(10)	—	(8)	(2)	—	—
Translation differences	(43)	(20)	(14)	(6)	(3)	—
Total changes	(164)	(133)	(84)	(1)	54	—
Balance as of December 31, 2010:						
Cost	2,139	616	1,268	191	64	—
Accumulated depreciation	(975)	(130)	(737)	(108)	—	—
Book value	1,164	486	531	83	64	—

Reclassification represent capital lease equipment from Nijmegen (Netherlands) and Philippines.

Land with a book value of $79 million (2009: $120 million) is not depreciated.

The expected service lives as of December 31, 2010 were as follows:

Buildings	from 9 to 50 years
Machinery and installations	from 2 to 7 years
Other equipment	from 3 to 6 years

There was no significant construction in progress and therefore no related capitalized interest.

All amounts in millions of $ unless otherwise stated

20 Intangible assets excluding goodwill

The changes in 2010 were as follows:

	Total	Other intangible assets	Software
Balance as of January 1, 2010:			
Cost	3,202	3,074	128
Accumulated amortization	(1,316)	(1,229)	(87)
Book value	1,886	1,845	41
Changes in book value:			
Acquisitions/additions	15	9	6
Divestments	(6)	(2)	(4)
Amortization	(295)	(281)	(14)
Translation differences and other	(114)	(99)	(15)
Total changes	(400)	(373)	(27)
Balance as of December 31, 2010:			
Cost	2,928	2,869	59
Accumulated amortization	(1,442)	(1,397)	(45)
Book value	1,486	1,472	14

Other intangible assets in 2010 consist of:

	January 1, 2010		December 31, 2010	
	Gross	Accumulated amortization	Gross	Accumulated amortization
Marketing-related	84	(58)	75	(72)
Customer-related	482	(132)	454	(149)
Technology-based	2,508	(1,039)	2,340	(1,176)
	3,074	(1,229)	2,869	(1,397)

The estimated amortization expense for these other intangible assets for each of the five succeeding years is:

2011	255
2012	255
2013	232
2014	155
2015	132

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

The expected weighted average remaining life of other intangibles is 4 years as of December 31, 2010.

All amounts in millions of $ unless otherwise stated

The estimated amortization expense for software as of December 31, 2010 for each of the five succeeding years is:

2011	8
2012	4
2013	2
2014	—
2015	—

The expected weighted average remaining lifetime of software is 1 year as of December 31, 2010.

21 Goodwill

The changes in goodwill in 2009 and 2010 were as follows:

	2009	2010
Balances as of January 1,	2,436	2,392
Changes in book value:		
Adjustments	(31)	28
Acquisitions	—	2
Divestments	(4)	—
Transfer to assets held for sale	(72)	—
Translation differences	63	(123)
Total changes	(44)	(93)
Balances as of December 31,	2,392	2,299

Acquisition in 2010 related to the goodwill paid in connection with the acquisition of Jennic.

As a result of various additional settlements related to acquisitions from previous years, goodwill originally assigned from these acquisitions was adjusted in 2010 and 2009 and is reflected under ‘adjustments’, which are predominantly related to deferred tax effects with regard to purchase price accounting from the “Formation”.

The 2010 annual impairment test confirmed that the Company’s reporting units’ fair value substantially exceeded its carrying value. The Company concluded that in 2010 and 2009 there were no impairment charges.

In the bookvalue of goodwill as of December 31, 2010, an amount of $375 million (2009: $404 million) was included as the cumulative effect of impairments. The difference between the accumulated impairment amount and the charges recorded in the statement of operations is related to translation differences.

Refer to note 5 for acquisitions and divestments. Refer to note 4, Information by segment and main country, for a specification of goodwill by segment.

All amounts in millions of $ unless otherwise stated

22 Accrued liabilities

Accrued liabilities are summarized as follows:

	2009	2010
Personnel-related costs:		
—Salaries and wages	170	142
—Accrued vacation entitlements	43	40
—Other personnel-related costs	20	14
Utilities, rent and other	21	16
Income tax payable (refer to note 9)	5	5
Communication & IT costs (including accruals related to EDA contracts)	77	41
Distribution costs	10	7
Sales-related costs	33	8
Purchase-related costs	25	17
Interest accruals	68	92
Derivative instruments—liabilities (refer to note 38)	9	6
Liabilities for restructuring costs (refer to note 7)	13	10
Liabilities from contractual obligations	18	—
Accrual for deferred income from divestments	92	—
Other accrued liabilities	62	63
	666	461

Various accruals for deferred income from divestments from previous years (2009: $92 million) have been reclassified to other provisions.

23 Provisions

Provisions are summarized as follows:

	2009		2010	
	Long-term	Short-term	Long-term	Short-term
Pensions for defined-benefit plans (refer to note 24)	135	7	143	8
Other postretirement benefits (refer to note 25)	9	—	6	1
Postemployment benefits and obligatory severance payments (refer to note 7)	43	257	32	55
Deferred tax liabilities (refer to note 9)	134	1	106	2
Liability for unrecognized tax benefits (refer to note 9)	59	—	62	9
Other provisions	43	3	66	20
Total	423	268	415	95

All amounts in millions of $ unless otherwise stated

The changes in total provisions excluding deferred tax liabilities and liabilities for uncertain tax positions liabilities are as follows:

	2008	2009	2010
Beginning balance	222	629	497
Changes:			
Additions	439	108	83
Utilizations	(35)	(166)	(175)
Releases	(19)	(76)	(56)
Translation differences	22	2	(17)
Changes in consolidation	—	—	(2)
Ending balance	629	497	330

Postemployment benefits and obligatory severance payments

The provision for postemployment benefits covers benefits provided to former or inactive employees after employment but before retirement, including salary continuation, supplemental unemployment benefits and disability-related benefits.

The provision for severance payments covers the Company's commitment to pay employees a lump sum upon the employee's dismissal or resignation. In the event that a former employee has passed away, in certain circumstances the Company pays a lump sum to the deceased employee's relatives.

Product warranty

The provision for product warranty reflects the estimated costs of replacement and free-of-charge services that will be incurred by the Company with respect to products sold. The changes in the provision for product warranty are as follows:

	2008	2009	2010
Beginning balance	3	—	—
Changes:			
Additions	—	—	—
Utilizations	(1)	—	—
Releases	(2)	—	—
Translation differences	—	—	—
Changes in consolidation	—	—	—
Ending balance	—	—	—

Loss contingencies (environmental remediation and product liability)

The Company did not incur any expected losses with respect to environmental remediation and product liability obligations.

Other provisions

Other provisions include provisions for employee jubilee funds totaling $23 million as of December 31, 2010 (2009: $27 million).

24 Pensions

Our employees participate in employee pension plans in accordance with the legal requirements, customs and the local situation in the respective countries. These are defined-benefit pension plans, defined-contribution plans and multi-employer plans.

The benefits provided by defined-benefit plans are based on employees' years of service and compensation levels. Contributions are made by the Company, as necessary, to provide assets sufficient to meet the benefits payable to defined-benefit pension plan participants.

These contributions are determined based upon various factors, including funded status, legal and tax considerations as well as local customs. The Company funds certain defined-benefit pension plans as claims are incurred.

The amount included in the statement of operations for the year 2010 was $83 million (2009: $77 million; 2008: $125 million) of which $63 million (2009: $57 million; 2008: $110 million) represents defined-contribution plans and similar plans.

The total cost of defined-benefit plans amounted to $20 million in 2010 (2009: $20 million; 2008: income $15 million) consisting of $20 million ongoing cost (2009: $24 million; 2008: $24 million) and nil from special events resulting from redesign, curtailments and settlements.

The Company currently expects contributions to pension plans which are estimated to amount to $73 million in 2011, consisting of $3 million employer contributions to defined-benefit pension plans, $62 million employer contributions to defined-contribution pension plans and multi-employer plans, and $8 million expected cash outflows in relation to unfunded pension plans.

The expected cash outflows in 2011 and subsequent years are uncertain and may change substantially as a consequence of statutory funding requirements as well as changes in actual versus currently assumed discount rates, estimations of compensation increases and returns on pension plan assets.

All amounts in millions of $ unless otherwise stated

The table below provides a summary of the changes in the pension benefit obligations and defined-benefit pension plan assets for 2010 and 2009, with respect to the Company's dedicated plans, and a reconciliation of the funded status of these plans to the amounts recognized in the consolidated balance sheets.

	2009	2010
Projected benefit obligation		
Projected benefit obligation at beginning of year	322	326
Additions	—	—
Service cost	15	12
Interest cost	14	15
Actuarial (gains) and losses	(8)	21
Curtailments and settlements	(5)	(4)
Plan amendments	—	—
Employee contributions	—	—
Benefits paid	(21)	(20)
Exchange rate differences	9	(3)
Projected benefit obligation at end of year	326	347
Plan assets		
Fair value of plan assets at beginning of year	137	152
Additions	—	—
Actual return on plan assets	11	8
Employer contributions	23	17
Employee contributions	—	—
Curtailments and settlements	(1)	(3)
Benefits paid	(22)	(20)
Exchange rate differences	4	(6)
Fair value of plan assets at end of year	152	148
Funded status	(174)	(199)
Classification of the funded status is as follows		
—Prepaid pension cost under other non-current assets	28	22
—Accrued pension cost under other non-current liabilities	(60)	(70)
—Provisions for pensions under provisions	(142)	(151)
Total	(174)	(199)
Amounts recognized in accumulated other comprehensive income (before tax)		
AOCI at beginning of year	(32)	(44)
—Net actuarial loss (gain)	(11)	21
—Prior service cost (credit)	—	—
—Exchange rate differences	(1)	2
AOCI at end of year	(44)	(21)

The weighted average assumptions used to calculate the projected benefit obligations were as follows:

	2009	2010
Discount rate	4.8%	4.3%
Rate of compensation increase	3.0%	3.1%

All amounts in millions of $ unless otherwise stated

The weighted average assumptions used to calculate the net periodic pension cost were as follows:

	2008	2009	2010
Discount rate	5.0%	4.6%	4.8%
Expected returns on plan assets	4.7%	4.3%	4.3%
Rate of compensation increase	3.8%	3.1%	3.0%

For the Company's major plans, the discount rate used is based on high quality corporate bonds (iBoxx Corporate Euro AA 10+).

Plans in countries without a deep corporate bond market use a discount rate based on the local sovereign rate and the plans maturity (Bloomberg Government Bond Yields).

Expected returns per asset class are based on the assumption that asset valuations tend to return to their respective long-term equilibria. The Expected Return on Assets for any funded plan equals the average of the expected returns per asset class weighted by their portfolio weights in accordance with the fund's strategic asset allocation.

The components of net periodic pension costs were as follows:

	2008	2009	2010
Service cost	20	15	12
Interest cost on the projected benefit obligation	18	14	15
Expected return on plan assets	(9)	(6)	(6)
Net amortization of unrecognized net assets/liabilities	—	—	—
Net actuarial loss recognized	(6)	(2)	(1)
Curtailments & settlements	(11)	(4)	(1)
Other	3	3	1
Net periodic cost	15	20	20

The Company expects to make cash contributions other than benefit payments in relation to defined-benefit plans amounting to $3 million in 2011.

A sensitivity analysis shows that if the discount rate increases by 1% from the level of December 31, 2010, with all other variables held constant, the net periodic pension cost would increase by $2 million. If the discount rate decreases by 1% from the level of December 31, 2010, with all other variables held constant, the net periodic pension cost would decrease by $1 million.

The estimated net actuarial loss (gain) and prior service cost that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year (2011) are nil and nil, respectively.

Estimated future pension benefit payments

The following benefit payments are expected to be made (including those for funded plans):

2011	14
2012	18
2013	14
2014	13
2015	14
Years 2016-2020	83

All amounts in millions of $ unless otherwise stated

	2009	2010
Accumulated benefit obligation for all Company-dedicated benefit pension plans	285	300

Plan assets

The actual and targeted pension plan asset allocation at December 31, 2009 and 2010 is as follows:

	2009	2010
Asset category:		
Equity securities	13%	17%
Debt securities	60%	57%
Insurance contracts	13%	8%
Other	14%	18%
	100%	100%

The investment objectives for the pension plan assets are designed to generate returns that, along with the future contributions, will enable the pension plans to meet their future obligations. From total assets of $148 million, the German and Swiss pension fund represent $126 million. From this $126 million 29% is categorized as a Level 1 measurement, 70% as a Level 2 measurement and 1% as a Level 3 measurement. From the remaining assets of $22 million an amount of $11 million relates to assets held by insurance companies.

25 Postretirement benefits other than pensions

In addition to providing pension benefits, the Company provides other postretirement benefits, primarily retiree healthcare benefits in the USA accounted for as defined-benefit plans. The Company funds these other postretirement benefit plans as claims are incurred.

The amounts included in the consolidated statements of operations for 2010 are an expense of $1 million (2009: $1 million; 2008: $3 million).

The accumulated postretirement benefit obligation at the end of 2010 equals $7 million (2009: $9 million).

26 Other current liabilities

Other current liabilities are summarized as follows:

	2009	2010
Other taxes including social security premiums	26	26
Amounts payable under pension plans	33	22
Other short-term liabilities	28	47
Total	87	95

27 Short-term debt

	2009	2010
Revolving credit facility	600	400
Other short-term bank borrowings	10	18
Current portion of long-term debt	—	5
Total	610	423

All amounts in millions of $ unless otherwise stated

The weighted average interest rate under the Secured Revolving Credit Facility was 3.2% and 3.5% for the years ended December 31, 2010 and 2009, respectively.

We have a Secured Revolving Credit Facility of $669 million at December 31, 2010 based on exchange rates on that date, $720 million at December 31, 2009 based on exchange rates on that date, which we entered into on September 29, 2006 in order to finance our working capital requirements and general corporate purposes. At December 31, 2010, we had remaining borrowing capacity of an additional $258 million under that facility. Although the Secured Revolving Credit Facility expires in 2012, we have the flexibility of drawing and repaying under this facility on a short-term basis, the amounts drawn are classified as short-term debt.

On May 10, 2010, we entered into a €458 million Forward Start Revolving Credit Facility, which becomes available, subject to specified conditions, on September 28, 2012, and matures on September 28, 2015, to replace our existing Secured Revolving Credit Facility. The conditions to utilization of the Forward Start Revolving Credit Facility include specified closing conditions, as well as conditions (i) that our consolidated net debt does not exceed $3,750 million as of June 30, 2012 (and if it exceeds $3,250 million on such date, the commitments under the Forward Start Revolving Credit Facility will be reduced by 50%), and (ii) that we issue on or before September 28, 2012, securities with gross proceeds of $500 million, having a maturity at least 180 days after the maturity of the Forward Start Revolving Credit Facility, the proceeds of which are to be used to refinance debt (other than debt under the Secured Revolving Credit Facility) that matures before the maturity of the Forward Start Revolving Credit Facility.

In 2010 we borrowed locally $18 million in China for one of our subsidiaries in order to repay the entrusted loan to Sound Solutions Beijing. The latter company is now classified as a discontinued operation resulting from the intended sale of our Sound Solutions business to Knowles Electronics, an affiliate of Dover Corporation.

28 Long-term debt

	Range of interest rates	Average rate of interest	Amount outstanding 2010	Due in 2011	Due after 2011	Due after 2015	Average remaining term (in years)	Amount outstanding December 31, 2009
EUR notes	3.7%-10.0%	5.2%	1,193	—	1,193	—	3.3	1,666
USD notes	3.0%-10.0%	7.7%	2,911	—	2,911	1,000	4.9	3,000
Bank borrowings	2.0%-2.5%	2.0%	2	—	2	—	4.0	—
Liabilities arising from capital lease transactions	2.6%-13.3%	5.4%	24	5	19	1	2.8	4
Other long-term debt	1.0%-1.2%	1.1%	3	—	3	2	4.1	3
		7.0%	4,133	5	4,128	1,003	4.4	4,673
Corresponding data previous year		6.0%	4,673	—	4,673	1,218	4.5	

All amounts in millions of $ unless otherwise stated

The following amounts of long-term debt at book value as of December 31, 2010 are due in the next 5 years:

2011	5
2012	10
2013	1,828*
2014	365
2015	922
Due after 5 years	1,003
	4,133
Corresponding amount previous year	4,673

* the expected cash outflow in 2013 is $1,882 million

Related to the Formation, NXP issued on October 12, 2006 several series of notes with maturities ranging from 7 to 9 years with a mix of floating and fixed rates. Several series are denominated in US dollar and several series are euro denominated. The euro and US dollar notes represent 29% and 71% respectively of the total principal amount of the notes outstanding. The series with tenors of 7 and 8 years are secured as described hereafter the two series with a tenor of 9 years are unsecured. On June 19, 2007, the Company concluded an exchange offer for these notes in which investors could exchange their existing notes for identical notes registered under the U.S. Securities Act.

Debt exchange and repurchase

At December 31, 2010, the total long-term debt has been reduced to $4,128 million from $4,673 million at the beginning of the year and $5,964 million at the beginning of 2009.

In 2010, our long-term debt level reduced by $545 million. We were able to buy back $1,440 million of our outstanding debt for a cash consideration of $1,383 million. This was financed by cash from operations and our offer of $1,000 million senior secured notes due 2018 (the bank fees related to this new issuance of $28 million were capitalized) and $448 million of net proceeds from the completion of an IPO.

In 2009 the long-term debt level was reduced mainly by $1,331 million related to the several private and open market transactions detailed below. These transactions were executed during the second and third quarter of the year.

In the second quarter of 2009 we reduced our overall debt level by $517 million through a private offer to exchange existing unsecured and secured notes for new U.S. dollar and Euro-denominated super priority notes. This transaction resulted in a reduction of $595 million of our outstanding long-term existing debt offset by the issuance of new super priority notes of $78 million at par value and a write off of debt issuance cost of $10 million. New debt issuance costs of $12 million were capitalized in conjunction with the issuance of the new super priority notes.

We recognized a net gain on this transaction of $507 million. The super priority notes issued are recorded in the balance sheet at a $50 million discount, which is subject to accretion to par value over the term of these notes using the effective interest method. The super priority notes are initially measured at fair value based upon the public trading prices of the existing notes exchanged immediately prior to the launch of the debt exchange (level 2 measurement).

In the third quarter of 2009, our overall debt level further reduced by $814 million. This is the result of our offer to purchase unsecured and secured notes for cash, a privately negotiated transaction to purchase secured notes for cash, and a privately negotiated transaction in which a purchase of secured notes for cash is combined with a purchase of unsecured notes against issuance of new super priority notes. This transaction included a reduction of $916 million of our outstanding long-term existing debt offset by the issuance of new super priority notes of $102 million at par value, a cash expense of $286 million and a write off of debt issuance cost of $15 million. New debt issuance costs of $3 million were capitalized in conjunction with the issuance of the new super priority notes. On these transactions we recognized a net gain of $513 million. The super priority notes issued are recorded in the balance sheet at a $29 million discount, which is subject to accretion to par value over the term of these notes using the effective interest method. The super priority notes are initially measured at fair value based upon the public trading prices of the existing notes exchanged immediately prior to the launch of the debt exchange (level 2 measurement).

The Company may from time to time continue to seek to retire or purchase its outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise.

Other effects on the total long-term debt position relate to the translation of euro-denominated notes outstanding.

Euro notes

The Euro notes outstanding per the end of December 2010 consist of the following three series:

- a €29 million aggregate principal amount of 10% super priority notes due 2013.
- a €637 million aggregate principal amount of floating rate senior secured notes due 2013 with an interest rate of three-month EURIBOR plus 2.75%, except that the interest rate for the period beginning on the date these notes were offered, October 12, 2006 through January 14, 2007 was 6.214%; and
- a €235 million aggregate principal amount of 8.625% senior notes due 2015; and

U.S. dollar-denominated notes

The U.S. dollar-denominated notes consist of the following four series:

- a $221 million aggregate principal amount of 10% super priority notes due 2013.
- a $766 million aggregate principal amount of floating rate senior secured notes due 2013 with an interest rate of three-month LIBOR plus 2.75%, except that the interest rate for the period beginning on the date these notes were offered, October 12, 2006 through January 14, 2007 was 8.118%; and
- a $362 million aggregate principal amount of 7.875% senior secured notes due 2014; and
- a $606 million aggregate principal amount of 9.5% senior notes due 2015; and
- a $1,000 million aggregate principal amount of 9.75% senior secured notes due 2018.

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

The Company is not required to make mandatory redemption payments or sinking fund payments with respect to the notes.

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.

Certain portions of long-term and short-term debt as of December 31, 2010 in the principal amount of $3,639 million (2009: $4,123 million) have been secured by collateral on substantially all of the Company's assets and of certain of its subsidiaries.

The 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 secured notes and the $669 million (denominated €500 million) committed 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.

All amounts in millions of $ unless otherwise stated

29 Other non-current liabilities

Other non-current liabilities are summarized as follows:

	2009	2010
Accrued pension costs	60	70
Asset retirement obligations	12	12
Liabilities related to EDA contracts	34	11
Other	53	14
	159	107

30 Contractual obligations

For an explanation of long-term debt and other long-term liabilities, see note 28 and 29.

Property, plant and equipment includes $24 million as of December 31, 2010 (2009: $4 million) for capital leases and other beneficial rights of use, such as building rights and hire purchase agreements. The financial obligations arising from these contractual agreements are reflected in long-term debt.

Operating leases

Long-term operating lease commitments totaled $150 million as of December 31, 2010 (2009: $195 million). The long-term operating leases are mainly related to the rental of buildings. These leases expire at various dates during the next 30 years.

Operating lease payments for 2010 totaled $37 million (2009: $37 million; 2008: $37 million).

The future payments that fall due in connection with these obligations are as follows:

2011	27
2012	23
2013	20
2014	18
2015	18
Later	44
Total	150

31 Contingent liabilities

Guarantees

At the end of 2010 there were no material guarantees recognized by the Company.

Capital contributions

The Company has a contractual agreement to contribute $18 million in its ASEN venture if our venture partner also contributes its contractually agreed amounts; the contribution may occur in the near future.

Other commitments

The Company has made certain commitments to SSMC, whereby the Company is obligated to make cash payments to SSMC should it fail to purchase an agreed-upon percentage of the total available capacity at SSMC's fabrication facilities if overall SSMC utilization levels drop below a fixed proportion of the total available capacity. In the periods presented in these financial statements no such payments were made. Furthermore, other commitments exist with respect to long-term obligations for a joint development contract with Catena Holding BV of $9 million.

Environmental remediation

The Company accrues for losses associated with environmental obligations when such losses are probable and reasonably estimable.

At the end of 2010 the Company has not incurred material environmental remediation obligations.

Litigation

The Company and certain of its businesses are involved as plaintiffs or defendants in litigation relating to such matters as commercial transactions, intellectual property rights and product liability. Although the ultimate disposition of asserted claims and proceedings cannot be predicted with certainty, it is the opinion of the Company's management that the outcome of any such claims, either individually or on a combined basis, will not have a material adverse effect on the Company's combined or consolidated financial position, but may be material to the consolidated statement of operations of the Company for a particular period.

On January 7, 2009, the European Commission issued a release in which it confirms it will start investigations in the smart card chip sector. The European Commission has reason to believe that the companies concerned may have violated European Union competition rules prohibiting certain practices such as price fixing, customer allocation and the exchange of commercially sensitive information. As one of the companies active in the smart card chip sector, NXP is subject to a number of these ongoing investigations and is assisting the regulatory authorities in these investigations. The investigations are in their initial stages and it is currently impossible to reliably estimate the outcome of the investigations.

32 Stockholder's equity

The Company has amended its Articles of Association on August 2, 2010 in order to effect a 1-for-20 reverse stock split of its shares of common stock. The exercise price and the number of shares of common stock issuable under the Company's share-based compensation plans were proportionately adjusted to reflect the reverse stock split. Basic and diluted weighted average shares outstanding and earnings per share have been calculated to reflect the reverse stock split in all periods presented. The final result is that the stock capital of the Company as of December 31, 2010 consists of 1,076,257,500 authorized shares, including 430,503,000 authorized shares of common stock, and 645,754,500 authorized but unissued shares of preferred stock.

In 2010, the Company completed its initial public offering of 34 million shares of common stock, priced at $14 per share. As a result, the number of common shares increased from 215,251,500 shares to 249,251,500 shares. As a result of the implementation of a new long-term incentive plan introduced in November 2010, the Company has issued 1,500,000 additional shares of common stock.

At December 2010, the Company has issued and paid up 250,751,500 ordinary shares of common stock at a par value of €0.20 each or a nominal stock capital of €50 million.

All amounts in millions of $ unless otherwise stated

The Company has granted stock options and equity rights to employees of NXP B.V. and its subsidiaries to receive the Company's shares or depository receipts in future (refer to note 34).

33 Related-party transactions

The Company entered into related-party transactions with:

1. Various related parties in which NXP typically holds a 50% or less equity interest and has significant influence (refer to note 10). The transactions in these related parties are generally conducted with 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.
2. In 2008, the Company established a joint venture with STMicroelectronics, at that time named ST-NXP Wireless, and then sold in February 2009. As of February, 2009, this (former) joint venture is no longer a related-party.

Through the purchase of component products, namely semiconductor products for the consumer electronic sector, NXP and Philips will have a continuing relationship for the foreseeable future.

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

	2008	2009	2010
Revenues	112	25	292
Purchase of goods and services	328	98	139

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

	2009	2010
Receivables	7	19
Payables	30	20

On September 7, 2010, Philips Pension Trustees Limited purchased Philips' 42,715,650 shares of common stock in the Company ("Transfer Shares") in a private transaction. In a subsequent private transaction, on October 29, 2010, PPTL Investment LP purchased the Transfer Shares from Philips Pension Trustees Limited by way of a transfer agreement, to which also Philips is a party ("Amended Transfer Agreement"). PPTL Investment LP acquired the Transfer Shares for the purpose of owning and managing such assets as may be contributed to Philips Pension Trustees Limited.

Since October, 2006 selected members of our management purchased approximately 550,000 rights to common shares of the Company. These rights to shares have been purchased at a price estimated to be fair market value and in the aggregate represent a beneficial interest in the Company of approximately 0.25%. In March 2011, these rights to shares have been converted in shares of common stock and are freely tradable as of the conversion.

34 Share-based compensation

We record share-based compensation arrangements in accordance with Topic 718, Compensation-Stock Compensation. Topic 718 requires the cost of share-based payment arrangements to be recorded in the statement of operations.

All amounts in millions of $ unless otherwise stated

Share-based compensation plans for employees were introduced in 2007. Subsequent to becoming a listed company in August 2010, the Company introduced additional share-based compensation plans for eligible employees in November 2010. The plans introduced in November 2010 are referred to as the "Post-IPO Plans" and the plans introduced prior to November 2010 are referred to as the "Pre-IPO Plans".

Post-IPO Plan

After NXP Semiconductors N.V. became a publicly listed company in August 2010, a new share-based payments program was launched in November 2010. Under this program performance stock, stock options and restricted shares were granted to eligible employees. The options have a strike price equal to the closing share price on the grant date of November 2, 2010. The fair value of the options has been calculated with the Black-Scholes-Merton formula, using the following assumptions:

- an expected life of 6.25 years, calculated in accordance with the guidance provided in SEC Staff bulletin No. 110 for plain vanilla options using the simplified method, as given our equity shares have been publicly traded for only a limited period of time we do not have sufficient historical exercise data;
- a risk-free interest rate of 1.67%;
- no expected dividend payments; and
- a volatility of 45% based on the volatility of a set of peer companies. Peer company data has been used given the short period of time our shares have been publicly traded.

Changes in the assumptions can materially affect the fair value estimate.

A charge of $2 million was recorded in 2010 for Post—IPO Plans.

A summary of the status of NXP Semiconductor's Post—IPO stock options and share rights granted in 2010 and changes during this year is presented below.

Stock options

	2010	
	Stock options	**Weighted average exercise price in USD**
Outstanding at January 1	—	—
Granted	3,749,932	13.27
Exercised	—	—
Forfeited	—	—
Cancelled	—	—
Outstanding at December 31	3,749,932	13.27

At December 31, 2010, none of the outstanding options are currently exercisable.

The weighted average grant date fair value of stock options per share granted in 2010 was $6.04. The number of vested stock options at December 31, 2010 was nil.

At December 31, 2010, there was a total of $17 million of unrecognized compensation cost related to non-vested stock options. This cost is expected to be recognized over a weighted-average period of 3.8 years.

The outstanding options issued under the Post-IPO Plans are categorized in exercise price as follows:

USD-denominated

exercise price	Shares	Intrinsic value in millions	Weighted average remaining contractual term
13.27	3,749,932	$ 29	9.8

The aggregate intrinsic value in the tables and text above represents the total pretax intrinsic value (the difference between the Company’s closing stock price on the last trading day of 2010 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders if the options had been exercised on December 31, 2010.

Performance share units

	2010	
	Shares	Weighted average grant date fair value in USD
Outstanding at January 1	—	—
Granted	846,819	13.27
Exercised	—	—
Forfeited	—	—
Cancelled	—	—
Outstanding at December 31	846,819	13.27

The weighted average grant date fair value of performance share units granted in 2010 was $13.27. The number of vested performance share units at December 31, 2010 was nil.

At December 31, 2010, there was a total of $9 million of unrecognized compensation cost related to non-vested performance share units. This cost is expected to be recognized over a weighted-average period of 2.8 years.

Restricted share units

	2010	
	Shares	Weighted average grant date fair value in USD
Outstanding at January 1	—	—
Granted	1,283,395	13.27
Exercised	—	—
Forfeited	—	—
Cancelled	—	—
Outstanding at December 31	1,283,395	13.27

The weighted average grant date fair value of restricted share units granted in 2010 was $13.27. The number of vested restricted share units at December 31, 2010 was nil.

At December 31, 2010, there was a total of $13 million of unrecognized compensation cost related to non-vested restricted share units. This cost is expected to be recognized over a weighted-average period of 2.8 years.

Pre-IPO Plans

Under these plans, stock options were issued to certain employees of the Company. In addition, certain members of our management have the right to purchase depository receipts of shares of common stock of NXP Semiconductors N.V. upon exercise and payment of the exercise price, after these rights have vested and only upon a sale of shares by the Private Equity Consortium or upon a change of control (in particular, the Private Equity Consortium no longer jointly holding at least 30% of our common stock). In addition, exercise of stock options is also contingent upon a sale of shares by the Private Equity Consortium or upon a change of control as defined above.

The exercise prices of stock options granted in 2007 and 2008 range from €20.00 to €50.00 after taking into account the reverse stock split in August, 2010. Also, equity rights were granted to certain non-executive employees containing the right to acquire our shares of common stock for no consideration after the rights have vested and upon a change of control (in particular, the Private Equity Consortium no longer jointly holding 30% of our common stock).

Since none of our stock options, equity rights or shares of common stock were traded on any stock exchange until August 2010, and exercise is dependent upon certain conditions, employees can receive no value nor derive any benefit from holding these options or rights without the fulfillment of the conditions for exercise. We have concluded that the fair value of the share-based payments could best be estimated by the use of a binomial option-pricing model because such model takes into account the various conditions and subjective assumptions that determine the estimated value. In addition to the estimated value of the Company based on projected cash flows, the assumptions used were:

- Expected life of the options and equity rights is calculated as the difference between the grant dates and an exercise triggering event not before the end of 2011. For the options granted under the Pre-IPO Plans, expected lives varying from 4.25 to 3 years have been assumed;
- Risk-free interest rate, varying from 4.1% to 1.6%;
- Expected asset volatility, varying from 27% to 38% (based on the average volatility of comparable companies over an equivalent period from valuation date to exit date);
- Dividend pay-out ratio of nil;
- Lack of marketability discounts—used was between 35% and 26%;
- The Business Economic Value of the Group based on projected discounted cash flows as derived from our business plan for the next 3 years, extrapolated until 2021 and using 3% terminal growth rates (the discount factor was based on a weighted average cost of capital of 12,4%).

Because the options and rights are not traded, an option-based approach (the Finnerty model) was used to calculate an appropriate discount for lack of marketability. The expected life of the options and rights is an estimate based on the time period private equity on average takes to liquidate its investment. The volatility assumption has been based on the average volatility of comparable companies over an equivalent period from valuation date to exit date.

In May 2009, we executed a stock option exchange program for stock options granted up till that date, and which were estimated to be deeply out of the money. Under this stock option exchange program, stock options with new exercise prices, different volumes and, in certain cases, revised vesting schedules, were granted to eligible individuals, in exchange for their owned stock options. By accepting the new stock options all stock options (vested and unvested) owned by the eligible individuals were cancelled. The number of employees eligible for and affected by the stock option exchange program was approximately 120. Since May 2009, stock options have been granted to eligible individuals under the revised stock options program. The exercise prices of these stock options ranged from €0.10 to €2.00 prior to the reverse stock split. After completion of our reverse stock split in August 2010, these exercise prices range from €2.00 to €40.00. No modifications occurred with respect to the equity rights of the non-executive employees.

All amounts in millions of $ unless otherwise stated

In accordance with the provisions of Topic 718, the unrecognized portion of the compensation costs of the cancelled options continues to be recognized over their remaining requisite vesting period. For the replacement options the incremental compensation costs are determined as the difference between the fair value of the cancelled options immediately before the grant date of the replacement options and the fair value of these replacement options at the grant date. This incremental compensation cost will be recognized over a weighted average period of 2.0 years.

A charge of $10 million was recorded in 2010 (2009: $19 million, 2008: $35 million) for Pre-IPO Plans, of which $6 million related to incremental compensation costs for the modified stock option scheme (2009: $2 million; 2008 nil).

The following table summarizes the information about outstanding NXP Semiconductor’s stock options and changes during 2010.

Stock options

	2010	
	Stock options	Weighted average exercise price in EUR
Outstanding at January 1	18,967,153	23.60
Cancelled	—	—
Granted as replacement for cancelled option	—	—
Newly granted options	1,255,977	22.60
Exercised	—	—
Forfeited	(2,173,007)	25.51
Outstanding at December 31	18,050,123	23.30

The exercise prices range from €2.00 to 50.00

At December 31, 2010, none of the outstanding options are currently exercisable.

The number of vested options at December 31, 2010 was 12,092,954 with a weighted average exercise price of €15.19.

	2010
	Weighted average fair value in EUR
Weighted average grant-date fair value in euro of options granted during:	
2008	1.60
2009	1.80
2010	1.20

None of the options will expire as a result of exceeding the maximum contractual term because such maximum term is not applicable.

The outstanding options issued under the Pre-IPO plans are categorized in exercise prices as follows:

EUR-denominated

exercise price	Shares	Intrinsic value in millions
2.00	2,341,221	43
5.40	68,770	1
7.60	30,014	—
15.00	6,122,252	6
20.00	1,488,694	—
30.00	3,353,283	—
40.00	3,925,249	—
50.00	720,640	—
	18,050,123	50

The aggregate intrinsic value in the tables and text above represents the total pretax intrinsic value (the difference between the Company's closing stock price on the last trading day of 2010 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders if the options had been exercised on December 31, 2010.

At December 31, 2010, a total of $10 million of unrecognized compensation cost related to non-vested stock options. This cost is expected to be recognized over a weighted-average period of 1.3 years.

To date, there has been no exercise of options under the Pre-IPO Plans.

A summary of the status of NXP Semiconductor's equity rights and changes during 2010 is presented below. All equity rights have an exercise price of nil.

Equity rights

	2010	
	Shares	Weighted average grant date fair value in EUR
Outstanding at January 1	603,282	8.40
Granted	—	—
Exercised	—	—
Forfeited	(130,540)	5.80
Cancelled	—	—
Outstanding at December 31	472,742	9.13

In 2010 there were no new equity rights issued. The weighted average grant date fair value of equity rights granted in 2009 and 2008 was €5.20 for both years. The number of vested equity rights at December 31, 2010 was 218,740 (December 31, 2009: nil).

At December 31, 2010, there was a total of $0.4 million of unrecognized compensation cost related to non-vested equity rights. This cost is expected to be recognized over a weighted-average period of 0.3 years.

All amounts in millions of $ unless otherwise stated

None of the stock options or equity rights are currently exercisable and none of the equity rights will expire as a result of exceeding the maximum contractual term because such maximum term is not applicable to these instruments.

35 Cash and cash equivalents

At December 31, 2010, our cash balance was $898 million (2009: $1,026 million), of which $338 million (2009: $235 million) was held by SSMC, our joint venture company with TSMC. A portion of this cash can be distributed by way of dividend to us, but 39% of the dividend will be paid to our joint venture partner as well. In 2010, there was no dividend distribution from SSMC.

36 Assets received in lieu of cash from the sale of businesses

In 2010, shares in Trident were obtained upon completion of the transaction to sell the digital television and set-top-box business to Trident Microsystems, Inc. ($177 million).

In 2009, shares and options were obtained upon completion of the strategic alliance with Virage Logic Corporation ($15 million).

37 Fair value of financial assets and liabilities

The estimated fair value of financial instruments has been determined by the Company using available market information and appropriate valuation methods. The estimates presented are not necessarily indicative of the amounts that the Company could realize in a current market exchange or the value that will ultimately be realized by the Company upon maturity or disposal. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts.

FASB ASC Topic 820 “Fair Value Measurements” requires to make quantitative disclose for financial assets and liabilities that are measured at fair value on a recurring basis. In the table below the column “Fair value hierarchy” the indicated level explains how fair value measurements have been arrived at.

- Level 1 measures fair value based on quoted prices in active markets for identical assets or liabilities;
- Level 2 measures fair value based on significant other observable inputs such as quoted prices for similar assets or liabilities in markets, observable interest rates or yield curves, etc.;
- Level 3 measures of fair value are based on unobservable inputs such as internally developed or used techniques.

		December 31, 2009		December 31, 2010	
	Fair value hierarchy[1)]	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Assets:					
Other financial assets[2)]	2	35	35	19	19
Derivative instruments-assets[2)]	2	2	2	4	4
Liabilities:					
Short-term debt	2	(610)	(610)	(423)	(423)
Long-term debt (bonds)	1	(4,666)	(4,019)	(4,104)	(4,361)
Other long-term debt	2	(7)	(7)	(24)	(24)
Derivative instruments-liabilities[2)]	2	(9)	(9)	(6)	(6)

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.
2) Represent assets and liabilities measured at fair value on a recurring basis.

For the fair value measurements of pension plan assets, and projected benefit obligations under these defined benefit plans you are referred to note 24.

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

Other financial assets

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

Debt

The fair value is estimated on the basis of the quoted market prices for certain issues, or on the basis of discounted cash flow analyses based upon the incremental borrowing rates for similar types of borrowing arrangements with comparable terms and maturities. Accrued interest is included under accounts payable and not within the carrying amount or estimated fair value of debt.

38 Other financial instruments, derivatives and currency risk

The Company does not purchase or hold financial derivative instruments for trading purposes. Assets and liabilities related to derivative instruments are disclosed in note 16 and note 22. Currency fluctuations may impact the Company's financial results. The Company has a structural currency mismatch between costs and revenues, as a high proportion of its production, administration and research and development costs is denominated in euro while a higher proportion of its revenues is denominated in U.S. dollars or U.S. dollar-related currencies. In addition, the U.S. dollar-denominated debt held by our Dutch subsidiary which has a euro functional currency may generate adverse currency results in income as well depending on the exchange rate movement between the euro and U.S. dollar.

The Company's transactions are denominated in a variety of currencies. The Company uses financial instruments to reduce its exposure to the effects of currency fluctuations. The Company generally hedges foreign currency exposures in relation to transaction exposures, such as receivables/payables resulting from such transactions and part of anticipated sales and purchases. The Company generally uses forwards to hedge these exposures.

Changes in the fair value of foreign currency accounts receivable/payable as well as changes in the fair value of the hedges of accounts receivable/payable are reported in the statement of operations under cost of revenues. The hedges related to anticipated transactions are recorded as cash flow hedges. The results from such hedges were deferred in equity until 2007. From December 2007 going forward, the application of cash flow hedge accounting for foreign currency risks is limited to transactions that represent a substantial currency risk that could materially affect the financial position of the Company. Consequently, the application of cash flow hedge accounting seldom occurs. Changes in the fair value of these forward currency transactions that are not designated to anticipated transactions are immediately reported in the statement of operations under cost of revenues.

Derivative instruments relate to

- hedged balance sheet items,
- hedged anticipated currency exposures with a duration of up to 12 months.

The derivative assets at the end of 2010 amounted to $4 million (2009: $2 million whereas derivative liabilities amounted to $6 million (2009: $9 million) and are included in other current assets and accrued liabilities in the consolidated balance sheets.

Currency risk

A higher proportion of our revenues is in US dollars or US dollar- related currencies, compared to our costs. Accordingly, our results of operations may be affected by changes in foreign exchange rates, particularly between the euro and US dollar. A strengthening of the euro against US dollar during any reporting period will reduce operating income of the Company.

It is the Company's policy that transaction exposures are hedged. Accordingly, the Company's organizations identify and measure their exposures from transactions denominated in other than their own functional currency.

We calculate our net exposure on a cash flow basis considering balance sheet items, actual orders received or made and anticipated revenues and expenses.

Committed foreign currency exposures are required to be fully hedged using forward contracts. The net exposures related to anticipated transactions are hedged with a combination of forward transactions up to a maximum tenor of 12 months and a cash position in both euro and dollar. The currency exposure related to our bonds has not been hedged.

The table below outlines the foreign currency transactions outstanding per December 31, 2010:

($ in millions)	Aggregate Contract Amount buy/(sell)[1]	Weighted Average Tenor (in months)	Fair Value
Foreign currency forward contracts[1]			
Euro (U.S. dollar)	(163)	2	(1.6)
(Euro) Japanese Yen	(10)	1	(0.3)
Pound Sterling (U.S. dollar)	(18)	1	(0.3)
(Euro) Pound Sterling	(2)	1	0.0
(U.S. dollar) Singapore dollar	(12)	2	0.2
(U.S. dollar) Chinese yuan	(2)	1	0.0
Euro (Singapore dollar)	(9)	1	0.0

(1) U.S. dollar equivalent

Interest rate risk

The Company has significant outstanding debt, which creates an inherent interest rate risk. On October 12, 2006, the Company issued several series of notes with maturities ranging from 7 to 9 years and a mix of floating and fixed rates. Through a combination of several private and open market transactions the long-term debt level was reduced during 2009. We furthermore did a private offer to exchange existing unsecured and secured notes for new U.S. dollar and euro-denominated super priority notes. In 2010, our long-term debt level reduced by $545 million. We were able to buy back $1,440 million of outstanding debt. This was financed by cash from operations and our offer of $1,000 million senior secured notes due 2018 and the completion of an IPO with $448 million of net proceeds. The euro and U.S. dollar-denominated notes outstanding on December 31, 2010 represent 29% and 71%, respectively, of the total notes outstanding.

The following table summarizes the outstanding notes per December 31, 2010:

	Principal amount*	Fixed/ floating	Current coupon rate	Maturity date
Senior Priority Notes	€ 29	Fixed	10.0%	2013
Senior Priority Notes	$ 221	Fixed	10.0%	2013
Senior Secured Notes	€ 637	Floating	3,74%	2013
Senior Secured Notes	$ 766	Floating	3,04%	2013
Senior Secured Notes	$ 362	Fixed	7,875%	2014
Senior Notes	€ 235	Fixed	8,625%	2015
Senior Notes	$ 606	Fixed	9,5%	2015
Senior Secured Notes	$ 1,000	Fixed	9,75%	2018

* amount in millions

A sensitivity analysis shows that if interest rates were to increase/decrease instantaneously by 1% from the level of December 31, 2010 all other variables held constant, the annualized net interest expense would increase/decrease by $16 million. This impact is based on the outstanding net debt position as per December 31, 2010.

39 Subsequent events

Potential Secondary Offering of Common Stock

On or about March 9, 2011, we will file a registration statement with the SEC for a potential secondary offering of our shares of common stock.

Share Based Compensation Plans

On or about March 9, 2011, we will file a registration statement with the SEC in relation to the Management Equity Stock Option Plan, the Global Equity Incentive Program and the Long Term Incentive plan 2010, which we introduced in November 2010. Following the filing of such registration statement, pursuant to our Management Equity Stock Option Plan, members of our management team and certain other executives will be allowed to exercise, from time to time, their vested options. The proportion of options available for exercise cannot exceed the proportion of the aggregate number of shares of common stock sold by our co-investors, including the Private Equity Consortium, to the total number of shares of common stock owned by such co-investors. We expect that following the completion of this offering, up to 15% of the vested options under the Management Equity Stock Option Plan will become exercisable, subject to the applicable laws and regulations.

Term Loan

On March 4, 2011, we entered into a $500 million Term Loan to finance general corporate purposes (including refinancing or repaying indebtedness). Utilization of the Term Loan is subject to satisfaction of customary closing conditions. Loans under the Term Loan are denominated in U.S. dollars and bear interest at a rate per annum (calculated on a 360 day basis or, in respect of Alternate Base Rate ("ABR") loans calculated on the basis of the prime rate, a 365 day basis) (i) in the case of LIBOR loans, equal to LIBOR plus 3.25% (provided that LIBOR shall be deemed not to be less than 1.25%) and (ii) in the case of Alternate Base Rate (ABR) loans, equal to ABR (the higher of (a) the prime rate, (b) the federal funds effective rate plus 1/2 of 1% and (c) LIBOR plus 1.00%) plus 2.25%. The Term Loan will amortize in equal quarterly installments of 0.25% of the aggregate initial principal amount with the balance payable on the final maturity date. The Term Loan has substantially the same covenants as our existing Secured Revolving Credit Facility.

In connection with the Term Loan, on March 7, 2011 we issued redemption notices for all $362 million outstanding of our 2014 Dollar Fixed Rate Secured Notes due 2014, together with $100 million of our Dollar Floating Rate Secured Notes and €143 million of our Euro Floating Rate Secured Notes. The redemptions will be conditional on the receipt of proceeds from the new term loan facility.

Exhibit 2.1

Confidential Treatment Request — Pages where confidential treatment has been requested are stamped "Confidential Treatment Requested." The redacted materials have been separately filed with the SEC; the appropriate section has been marked at the appropriate place with a "*."

EXECUTION VERSION

DE BRAUW
BLACKSTONE
WESTBROEK

Sale and Purchase Agreement

relating to

the Sound Solutions business of NXP

between

NXP B.V.

and

KNOWLES ELECTRONICS, LLC

and

EFF ACHT BETEILIGUNGSVERWALTUNG GmbH

and

DOVER CORPORATION

and

NXP SEMICONDUCTORS N.V.

dated 22 December 2010

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In accordance with Regulation S-K, certain of the schedules listed above have been omitted; Dover Corporation agrees to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon request.

SALE AND PURCHASE AGREEMENT

THE UNDERSIGNED:

(1) **NXP B.V.**, a private limited liability company incorporated under the laws of the Netherlands, with corporate seat in Eindhoven, the Netherlands, having its address at High Tech Campus 60, 5656 AG Eindhoven, the Netherlands, (the "**Seller**"),

and

(2) **Knowles Electronics, LLC,** a limited liability company organized under the laws of the state of Delaware, USA, and having its address at 1151 Maplewood Drive, Ilinois, USA 60143 (the "**Purchaser**"),

and

(3) **Eff acht Beteiligungsverwaltung GmbH,** a limited liability company organized under the laws of Austria, and having its address at Porzellangasse 51, 1090 Vienna, registered under 354699t in the companies register of the Vienna Commercial Court (the "**Austrian Purchaser**" and, together with the Purchaser, the "**Purchasers**" as further defined in Schedule 1),

and

(4) **Dover Corporation,** a corporation incorporated under the laws of the State of Delaware, USA, and having its address at 3005 Highland Parkway, Suite 200, Downers Grove Illinois, USA 60515, (the "**Purchaser Parent**"),

and

(5) **NXP Semiconductors N.V.**, a public liability company incorporated under the laws of the Netherlands, with corporate seat in Eindhoven, the Netherlands, having its address at High Tech Campus 60, 5656 AG Eindhoven, the Netherlands, (the "**Seller Parent**"),

WHEREAS:

(A) The Seller holds all of the issued shares in the capital of (i) NXP Semiconductors Austria GmbH (as further defined in Schedule 1, "**NXP Austria**") and (i) NXP Semiconductors Beijing Ltd (as further defined in Schedule 1 "**NXP China**");

(B) The Sound Solutions business of the Seller consists of the research into and development of, and the production, marketing, sale and distribution of audio transducer and audio transducer modules specifically for (i) dynamic speakers/receiver and MEMS microphone applications, (ii) mobile phone headset devices and (iii) joystick sensor devices (subject to the exclusions in the next sentence, the "**Business**"). For the avoidance of doubt, (a) the semiconductor integrated circuits that are part of the components and devices mentioned in (i), (ii) and (iii) above and that are supplied to the Business either by external semiconductor suppliers or other NXP businesses, are not part of the Business, and (b) with regard to MEMS technology, intellectual property that is specific to MEMS microphone applications is included in the Business, while intellectual property which relates to both a MEMS microphone application and an application outside of MEMS microphones, is not included in the Business;

(C) NXP China is fully dedicated to the Business. NXP Austria operates different NXP businesses, including the Business;

(D) The Purchaser is a leading designer and manufacturer of advanced acoustic components and is a leading provider of MEMS surface mount microphones to major cell phone brands and consumer electronic devices the world over. The Purchaser Parent owns and operates a global portfolio of manufacturing companies providing innovative components and equipment, specialty systems and support services for a variety of applications in the industrial products, engineered systems, fluid management and electronic technologies markets;

(E) On 3 November 2010, the Seller Parent and the Purchaser signed a confidential non-binding letter of intent (the "**LOI**") regarding the potential acquisition by the Purchaser of the Business;

(F) The Seller provided the Purchaser and its Representatives access to the Virtual Data Room containing information about the Business: The Purchaser and its Representatives were further given the opportunity to attend and participate in management presentations, conduct site visits and were allowed to ask questions;

(G) The Seller wishes to sell to the Purchaser and the Purchaser wishes to purchase from the Seller the Business through (a) a sale and purchase of the Austrian Shares and the Chinese Shares on the terms and conditions set forth in this Agreement; and (b) through a sale and purchase and a transfer and acquisition of certain intellectual property rights and as well as through a license agreement in respect of certain other intellectual property rights to a member of the Purchaser Parent's Group on the terms and conditions set forth in the Intellectual Property Transfer and License Agreement (the "**Relevant IP-Rights**");

(H) For these purposes, prior to the Closing the Seller is to (i) at its own cost, transfer to a Subsidiary of the Seller, being a new limited liability company incorporated under the laws of Austria (*GmbH*), all of the activities of NXP Austria that do not relate to the Business (the "**Non-Sonar Business**"), such transfer to be effected by way of demerger (*Abspaltung zur Neugründung*) in accordance with the draft Demerger Deed attached as Schedule 3, (the "**Austrian Carveout**");

(I) The Seller and the Purchaser have obtained from their respective corporate bodies all approvals and consents required for the transactions contemplated by this Agreement;

(J) The Purchaser Parent has agreed to guarantee to the Seller the performance by the Purchaser of its obligations under this Agreement (including agreements to be entered into hereunder) and the performance by [a member of the Purchaser Parent's Group] of its obligations under the Intellectual Property Transfer and License Agreement. The Seller Parent has agreed to guarantee to the Purchaser the performance by the Seller of its obligations under this Agreement (including agreements to be entered into hereunder) and the Intellectual Property Transfer and License Agreement;

(K) The Parties have been engaged in negotiations for ongoing commercial arrangements in respect of the sale by the Seller of semiconductor integrated circuits to the Purchaser to be entered into at Closing, the material terms of which are set out in the term sheet attached as Schedule 21; and

(L) The Purchaser has had satisfactory discussions at a principal level with certain key customers of the Business.

IT IS AGREED AS FOLLOWS:

1 INTERPRETATION

In this Agreement, unless the context otherwise requires, the provisions in this Clause 0 apply throughout.

1.1 Definitions

Capitalised words, including those used in the introduction and recitals to this Agreement, shall have the meaning as defined in Schedule 1.

1.2 References to persons

References to a person include any individual, company or partnership whether or not having separate legal personality and wherever incorporated or registered.

1.3 Headings and references to Clauses, Schedules and Paragraphs

1.3.1 Headings have been inserted for convenience of reference only and do not affect the interpretation of any of the provisions of this Agreement.

1.3.2 A reference in this Agreement to:

(a) a Clause or Schedule is to the relevant Clause of or Schedule to this Agreement;

(b) a Part is to the relevant Part of the relevant Schedule; and

(c) a Paragraph is to the relevant Paragraph of (the relevant Part of) the relevant Schedule.

1.4 References to liabilities and obligations

1.4.1 Any reference in this Agreement to a liability or obligation of any member of the Seller’s Group shall be deemed to incorporate a reference to an obligation on the part of the Seller to procure that the relevant liability is discharged or obligation is performed by the relevant member(s) of the Seller’s Group, on and subject to the terms and conditions set out in this Agreement.

1.4.2 Any reference in this Agreement to a liability or obligation of any member of the Purchaser’s Group shall be deemed to incorporate a reference to an obligation on the part of Purchaser to procure that the relevant liability is discharged or obligation is performed by the relevant member(s) of the Purchaser’s Group, on and subject to the terms and conditions set out in this Agreement.

1.5 Information

References to books, records or other information include books, records or other information stored in any form including paper, magnetic media, films, microfilms, electronic storage devices and any other data carriers.

1.6 Legal terms

In respect of any jurisdiction other than the Netherlands, a reference to any Netherlands legal term shall be construed as a reference to the term or concept which most nearly corresponds to it in that jurisdiction.

1.7 Other references

1.7.1 Whenever used in this Agreement, the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”.

1.7.2 Whenever used in this Agreement, the words “as of” shall be deemed to include the day or moment in time specified thereafter.

1.7.3 Any reference in this Agreement to any gender shall include all genders, and words importing the singular shall include the plural and vice versa.

1.8 Drafting Party

No provision of this Agreement shall be interpreted against a Party solely as a result of the fact that such Party was responsible for the drafting of such provision.

2 SALE AND PURCHASE; TRANSFER

2.1 Shares

On and subject to the terms and conditions of this Agreement:

2.1.1 the Seller hereby agrees to sell, assign and transfer the Austrian Shares to the Austrian Purchaser, who hereby agrees to purchase and accept the transfer and assignment of the Austrian Shares; and

2.1.2 the Seller hereby agrees to sell and transfer the Chinese Shares to the Purchaser, who hereby agrees to purchase and accept the Chinese Shares,

such sale, assignment and transfer to take place in accordance with Clause 6.

2.2 Nomination of other purchasers

2.2.1 The Purchaser shall be entitled to nominate, to the extent permitted by Law, at its own cost, by notice to the Seller delivered no later than 1 February 2011, one other purchaser to purchase all of the Chinese Shares.

2.2.2 The Austrian Purchaser shall purchase and acquire the Austrian Shares and for that reason is a party to the Agreement.

2.3 Singular liability and right to claim

2.3.1 Subject to Clauses 14 and 15.1, no member of the Seller’s Group, with the exception of the Seller, shall have any liability under this Agreement, it being agreed that the Seller shall be fully liable under this Agreement for any breach thereof by any member of the Seller’s Group. Only the Purchaser may seek recourse against the Seller for breach by the Seller or a member of the Seller’s Group of its obligations under this Agreement.

2.3.2 Subject to Clause 14, no member of the Purchaser’s Group, with the exception of the Purchaser and, to the extent it relates to the Austrian Shares, the Austrian Purchaser shall have any liability under this Agreement, it being agreed that the Purchaser shall be fully liable under this Agreement for any breach thereof by any member of the Purchaser's Group. Only the Seller may seek recourse against the Purchaser for breach by the Purchaser or a member of the Purchaser's Group of its obligations under this Agreement.

2.3.3 Notwithstanding the provisions of Clause 2.3.1 and 2.3.2, a third party stipulation (*derdenbeding*) expressly identified as such in this Agreement, shall be for the benefit of and enforceable by the relevant third parties, provided that the Parties exclude the applicability of the articles 6:254, 6:255 and 6:256 of the Netherlands Civil Code.

3 CONSIDERATION

3.1 Purchase Price

The purchase price for the Shares (the "**Purchase Price**") shall be an amount equal to the aggregate of the following:

3.1.1 the Initial Purchase Price; plus

3.1.2 the Net Cash of each Group Entity; plus

3.1.3 the Working Capital Adjustment of each Group Entity; minus

3.1.4 the Assumed Long-Term Benefits Liability amount.

3.2 Allocation

The Initial Purchase Price and the Purchase Price shall be allocated in accordance with Schedule 7 and the Seller's Group shall and the Purchaser's Group shall adopt such allocation for all purposes, including in respect of Tax.

3.3 Claims

If any payment is made by the Seller to the Purchaser or by the Purchaser to the Seller in respect of any claim (i) for any breach of this Agreement (including, for the avoidance of doubt, a breach of a Seller's Warranty or a Purchaser's Warranty) or any agreement entered into pursuant thereto or (ii) pursuant to an indemnity under this Agreement, then the amount of the payment shall be an adjustment of the Purchase Price.

4 CLOSING CONDITIONS

4.1 Conditions

The respective obligations of the Parties to perform the Closing Actions set out in Schedule 4 are subject to the fulfillment of the following conditions (the "**Closing Conditions**"):

4.1.1 The Anti-Trust Approval shall have been obtained (such approval being, subject to Clause 4.2.2(c), unconditional and unqualified) or, alternatively, any waiting periods shall have expired or been terminated, provided such expiration or termination is considered under Chinese Law to be a grant of all requisite clearances under the relevant anti-trust Laws.

4.1.2 No Government Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered into any Law that prohibits the consummation of the Transaction in all material respects, it being understood, for the avoidance of doubt, that the China Transfer Registration shall take place in accordance with Clause 9.1.

4.1.3 No legal action or legal proceeding shall be pending by a bona fide third party (including any Governmental Authority) seeking to enjoin or restrain completion of the Transaction, it being understood, for the avoidance of doubt, that the China Transfer Registration shall take place in accordance with Clause 9.1.

4.1.4 No Group Material Adverse Effect occurs between Signing and Closing (the "**MAE Condition**").

4.1.5 The Austrian Carveout has been registered in the competent companies register.

4.1.6 There is no breach of the Seller's Warranties that individually or in the aggregate constitutes a Group Material Adverse Effect (provided that this Closing Condition does not prejudice the Purchaser's claims arising from any breach of Sellers' Warranties).

4.1.7 The Seller has satisfied or performed all of its covenants and obligations to be performed prior to the Closing Date to the extent that no Group Material Adverse Effect has occurred (provided that this Closing Condition does not prejudice the Purchaser's claims arising from any breach by Seller under this Agreement).

4.1.8 The China Transfer Approval has been obtained at such a date that it will be valid during a period of at least three (3) Business Days after the Closing Date.

4.2 Responsibility for satisfaction

4.2.1 Save as otherwise provided in the remaining provisions of this Clause 4.2 and Clause 5.2, each of the Parties shall use reasonable efforts to ensure satisfaction of and compliance with all of the Closing Conditions.

4.2.2 Without prejudice to the generality of Clause 4.2.1, the Purchaser shall:

(a) as soon as practicable, and in any event no later than five (5) Business days after the Signing Date, prepare and file with the Competition Authority the notices and applications necessary to satisfy the Closing Condition set out in Clause 4.1.1(the "**Competition Condition**"), provided that, with respect to written submission, information or documentary materials requested from the Seller, the Seller has provided the same to the Purchaser in advance;

(b) supply as promptly as practicable any additional information and documentary material that may be requested by the Competition Authority in connection with the Competition Condition, provided that, with respect to any written submission, information or documentary materials, the Seller has the right to approve the same; and

(c) use reasonable efforts to cause the expiration or termination of any applicable waiting period under any applicable law and the fulfillment (whether explicit or implicit) of the Competition Condition as soon as practicable, including by agreeing to:

(i) take any reasonable action that may be required in order to obtain an unconditional clearance (including by agreeing to perform any disposition of assets or businesses that may be required by the Competition Authority); or

(ii) duly and promptly comply with any condition that any relevant Competition Authority may impose to clear this Agreement and the Transaction,

provided that the foregoing Clause 4.2.2 shall not require Purchaser to make any material divestiture.

4.2.3 The Purchaser and the Seller shall each bear their own costs incurred in relation to filing the merger clearance filing in China in connection with the Purchaser acquisition of the Group. Notwithstanding the foregoing sentence of this Clause

4.2.3, the Purchaser shall bear all filing fees incurred in relation to the same. The Purchaser shall also bear all costs, penalties and fines resulting from not filing in any jurisdiction where it is determined that filing should have taken place, provided that if the failure to file resulted from incorrect revenues or market share data from Seller, Seller shall bear all costs, penalties and fines.

4.2.4 Without prejudice to Clause 4.2.2, the Seller and the Purchaser shall:

(a) promptly cooperate with and provide all necessary information and assistance reasonably required by the Competition Authority in connection with the Competition Condition upon being requested to do so by the other Party; and

(b) promptly inform the other Party of any communication received from, or given by it to, the Competition Authority with respect to the Competition Condition;

provided that any and all communications by either Party with the Competition Authority in connection with the Competition Condition shall require the prior written approval of the other Party, which approval shall not be unreasonably withheld or delayed.

4.2.5 Without prejudice to Clauses 4.2.2 (c) and 4.2.4, in the event that any administrative or judicial action or proceeding is instituted (or threatened to be instituted) by the Governmental Authority or any other person challenging (any part of) the Transaction, each Party shall co-operate in all respects with the other Party and use its reasonable efforts to defend, contest and resist any such action or proceeding and to have vacated, lifted, reversed or overturned any order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts the consummation of the Transaction.

4.3 (Non-)Satisfaction/Waiver

4.3.1 Within two (2) Business Days of becoming aware of the same:

(a) the Purchaser shall give notice to the Seller of the satisfaction of the Closing Conditions;

(b) the Seller shall give notice to the Purchaser of the satisfaction of the Closing Conditions; and

(c) the Purchaser shall give notice to the Seller, or vice versa, of non-satisfaction of any of the Closing Conditions.

4.3.2 The Closing Conditions in Clauses 4.1.1 to 4.1.3 may only be waived by written agreement between the Seller and the Purchaser. The Closing Conditions in Clauses 4.1.4 to 4.1.8 (inclusive) can only be waived by the Purchaser by written declaration to be addressed to the Seller.

4.4 Long stop date

Unless otherwise agreed by the Parties hereto, if the Closing Conditions are not satisfied or waived on or prior to 30 September 2011, the Purchaser or the Seller may, in its sole discretion, terminate this Agreement by notice to the other, and no Party shall have any claim against the other save for any claim arising from breach of any obligation contained in Clause 4.2, provided that no such termination notice may be given by a Party which is in default of its obligations under this Agreement.

5 PRE-CLOSING COVENANTS

5.1 Conduct of the Business

5.1.1 During the period from the date hereof up to the Closing, except as otherwise contemplated by this Agreement or as the Purchaser otherwise agrees in writing in advance (which consent shall not be unreasonably withheld or delayed), the Seller shall, and to the extent applicable shall cause the other members of the Seller's Group to, conduct the Business in the Ordinary Course of Business and use its commercially reasonable efforts to preserve intact and protect the Business and its relationship with customers, suppliers, creditors and others having dealings with it and use its commercially reasonable efforts to keep available to the Purchaser the services of the Employees involved in the business.

5.1.2 During the period from the date hereof up to the Closing, except as otherwise contemplated by this Agreement or as the Purchaser shall otherwise consent in writing in advance (which consent shall not be unreasonably withheld or delayed), the Seller shall not take any of the following actions with respect to the Business and, to the extent applicable, shall cause the other members of the Seller's Group not to:

(a) amend or otherwise change any articles of association, by-laws, certificates of incorporation or similar corporate governing documents of the Group Entities;

(b) reclassify, split (*splitsing van aandelen, samenvoeging van verschillende klassen van aandelen*), repay, recapitalize (*omzetting reserves in aandelenkapitaal*), redeem, adjust the par value of, pay out stock dividend or repurchase, or allow to be reclassified, split, repaid, redeemed or repurchased any shares or other ownership interests of the Group Entities;

(c) create, allot, issue, dispose of, pledge or otherwise encumber, or allow to be created, allotted, issued, disposed of, pledged or otherwise encumbered any shares, ownership interests or voting securities, or any warrants, convertible securities, other rights of any kind to acquire or receive any shares, any other ownership interests or any voting securities of the Group Entities, or issue any instruments that give rise to the right of the holder to obtain shares, ownership interests or voting securities in the Group Entities, except as required by the NXP Financing Arrangements;

(d) declare, set aside, make or pay any dividend in kind or otherwise or make any equity distribution in kind or otherwise to shareholders of the Group Entities;

(e) incur any additional indebtedness, or issue any debt securities or assume, guarantee or endorse any material obligations of any other Person, except in the Ordinary Course of Business and except as required by the NXP Financing Arrangements;

(f) make any (i) capital expenditures which exceed, on a quarterly basis, USD 500,000 (five hundred thousand United States dollars), or (ii) material loans or capital contributions to, or investments in, any other Person (other than the Group Entities), in each case except in the Ordinary Course of Business;

(g) acquire (by merger, consolidation or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or any equity interest therein;

(h) sell, assign, lease, transfer, license, or otherwise dispose of, or extend or exercise any option to sell, assign, lease, transfer, license, or otherwise dispose of, any assets of the Group Entities, except in the Ordinary Course of Business, provided that no Relevant IP-Rights are affected;

(i) mortgage or pledge any assets of the Group Entities except as required by the NXP Financing Arrangements;

(j) terminate or materially extend or materially modify any Material Contract;

(k) enter into any contract, arrangement or commitment or amend any contract, arrangement or commitment, other than in the Ordinary Course of Business;

(l) materially increase, amend or grant any employee benefits in any manner, except in the Ordinary Course of Business, including (i) adopting, entering into or amending any bonus, profit sharing, compensation, stock option, warrant pension, retirement, deferred compensation, employment, severance, termination or other employee benefit plan, agreement or arrangement for the benefit or welfare of any officer, director or employee or (ii) agree to any increase in the compensation payable or to become payable to any officer, director of employee;

(m) settle any legal proceedings or other disputes (i) that would result in the Seller, or to the extent applicable the Group, being enjoined in any respect material to the Transaction or the Business or (ii) for an amount, in the aggregate, exceeding USD 250,000 (two hundred and fifty thousand United States dollars);

(n) accelerate the delivery or sale of products or the incurrence of capital expenditures, or offer discounts on sale of products or premiums on purchase of raw materials, except in the Ordinary Course of Business;

(o) increase the headcount of any of the Group Entities other than in the Ordinary Course of Business;

(p) take any action that would cause any Seller's Warranty not to be true and accurate as at Closing;

(q) save for a change as per 1 January 2011 in respect of the depreciation period for new high volume automation assets, make any change in the Accounting Principles Consistently Applied;

(r) change any Tax accounting method of, or make any Tax election (except as permitted by this Agreement) for, or settle or compromise any Tax liability of, any Group Entity; or

(s) authorize or enter into any agreement or commitment with respect to any of the foregoing.

5.2 Austrian Carveout

5.2.1 The Seller shall (i) use reasonable efforts to procure that the audited accounts for the financial year ending 31 December 2010 of NXP Austria are produced and ready for inclusion in the De-merger Deed by 15 February 2011; (ii) procure that the managing directors of NXP Austria, as soon as practicable, draw up, publish in the official gazette and file with the competent Companies Register the De-Merger Deed; (iii) procure the adoption of a shareholders' resolution of NXP Austria approving the De-Merger Deed and resolving on the Austrian Carveout; and (iv) procure the instruction to the managing directors of NXP Austria to file without undue delay after the adoption of the respective shareholders' resolution a respective registry application. The Seller shall regularly inform the Purchaser of the progress being made with respect to the Austrian Carveout and provide the Purchaser with such information as it may reasonably request with respect thereto.

5.2.2 The Purchaser undertakes to give all reasonable information and other assistance to the Seller to complete the Austrian Carveout as soon as reasonably practicable after the date hereof.

5.3 Intra-group balances; Termination of intra-group agreements

5.3.1 The Seller shall procure that (i) each of the relevant members of the Seller's Group pays in full prior to Closing all IntraGroup Receivables, and (ii) each of the Group Entities pays in full prior to Closing all Intra-Group Payables.

5.3.2 The Seller shall procure that, except as expressly set out in this Agreement or otherwise agreed between the Parties in writing, all existing agreements and arrangements (excluding the Retained Intra-Group Agreements) between one or more members of the Seller's Group (excluding the Group Entities) on the one hand and one or more Group Entities on the other hand shall be, prior to Closing, terminated or amended to remove any such Group Entity as a party thereto.

5.4 Access to information

5.4.1 Between Signing and Closing, the Seller shall procure that each of the Group Entities (a) provides the Purchaser in a timely fashion with monthly statements (in a form consistent with the form used by the Seller's Group, however in any event comprising a balance sheet and a profit and loss account) in respect of each month ending after the Signing but before Closing and (b) affords the Purchaser and its Representatives upon reasonable notice, reasonable access during normal business hours to the books and records of or relating in whole or in part to the Group. The Purchaser acknowledges and agrees that any information provided to it or any of its Representatives is subject to the terms of the Confidentiality Agreement, the terms of which are incorporated herein by reference.

5.4.2 The obligation of the Seller under this Clause 5.4 shall be subject to the right of the Seller or the relevant Group Entity to refuse access to information on the grounds that access:

(a) would be contrary to any Law provided that the Seller or the relevant Group Entity received written advice to such effect from outside counsel;

(b) would cause material undue disruption to the business activities of the relevant Group Entity or its management; or

(c) would, in the reasonable opinion of the Seller or the management of the relevant Group Entity, involve issues of commercial sensitivity and confidentiality such that access could materially damage the value or competitiveness of the relevant Group Entity or lead to a material breach of any obligations of the relevant Group Entity.

5.5 NXP China pre-registration name change

As soon as practicable, but in any event no later than two (2) Business Days after the satisfaction of the Competition Condition, the Seller shall cause NXP China, with the assistance of the Purchaser, to prepare and file all documentation, notices or applications necessary to register a proposed new name of NXP China with the Beijing Administration of Industry and Commerce (the registration authority of NXP China).

5.6 China Equity Transfer Agreement

As soon as practicable, but in any event no later than five (5) Business Days after the satisfaction of the Competition Condition, the Parties shall enter into the China Equity Transfer Agreement. Neither Party shall enforce, or seek to enforce, the China Equity Transfer Agreement until after the China Transfer Registration Certificate, signed by the Parties, has been received by De Brauw. In the event that this Agreement is terminated in accordance with Clauses 4.4 or 6.4, the Parties agree to terminate the China Equity Transfer Agreement in accordance with clause 7 of the China Equity Transfer Agreement, in which case parties may enforce clause 7 of the China Equity Transfer Agreement.

5.7 Filing with Approval Authority China

As soon as reasonably practicable following entry into the China Equity Transfer Agreement, but in any event no earlier than thirty-five (35) calendar days before the estimated Closing Date, the

Seller and the Purchaser shall prepare and Seller shall cause NXP China to file with the Administrative Committee of Beijing Economic-Technological Development Area (the approval authority of NXP China) all notices and applications necessary to obtain (i) approval for the transfer of the Chinese Shares, and (ii) a revised certificate of approval of NXP China (together the "**China Transfer Approval**"). The Purchaser shall cooperate with and timely provide to the Seller all documents, information and other materials as required by the Seller for the purposes of obtaining the China Transfer Approval.

6 CLOSING

6.1 Date and place

Subject to the satisfaction, or waiver under Clause 4.3.2, of each of the Closing Conditions, the Closing shall take place:

6.1.1 in Amsterdam, the Netherlands, at the offices of De Brauw Blackstone Westbroek and (in parallel) in Vienna, Austria, at the offices of Purchaser's Austrian counsel, commencing at 11.00 a.m. CET on the first Business Day of the Seller's Group's monthly reporting period immediately following satisfaction or waiver of the Closing Conditions, or

6.1.2 at any such other date, time or location as may be agreed between the Seller and the Purchaser in writing.

6.2 Payment of Initial Purchase Price

6.2.1 The Purchaser shall pay the Chinese Initial Purchase Price and the Austrian Purchaser shall pay the Austrian Initial Purchase Price, in each case on the Business Day immediately before and with value on the Closing Date, into the DBBW Account under the reference "Purchase Price Sonar; 777/20493509" and under the instruction to De Brauw (for the attention of Arne Grimme) that such amount shall be held by De Brauw in the DBBW Account on behalf of the Purchaser until signature by the Parties of the Closing Certificate, after which De Brauw in the DBBW Account shall:

(a) hold the Austrian Initial Purchase Price on behalf of the Seller and pay said amount in accordance with the Seller's instructions; and

(b) subject to Clause 6.2.2, continue to hold the Chinese Initial Purchase Price on behalf of the Purchaser until receipt of the China Transfer Registration Certificate signed by the Parties, after which De Brauw in the DBBW Account shall hold the Chinese Initial Purchase Price on behalf of the Seller and pay said amount in accordance with the Seller's instructions.

For the avoidance of doubt, the title to the China Shares will transfer from Seller to Purchaser at the moment the China Transfer Registration Certificate, signed by the Parties, has been received by De Brauw.

6.2.2 In the event that the China Transfer Registration does not take place within 12 months of the Closing Date, the Seller's obligations under this Agreement to transfer the Chinese Shares to the Purchaser shall terminate and De Brauw in the DBBW Account shall pay the Chinese Initial Purchase Price in accordance with the Purchaser's instructions. In such event Parties also agree to terminate the China Equity Transfer Agreement in accordance with clause 7 of the China Equity Transfer Agreement.

6.3 Closing Actions

At the Closing, the Parties shall perform the Closing Actions as set out in Schedule 4. Upon completion of the Closing Actions, or waiver in respect thereof, the Parties shall sign the Closing Certificate.

6.4 Breach of Closing obligations

6.4.1 If any Party fails to comply with any of its material obligations in this Clause 6 or its obligations under Schedule 4, the Purchaser, in the case of non-compliance by the Seller, or the Seller, in the case of non-compliance by the Purchaser, shall be entitled (in addition to and without prejudice to the right to claim damages) by written notice to the Seller or the Purchaser, as the case may be, served on the date set for Closing, (a) to waive the fulfillment of the obligations of the other Party, or (b) to fix a new date for the Closing (being the first Business Day of the next monthly reporting period of the Seller's Group) in which case the provisions of Clauses 6.2 and 6.3 and Schedule 4 shall apply to the Closing as so deferred.

6.4.2 If the non-complying Party fails to comply with any material obligation in this Clause 6 or its obligations under Schedule 4 on the new date for the Closing pursuant to Clause 6.4.1, the other Party shall be entitled (in addition to and without prejudice to it's right to claim damages) by written notice served on such new date for the Closing:

(a) to terminate this Agreement without liability on its part or on the part of those on whose behalf notice is served; or

(b) to effect the Closing so far as practicable having regard to the defaults which have occurred; or

(c) subject to Clause 4.4, to set a new date for the Closing (being the first Business Day of the next monthly reporting period of the Seller's Group) in which case the provisions of Clauses 6.2 and 6.3 and Schedule 4 shall apply to the Closing as so deferred.

7 CLOSING STATEMENTS

7.1 Preparation of the Statements

As soon as practicable, and in any event within sixty (60) Business Days after the Closing Date, the Seller shall prepare and deliver to the Purchaser:

7.1.1 an unaudited statement prepared in the form of Schedule 9, setting forth the Working Capital as per the Effective Time (the "**Working Capital Statement**"); and

7.1.2 an unaudited statement prepared in the form of Schedule 10, setting forth the Net Cash as per the Effective Time (the "**Net Cash Statement**", together with the Working Capital Statement, the "**Statements**").

7.2 Agree or disagree

7.2.1 The draft Working Capital Statement and draft Net Cash Statement shall be delivered to the Purchaser at the same time, it being further agreed that:

(a) if the Purchaser disagrees with the draft Working Capital Statement or draft Net Cash Statement, then the Purchaser shall within sixty (60) Business Days after receipt thereof, but no sooner than ninety (90) Business Days after Closing deliver notice of such disagreement to the Seller, such notice (the "**Notice of Disagreement**") to specify (i) each line item in the relevant draft statement(s) with which the Purchaser disagrees, (ii) the amount of adjustment proposed by the Purchaser, and (iii) in reasonable detail, the reason for the Purchaser's disagreement in respect of each such line item;

(b) if the Purchaser does not deliver a Notice of Disagreement in terms of Clause 7.2.1(a), then the draft Working Capital Statement and draft Net Cash Statement shall be final and binding on the Seller (and each relevant other member of the Seller's Group) and the Purchaser (and each relevant other member of the Purchaser's Group) for purposes of the determination of the Purchase Price, provided that such determination shall not prejudice recovery of the Losses incurred due to a breach of the Seller's Warranties, to the extent this would not result in the Seller compensating the Purchaser twice in relation to substantially the same facts and circumstances.

(c) if the Purchaser delivers a Notice of Disagreement in terms of Clause 7.2.1(a), then:

(i) at the election of the Seller, each line item in the draft Working Capital Statement and draft Net Cash Statement in respect of which the Purchaser does not deliver a Notice of Disagreement in accordance with Clause 7.2.1(a), shall be final and binding on the Seller (and each other member of the Seller's Group) and the Purchaser (and each other member of the Purchaser's Group) in the meaning of Clause (b); and

(ii) the Seller and the Purchaser shall attempt in good faith to reach agreement in respect of those line items in the relevant draft Working Capital Statement and/or draft Net Cash Statement in respect of which the Purchaser has thus given Notice of Disagreement, provided that if the Seller and the Purchaser are unable to reach such agreement within twenty (20) Business Days of delivery of the Notice of Disagreement, the Seller or the Purchaser may by notice to the other require that those line items in the relevant draft Working Capital Statement and/or draft Net Cash Statement that have been properly specified in the Purchaser's Notice of Disagreement in accordance with Clause 7.2.1(a) and subsequently have not been agreed upon between the Seller and the Purchaser within the aforesaid twenty (20) Business Days, be referred to the Reporting Accountants in the terms of Schedule 11.

7.3 No indemnified liabilities

The Statements will not take into account liabilities for which the Seller is liable under this Agreement, which liabilities will include the Tax indemnity as set out in Schedule 20, provided that these liabilities are also not taken into account when determining the Reference Working Capital.

7.4 No forward looking valuations

It is understood between the Parties that no corrections to the Statements may be proposed by or on behalf of the Purchaser to the extent these are based on a judgment about the future earnings potential, prospects or feasibility of (part of) the Business.

7.5 Post-Closing market or business developments

The Statements include certain estimates and judgments which may change over time. The Seller and the Purchaser agree that any market or business developments after the preparation by the Seller of the Statements shall not be taken into consideration and that the status of the affairs of the Group and market circumstances at the time of the Closing and during the preparation of the Statements by the Seller shall prevail. Any facts or events arising after the date, upon which the Seller has prepared the draft Statements and presented them in accordance with Clause 7.1 to the Purchaser, shall not be taken into consideration in the final determination of the Statements.

7.6 Cooperation in connection with the Statements

In order to enable the preparation and determination of the Statements, the Purchaser shall, and shall cause the Group Entities to (i) keep up-to-date all books and records relating to the Business, and (ii) co-operate with the Seller and its Representatives with regard to the preparation and determination of the Statements. The Purchaser agrees to make available the services of the Employees to provide reasonable assistance to the Seller in the performance of the Seller's duties under this Clause 7.

8 ADJUSTMENT OF THE INITIAL PURCHASE PRICE

8.1 Working Capital adjustment

8.1.1 If the aggregate Working Capital is greater than 105 percent (105%) of the Reference Working Capital or more, the excess (only the amount over 105 percent (105%)), shall on a dollar-for-dollar basis be paid to the Seller by the Purchaser.

8.1.2 If the aggregate Working Capital is less than 95 percent (95%) of the Reference Working Capital or less, the difference (only the amount less than 95 percent (95%)) shall on a dollar-for-dollar basis be paid to the Purchaser by the Seller.

8.2 Net Cash adjustment

8.2.1 If the aggregate Net Cash is greater than nil (0), the excess shall on a dollar-for-dollar basis be paid to the Seller by the Purchaser.

8.2.2 If the aggregate Net Cash is less than nil (0), the difference shall on a dollar-for-dollar basis be paid to the Purchaser by the Seller.

8.3 Payment and interest

8.3.1 Any payment to be made pursuant to Clauses 8.1 or 8.2 shall:

(a) to the extent possible, be aggregated and discharged by way of set-off between these payments;

(b) be made by wire transfer of immediately available funds to such bank account as the recipient Party may designate on or before the fifth (5th) Business Day after the Statements become final and binding upon the Seller and the Purchaser pursuant to Clause 7 and Schedule 11; and

(c) include interest thereon calculated from the day after the Effective Time to the date of payment, both days inclusive, at the Interest Rate.

8.3.2 All payments (including interest payments) made under this Clause 8 shall be made on account of the Purchase Price.

9 POST-CLOSING OBLIGATIONS

9.1 Filing with Registration Authority China

9.1.1 On the Closing Date, however in any event no later than three (3) Business Days after the Closing Date, the Purchaser shall prepare and Seller shall cause NXP China to file with the Beijing Administration of Industry and Commerce (the registration authority of NXP China) all application documents necessary to obtain (i) approval for amendment of the registration information of NXP China and (ii) a revised business license for NXP China reflecting the transfer of the Chinese Shares from the Seller to the Purchaser and the change of name so as to exclude "NXP" and/or "恩智浦" from the name of NXP China (together the "**China Transfer Registration**"). The Seller shall promptly cooperate with and provide all necessary information and assistance reasonably required by the Purchaser in connection with the obtainment of the China Transfer Registration.

9.1.2 As soon as practicable following the completion of the China Transfer Registration, the Purchaser shall prepare and file all application documents necessary to register the change of name and shareholder of NXP China with all other relevant Governmental Authorities in the People's Republic of China, including, without limitation, any applicable tax authorities, foreign exchange authorities, customs offices and finance authorities (the "**China Residual Registrations**"). Seller shall promptly cooperate with and provide all necessary information and assistance reasonably required by the Purchaser in connection with the obtainment of the China Residual Registrations.

9.1.3 All filing fees and other costs incurred in relation to the China Transfer Approval, China Transfer Registration and China Residual Registrations shall be borne by the Parties in equal parts.

9.1.4 Immediately following completion of the China Transfer Registration, and in any event no later than two (2) Business Days after the revised business license has been issued to NXP China, the Parties shall sign and deliver to De Brauw (for the attention of Arne Grimme) the China Transfer Registration Certificate.

9.2 Trade receivables/payables; Post-Closing receipts

9.2.1 Subject to Closing, if at any time after the Effective Time, any member of the Seller's Group receives any amount in respect of any receivable of a Group Entity, then the Seller shall procure that the relevant member of the Seller's Group pays the amount received, less reasonable administrative expenses, to the relevant Group Entity, as soon as reasonably practicable.

9.2.2 Subject to Closing, if at any time after the Effective Time, any member of the Purchaser's Group receives any amount in respect of any receivable of any member of the Seller's Group then the Purchaser shall procure that the relevant member of the Purchaser's

Group pays the amount received, less reasonable administrative expenses, to the relevant member of the Seller's Group, as soon as reasonably practicable.

9.3 Use of names

9.3.1 The Purchaser shall procure that, as soon as practicable after the Closing, but in any event (a) in the case of NXP Austria, within twenty (20) Business Days after the Closing Date, and (b) in the case of NXP China, as part of the completion of the China Transfer Registration, the shareholders of the relevant Group Entity adopt the shareholders' resolutions and the managing directors of the relevant Group Entity file the register applications required to change the relevant Group Entity's name so that it does not contain the name "NXP", or any abbreviation thereof or any name or lettering which is likely to be confused with the same, and (ii) the Seller is furnished with appropriate written evidence of such actions.

9.3.2 After registration of the new name following the application pursuant to Clause 9.3.1 the Purchaser shall not, and shall procure that no member of the Purchaser's Group shall, use in any way whatsoever, by means of trading names, domain names, registered or unregistered trade marks, logos or otherwise, the name "NXP", or any abbreviation thereof or any name or lettering which is confusingly similar to the same. Notwithstanding the foregoing provisions of this Clause 9.3.2, the Purchaser shall, as soon as practicable after the Closing, but in any event within nine (9) months after the Closing Date, procure that the name "NXP", or any abbreviation thereof, is removed from all future products, business stationery and other assets held by the Group, and from all premises occupied by the Purchaser's Group.

9.4 Retention of records

9.4.1 The Purchaser shall retain for a period of five (5) years from Closing, or such longer period as may be prescribed by applicable law, all books, records and other written information relating to the Business which are held at premises occupied by the Group at Closing and, to the extent reasonably required by the Seller, shall allow the Seller, upon reasonable notice, access during normal office hours to such books, records and other information, including the right to inspect and take copies at the Seller's expense, provided that this does not cause any material undue interference in the operation of the Business.

9.4.2 The Seller shall retain for a period of five (5) years from Closing, or such longer period as may be prescribed by law, any books, records or other written information relating to the Business and/or the Group Entities which are not held at the premises occupied by the Group at Closing and, to the extent reasonably required by the Purchaser, shall allow the Purchaser, upon reasonable notice, access during normal office hours to such books, records and information, including the right to inspect and take copies at the Purchaser's expense, provided that this does not cause any material undue interference in the operation of the Seller's business.

9.5 Insurance

9.5.1 The Purchaser acknowledges and agrees that as from the Closing Date all insurance cover provided in relation to the Group pursuant to policies maintained by (any member of) the Seller's Group, whether such policies are maintained with third party insurers or within the Seller's Group, shall be terminated or shall no longer provide coverage for any events, occurrences or accidents occurring, on or after the Closing Date, and no third party or member of the Seller's Group shall have any liability or responsibility for any such events, occurrences or accidents under such policies occurring on or after the Closing Date.

9.5.2 In respect of any events, occurrences or accidents occurring prior to the Closing Date, the Purchaser shall procure that, as from thirty (30) calendar days after the Closing Date, no members of the Purchaser's Group (including the Group) shall make any claim under any insurance policy of any member of the Seller's Group (excluding the Group).

9.5.3 In accordance with the provisions of the Seller's respective D&O policies, the Seller shall provide notice to all its appropriate insurers of any pending claim or act, incident or omission of which the Seller is aware that may give rise to a claim after Closing as a result of an alleged act, incident or omission that occurred prior to Closing.

9.6 Employees and Long-Term Benefit Arrangements

9.6.1 The provisions of Schedule 14 shall apply in respect of the Employees.

9.6.2 The provisions of Schedule 15 shall apply in respect of Long-Term Benefit Arrangements.

9.7 Trapped Cash

9.7.1 For the purpose of this provision:

"**Trapped Cash**" means cash available to NXP China at Closing that cannot be transferred out of China in a reasonably short period after Closing;

"**Closing Trapped Cash**" shall mean the amount of Trapped Cash at Closing.

"**Maximum Trapped Cash Amoun**t" means USD 13,000,000 (thirteen million United States dollars) of Closing Trapped Cash, decreased by (i) any dividends paid by NXP China to the Seller between Signing and Closing (ii) any payment made by NXP China for services rendered under the GSA China or under similar agreements entered into by NXP China or under a recapitalization of NXP China or under an IP license agreement entered into by NXP China with any Member of the Seller's Group, in each case between Signing and Closing;

"Excess Trapped Cash" means the amount of Closing Trapped Cash in excess of the Maximum Trapped Cash Amount;

9.7.2 Between Signing and Closing, the Seller shall use reasonable efforts to minimize the availability of Trapped Cash by, among others and to the extent permissible, paying dividends or making payments for services rendered by the Seller.

9.7.3 Closing Trapped Cash shall be included as freely available cash in the Net Cash Statement up to the Maximum Trapped Cash Amount.

9.7.4 After Closing, the Purchaser shall cause NXP China to pay to the Seller such amounts due to the Seller for services rendered prior to Closing up to the amount of Closing Trapped Cash. Within five (5) Business Days from receipt of such payments, the Seller shall pay to the Purchaser the amount that was taken into account in the Net Cash determination as for Trapped Cash.

9.7.5 After Closing, Purchaser shall pay to the Seller promptly any cash that it receives from NXP China up to the amount of Excess Trapped Cash to the extent these amounts can legally be paid by NXP China to the Purchaser or any of its affiliates by way of dividend and/or by way of payment for services rendered (similar to the GSA Agreement) and/or by way of recapitalization and/or by way of payment of IP royalties under licenses granted by members of the Purchaser's Group to NXP China, provided that such obligation shall be limited to USD 5,000,000 (five million United States dollars) per financial year. The Purchaser shall use its reasonable efforts to pay to the Seller any amounts of Excess Trapped Cash in an amount as high as possible but in no event more than USD 5,000,000 (five million United States dollars) per financial year.

9.7.6 Any costs, including Tax, reasonably incurred by NXP China and/or the Purchaser in connection with the Purchaser's obligations under Clauses 9.7.4 and 9.7.5 as well as costs, including Tax, reasonably incurred by NXP China and/or the Purchaser in connection with any dividend paid after Closing (to the extent the payments which Purchaser has received have not exceeded the Maximum Trapped Cash Amount) shall be borne by the Seller.

9.8 Information for Seller's Group's financial reporting

The Purchaser shall provide the Seller, in a timely manner as reasonably requested by the Seller and at the Seller's cost, with all such information as the Seller's Group may require in order to comply with its financial reporting obligations.

10 WARRANTIES

10.1 Seller's Warranties

10.1.1 Subject to the remaining provisions of this Clause 10 and Clauses 12 and 13, the Seller represents and warrants to the Purchaser that the Seller's Warranties:

(a) are true and accurate as at Signing; and

(b) shall, save as otherwise expressly provided in the Seller's Warranties, also be true and accurate as at Closing.

10.1.2 The Purchaser acknowledges and agrees that the Seller makes no representation or warranty as to the accuracy of any forecasts, estimates, projections, statements of intent or statements of opinion howsoever provided to the Purchaser on or prior to the date hereof (including any information of that nature contained in the Disclosure Letter or in the Due Diligence Information). The Purchaser acknowledges that no representations or warranties, express or implied, have been given or are given other than the Seller's Warranties.

10.1.3 Any Seller's Warranty qualified by the expression "**so far as the Seller is aware**" or "**to the Seller's knowledge**" or any similar expression shall, unless otherwise stated, be deemed to refer to the actual knowledge of any individual whose name is set out in Part 1 of Schedule 19, and such knowledge such individual should have had after having made reasonable enquiry taking into account the individual's position and the individual's responsibility.

10.1.4 Notwithstanding anything else to the contrary in this Agreement, the Purchaser's sole and exclusive remedy against the Seller for a breach of Seller's Warranties shall be a claim for Losses made pursuant to this Clause 10.

10.1.5 The applicability of Sections 7:17 and 7:23 of the Netherlands Civil Code is hereby excluded.

10.2 Seller's disclosures

The Seller's Warranties are subject to, and the Seller shall not be liable for breach of any of the Seller's Warranties in relation to, any matter which is fairly disclosed in this Agreement (including, for the avoidance of doubt, the Disclosure Letter) or fairly disclosed in the Due Diligence Information except for any disclosures against the Seller's Warranties in paragraphs 3 (Accounts) and 11 (Tax) of Schedule 16 in respect of which valid disclosures can only be made in the Disclosure Letter. Fair disclosure in the meaning of the preceding sentence shall mean that the respective breach of the relevant Seller's Warranty would have been appreciated and understood by a reasonable business person upon due consideration and without recourse to, and independent review of, any other source of information.

10.3 Liability of Seller for breach

After the Closing and subject to this Clause 10 and Clauses 12 and 13, the Seller shall be liable to the Purchaser for any Losses incurred by the Purchaser or a member of the Purchaser's Group including the Group Entities in connection with or as a result of any breach of the Seller's Warranties, which breach of Seller's Warranties shall occur where same is untrue or inaccurate as at the date on which the same is given or such breach is attributable to the fraud, dishonesty or willful concealment on the part of the Seller.

10.4 Purchaser's Warranties

The Purchaser represents and warrants to the Seller that:

10.4.1 the Purchaser's Warranties are true and accurate as at the date hereof and shall also be true and accurate as at Closing; and

10.4.2 neither the Purchaser, nor any other member of the Purchaser's Group is aware of any breach of the Seller's Warranties other than those items included in Schedule 25, which shall not prejudice the Purchaser's right to claim for Losses under this Clause 10.

10.4.3 Any reference to the expression "**so far as the Purchaser is aware**" or "**to the Purchaser's knowledge**" or any similar expression shall, unless otherwise stated, be deemed to refer to the actual knowledge of any individual whose name is set out in Schedule 24.

10.4.4 Notwithstanding anything else to the contrary in this Agreement, the Seller's sole and exclusive remedy against the Purchaser for a breach of Purchaser's Warranties shall be a claim for Losses made pursuant to this Clause 10.

10.5 Liability of Purchaser for breach

After the Closing, the Purchaser shall be liable to the Seller for any Losses incurred by the Seller in connection with or as a result of any breach of the Purchaser's Warranties, which breach of Purchaser's Warranties shall occur where same is untrue or inaccurate in any material respect as at the date on which the same is given.

11 TAX INDEMNITY

11.1 Tax indemnity

The provisions of Schedule 20 shall apply in respect of Taxes.

12 LIMITATION OF THE SELLER'S LIABILITY

12.1 Time limitation for claims

The Seller shall not be liable under this Agreement in respect of any Losses resulting from a breach under the Seller's Warranties unless the Purchaser gives a notice of the Losses to the Seller specifying the matters set out in Clause 13.2:

12.1.1 within the applicable statutory limitation period following Closing in respect of the Seller's Warranties given in respect of the Shares and the Group Entities as contained in Paragraphs 1 and 2 of Schedule 16;

12.1.2 within sixty (60) days after expiry of the statutory limitation period applicable in the relevant jurisdiction for the Tax matter giving rise to such claims and any applicable term during which additional assessments can be levied under the relevant Law;

12.1.3 within three (3) years following Closing in respect of the Seller's Warranties given in respect intellectual property matters as contained in Paragraph 13 of Schedule 16; and

12.1.4 within eighteen (18) months following Closing in respect of any other Seller's Warranties.

12.2 Minimum claims

Subject to any other limitations set out in this Agreement, the Seller shall only be liable under this Agreement

12.2.1 If the liability agreed or determined in respect of any individual claim, or a series of claims arising from identical facts exceeds USD 250,000 (two hundred fifty thousand United States dollars) ("**Minimum Claim**"), and

12.2.2 If the Aggregate of the Minimum Claims exceeds USD 4,000,000 (four million United States Dollars) ("**Deductible**"),

provided if such Deductible is exceeded, the Seller shall be liable only for the amount exceeding the Deductible provided that this Clause 12.2 shall not apply to any claim (a) under Paragraphs 1, 2.1 or 2.2 of Schedule 16, (b) under Clause 11, (c) under Paragraph 11 of Schedule 16 (Tax), (d) under Paragraph 7.4 of Schedule 16 (Employee Bonuses for time period prior to December 31, 2010) and (e) arising out of or in connection with circumstances set out in Schedule 25 to the extent the circumstances set out in Schedule 25 are not listed in the Disclosure Letter.

12.3 Maximum liability

12.3.1 Excluding (a) claims under Paragraphs 1, 2.1 or 2.2 of Schedule 16 and (b) claims under the Tax indemnity set out in Schedule 20, the aggregate liability of the Seller in respect of all claims under this Agreement shall not exceed 5% (five percent) of the Purchase Price, provided that, together with any of the other claims under this Agreement, the aggregate liability of the Seller in respect of (a) Paragraph 6.3.1 of Schedule 16 (GSA Agreement), (b) Paragraph 3 of Schedule 16 (Accounts), (c) Paragraph 11 of Schedule 16 (Tax), and (d) Paragraph 16 of Schedule 16 (Intellectual Property) shall not exceed 10% (ten percent) of the Purchase Price.

12.3.2 Without detracting from Clause 12.3.1, the aggregate liability of the Seller in respect of all claims under this Agreement including in case of (a) claims under Paragraphs 1, 2.1 or 2.2 of Schedule 16 and (b) claims under the Tax indemnity set out in Schedule 20, shall not exceed the Purchase Price.

12.4 Provisions

Seller shall not be liable under this Agreement in respect of any claim if and to the extent that any allowance, provision or reserve is made in a Working Capital Statement, a Net Cash Statement, or in the Accounts (and not released prior to the Effective Time) for the matter giving rise to the claim provided that allowances, provisions or reserves for Taxes, except for payroll related Taxes and VAT related Taxes in the Ordinary Course of Business, shall not reduce the Seller's liabilities for such amounts.

12.5 Matters arising subsequent to this Agreement

The Seller shall not be liable in respect of any matter, act, omission or circumstance (or any combination thereof), including the aggravation of a matter or circumstance, to the extent that the same would not have occurred but for:

12.5.1 any matter or thing done or omitted to be done pursuant to and in compliance with this Agreement or otherwise at the request in writing or with the approval in writing of the Purchaser;

12.5.2 any act, omission or transaction of the Purchaser or any other member of the Purchaser's Group, or their respective directors, officers, employees or agents or successors in title, after the Closing;

12.5.3 the passing of, or any change in, after the date of this Agreement, any law or administrative practice of any Governmental Authority, including any increase in the rates of Taxation or any imposition of Taxation or any withdrawal of relief from Taxation not actually (or prospectively) in effect at the date of this Agreement;

12.5.4 any change after the date of this Agreement of any generally accepted interpretation or application of any law; or

12.5.5 any change in accounting or Taxation policy, bases or practice of the Purchaser or any other member of the Purchaser's Group introduced or having effect after the Closing Date.

12.6 Insurance

The Seller shall not be liable under this Agreement in respect of any claim to the extent that the Losses in respect of which such claim is made are covered by a policy of insurance, in which event Clauses 12.9.2 and 12.9.3 shall apply.

12.7 Net financial benefit

Any Losses which the Purchaser may be entitled to claim hereunder shall be calculated on an after-Tax basis provided that the Tax benefit has been realized, meaning that such Losses shall be reduced by (i) any Tax refund actually received by the relevant Group Entity; (ii) any reduction of Tax actually owing by the relevant Group Entity; or (iii) in case of additional depreciations or amortisations for Tax purposes, the net present value of future Tax refunds or reductions of Tax as a result of such additional depreciations or amortisations and calculated at the Interest Rate; to the extent that the Tax refund or reduction of Tax is directly connected with the facts as a result of which the Losses have been incurred.

12.8 Mitigation of Losses

The Purchaser shall procure that all reasonable steps are taken and all reasonable assistance is given to avoid or mitigate any Losses which in the absence of mitigation might give rise to a liability in respect of any claim under this Agreement.

12.9 Purchaser's right to recover

12.9.1 Recovery for direct and actual Losses. The Seller shall not be liable in respect of:

(a) any loss of profit, loss of goodwill or any (other) indirect or consequential losses; and

(b) any Losses relating to any actual liability unless and until such actual liability is due and payable, or any Losses relating to any liability which is contingent unless and until such contingent liability becomes an actual liability and is due and payable, provided that this Clause 12.9.1(b) shall not operate to exclude liability in relation to a claim made in respect of an actual or contingent liability within the relevant time limit specified in Clause 12.1 and specifying the matters set out in Clause 13.1.

12.9.2 Prior to recovery from the Seller. If, before the Seller pays an amount in discharge of any claim under this Agreement, the Purchaser, a Group Entity or any other member of the Purchaser's Group recovers or is entitled to recover (whether by payment, discount, credit, relief, insurance or otherwise) from a third party a sum which indemnifies or compensates the Purchaser, the Group Entities or any other member of the Purchaser's Group (in whole or in part) in respect of the Loss which is the subject matter of the claim, the Purchaser shall either:

(a) before steps are taken to enforce a claim against the Seller (but, for the avoidance of doubt, following the required notification of the Seller under Clause 13.2), procure that all reasonable steps are taken to enforce recovery against the third party and any actual recovery (less any reasonable costs incurred in obtaining such recovery) shall reduce or satisfy, as the case may be, such claim to the extent of such recovery; or

(b) procure that the Seller be subrogated to all rights that the Purchaser has or would otherwise have in respect of the claim against the third party, upon the Purchaser receiving payment of the Loss by the Seller.

12.9.3 Following recovery from the Seller. If the Seller has paid an amount in discharge of any claim under this Agreement and the Purchaser, a Group Entity or any other member of the Purchaser's Group subsequently is entitled to recover or does recover (whether by payment, discount, credit, relief, insurance or otherwise) from a third party a sum which indemnifies or compensates the Purchaser, the Group Entity or any other member of the Purchaser's Group (in whole or in part) in respect of the Loss which is the subject matter of the claim, the Purchaser shall either:

(a) procure that all steps are taken to enforce such recovery or shall procure that the relevant Group Entity or other member of the Purchaser's Group shall pay to the Seller as soon as practicable after receipt an amount equal to (a) any sum recovered from the third party less any costs and expenses reasonably incurred in obtaining such recovery or, if less, (b) the amount previously paid by the Seller to the Purchaser; or

(b) procure that the Seller be subrogated to all rights that the Purchaser has or would otherwise have in respect of the claim against the third party.

12.10 Further limitations

12.10.1 In no event shall the Seller be liable more than once for the same matter under different Seller's Warranties or under Seller's Warranties and an indemnity.

12.10.2 The Seller shall not be liable for an amount higher than the actual damages and any liability shall not take into consideration any valuation principle (including any multiplier) applied by the Purchaser in calculating the Initial Purchase Price.

13 CLAIMS

13.1 Notification of potential claims

If key managers, officers or directors of the Purchaser or of a Group Entity become aware of any matter or circumstance that may give rise to a claim against the Seller under this Agreement, the Purchaser shall, as soon as reasonably practicable, and in any event within thirty (30) Business Days, give a notice in writing to the Seller setting out such information as is available to the Purchaser or the Group as is reasonably necessary to enable the Seller to assess the merits of the claim, to act to preserve evidence and to make such provision as the Seller may consider necessary, provided that failure to give such notification within the aforesaid thirty (30) Business

Days shall not affect the Purchaser's right to make the claim except to the extent the Seller shall have been or will be actually prejudiced as a result of such failure.

13.2 Notification of claims under this Agreement

Notices of claims under this Agreement shall be given by the Purchaser to the Seller within the time limit specified in Clause 12.1, specifying full information of the legal and factual basis of the claim and the evidence on which the Purchaser relies and, if practicable, an estimate of the amount of Losses which are, or are to be, the subject of the claim (including any Losses which are contingent on the occurrence of any future event).

13.3 Commencement of proceedings

Any claim notified pursuant to Clause 13.2 shall (if it has not been previously satisfied, settled or withdrawn) be deemed to be withdrawn six (6) months after the notice is given pursuant to Clause 13.2, and any claim notified pursuant to Clause 13.2 (contingent liability) shall (if it has not been previously satisfied, settled or withdrawn) be deemed to be withdrawn six (6) months after such contingent liability becomes an actual liability and is due and payable, unless legal proceeding which may include arbitration as set forth in Clause 18.2, in respect of it (i) have been commenced by being both issued and served and (ii) are being and continue to be pursued with reasonable diligence.

13.4 Investigation by the Seller

In connection with any matter or circumstance notified by the Purchaser pursuant to Clause 13.1 or 13.2:

13.4.1 the Purchaser shall allow, and shall procure that each Group Entity and the other relevant members of the Purchaser's Group allow, the Seller and its Representatives to investigate the matter or circumstance alleged to give rise to such claim and whether and to what extent any amount is payable in respect of such claim; and

13.4.2 the Purchaser shall disclose to the Seller all information of which the Purchaser or any other member of the Purchaser's Group is aware which relates to the claim, and shall procure that all relevant members of the Purchaser's Group give, subject to their being paid reasonable costs and expenses, all such information and assistance, including access to premises and personnel, and the right to examine and copy or photograph any assets, accounts, documents and records, in each case as the Seller or its Representatives may reasonably request.

13.5 Procedure for third party claims

If the claim notified pursuant to Clause 13.1 and 13.2 is a result of or connected with a claim by or liability to a third party, then:

13.5.1 no admissions in relation to such third party claim shall be made by or on behalf of the Purchaser or any other member of the Purchaser's Group and the claim shall not be compromised, disposed of or settled without the express prior written consent of the Seller;

13.5.2 the Seller shall be entitled at its own expense and in its absolute discretion, upon approval by the Purchaser which shall not be unreasonably withheld to take such action as it shall deem necessary to avoid, dispute, deny, defend, resist, appeal, compromise or contest such claim or liability (including making counterclaims or other claims against third parties) in the name of and on behalf of the Purchaser or other member of the Purchaser's Group concerned and to have the conduct of any related proceedings, negotiations or appeals; and

13.5.3 where the Seller has received approval pursuant to Clause 13.5.2:

(a) the Purchaser shall, and shall procure that the other members of the Purchaser's Group shall give, subject to their being paid all reasonable costs and expenses, all such information and assistance including access to premises and personnel, and the right to examine and copy or photograph any assets, accounts, documents and records, as the Seller may reasonably request for the purpose referred to in Clause 13.5.2, including instructing such professional or legal advisers as the Seller may nominate to act on behalf of the Purchaser or other member of the Purchaser's Group concerned but in accordance with the Seller's instructions; and

(b) the Seller shall keep the Purchaser informed of all relevant matters relating to the claim and shall promptly forward or procure to be forwarded to the Purchaser copies of all correspondence and other written communications relating to the claim.

14 PARENT GUARANTEE

14.1 Guarantee

Each of the Purchaser Parent and the Seller Parent hereby:

14.1.1 as a separate and independent obligation, unconditionally and irrevocably guarantees to the Seller respectively the Purchaser and the Austrian Purchaser, and shall be jointly and severally liable, as an absolute guarantor (*Abstrakte Garantie*) to the Seller respectively the Purchaser and the Austrian Purchaser for the due and punctual performance and observance by the Purchaser and the Austrian Purchaser and the Purchasers' assigns respectively the Seller and the Seller's assigns of all their obligations, commitments, undertakings, warranties and indemnities under or pursuant to this Agreement and under or pursuant to the Austrian Demerger Deed, (whereby it is hereby explicitly recorded that in respect of the indemnities contained in the Austrian Demerger Deed the limitations provided under Clause 12 shall not apply) (the "**Guaranteed Obligations**"); and

14.1.2 agrees to indemnify, defend and hold harmless the Seller respectively the Purchaser and, as an irrevocable third party stipulation (*derdenbeding*), all other members of the Seller's Group respectively the Purchaser's Group against all Losses which any of same may suffer through or arising from any breach by the Purchaser and/or the Purchaser's assigns respectively the Seller and the Seller's assigns, of the Guaranteed Obligations.

14.2 Default; enforcement; non-waiver

14.2.1 If and whenever a default occurs for any reason whatsoever in the performance of any of the Guaranteed Obligations, the Purchaser Parent or the Seller Parent, as the case may be, shall forthwith upon demand unconditionally perform (or procure performance of) and satisfy (or procure the satisfaction of) the Guaranteed Obligations in regard to which such default has been made in the manner prescribed by this Agreement and so that the same benefits shall be conferred on the Seller respectively the Purchaser as it would have received if the Guaranteed Obligations had been duly performed and satisfied by the Purchaser respectively the Seller.

14.2.2 As a separate and independent obligation each of the Purchaser Parent and the Seller Parent agrees that any of the Guaranteed Obligations (including any moneys payable) which may not be enforceable against or recoverable from the Purchaser respectively the Seller by reason of any legal limitation, disability or incapacity on or of any of the same or any other fact or circumstances (other than any limitation imposed by this Agreement) shall nevertheless be enforceable against and recoverable from the Purchaser Parent respectively the Seller Parent as though the same had been incurred by the Purchaser Parent respectively the Seller Parent and the Purchaser Parent respectively the Seller Parent were the sole or principal obligor in respect thereof and shall be performed or paid by the Purchaser Parent respectively the Seller Parent on demand.

14.2.3 The liability of each of the Purchaser Parent and the Seller Parent under this Clause 14 shall not be released or diminished by any variation of the Guaranteed Obligations or any forbearance, neglect or delay in seeking performance of the Guaranteed Obligations or any granting of time for such performance.

15 RESTRICTIONS

15.1 Restrictions on Seller

15.1.1 The Seller and the Seller Parent undertake with the Purchaser to procure that no member of the Seller's Group shall, during the Restricted Period:

(a) undertake any Restricted Activity; or

(b) without the prior written consent of the Purchaser, induce or seek to induce any Employee to become employed whether as employee, consultant or otherwise by any member of the Seller's Group, whether or not such Employee would thereby commit a breach of his or her contract of service, provided that the placing of an advertisement of a post available to a member of the public generally and the recruitment of a person through an employment agency shall not constitute a breach of this Clause 15.1.1(b), provided that no member of the Seller's Group instructs or encourages such agency to approach any Employee.

15.1.2 The restrictions in Clause 15.1.1 shall not operate to prohibit any member of the Seller's Group from:

(a) undertaking a Restricted Activity after such time as the Purchaser's Group ceases to directly carry on a Restricted Activity;

(b) fulfilling any obligation pursuant to this Agreement and any agreement entered into pursuant to this Agreement;

(c) acquiring the whole or part of any business if the turnover attributed to Restricted Activities of such business does not (i) represent more than twenty percent (20%) of the aggregate annual turnover thereof and (ii) does not exceed USD 50 million; and

(d) without detracting from Clause 15.1.2(c), holding an interest in a business which is engaged in a Restricted Activity in respect of which the Seller's Group does not have a majority shareholding or other controlling interest, or the right to nominate the majority of directors or representatives of similar standing to the board of directors or a governing body of similar standing, provided that if such business is listed on any recognised stock exchange, a controlling interest shall be deemed to exist if the interest held amounts to fifteen percent (15%) or more of the outstanding issued share capital of a company.

15.2 Restriction on Purchaser

The Purchaser undertakes with the Seller to procure that no member of the Purchaser's Group shall, during the Restricted Period, without the prior written consent of the Seller actively induce or directly seek to induce any person employed in the Seller's Group other than the Employees to become employed by any member of the Purchaser's Group, provided that the placing of an advertisement of a post available to a member of the public generally and the recruitment of a person through an employment agency shall not constitute a breach of this Clause 15.2, provided further that no member of the Purchaser's Group instructs or encourages such agency to approach any such person.

16 ANNOUNCEMENTS AND CONFIDENTIALITY

16.1 Announcements

No announcement or circular in connection with the existence or the subject matter of this Agreement shall be made or issued by or on behalf of any member of the Seller's Group or the Purchaser's Group without the prior written approval of the Seller and the Purchaser. This shall not affect any announcement or circular required by Law or, if applicable, the rules of any recognised stock exchange on which the shares of any member of either the Seller's Group or the Purchaser Parent's Group are listed, provided that the Party or the Purchaser Parent that has, or whose group member has, an obligation to make an announcement or issue a circular, shall consult with the other Party or the Purchaser Parent insofar as is reasonably practicable before compliance with such an obligation.

16.2 Confidentiality

16.2.1 The Parties acknowledge that the Confidentiality Agreement shall cease to have any force or effect from the Closing Date.

16.2.2 Subject to Clause 16.1 and Clause 16.2.3, each of the Parties shall treat as strictly confidential and not disclose or use any information contained in or received or obtained as a result of entering into this Agreement (or any agreement entered into pursuant to this Agreement) which relates to:

(a) the provisions of this Agreement or any agreement entered into pursuant to this Agreement;

(b) the negotiations relating to this Agreement (or any such other agreement); or

(c) a Party to this Agreement or the business activities carried on by it or any member of its group.

16.2.3 Clause 16.2.2 shall not prohibit disclosure or use of any information if and to the extent:

(a) the disclosure or use is required by Law or, if applicable, the rules of any recognised stock exchange on which the shares of any Party (or a member of the Seller's Group or the Purchaser's Group or the Purchaser Parent) are listed;

(b) the disclosure or use is required to vest the full benefit of this Agreement in any Party;

(c) the disclosure or use is required for the purpose of any legal proceedings arising out of this Agreement or any other agreement entered into under or pursuant to this Agreement or the disclosure is made to a Tax Authority in connection with the Tax affairs of the disclosing Party;

(d) the disclosure is made to professional advisors of any Party on terms that such professional advisors undertake to comply with the provisions of Clause 16.2.2 in respect of such information as if they were a party to this Agreement;

(e) the information is or becomes publicly available other than by breach of the Confidentiality Agreement or of this Agreement;

(f) the other Party has given prior written approval to the disclosure or use; or

(g) the information is independently developed after Closing,

provided that prior to disclosure or use of any information pursuant to Clause 16.2.3(a), the Party concerned promptly notifies the other Party of such requirement with a view to providing the other Party with the opportunity to contest such disclosure or use or otherwise to agree the timing and content of such disclosure or use.

17 OTHER PROVISIONS

17.1 Further assurances

Each of the Parties shall from time to time execute such documents and perform such acts and things as any Party may reasonably require to transfer the Shares to the Purchaser and to give any Party the full benefit of this Agreement.

17.2 Entire agreement

17.2.1 This Agreement and its ancillary agreements contain the entire agreement between the parties to this Agreement relating to the subject matter of this Agreement, to the exclusion of any terms implied by Law which may be excluded by contract, and supersedes any previous written or oral agreement between the parties to this Agreement in relation to the matters dealt with in this Agreement (including, for the avoidance of doubt, the LOI which is hereby terminated).

17.2.2 The Purchaser acknowledges that it has not been induced to enter into this Agreement by any representation, warranty or undertaking not expressly set out in this Agreement.

17.3 No assignment

Except as otherwise expressly provided in this Agreement, no party to this Agreement may, unless with the prior written consent of the Parties, assign, grant any security interest over or otherwise transfer, in whole or in part, any of its rights and obligations under this Agreement.

17.4 Waiver

No waiver of any provision of this Agreement shall be effective unless such waiver is in writing and signed by or on behalf of the party entitled to make such waiver.

17.5 Amendment

No amendment of this Agreement shall be effective unless such amendment is in writing and signed by or on behalf of each of the Parties.

17.6 Third-party rights

Save as expressly otherwise stated, this Agreement does not contain any stipulation in favour of a third party (*derdenbeding*).

17.7 Rescission

Without prejudice to Clauses 4.3.1 and 6.4.2(a), the Parties waive their respective rights to rescind or cancel this Agreement on the basis of Sections 6:265 or 6:228 of the Netherlands Civil Code.

17.8 Method of payment

17.8.1 Any payments shall be effected by crediting for same day value the account specified by the Seller or the Purchaser, as the case may be, on behalf of the Party entitled to the payment (reasonably in advance and in sufficient detail to enable payment by telegraphic or other electronic means to be effected) on or before the due date for payment.

17.8.2 Payment of any amount in accordance with this Agreement shall be a good discharge to the payor (and those on whose behalf such payment is made) of its obligation to make such payment and the payor (and those on whose behalf such payment is made) shall not be obliged to see to the application of the payment as between those on whose behalf the payment is received.

17.9 No withholding

17.9.1 All sums payable under this Agreement shall be paid free and clear of all deductions or withholdings for or on account of Tax whatsoever save only as may be required by law. If any such deductions or withholdings are required to be made by the Party making the payment pursuant to applicable law, such Party shall be obliged to pay to the other Party such sum as will after such deduction or withholding has been made leave the other Party with the same amount as it would have been entitled to receive in the absence of any such requirement to make such deduction or withholding.

17.9.2 Notwithstanding the foregoing, this Clause 17.9 shall not apply to any Taxes imposed by China on the transfer of the Chinese Shares (including with respect to any adjustment of the Purchase Price allocable to the Chinese Shares under Clause 8). In the case of the transfer of the Chinese Shares under this Agreement, Seller shall timely pay all of the Taxes due with respect to such transfer in accordance with applicable Law and shall provide proper evidence of payment of such Taxes to Purchaser in a timely manner.

17.10 Invalidity

If any provision in this Agreement shall be held to be illegal, invalid or unenforceable, in whole or in part, under any Law, such provision or part shall to that extent be deemed not to form part of this Agreement but the legality, validity and enforceability of the remainder of this Agreement shall not be affected. To the extent permitted by Law, such provision shall be deemed substituted by provisions (i) that are valid, legal and enforceable and (ii) the operation and effect of which are as similar as possible to the provisions they substitute for.

17.11 Costs

Unless this Agreement provides otherwise, all costs which a party has incurred or must incur in preparing, concluding or performing this Agreement are for its own account. All stamp, transfer, registration, sales and other similar Taxes, duties, fees, imposts, levies and charges and all notarial fees payable in connection with the sale, assignment, transfer or purchase of the Shares under this Agreement shall be paid by the Purchaser, except for stamp duty arising in respect of the transfer of the Chinese Shares, which shall be shared equally between the Parties and except for stamp duty arising out of or triggered in respect of agreements to which the Purchaser is not a party.

17.12 Interest

If any Party defaults in the payment when due of any amount payable under this Agreement, then the liability of that Party shall be increased to include interest on such amount from the date when such payment is due under this Agreement until the date of actual payment (both days inclusive) at the Interest Rate.

17.13 Notices

17.13.1 Notices and other statements in connection with this Agreement and any other agreement that is connected with this Agreement (unless the parties expressly agree otherwise) shall be (i) written in the English language, (ii) delivered by hand, email, facsimile or courier to the recipient's address as set forth below or to such other address as a Party may notify to the other Parties from time to time and (iii) shall be given:

if to the Seller, to:

Name:	NXP B.V.
Address:	High Tech Campus 60
	5656 AG Eindhoven

Country:	The Netherlands
Fax:	+31 40 272 9658
Attention:	General Counsel

if to the Seller Parent, to:

Name:	NXP Semiconductors N.V.
Address:	High Tech Campus 60
	5656 AG Eindhoven
Country:	The Netherlands
Fax:	+31 40 272 9658
Attention:	General Counsel

with a copy to:

Name:	De Brauw Blackstone Westbroek
Address:	Claude Debussylaan 80
	1082 MD Amsterdam
Country:	The Netherlands
Fax:	+32 20 577 1775
Email:	arne.grimme@debrauw.com
Attention:	Arne Grimme

and

if to the Purchaser to:

Name:	Knowles Electronics, LLC
Address:	1151 Maplewood Drive, Illinois, USA 60143
Country:	USA
Fax:	630-250-0575
Email:	jeff.niew@knowles.com
Attention:	Jeffrey Niew

if to the Purchaser Parent to:

Name:	Dover Corporation
Address:	3005 Highland Parkway, Suite 200, Downers Grove Illinois, USA 60515
Country:	USA
Fax:	630-743-26575
Email:	IMC@dovercorp.com
Attention:	Ivonne Cabrera and Peter Marshall

17.13.2 The Purchaser and the Purchaser Parent for service of process in connection with this Agreement choose domicile at the following address, or such other person or address in the Netherlands as the Purchaser and the Purchaser Parent, acting jointly, may notify to the Seller from time to time:

Name:	Baker & McKenzie
Address:	Claude Debussylaan 54, 1082 MD Amsterdam
Country:	The Netherlands
Fax:	+ 31 20 626 7949
Email:	mike.jansen@bakermckenzie.com**[•]**

Attention: Mike Jansen

17.13.3 A notice shall be effective upon receipt and shall be deemed to have been received:

(a) at the time of delivery, if delivered by hand, or courier;

(b) at the time of transmission in legible form, if delivered by fax or email.

18 GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing law

This Agreement and the documents to be entered into pursuant to it, save as expressly otherwise provided therein, shall be governed by and construed in accordance with the Laws of the Netherlands.

18.2 Forum

Except for any dispute relating to the determination of the Statements, which shall be resolved in accordance with the dispute resolution method as set forth in Clause 7.2 and Schedule 11, the Seller, the Seller Parent, the Purchaser and the Purchaser Parent irrevocably agree that all disputes which may arise out of or in connection with this Agreement and the documents to be entered into pursuant to it, including disputes concerning the existence and validity thereof, shall be finally and exclusively settled by arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce ("**ICC**"). The tribunal shall be composed of three arbitrators. The place of arbitration shall be Paris. The proceedings shall be conducted in the English language in accordance with the rules of law (regelen des rechts). The right, if any, to discovery is excluded. The ICC shall not be permitted to have the award published. The parties undertake to keep confidential all awards in their arbitration, together with all materials in the proceedings created for the purpose of the arbitration and all other documents produced by another party in the proceedings not otherwise in the public domain, save and to the extent that disclosure may be required of a party by legal duty, to protect or pursue a legal right or to enforce or challenge an award in bona fide legal proceedings before a state court or other judicial authority.

AGREED AND SIGNED ON 22 DECEMBER BY:

NXP B.V., as the Seller

/s/ Edward R. Arnstein
By: Edward R. Arnstein
Title: Senior Vice President
Date: 22/12/10

/s/ Mark A. Hamersma
By: Mark A. Hamersma
Title: Proxy holder
Date: December 22, 2010

NXP Semiconductors N.V., as the Seller Parent

/s/ Edward R. Arnstein
By: Edward R. Arnstein
Title: Senior Vice President
Date: 22/12/10

/s/ Mark A. Hamersma
By: Mark A. Hamersma
Title: Proxy holder
Date: December 22, 2010

Knowles Electronics, LLC, as the Purchaser

/s/ Peter Marshall
By: Peter Marshall
Title: Proxy Holder
Date: 12/22/10

Eff Acht Beteiligungsverwaltung GmbH, as the Austrian Purchaser

/s/ Peter Marshall

By: Peter Marshall
Title: Proxy Holder
Date: 12/22/10

Dover Corporation, as the Purchaser Parent

/s/ Peter Marshall

By: Peter Marshall
Title: Proxy Holder
Date; 12/22/10

Schedule 1 DEFINITIONS

"**A-Patents**" has the meaning set forth in paragraph 13.1 of Schedule 16.

"**Accounting Principles**" means the NXP accounting principles in accordance with US Generally Accepted Accounting Principles or US GAAP.

"**Accounts**" means the agreed form for the unaudited balance sheet and profit and loss accounts in respect of the Business as of December 31, 2009 and per the Accounts Date and for the year and for the nine months then ended, respectively, with amounts derived from the general ledgers, using the Accounting Principles, and as provided to the Seller in the format of FS-items for the purpose of incorporating these in the Seller's consolidated balance sheet, but adjusted, in respect of NXP Austria, to reflect solely the assets and liabilities related to the Business. A copy of these Accounts is attached as Schedule 27.

"**Accounts Date**" means the last Sunday of the NXP financial book month of the period of the reported Accounts, being 3 October 2010.

"**Agreement**" means this agreement between the Seller, the Purchaser, the Austrian Purchaser, the Seller Parent and the Purchaser Parent, including the schedules hereto (which, for the avoidance of doubt, includes the Ancillary Agreements).

"**Ancillary Agreements**" means the Intellectual Property Transfer and License Agreement and the Transitional Services Agreement, and "**Ancillary Agreement**" means any one of them.

"**Assumed Long Term Benefits Liability**" has the meaning set forth in Schedule 15.

"**Anti-Trust Approval**" means the anti-trust, merger control or similar approvals, consents and clearances required under Chinese Law for completion of the Transaction.

"**Audit**" has the meaning set forth in Paragraph 8.2.1 of Schedule 20.

"**Austrian Carveout**" has the meaning set forth in recital (H).

"**Austrian Demerger Deed**" means the demerger deed in respect of the Austrian Carveout in substantially the same form as attached in Part 1 of Schedule 3.

"**Austrian Initial Purchase Price**" means the portion of the Initial Purchase Price attributable to the Austrian Shares in accordance with Schedule 7.

"**Austrian Local Sale and Purchase Agreement**" means the agreement (in the form of a notarial deed) in substantially the same form as attached to Schedule 5 and entered into between the Parties on or around the date of this Agreement.

“**Austrian Purchaser**” has the meaning set forth in the introduction of this Agreement.

“**Austrian Shares**” means the entire issued share capital of NXP Austria.

“**B-Patents**” has the meaning set forth in paragraph 13.1 of Schedule 16.

“**Business**” has the meaning set forth in recital (B).

“**Business Day**” means a calendar day, other than a Saturday or a Sunday, on which commercial banks in Amsterdam, the Netherlands, and Chicago, Illinois USA are generally open for business.

“**Business Plan**” the business plan in relation to the Business contained in the Virtual Data Room.

“**China Equity Transfer Agreement**” means the agreement in substantially the same form as attached to Schedule 6 and entered into between the Parties on the date specified in Clause 5.6 of this Agreement.

“**China Transfer Approval**” has the meaning set forth in Clause 5.7.

“**China Transfer Registration**” has the meaning set forth in Clause 9.1.1.

“**China Transfer Registration Certificate**” means the certificate to be signed by both Parties in accordance with Clause 9.1.4 substantially in the form set forth in 0 (Part 2).

“**Chinese Initial Purchase Price**” means the portion of the Initial Purchase Price attributable to the Chinese Shares in accordance with Schedule 7.

“**Chinese Residual Registrations**” has the meaning set forth in Clause 9.1.2.

“**Chinese Shares**” means 100% of the issued shares of NXP China.

“**Closing**” means the performance of the actions set forth in Clause 6.3.

“**Closing Actions**” means the closing actions set forth in Schedule 4.

“**Closing Certificate**” means the certificate to be signed by both Parties in accordance with Clause 6.3 substantially in the form set forth in Schedule 26 (Part 1).

“**Closing Conditions**” has the meaning set forth in Clause 4.1 and “**Closing Condition**” means any one of them.

”**Closing Date**” means the date on which the Closing takes place, which in no event shall be more than 5 calendar days after the Effective Time.

"**Commercial Agreement**" means the commercial agreement agreed and to be entered into between the Purchaser, the Group and the Seller between Signing and Closing on the basis of the binding term sheet, attached hereto as Schedule 21 (Part 3), in relation to the MMDS for group MEMS microphone components.

"**Competition Authority**" means the Anti Monopoly Bureau of the Ministry of Commerce of the People's Republic of China.

"**Competition Condition**" has the meaning set forth in Clause 4.2.2(a).

"**Confidentiality Agreement**" means the confidentiality agreement dated 1 October 2008 between the Seller and the Purchaser in relation to information concerning the Business.

"**Consistently Applied**" means the consistent application of the Accounting Principles, to be measured on the basis of the application of the Accounting Principles by the Seller's Group in its financial statements for the period ended on the Accounts Date.

"**DBBW Account**" means the third party bank account ("*advocatuurlijke derdengeldrekening*") of De Brauw Blackstone Westbroek N.V., account no. 24.34.76.795 from ABN AMRO Bank (Blaak 555, 3011 GB ROTTERDAM), BIC Code FTSBNL2RXXX, IBAN Code NL41 FTSB 0243 4767 95 in the name of "Stg Beheer Derdengelden De Brauw Blackstone Westbroek".

"**De Brauw**" means De Brauw Blackstone Westbroek N.V.

"**Disclosure Letter**" means the document (together with its attachments) disclosing information constituting exceptions to the Seller's Warranties, annexed to this Agreement as Schedule 17.

"**Domain Names**" has the meaning set forth in Paragraph 13.1 of Schedule 16.

"**Due Diligence Information**" means the information contained in the Virtual Data Room as at 23:59 CET on 9 December 2010 (excluding, for the avoidance of doubt, the IPO-prospectus) which information is electronically stored on the DVDs delivered by the Seller to the Purchaser on the Signing Date.

"**Effective Time**" means the end of the day CET on the last day of the monthly reporting period of the Seller's Group immediately preceding the Closing Date.

"**Employees**" means all those persons who are at the Effective Time employed by:

(a) NXP China or who are, immediately after the Registration Date, employed by NXP Austria; or

(b) a member of the Seller's Group (other than the Group Entities) and working primarily or exclusively in the Business and whose details (formal employer, name and country of location) are set forth in Part 2 of Schedule 14.

and "**Employee**" means any one of them.

"**Encumbrance**" means any charge, mortgage, lien, option, equity, power of sale, pledge, usufruct, retention of title, right of preemption, right of first refusal or other similar third party rights or security interest of any kind or an agreement to create any of the foregoing.

"**Environment**", "**Environmental Authority**", **Environmental Law**", "**Environmental Permit**" and "**Event**" have the meanings set forth in Paragraph 9.1.

"**Global Release Letter**" means the global release letter issued by the global collateral agent under the NXP Financing Arrangements, pursuant to which the lenders or secured parties under the NXP Financing Arrangements release the assets of the Group from liens and shall cease to have any rights under any security established over the assets of the Group pursuant to the NXP Financing Arrangements.

"**Governmental Authority**" means any government or any agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether supranational, federal, state or local, domestic or foreign.

"**Group**" means NXP China and NXP Austria, taken as a whole.

"**Group Entities**" means NXP China and NXP Austria, and "**Group Entity**" means anyone of them or the relevant one of them, as the context requires.

"**Group Material Adverse Effect**" means any fact, circumstance or change that has or is reasonably likely to have a material adverse effect on the Business taken as a whole; provided, however, that facts, circumstances or changes or effects resulting from, relating to or arising out of the following shall not be taken into account when determining whether a Group Material Adverse Effect has occurred or is reasonably likely to occur: (i) general market or economic conditions; (ii) general market or economic conditions in the industries in which the Group conducts the Business; (iii) currency exchange rate fluctuations; (iv) political conditions (including changes arising out of acts of terrorism, sabotage, armed hostilities or war), weather conditions or other force majeure events; (v) changes in Law or changes in the accounting principles pursuant to which the Group is required to change its prior accounting policies or practices; and (vi) any loss of, or adverse change in the relationship with, Employees, customers or suppliers of the Business proximately caused by the pendency or announcement of the Transaction or any other transactions or actions contemplated by this Agreement.

"**GSA Agreements**" means (a) the General Services Agreement dated 29 September 2006 between the Seller as service provider and NXP China as service recipient and (b) the General Services Agreement dated 29 September 2006 between the Seller as service provider and NXP Austria as service recipient.

"**Guarantee**" means any guarantee, indemnity, surety, letter of comfort, letter of credit or other assurance, security or right of set-off given or undertaken by a Person to secure or support the obligations (actual or contingent) of any other Person, whether given directly or by way of counter-indemnity, excluding Guarantees provided under the NXP Financing Arrangements.

"**Guaranteed Obligations**" has the meaning set forth in Clause 14.1.1.

"**Hazardous Substances**" has the meaning set forth in Paragraph 9.1.

"**ICC**" has the meaning set forth in Clause 18.2.

"**Initial Purchase Price**" means USD 855,000,000 (eight hundred and fifty five million United States dollars).

"**Intellectual Property Transfer and License Agreement**" means the intellectual property transfer and license agreement to be entered into by the Seller and the Group Entities in agreed form attached hereto as Schedule 12.

"**Interest Rate**" means 3 month EURIBOR plus 300 basis points.

"**Intra-Group Payables**" means, in relation to each Group Entity, all amounts owed at any time prior to the Effective Time by that Group Entity to a member of the Seller's Group (other than the Group Entities) in respect of (a) loans and other indebtedness, in each case including accrued interest calculated consistent with past practice, and (b) trading payables.

"**Intra-Group Receivables**" means, in relation to each Group Entity, all amounts owed at any time prior to the Effective Time by a member of the Seller's Group (other than the Group Entities) to that Group Entity in respect of (a) loans and other indebtedness, in each case including accrued interest calculated consistent with past practice, and (b) trading receivables.

"**Know-How**" has the meaning set forth in paragraph 13.1 of Schedule 16.

"**Law**" means any applicable statute, law, ordinance, decree, judgment, order, rule or regulation of any Governmental Authority.

"**Liabilities**" means all liabilities, duties and obligations of every description, whether deriving from contract, common law, statute, court order or stipulation, or otherwise, whether present or future, actual or contingent, known or unknown, ascertained or unascertained or disputed and whether owed or incurred severally or jointly or as principal or surety, and "Liability" means any one of them or the relevant one of them, as the context requires.

"**LOI**" has the meaning set forth in recital (E).

"**Losses**" means all damage, losses, liabilities, costs, charges, expenses, claims and demands.

"**Net Cash**" means, in relation to each Group Entity, the net cash position (cash plus cash equivalents, cash in transit and current investments available within three (3) months minus outstanding cheques in transit minus third party indebtedness items), of the Group Entity as at the Effective Time in accordance with the Accounting Principles Consistently Applied and included in the line items set forth in Schedule 10, as finally agreed between the Parties or determined in accordance with Clause 7.2 and Schedule 11, excluding any item to be included in calculating the Working Capital.

"**Net Cash Statement**" has the meaning set forth in Clause 7.1.2.

"**Non-Sonar Business**" has the meaning set forth in Recital (H).

"**Notice of Disagreement**" has the meaning set forth in Clause 7.2.1(a).

"**NXP Austria**" means the private limited company, NXP Semiconductors Austria GmbH, incorporated under the laws of Austria, further details of which are set forth in Schedule 2.

"**NXP China**" has the meaning set forth in recital (A), further details of which are set forth in Schedule 2.

"**NXP Financing Arrangements**" means financing arrangements entered into by NXP Semiconductors N.V., NXP B.V. and NXP Funding LLC as borrowers, namely the so-called Secured Revolving Credit Facility, Forward Start Revolving Credit Facility, Super Priority Notes, Secured Notes, Unsecured Notes and the Collateral Agency Agreement.

"**Ordinary Course of Business**" means the conduct of the Sound Solutions business in accordance with normal day-to-day customs, practices and procedures and consistent with past practice, including, but not limited to, the Business Plan.

"**Overprovision**" has the meaning set forth in Paragraph 4 of Schedule 20.

"**Parties**" means the Seller and the Purchaser collectively, and "**Party**" means any one of them, as the case may be.

"**Patents**" has the meaning set forth in paragraph 13.1 of Schedule 16.

"**Permitted Encumbrances**" means:

(a) security interests arising under sales contracts with title retention provisions and equipment leases with third parties involving expenditure of less than USD 100,000 (one hundred thousand United States dollars) per year and entered into in the Ordinary Course of Business;

(b) security interests for Taxes and other governmental charges which are not due and payable or which may be paid without penalty; and

(c) any other security interests arising by operation of Law.

"**Person**" means an individual, a company or corporation, a partnership, a limited liability company, a trust or other entity, organization or unincorporated association, including a Governmental Authority.

"**Properties**" has the meaning set forth in Paragraph 4.1 of Schedule 16, and "**Property**" means any one of them or the relevant one of them, as the context requires.

"**Purchase Price**" has the meaning set forth in Clause 3.1.

"**Purchasers**" means the Purchaser and Austrian Purchaser, whereas in case the Purchaser and the Austrian Purchaser enter into any obligation jointly, they shall be jointly liable, and to the extent only the Austrian Purchaser enters into an obligation under this Agreement, the Purchaser shall guarantee the fulfillment of the Austrian Purchaser's obligation in the meaning, that such guarantee shall be a separate undertaking independent from the Purchaser's obligation (abstrakte Garantie).

"**Purchaser Parent**" has the meaning set forth in the introduction of this Agreement.

"**Purchaser Parent's Group**" means Dover Corporation and its respective Subsidiaries from time to time, including, as of the Closing Date, the Group Entities.

"**Purchaser's Group**" means Knowles Electronics, LLC and its respective Subsidiaries from time to time, including, as of the Closing Date, the Group Entities.

"**Purchaser's Warranties**" means the representations and warranties set forth in Schedule 18.

"**Reference Working Capital**" means USD 45,711,000 (forty five million seven hundred and eleven thousand United States Dollars)

"**Registration Date**" means the date on which the Austrian Carveout is registered.

“**Relevant Employees**” has the meaning set forth in Schedule 14.

“**Relevant IP-Rights**” has the meaning set forth in Recital (G)

“**Relevant Period**” has the meaning set forth in Paragraph 9.1.

“**Relief**” has the meaning set forth in Paragraph 1 of Schedule 20.

“**Reporting Accountant**” means Deloitte or, if that firm is unable or unwilling to act in any matter referred to them under this Agreement, a firm of accountants to be agreed by the Seller and the Purchaser within five (5) Business Days of a notice by the Seller to the Purchaser, or vice versa, requiring such agreement or, failing such agreement, to be nominated on the application of the Seller or the Purchaser by or on behalf of the chairman of the Royal Netherlands Institute of Chartered Accountants.

“**Representative**” means any officer, employee, legal advisor, financial advisor, accountant or other agent, of the Party concerned.

“**Restricted Activity**” means the Business as carried on at Signing by the Group Entities.

“**Restricted Period**” means three (3) years commencing on the Closing Date, or such shorter period of time recognised by Law as being binding on the Seller, and the other members of the Seller’s Group.

“**Retained Intra-Group Agreements**” means those agreements listed in Schedule 8.

“**Retirement Benefit Arrangements**” has the meaning set forth in Schedule 15.

“**Seller**” has the meaning set forth in the introduction of this Agreement.

“**Seller Parent**” has the meaning set forth in the introduction of this Agreement.

“**Seller’s Group**” means the Seller Parent and its Subsidiaries from time to time (excluding, as of the Closing Date, the Group Entities).

“**Seller’s Warranties**” means the representations and warranties set forth in Schedule 16.

“**Shares**” means the Austrian Shares and the Chinese Shares.

“**Signing**” means the signing of this Agreement by the Parties.

“**Signing Date**” means the date on which the last Party to sign this Agreement does so.

“**Software**” has the meaning set forth in paragraph 13.1 of Schedule 16.

“**Statements**” has the meaning set forth in Clause 7.1.2.

“**Subsidiary**” means:

(a) in respect of the Purchaser, any and all Persons with respect to which, now or hereafter, Knowles Electronics, LLC; or

(b) in respect of the Seller, any and all Persons with respect to which, now or hereafter, Seller Parent,

directly or indirectly, holds more than fifty percent (50%) of the nominal value of, or more than fifty percent (50%) of the voting power at general meetings, or has the power to appoint and to dismiss a majority of the directors or otherwise to direct the activities of such Person, or any other Person qualifying as a ‘subsidiary” as referred to in Section 2:24a Netherlands Civil Code, excluding in the case of Subsidiaries of the Seller or the Seller Parent, Trident Microsystems, Inc.

“**Taxation**” or “**Tax**” means all forms of taxation whether direct or indirect and whether levied by reference to income, profits, gains, net wealth, excise, import, asset values, turnover, added value or other reference and statutory, governmental, state, provincial, local governmental or municipal impositions, duties, contributions, rates and levies (including without limitation social security contributions and any other payroll taxes), whenever and wherever imposed (whether imposed by way of a withholding or deduction or otherwise) and in respect of any person as well as all penalties, fines, charges and interest relating thereto.

“**Tax Authority**” means any taxing or other authority competent to impose any liability in respect of Taxation or responsible for the administration and/or collection of Taxation or enforcement of any law in relation to Taxation.

“**Tax Liability**” means any liability of any of the Group Entities to make an actual payment of (or in respect of) Tax.

“**Tax Refund**” has the meaning set forth in Paragraph 3 of Schedule 20.

“**Tax Return**” means any return, declaration, report or information return relating to Taxes, including any schedule or attachments thereto, and including any amendment thereof.

“**Tax Warranties**” means Seller’s Warranties in Paragraph 11 of Schedule 16.

“**Transaction**” means the sale, purchase, assignment and transfer of the Shares pursuant to this Agreement.

“**Transitional Services Agreement**” means the transitional services agreement to be entered into by the Seller and the Purchaser attached hereto in agreed form as Schedule 13.

“**Virtual Data Room**” means the electronic data room created for purposes of the Transaction and maintained by Imprima Group.

“**Working Capital**” means, in relation to each Group Entity, the working capital of the Group Entity as at the Effective Time in accordance with the Accounting Principles Consistently Applied and consisting of the line items set forth in Schedule 9, as finally agreed between the Parties or determined in accordance with Clause 7.2 and Schedule 11, excluding any item to be included in calculating the Net Cash.

“**Working Capital Adjustment**” means, in relation to each Group Entity, the amount by which its Working Capital is greater than its Reference Working Capital (in which case such amount shall be expressed as a positive figure) or by which its Working Capital is less than its Reference Working Capital (in which case such amount shall be expressed as a negative figure) as set out in Clause 8.1.

“**Working Capital Statement**” has the meaning set forth in Clause 7.1.1.

Schedule 2 THE GROUP ENTITIES

1 NXP Semiconductors Austria GmbH

Registration Number:	FN 282889 p
Registered Office:	Gutheil-Schoder-Gasse 8-12, 1100 Wien
Date and place of incorporation:	23.09.2006, Vienna
Authorised share capital:	EUR 7,500,000
Paid in share capital:	EUR 7,500,000
Shareholders:	NXP B.V. (100%)
Shares held:	1 share in a nominal value of EUR 7.500.000
Directors:	Ernst Müllner, born 10.06.1954
	Dr. Volker Graeger, born 29.08.1950
	Arno Campostrini, born 07.07.1964

2 NXP Semiconductors Beijing Ltd

Registration Number:	110000410153239
Registered Office:	No.20 Tongji South Road, Beijing Economic-Technological Development Area, Beijing, People’s Republic of China
Date and place of incorporation:	22 November, 2000, Beijing
Registered capital:	USD 54,452,400
Shareholders and shares held:	NXP B.V. (100%)
Directors:	Mike Yeh
	Ernst Muellner
	David Siu Kee Kiang
	Carlo van den Akker.

Schedule 4 CLOSING ACTIONS

1 Evidence of authority

1.1 Seller's obligations

At Closing, the Seller shall deliver or make available to the Purchaser:

(a) evidence of the due satisfaction of the Closing Conditions;

(b) evidence that each of the Seller Parent and the Seller is authorised to sign this Agreement;

(c) the Global Release Letter;

(d) a certificate that, to the best of the Seller's knowledge, all intra-group balances have been settled in accordance with Clause 5.3.1; and

(e) a certificate that, to the best of the Seller's knowledge, all intra-group agreements have been terminated or amended in accordance with Clause 5.3.2.

1.2 Purchaser's obligations

At Closing, the Purchaser shall deliver or make available to the Seller:

(a) evidence of the due satisfaction of the Closing Conditions;

(b) evidence that each of the Purchaser Parent and the Purchaser is authorised to sign this Agreement.

2 Transfer of the Shares

2.1 General transfer obligations

At Closing, the Seller and the Purchaser shall take such steps as are required to transfer the Shares.

2.2 Specific transfer obligations

For the purposes of compliance with Paragraph 2.1, the Seller and the Purchaser shall do the following, in relation to the Group Entities incorporated in the jurisdictions listed below:

(a) Austria: The Seller shall sell, assign and transfer the Austrian Shares to the Austrian Purchaser, the foregoing to be effected in accordance with terms of the Austrian Local Sale and Purchase Agreement.

(b) China: The Seller shall sell and transfer the Chinese Shares to the Purchaser, the foregoing to be effected in accordance with terms of the China Equity Transfer Agreement.

3 Further obligations in addition to transfer

At Closing, the Seller shall deliver or make available to the Purchaser the following:

(a) in each case where the said information is not in the possession or under the control of the Group Entities, the corporate books and records, including the shareholders" register and share certificates in respect of the Group Entities, and all other books and records required to be kept by Law by any Group Entity, all to the extent they are in the possession or under the control of any member of the Seller's Group (excluding the Group Entities); and

(b) in each case where the information is not otherwise already in the possession or under the control of the Group Entities at Closing, such other books and records in the possession or under the control of the Seller or relevant other member of the Seller's Group (excluding the Group Entities) relating exclusively to the Group Entities save for books, records and other information which such member of the Seller's Group is required by Law to retain.

4 Ancillary Agreements

At Closing, each of the Parties shall, and shall procure that the relevant members of the Seller's Group and the Purchaser's Group, as the case may, and/or the relevant Group Entities, shall, enter into the following Ancillary Agreements:

(a) the Intellectual Property Transfer and License Agreement, the agreed form of which is attached as Schedule 12;

(b) the Transitional Services Agreement, the agreed form of which is attached as Schedule 13;

(c) the binding term sheet for product category 1: smart speaker drivers, substantially in the form attached hereto as Schedule 21 (Part 1);

(d) the binding term sheet for product category 2B: AGC- based MMDs for K&S, substantially in the form attached hereto as Schedule 21(Part 2);

(e) the Commercial Agreement for product category 2A: MMDs for group MEMS microphone components; and

(f) the binding term sheet for produce category 3: optical joystick for KFS substantially in the form attached here to as Schedule 21 (Part 3).

Schedule 7 ALLOCATION OF (INITIAL) PURCHASE PRICE

1. Initial Purchase Price

The allocation of the Initial Purchase Price shall be agreed between the Parties prior to Closing. The shares in NXP Austria shall have a value of at least USD 693,000,000 (six hundred and ninety three million United States Dollars):

2. Allocation of (Initial) Purchase Price

(f) The (Initial) Purchase Price shall be allocated as follows in respect of each Group Entity:

(a) its Initial Purchase Price as agreed pursuant to Paragraph 1 of this Schedule; plus

(b) the Net Cash of the relevant Group Entity; plus

(c) the Working Capital Adjustment of the relevant Group Entity.

Schedule 8 RETAINED INTRA-GROUP AGREEMENTS

1. To the extent necessary, the GSA Agreement between the Seller and NXP China, only insofar as it relates to the determination and payment to the Seller by NXP China of the relevant amounts owed thereunder in respect of services rendered prior to Closing.

Schedule 11 REPORTING ACCOUNTANTS

1 Reporting Accountants

1.1 The Reporting Accountants shall be engaged jointly by the Seller and the Purchaser on the terms set out in Paragraph 1 of this Schedule 11 and otherwise on such terms as shall be agreed; provided that neither the Seller nor the Purchaser shall unreasonably refuse their agreement to terms proposed by the Reporting Accountants or by the Purchaser or the Seller, as the case may be. If the terms of engagement of the Reporting Accountants have not been settled within thirty (30) Business Days of their identity having been determined (or such longer period as the Seller and the Purchaser may agree) then, unless the Seller or the Purchaser unreasonably refuses agreement to those terms, those accountants shall be deemed never to have become the Reporting Accountants and new Reporting Accountants shall be selected in accordance with the provisions of this Agreement.

1.2 Except to the extent that the Seller and the Purchaser mutually agree otherwise, the Reporting Accountants shall determine their own procedure; provided that the Reporting Accountants:

(a) apart from procedural matters and as otherwise set out in the Agreement, shall determine only whether any of the arguments for an alteration to the draft Statements put forward in the notice referred to in Clause 7.2 is correct with respect to the application of the Accounting Principles Consistently Applied in whole or in part; and if so, what alterations should be made to the Statements in order to correct the relevant inaccuracy in it;

(b) shall apply the principles set out in Clause 7;

(c) shall make their determination as soon as is reasonably practicable.

1.3 The procedures of the Reporting Accountants shall:

(a) give the Seller and the Purchaser a reasonable opportunity to make written representations to them;

(b) require that each of the Seller and the Purchaser supply the other with a copy of any written representations at the same time as they are made to the Reporting Accountants; and

(c) permit each Party to be present while oral submissions are being made to the Reporting Accountants.

1.4 For the avoidance of doubt, the Reporting Accountants shall not be entitled to determine the scope of their own jurisdiction.

1.5 The determination of the Reporting Accountants shall:

(a) be made in writing and made available for collection by the Seller and the Purchaser at the offices of the Reporting Accountants or by mail at such time as they shall determine; and

(b) unless otherwise agreed by the Sellers and the Purchaser, include reasons for each relevant determination.

1.6 The Reporting Accountants shall act as experts and not as arbitrators and their determination of any matter falling within their competence shall be final and binding (*bindend advies*) on the Seller and the Purchaser, save in the event of manifest error (when the relevant part of their determination shall be void and the matter shall be remitted to the Reporting Accountants for correction). In particular, without limitation, their determination shall be deemed to be incorporated into the draft Statements.

1.7 The expenses (including VAT) of the Reporting Accountants shall be borne as they shall direct at the time they make any determination or, failing such direction equally between the Purchaser, on the one hand, and the Seller, on the other hand.

1.8 The Seller and the Purchaser shall co-operate with the Reporting Accountants and comply with their reasonable requests made in connection with the carrying out of their duties under this Agreement. In particular, without limitation, the Purchaser shall keep up-to-date all books and records relating to the Group, subject to reasonable notice and confidentiality arrangements, and shall make available to one another's representatives and accountants and the Reporting Accountants all books and records relating to the Group during normal office hours during the period from the appointment of the Reporting Accountants to the making of the relevant determination.

1.9 Each Party shall, and shall procure that its accountants and the other advisers and the Reporting Accountants shall, keep all information and documents provided to them pursuant to this Schedule 11 confidential and shall not use the same for any purpose, except for disclosure or use in connection with the preparation of the draft Net Cash Statement, Working Capital Statement, proceedings of the Reporting Accountants.

Confidential Treatment Request — Pages where confidential treatment has been requested are stamped "Confidential Treatment Requested." The redacted materials have been separately filed with the SEC; the appropriate section has been marked at the appropriate place with a "*."

Intellectual Property Transfer and License Agreement

Relating to

THE SOUND SOLUTIONS BUSINESS OF NXP

between

NXP B.V.

NXP SEMICONDUCTORS BEIJING LIMITED

NXP SEMICONDUCTORS AUSTRIA GMBH

and

DOVER CORPORATION

Dated 22 December 2010

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INTELLECTUAL PROPERTY TRANSFER AND LICENSE AGREEMENT

THE UNDERSIGNED:

(1) **NXP B.V.**, a limited liability company incorporated in the Netherlands, with corporate seat in Eindhoven, the Netherlands, and address at High Tech Campus 60, 5656AG Eindhoven, the Netherlands ("**Seller**"),

and

(2) **NXP SEMICONDUCTORS BEIJING LIMITED**, a limited liability company incorporated in the People's Republic of China, and having its address at No 20 Tongji South Road, Beijing Economic-Technological Development Area, Beijing, People's Republic of China, ("**NXP China**"),

(3) **NXP SEMICONDUCTORS AUSTRIA GMBH,** a private limited company, incorporated under the laws of Austria, and having its address at Gutheil-Schoder-Gasse 8-12, 1100 Vienna, Austria, ("**NXP Austria**"),

(4) **DOVER CORPORATION**, a corporation incorporated under the laws of the State of Delaware, USA, and having its address at 3005 Highland Parkway, Suite 200, Downers Grove Illinois, USA 60515, ("**Dover**"),

together also be referred to as "**Parties**" and each party individually as a "**Party**", as the case may be,

WHEREAS:

(A) The Seller holds all of the issued shares in the capital of NXP China (the "**Chinese Shares**") and in the capital of NXP Austria (the "**Austrian Shares**") (the Chinese Shares and the Austrian Shares together the "**Shares**").

(B) NXP China and NXP Austria (each a "**Company**" and jointly referred to as the "**Group**" or the "**Companies**") together own and conduct the Business.

(C) The Seller and Knowles Electronics, LLC, together with their respective parents and Eff acht Beteiligungsverwaltung GmbH, entered into a sale and purchase agreement on 22 December 2010 for the sale and transfer of the Shares by the Seller to the Purchaser (the "**SPA**").

(D) By this Intellectual Property Transfer and License Agreement the Seller and the Group wish to set out the terms and conditions applicable to the assignment and licensing to the Group and its Affiliates of intellectual property relating to the Business at the Closing Date, relevant to the aforementioned sale of shares, in order to achieve that (each relevant Company of) the Group and its Affiliates shall acquire, by way of assignment or license, the benefit of rights used in the Business at the Closing Date, to the extent the Seller is able to grant such rights. Furthermore, the Parties wish to ensure that Seller's remaining business activities do not infringe on the assigned intellectual property rights through a license-back of such rights.

IT IS AGREED AS FOLLOWS

1 DEFINITIONS

When used in this Agreement, the following capitalised terms shall have the meanings set forth below:

Agreement This Intellectual Property Transfer and License Agreement (including all Annexes attached hereto), as the same may be amended or supplemented from time to time in accordance with the provisions hereof.

A-Patents The Patents that are listed in Annex A to this Agreement.

A2-Patents The Patents that are listed in Annex B to this Agreement.

Affiliates

(a) In respect of the Group, any and all Persons with respect to which, now or hereafter, Dover; or

(b) in respect of the Seller, any and all Persons with respect to which, now or hereafter, Seller Parent,

	directly or indirectly, holds more than fifty percent (50%) of the nominal value of, or more than fifty percent (50%) of the voting power at general meetings, or has the power to appoint and to dismiss a majority of the directors or otherwise to direct the activities of such Person, or any other Person qualifying as a 'subsidiary' as referred to in Section 2:24a Netherlands Civil Code, excluding in the case of Affiliates of the Seller or the Seller Parent: (i) Trident Microsystems, Inc., and (ii) as of the Closing Date, the Group.
B-Patents	The Patents that are listed in Annex C to this Agreement.
B2-Patents	The Patents that are listed in Annex D to this Agreement.
Business	The meaning as ascribed thereto in the SPA.
Business Know-How	All Know-How owned by the Seller and/or its Affiliates, which is exclusively used within the Business immediately prior to the Closing Date.
Business Software	All software owned by the Seller and/or its Affiliates, which is exclusively used within the Business immediately prior to the Closing Date.
Closing Date	The meaning as ascribed thereto in the SPA.
Confidential Information	The meaning as ascribed thereto in Clause 12.
**********	*******
**********	*******
Domain Names	The Internet domain names and applications therefor listed in Annex E to this Agreement, including the registrations of such domain names.
Know-How	All technical and commercial information, data and documents of whatever nature, including drawings, specifications, photographs, samples, trade secrets, models, processes, procedures, libraries, manuals, reports and correspondence, including any copyright and/or database rights and other rights for the protection of know how as they may exist, but excluding any (right in) Software, Patents, trademarks, the Domain Names and any other intellectual property rights therein.

NXP Know-How	All Know-How other than Business Know-How owned by the Seller and/or its Affiliates and which is used within the Business immediately prior to the Closing Date.
Patents	Patents, petty patents, design patents, provisionals, utility models and any applications therefor, including any divisionals, continuations (in part), re-examinations, renewals and re-issues thereof, in any country in the world, as well as any inventions described in invention disclosures.
Software	A code in any programming language contained in any format, including human and machine-readable format.
SPA	As defined in Recital (C).

Any capitalised term used in this Agreement but not defined shall have the same meaning as ascribed thereto in the SPA.

2 INTERPRETATION

2.1 References to persons

References to a person include any individual, company or partnership whether or not having separate legal personality and wherever incorporated or registered.

2.2 References to obligations

2.2.1 Any reference in this Agreement to an obligation of the Seller and/or its Affiliates shall be deemed to incorporate a reference to an obligation on the part of the Seller to procure that the relevant obligation is performed by the relevant Affiliates of the Seller, on and subject to the terms and conditions set out in this Agreement.

2.2.2 Any reference in this Agreement to an obligation of any member of the Group and/or its Affiliates, shall be deemed to incorporate a reference to an obligation on the part of the Group to procure that the relevant obligation is performed by the relevant member(s) of the Group and its Affiliates, subject to the terms and conditions set out in this Agreement.

2.2.3 Any reference in this Agreement to an obligation of any member of the Group and/or its Affiliates, shall be deemed to incorporate a reference to an obligation on the part of the Group to impart such obligation on any of its or its Affiliates' successors in interest.

2.2.4 Any reference in this Agreement to an obligation of any member of the Seller and/or its Affiliates, shall be deemed to incorporate a reference to an obligation on the part of the Seller to impart such obligation on any of its or its Affiliates' successors in interest.

2.3 Legal Terms

In respect of any jurisdiction other than the Netherlands, a reference to any Netherlands legal term shall be construed as a reference to the term or concept which most nearly corresponds to it in that jurisdiction.

2.4 Other References

2.4.1 Whenever used in this Agreement, the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation".

2.4.2 Whenever used in this Agreement, the words "as of" shall be deemed to include the day or moment in time specified thereafter.

2.4.3 Any reference in this Agreement to any gender shall include all genders, and words importing the singular shall include the plural and vice versa.

2.5 Drafting Party

No provision of this Agreement shall be interpreted against a Party solely as a result of the fact that such Party was responsible for the drafting of such provision.

2.6 Headings and References

The clause and paragraph headings and table of contents contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

A reference in this Agreement to a Recital, Clause or Annex is to the relevant Recital to, Clause of or Annex to this Agreement.

2.7 Effective date

The rights and obligations of the Parties under this Agreement will not become effective until the Closing Date.

3 ASSIGNMENT OF A-PATENTS

3.1 Assignment and License Back

3.1.1 Subject to the terms and conditions of this Agreement, the Seller assigns and will procure its Affiliates to assign to the relevant member of the Purchaser's Parent Group (the "**Recipients**"), effective as of the Closing Date, all of the Seller's and — as applicable — the Affiliate's rights, title and interest in and to the A-Patents.

3.1.2 Dover on behalf of the Purchaser's Parent Group accepts, as of the Closing Date, the assignment of the A-Patents and hereby grants (and agrees to grant) and on behalf of the Recipients grants (and agrees to grant) to the Seller and its Affiliates, with effect from the transfer of the A-Patents to the Group, a non-exclusive, perpetual, non-transferable (except as set forth in Clause 16), irrevocable, world-wide, royalty-free, fully paid-up license, *******, under the A-Patents, to make, have made, use (in the broadest sense), sell and offer to sell, import and export, promote or commercialise in any other way products and services ********, which license is hereby accepted by the Seller.

3.1.3 *******

3.1.4 *******

3.2 Effectuation

The Seller shall, and shall cause its relevant Affiliates to, execute and deliver all files, assignments, and titles, evidence or authorisations as may be required to effect or to formalise the transfer of the A-Patents, and to assist the Group or Purchaser Parent's Group entity in recording the A-Patents at the relevant patent registers in the name of the relevant Company of the Group or its designated Affiliate. For the purpose of the registration of the transfer of the legal title to the A-Patents as per Clause 3.1.1 hereof, the Seller and the relevant member of the Purchaser Parent's Group shall sign a deed of transfer attached substantially in the form of Annex F effective as of the Closing Date.

3.3 Cost of Assignment

The Group shall bear all costs related to the assignment and transfer of the A-Patents from the Seller to the Group pursuant to Clause 3.1.1 including registration thereof.

3.4 Other Costs

The Group shall bear all costs of prosecution and maintenance of the A-Patents arising after the Closing Date, including any remuneration payable to inventors in accordance with applicable national laws with respect to any of the A-Patents on and after the Closing Date, however, Seller shall be responsible for all costs and obligations under agreements existing as of the Closing Date between the inventors and Seller.

3.5 *****

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3.6 No Pre-Closing Rights

It is confirmed that the Group does not acquire any rights accruing from ownership of the A-Patents prior to the Closing Date. Accordingly, the Group shall not have the right to (i) collect royalties with respect to the period up to the Closing Date, or to (ii) sue and to collect damages in respect of any act of infringement committed prior to the Closing Date. The Seller and its Affiliates shall not be obliged to take any action in relation to any third party for any act of infringement prior to the Closing Date.

4 LICENSE UNDER B-PATENTS

4.1 Subject to the terms and conditions of this Agreement, the Seller hereby grants, and shall cause its relevant Affiliates to grant, to the Group and its Affiliates, effective as of the Closing Date, a non-exclusive, perpetual, non-transferable (except as set forth in Clause 16 below), irrevocable, world-wide, royalty-free, fully paid-up license, under the B-Patents, to make, have made, use (in the broadest sense), sell and offer to sell, import and export, promote or commercialise in any other way products and product components ******, which license the Group hereby accepts.

4.2 As to the "have made" rights listed in Clause 4.1 and ****, these rights are restricted to have products made by a third party solely for the use, sale or other disposal by the Group, subject to the condition that all relevant designs and specifications, including working drawings, for the manufacture of such products are owned and furnished by the Group, and said designs, specifications and working drawings are in sufficient detail, such that no modification by the manufacturer is required other than small adaptations to the production processes and standards normally used by the manufacturer, which changes the characteristics of the products only to a negligible extent.

4.3 ******

4.4 ******

5 OTHER LICENSES

Reference is made to the commercial agreements included as a Schedule to the SPA for other licenses (referred to therein as the C-Patent, D-Patent and E-Patent lists as attached to the commercial agreements) which under certain circumstances may be granted by the Seller to the Group and/or its Affiliates in the future.

6 ******

6.1 ********

6.2 ********

6.3 *******

6.4 *******

6.5 *******

7 KNOW-HOW

7.1 License Back Business Know-How

Subject to the terms and conditions of this Agreement, the Group hereby grants (and agrees to grant) to the Seller and its Affiliates, effective as of the Closing Date, a non-exclusive, perpetual, non-transferable (except as set forth in Clause 16), irrevocable, world-wide, royalty-free, fully paid-up license, *******, under the Business Know-How, to make, have made, use (in the broadest sense), sell and offer to sell, import and export, promote or commercialise in any other way products and services, to the extent such Business Know-How is available to the Seller and/or its Affiliates outside the Business immediately prior to the Closing Date, *********, which license is hereby accepted by the Seller.

7.2 License NXP Know-How

Subject to the terms and conditions of this Agreement, the Seller hereby grants to the Group and its Affiliates, effective as of the Closing Date, a non-exclusive, perpetual, non-transferable (except as set forth in Clause 16 below), irrevocable, world-wide, royalty-free, fully paid-up license, *********, under the NXP Know-How, to make, have made, use (in the broadest sense), sell and offer to sell, import and export, promote or commercialise in any other way products within the field of the Business.

8 SOFTWARE

8.1 License Back Business Software

Subject to the terms and conditions of this Agreement, the Group hereby grants (and agrees to grant) to the Seller and its Affiliates, effective as of the Closing Date, a non-exclusive, perpetual, non-transferable (except as set forth in Clause 16), irrevocable, world-wide, royalty-free, fully paid-up license, ********, under the Business Software, to distribute, display, reproduce, copy, perform, modify, use (in the broadest sense), prepare derivative works of and otherwise exploit such Business Software within the business of the Seller and its Affiliates, including the right to make, have made, use (in the broadest sense), sell and offer to sell, import and export, promote or commercialise in any other way products and services based thereon, to the extent such Business Software is available to the Seller and/or its Affiliates outside the Business immediately prior to the Closing Date, *********, which license is hereby accepted by the Seller.

9 DOMAIN NAMES

9.1 Assignment

Subject to the terms and conditions of this Agreement, the Seller hereby assigns to the relevant member of the Purchaser Parent’s Group and shall cause its Affiliates to assign all Domain Names, effective as of the Closing Date.

9.2 Effectuation

The Seller shall, and shall cause its relevant Affiliates to, execute and deliver all files, assignments, and titles, evidence or authorisations as may be required to effect or to formalise the transfer of the Domain Names, and to assist the Group in recording the Domain Names at the relevant registers in the name of the relevant member of the Purchaser Parent's Group or its designated Affiliate. For the purpose of the registration of the transfer of the legal title to the Domain Names as per Clause 9.1 hereof, the Seller and the Group shall sign a deed of transfer substantially in the form of Annex G effective as of the Closing Date.

9.3 Costs

The Group shall bear all costs related to the assignment and transfer of the Domain Names from the Seller to the Group pursuant to Clause 9.1 including registration thereof. The Group shall bear all costs of registration and maintenance of the Domain Names arising on and after the Closing Date.

10 PRIOR COMMITMENTS

10.1 In addition to the conditions expressly set forth elsewhere in this Agreement, all rights in or to any Patents, Know-How, Software or Domain Names granted to the Group and/or its Affiliates by assignment, license or otherwise under this Agreement, are subject to any and all prior commitments entered into prior to the Closing Date *******.

10.2 In addition to the conditions expressly set forth elsewhere in this Agreement, ******.

11 *******

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12 CONFIDENTIAL INFORMATION

In connection with the disentanglement and assignments to be performed and licenses to be granted by the Seller to the Group under this Agreement, the Seller and/or its Affiliates and the Purchaser Parent Group may disclose certain Confidential Information to each other. The Seller and the Purchaser Parent's Group shall, and shall cause their Affiliates to, each maintain the confidentiality of such Confidential Information and shall not, and shall cause its Affiliates not to, use, disclose, or otherwise exploit any Confidential Information for any purpose not expressly authorised by this Agreement. For the purpose of this Agreement, the term "**Confidential Information**" as used herein shall mean all intellectual property licensed under this Agreement or any other data or information that is designated as confidential by the Seller or the Purchaser Parent's Group. Notwithstanding the foregoing, Confidential Information shall not include information that (i) is publicly available or in the public domain at the time disclosed, or (ii) is or becomes publicly available or enters the public domain through no fault of the Purchaser Parent's Group.

13 DISCLAIMER

Other than as represented and warranted in the SPA or otherwise agreed elsewhere in the SPA or this Agreement, the assignments made and licenses granted by the Seller and/or its Affiliates hereunder are on an “as is” basis and that the Seller does not make and hereby expressly disclaims any express, statutory or implied representation or warranty (including any warranties of merchantability, fitness for a particular purpose, title, enforceability or non-infringement). The Parties acknowledge and agree that neither the Seller nor its Affiliates shall have any obligation under this Agreement to maintain, prosecute or file for any Patents, Know-How, Software or any other intellectual property rights, or to provide any upgrades or enhancements thereto to the Group and/or its Affiliates.

14 SPA

Any claim for a breach of any covenants or undertakings of the Seller and/or its Affiliates hereunder or of any of the representations and warranties contained in this Agreement (if any) shall only be enforceable against the Seller and/or its Affiliates in accordance with Clause 13 of the SPA, and liability, and limitations on such liability, in respect of any breach of such covenants, undertakings, representations and warranties shall be determined solely in accordance with the terms of the SPA.

15 TERMINATION

This Agreement may not be terminated by any Party after the Closing Date.

16 ASSIGNMENT AND ******

16.1 Save as explicitly provided otherwise in this Agreement, neither this Agreement nor any right or obligation hereunder is assignable in whole or in part, by operation of Law or otherwise, by any Party without the prior written consent of all other Parties, which consent shall not be unreasonably withheld or delayed, except that each Party may transfer or assign its rights under this Agreement without the consent of the other Parties: (a) to one or more of its current Affiliates or an Affiliate created due to an internal reorganisation; or (b) to a third party merger partner or the purchaser in connection with a merger, consolidation or sale of all or substantially all of its stock directly or indirectly or assets or of any portions of its business to which this Agreement relates.

16.2 Any license granted to a Party’s Affiliate hereunder will terminate on the date that Person ceases to be an Affiliate of such Party.

16.3 ********

16.4 ********

17 MISCELLANEOUS

17.1 No licenses are granted except those expressly granted under this Agreement. To the extent an expressly granted license under this Agreement includes the right to practice under one or more Patents that are part of the A-Patents or B-Patents, each such license includes not only Patents in existence as of the Closing Date that are part of the A-Patents and B-Patents, as the case may be, but also: (i) all subsequent divisions, continuations, continuations-in-part (but these only to the extent based on inventions existing as of the Closing Date), re-examinations, re-issues, provisionals, extensions and counterparts relating thereto; (ii) all Patents issuing after the Closing Date that arise from inventions first made, conceived or reduced to practice prior to the Closing Date that are part of the Business Know-How, Business Software, or NXP Know-How, as the case may be; and (iii) all Patent claims entitled to the benefit of a priority date from any of the foregoing Patents.

17.2 This Agreement contains the entire agreement between the Parties to this Agreement relating to the subject matter of this Agreement, to the exclusion of any terms implied by Law which may be excluded by contract, and supersedes any previous written or oral agreement between the parties to this Agreement in relation to the matters dealt with in this Agreement.

17.3 Nothing contained in this Agreement shall be deemed or construed to constitute or create a partnership, association, joint venture or other agency between the Parties.

17.4 No variation of this Agreement shall be binding upon any Party unless made by a written instrument, signed by an authorised signatory of each of the Parties.

17.5 Save as expressly otherwise stated, this Agreement does not contain any stipulation in favour of a third party (*derdenbeding*).

17.6 No waiver of any provision of this Agreement shall be effective unless such waiver is in writing and signed by or on behalf of the party entitled to make such waiver.

17.7 All notices or other communications hereunder shall be given in accordance with Clause 17.13 of the SPA.

17.8 The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof.

17.9 The provisions of this Agreement that by their nature are intended to survive termination or expiration of this Agreement shall so survive.

17.10 Except as otherwise set forth herein or in the SPA, each Party shall pay its own legal, accounting and other expenses incidental to this Agreement and the consummation of the transactions contemplated thereby.

17.11 This Agreement and the documents to be entered into pursuant to it, save as expressly otherwise provided therein, shall be governed by and in accordance with the laws of the Netherlands, without regard to the conflict of laws principles thereof. Any action or proceeding in respect of any claim arising out of or related to this Agreement shall be solely conducted by the Seller and the Purchaser Parent's Group in accordance with the procedure provided in Clause 18.2 of the SPA.

AGREED AND SIGNED ON 22 DECEMBER 2010 BY:

NXP B.V.

By:	/s/ Ted Arnstein	/s/ Mark Hamersma
	Ted Arnstein	Mark Hamersma
Title:	Senior Vice President	

NXP SEMICONDUCTORS BEIJING LIMITED

By: ________________________

Title:

NXP SEMICONDUCTORS AUSTRIA GMBH

By: ________________________

Title:

DOVER CORPORATION

By: /s/ Peter Marshall

Peter Marshall

Title: Proxy Holder

****

Schedule 14 EMPLOYEES

Part 1

1 Definitions

In this Schedule 14:

"**Relevant Employees**" has the meaning set out in Paragraph 3.1.

2 Employees employed by the Group Entities

2.1 The Employees employed by the Group Entities will remain employed by the Group Entities following the transfer of the Shares as contemplated by this Agreement.

3 Employees employed by a member of the Seller's Group other than a Group Entity

3.1 The Employees falling within item (b) of the definition of Employees ("**Relevant Employees**") will not transfer to the Purchaser or the Group as employees of NXP Austria or NXP China. The following shall apply in respect of the Relevant Employees that do not otherwise transfer by operation of relevant national laws:

(a) The Purchaser shall, in sufficient time to allow proper contractual or statutory notice of termination of employment to be given to Relevant Employees or at such time as the Parties may agree but in any event not less than ten (10) Business Days prior to the date set in Clause 6.1 for Closing, make an offer to each Relevant Employee listed in Part 2 of this Schedule 14 (other than those under notice of termination of employment for whatever reason) to employ him or her under a new contract of employment commencing immediately after the Effective Time.

(b) The offer of employment to be made by the Purchaser under Paragraph 3.1(a) shall be such that:

(i) the provisions of the new employment contract shall be, as to the capacity and place in which the Relevant Employee concerned will be employed, and as to the other terms and conditions of his or her employment, as far as is practically achievable, unchanged and, when considered overall, no less favourable than the corresponding provisions of his or her contract of employment as existing immediately prior to the Effective Time; and

(ii) the offer of employment provides that the Relevant Employee's period of continuous service with the Seller's Group shall be counted as continuous service with the Purchaser's Group. Excepting where the Seller has, in accordance with normal national practice, made severance payments in respect of such period of continuous service.

(c) The Seller's Group shall terminate the employment of each Relevant Employee with effect from the moment after the Effective Time.

3.2 The Purchaser shall, in sufficient time to allow proper contractual or statutory notice of termination of employment to be given or at such time as the Parties may agree but in any event not less than ten (10) Business Days prior to the date set in Clause 6.1 for Closing, procure that a Subsidiary of the Purchaser incorporated in Germany makes the Employee currently employed by a Subsidiary of the Seller's Group incorporated in Germany and involved in sales for the Business (the "**German Employee**"), an offer of employment on the same terms and in accordance with paragraph 3.1 as if the German Employee were a Relevant Employee that does not otherwise transfer by operation of relevant national laws.

4 Further provisions regarding Employees

4.1 The Seller and the Purchaser shall, where and to the extent required by the relevant local Law or custom, inform and consult with employees, trade unions, works councils or other employee representatives regarding the Transaction and/or regarding the offers of employment to be made pursuant to this Schedule 14 and shall fulfil any obligations to notify any statutory or other authority whatsoever about the Transaction.

4.2 Subject to Closing, the Purchaser shall be responsible for and shall indemnify and keep indemnified the Seller and, as an irrevocable third-party stipulation (*onherroepelijk derdenbeding*), each member of the Seller's Group (excluding the Group), and the Seller shall in turn indemnify the Purchaser against any Losses which the indemnified Party incurs as a result of the indemnifying Party's failure to consult and/or inform and/or notify in accordance with Paragraph 4.1.

Schedule 15 LONG-TERM BENEFIT ARRANGEMENTS

This Schedule describes how relevant material company pension and jubilee plans will transfer from the Seller to the Purchaser. In addition it explains why in some countries where a defined benefit pension plan exists no pension liabilities from the Seller will transfer. When a material pension liability will be assumed by the Purchaser's Group, the Seller will provide a calculation of the liability including the assumptions that have been used for this.

Part 1

1 **Introduction**

1.3 The Seller will make all reasonable effort to procure that the disentanglement for Retirement Benefit Arrangements will be completed within forty (40) Business Days after the Closing Date (with the Effective Time as calculation date), unless specified otherwise or otherwise agreed between the Seller and the Purchaser.

1.4 In any country where the transfer/disentanglement process triggers an immediate cash payment to Employees in respect of accrued benefits in Retirement Benefit Arrangements and/or Jubilee Benefit Arrangements, this payment will be made by the Seller. After such payments the Purchaser will not be required to recognise service before Closing for benefit purposes, except if required by Law.

1.5 Except if required by law, Purchaser shall not be required to provide benefits with respect to service prior to Closing, where such benefits are funded and no transfer of liabilities and plan assets is made by the Seller or the Seller's plans to Purchaser or Purchaser's plans.

1.6 Where applicable, the provisions of Paragraphs 1.2 and 1.3 will prevail above the provisions in Paragraph 2.3.

1.7 In this Schedule 15 and as elsewhere used in this Agreement:

"**Assumed Long-Term Benefits Liability**" means the value as defined below in this paragraph 1.7 of Schedule 15 for the following benefit plans: a) the Defined Benefit pension plans of Austria and Korea listed in Schedule 15 Part 2 Section 2 and b) the Jubilee Plan of Austria listed in Schedule 15 Part 2 Section 3. The value of the Assumed Long-Term Benefits Liability for each plan for which a calculation is required equals the value of the Projected Benefit Obligation (PBO) and, in case of the Korean pension plan, the value of the Projected Benefit Obligation (PBO) less the fair value of assets of the Korean pension plan. The PBO and fair value of assets will be calculated at the Closing Date in accordance with US GAAP accounting standard topic 715 as consistently applied in Seller's financial statement accounting policy.

"**Jubilee Benefit Arrangements**" means the arrangements and plans relating to jubilee benefits forming part of the Due Diligence Information, those material arrangements and plans being listed in Part 2 of this Schedule.

"**Long-Term Benefit Arrangements**" means Retirement Benefit Arrangements, and Jubilee Benefit Arrangements described in Part 2 respectively Section 2 and 3 of this Schedule.

"**Retirement Benefit Arrangements**" means the arrangements and plans relating to retirement benefits forming part of the Due Diligence Information, those material arrangements and plans being listed in Part 2 of this Schedule.

2 Separation of Long-Term Benefits Arrangements in individual countries

2.1 Material Long-Term Benefit Arrangements relating to the Business in relevant jurisdictions are set forth in Part 2 (Pension and Jubilee Plans) to this Schedule.

2.2 Disentanglement of Retirement Benefit Arrangements will be realised as follows:

2.2.1 Austria

(a) In Austria all the Seller's liabilities with respect to the Long-Term Benefit Arrangements are assumed by a member of the Purchaser's Group. The structure of all Long-Term Benefit Arrangements will remain unchanged.

(b) It will be the Purchaser's responsibility to give note to the external providers of the Defined Contribution Retirement Plans (see Part 2 Section 1) of the transaction to ensure the continuation of those plans during three (3) months after the Closing Date. Costs in connection with this notification will be borne by the Purchaser.

2.2.2 China

In China, Seller has no Retirement Benefit Arrangement other than what is mandatory included in social security cost.

2.2.3 Korea

In Korea, unless the benefit obligations have been paid out by Seller at Closing, the defined benefit retirement scheme will continue with the current insurance company until three (3) months after the Closing Date and it will be Seller's responsibility to obtain commitment from the insurance provider for the continuation of the scheme during these three (3) months under the current terms and conditions to enable

Purchaser to establish a successor contract in its own name. As per the Closing Date, all costs will be borne by Purchaser. After Purchaser establishes a successor contract in its own name, Seller will obtain a commitment from the current insurance company to transfer the amounts contributed to the schemes into a new contract in a timely manner. If the benefit obligations have been paid out by Seller at Closing, employees will transfer to Purchaser without seniority.

2.2.4 Taiwan

In Taiwan, the Seller will make severance payments to transferring Employees. Thus Employees will transfer to Purchaser without seniority. Both book reserved provisions and the external CTC fund will not transfer to Purchaser. Accrued rights will not transfer to Purchaser.

2.3 For arrangements that are (a) not listed in Part 2 but have been (or subsequently) identified through the disentanglement process; and/or, (b) not covered under Paragraph 2.2, the Seller and the Purchaser will separately agree on the disentanglement approach.

3 Assumed Long-Term Benefits Liability

3.4 Ultimately three (3) months after Closing, Seller will calculate, on the basis of Part 3, the Assumed Long-Term Benefits Liability amount. The provisions of Clause 8 shall further apply *mutatis mutandis* to the agreement on or determination by an expert of the Assumed Long-Term Benefits Liability amount.

Schedule 16 SELLER’S WARRANTIES

1 **Incorporation, authority, corporate action**

1.1 The Seller validly exists and is a company duly incorporated and registered under the laws of the Netherlands.

1.2 The Seller has the full power and authority to enter into and perform this Agreement and any other documents to be executed by the Seller under this Agreement, which, when executed, will constitute valid and binding obligations on the Seller, in accordance with their respective terms and conditions.

1.3 The Seller has taken or will have taken by the Closing Date all corporate action required by it to authorise it to perform its obligations pursuant to this Agreement and any other documents to be executed by it pursuant to or in connection with this Agreement.

1.4 The execution and performance of this Agreement by Seller does not violate any legal obligations of the Seller and is not subject to challenge by any third party on the basis of creditor protection laws.

1.5 No insolvency or similar proceedings have been, or have been threatened to be, opened over the assets of the Seller and / or Seller Parent and there are no circumstances that would require or justify the opening of or application for such proceedings.

1.6 There is no action, suit, investigation or other proceeding pending or threatened against or affecting the Seller before any court, arbitrator, governmental body, agency or official that in any manner challenges or seeks to prevent, enjoin, alter or materially delay the execution or performance of this Agreement, and there are no circumstances likely to give rise to any of the foregoing.

2 **Corporate information**

2.1 **The Shares and the Group Entities**

2.1.1 The Seller is the sole legal and beneficial owner of the Chinese Shares.

2.1.2 The Chinese Shares comprise the whole of the issued share capital of NXP China, and have been properly and validly issued and are each fully paid.

2.1.3 The Seller is the sole legal and beneficial owner of the entire issued share capital of NXP Austria GmbH which has been properly and validly issued and fully paid.

2.1.4 No person (other than the Purchaser under this Agreement) has the right, or has claimed to have the right, whether exercisable now or in the future and whether contingent or not, to call for the conversion, issue, registration, sale or transfer, amortisation or repayment of any share capital or any other security giving rise to a right over, or an interest in, the capital of any Group Entity under any option, agreement or other arrangement.

2.1.5 At Closing, there will be no Encumbrances on any of the Shares (other than the rights of the Purchaser under this Agreement in respect of the Shares) and the Shares will transfer free of any Encumbrances.

2.1.6 All subscriptions for share capital and contributions into the Group Entities have been made in compliance with applicable laws and have not been repaid or returned, in whole or in part, whether open or disguised, directly or indirectly. There are no obligations to make further contributions.

2.1.7 The Shares represent shareholder rights corresponding to their respective par value. At Closing, besides the Shares there will not exist any other equity interest or similar interest or debt interest granting a share in the profit/liquidation profit of any Group Entity or any influence in the shareholders meeting of any Group Entity.

2.1.8 There does not exist any shareholders' resolution in respect of any Group Entity regarding the distribution of profits, profits carried forward or other reserves which has not been fully implemented.

2.1.9 The de-merger plan signed by Philips Austria GmbH dated September 1, 2006 was duly executed and is valid. Any request for the provision of securities pursuant to Section 15 para 5 of the Austrian De-Merger Act (if any) have been satisfied.

2.2 Existence

2.2.1 Each Group Entity is duly organised and validly existing under the laws of its jurisdiction of incorporation and has the corporate power and authority to carry on the Business as being conducted.

2.2.2 No Group Entity is insolvent under the laws of its jurisdiction of incorporation or unable to pay its debts as they fall due.

2.2.3 There are no proceedings in relation to any compromise or arrangement with creditors or any winding up, bankruptcy or other insolvency proceedings concerning any Group Entity and, no events have occurred which, under applicable laws, would justify such proceedings.

2.2.4 No steps have been taken to enforce any security over any assets of any Group Entity and no event has occurred to give the right to enforce such security.

2.2.5 None of the Group Entities holds any equity interest or similar interest or debt interest in any legal entity.

2.2.6 No Group Entity is a party to any agreement relating to the acquisition or sale of, or an economically equivalent transaction involving, any equity interest or debt interests in other legal entities or any business or parts thereof, other than agreements where the material obligations have already been fully performed by all parties thereto and all remedy periods have already expired.

2.3 Constitutional documents, corporate registers and minute books

2.3.1 The constitutional documents of the Group Entities are true, complete and accurate and, so far as the Seller is aware, there have not been and are not any breaches by the Group Entities of their constitutional documents which will have a material adverse effect on the Business.

2.3.2 No unimplemented resolutions to amend these constitutional documents have been made, and no filings with any companies register (or with an equivalent corporate authority) in respect of any Group Entity are pending.

2.3.3 All material filings, publications, registrations and other formalities required by Law to be delivered or made by the Group Entities to company registries in each relevant jurisdiction (including, but not limited to the registration of branches) have been delivered or made on a timely basis.

3 **Accounts**

3.1 The Accounts (i) give in all material respects a true and fair view of the financial position of the Business as at the Accounts Date, and (ii) were prepared in accordance with the Accounting Principles Consistently Applied.

3.2 Except as disclosed in the Accounts, as per the Accounts Date no Group Entity has any material undisclosed liabilities of the type that should have been included in the Accounts in accordance with the Accounts Principles.

3.3 Since the Accounts Date up to the Signing Date, the Seller and the relevant members of the Seller's Group have conducted the Business in the Ordinary Course of Business without any material interruption or material alteration in its nature, scope or manner.

3.4 The provisions in the Accounts in respect of existing product recall matters, including but not limited to the Samsung product recall matter, are sufficient to cover the costs relating to that matter. The term "costs" for the purposes of this Paragraph 3.5 shall mean those costs, relating to the product recall matters, which are required under the Accounting Principles to be provided for in the Accounts.

3.5 The books and accounting and other records of the Group Entities (i) are in all material respects up to date, accurate and complete with regard to details of the business activities of the Group Entities and of all matters to be recorded under applicable law and accounting rules, and (ii) have been maintained in accordance with applicable legal requirements on a proper and consistent basis. No notice or allegation that any books or accounting or other records are incorrect or should be rectified has been received by any Group Entity.

3.6 The Group Entities are not bound by any (joint and/or several) Guarantee in relation to any liability of the Seller or any other member of the Seller's Group.

4 Assets

4.1 Properties

4.1.1 Schedule 23 contains a list of all material real property (the "**Properties**") leased by any Group Entity at the Signing Date.

4.1.2 The Group Entities do not own any Properties and, do not hold any building rights or similar rights in respect of real property or buildings constructed thereon other than, for the avoidance of doubt, the leased Properties.

4.1.3 So far as the Seller is aware, there is no outstanding written notice or dispute involving the relevant Group Entity and any bona fide third party as to the occupation or use of any Property.

4.1.4 There is no outstanding written notice or dispute as to any contravention of the relevant planning or zoning legislation or regulations in relation to each Property which, if implemented or enforced, will have a material adverse effect on the business activities carried out at the Properties.

4.2 Leases

In respect of any Property leased by the Group Entities:

4.2.1 There is no subsisting breach of any covenant, condition or agreement contained in the lease under which the relevant Group Entity holds its interest in the Property, on the part of the relevant lessor or the Group Entity, which will have a material adverse effect on the business activities carried out at the Property;

4.2.2 All payments due under the lease agreements have been timely paid. None of the lease agreements is currently subject to a termination notice or challenge notice. In respect of none of these agreements has the delivery of such a termination notice or challenge notice been threatened. The execution and/or the performance of this Agreement will not entitle any of the other parties to terminate or to challenge or to alter any of these agreements or to increase the payments owed by a Group Entity under these agreements.

4.2.3 None of the Properties (including any buildings constructed thereon) leased by the Group Entities has suffered any material damage by fire or other casualty which has not been or will not prior to the Closing have been repaired and restored in all material respects, except for damage that would not, individually or in the aggregate, materially impair the conduct of the Group.

4.2.4 The leased Properties are adequate to conduct the business of the respective Group Entity as conducted as at the Signing Date.

4.2.5 NXP China has complied with all its obligations under the lease agreement with Beijing Economic-Technological Investment & Development Cooperation dated September 15, 2009 and is entitled to continue to enjoy the rent concessions thereunder in accordance with its terms.

4.3 Ownership of assets

Each of those assets which are used by the Group Entities and are material to the Business of the Group, other than intellectual property rights, which shall be treated in accordance with the provisions of the Intellectual Property Transfer and Licence Agreement, the Properties and any assets disposed of or realised in the Ordinary Course of Business:

(a) is legally and beneficially owned by the relevant Group Entity, except for assets which are subject to hire-purchase or lease arrangements where the hire-purchase or lease payments do not exceed USD 10,000 (ten thousand United States dollars) per year;

(b) is, where capable of possession, in the possession or under the control of the relevant Group Entity; and

(c) is free from Encumbrances, except for Permitted Encumbrances.

4.4 Plant and machinery and other fixed assets

The plant and machinery, vehicles and other equipment owned or used by the Group Entities material to the Business as at Signing are in satisfactory working order having regard to their age and use, have been adequately maintained where such maintenance is usually required, and are not obsolete.

4.5 Sufficiency of assets

The assets owned, leased or otherwise used by the Group Entities comprise all the assets used in the carrying on of the Business substantially in the manner in and to the extent to which they are conducted as at the Date of this Agreement.

5 Information technology

5.1 Each Group Entity owns or leases and/or holds valid licenses to all computer and network hardware and material software ("**Information Technology**") (i) which is used by such Group Entity to conduct the Business and (ii) which has the capacity and performance necessary to adequately meet the requirements of the Group.

5.2 In the twelve (12) months prior to the Signing Date, there have been no material failures, material data losses or material breakdowns of any computer hardware or software, or other computer or communication systems, used or licensed in relation to the Business.

5.3 To the extent the Information Technology is subject to a lease or license agreement, such lease or license agreement is in full force and effect. The execution and/or the performance of this Agreement will not entitle any of the other parties to terminate or to challenge or to alter any of these agreements.

6 Contracts and agreements

6.1 Contracts

6.1.1 No Group Entity is a party to or subject to any contract or obligation which is material to the Business as conducted at Signing and which is not in the Ordinary Course of Business and/or not on an arm's length basis.

6.1.2 All contracts which are material, and exclusively related, to the Business as conducted at Signing Date that have not been signed by a Group Entity but by a company affiliated with the Group Entities will, as at Closing, have been duly assigned to the benefit of a Group Entity.

6.2 Agreements with connected parties

6.2.1 There are no existing contracts between, on the one hand, a Group Entity and, on the other hand, any member of the Seller's Group (excluding the Group Entities) other than on arm's length terms in the Ordinary Course of Business.

6.2.2 No Group Entity is party to any contract material to the Business as conducted at Signing, with any current or former employee, director or officer of any such Group Entity or any person connected (as defined by Law in the relevant jurisdiction) with any of such persons, other than on arm's length terms in the Ordinary Course of Business.

6.3 Compliance with agreements

6.3.1 All the contracts material to the Business as conducted at Signing to which any of the Group Entities is a party, including but not limited to the GSA Agreements, contain valid and binding obligations of the relevant Group Entity and the terms thereof are at arm's length and have been complied with in all material respects by the relevant Group Entity and, so far as the Seller is aware, by any other party to such contracts. No written notice of termination or of intention to terminate has been received by a member of the Seller's Group in respect of any such contracts.

6.4 Effect of Transaction

There are no express provisions in any contract to which any Group Entity is a party which shall give any third party the right to terminate or amend that contract as a result of the Transaction.

7 Employees and employee benefits

7.1 Employees and terms of employment

7.1.1 Schedule 21 contains an anonymous, correct and complete list of the Employees, including in respect of each Employee, their department and their function.

7.1.2 The Group Entities have complied in all material respects with its obligations under the relevant Laws and regulations concerning the performance of employment agreements, payment of salary and overtime salary to its employees.

7.1.3 There are no existing service or other agreements or contracts between NXP China and any of its non-PRC national employees which contain a change of control provision such that the agreements or contracts may be terminated upon completion of the transaction contemplated under the Agreement.

7.1.4 All collective agreements (including shop agreements — *Betriebsvereinbarungen*) that relate to employees in Austria have been provided to the Purchaser in the Data Room under the heading "Chapter 2.5".

7.2 Termination of employment

7.2.1 Neither the Seller nor any member of the Seller's Group has received any written notice of resignation from any member of the management team (executive employee) conducting the Business in the six (6) months prior to the date hereof or any employee material to the Business ("**Key Employees**").

7.2.2 No circumstances exist which give any key employee a special right to terminate or modify the respective employment agreement. The execution or performance of this Agreement or the transactions contemplated therein do not trigger any termination rights of any Key Employee

7.3 Industrial and Employment Disputes

7.3.1 No Group Entity has been during the last 3 years prior to the Signing Date involved in any strike or industrial or trade dispute or any dispute or negotiation regarding a claim of material importance with any trade union or other body representing employees or former Employee of any Group Entity or any proceedings alleging a material violation of labor law.

7.3.2 In the last three years prior to the Signing Date the Group Entities have not experienced any disputes with any authorities (in particular regarding employee health protection matters, disabled persons and repayment duties) or any strike or labour interruption.

7.4 Bonus and other profit-related schemes

The Data Room contains all details of the rules and other documentation relating to all share incentive, share options, profit-sharing, bonus and other incentive arrangements in respect of any Employees. None of the Group Entities are liable for any bonus payments and payments under other incentive arrangements for periods ending prior to or on December 31, 2010.

7.5 Retirement Benefit Arrangements

7.5.1 The Data Room contains details of all material [Retirement] Benefit Arrangements, except for arrangements to which any of the Group Entities contributes in compliance with any Law.

7.5.2 So far as the Seller is aware, the Retirement Benefit Arrangements are in compliance with their terms and with the Law and government Taxation or funding requirements in all material respects.

8 Legal compliance

8.1 Licenses and consents

All licences, permits, consents, authorisations, certificates and registrations material to the Business (the "**Permits**") have been obtained, are in force and, are being complied with in all material respects. The Seller is not aware of any reason why any of them will be suspended or revoked.

8.2 Compliance with law

8.2.1 So far as the Seller is aware, the Group Entities are and within the last three (3) years prior to the Date of this Agreement have been in compliance in all material respects with (i) the Permits (including without limitation any ancillary provisions thereto); (ii) applicable laws governing these Permits; and (iii) orders, decrees or rulings of, or restrictions imposed by, any court or authority in connection with such Permits.

8.2.2 Neither the Seller nor any member of the Seller's Group has received any written notice during the twenty four (24) months prior to the Signing Date from any Governmental Authority with respect to a material violation and/or failure to comply with any applicable law, or requiring it to take or omit any action which could have a material adverse effect on the Group or the Business.

8.3 So far as the Seller is aware, none of the Group Entities nor any Person acting for or on behalf of any Group Entity has directly or indirectly paid, offered, given, promised to pay, or authorized the payment of any money or anything of value to any Person acting for or on behalf of any Governmental Authority or any political party or official thereof. None of the Group Entities nor directors, officers, employees, consultants, agents or other representatives acting for or on behalf of any Group Entity (nor any Person acting on behalf of any of the foregoing) has violated or is in violation of the Foreign Corrupt Practices Act of 1977 (the "**FCPA**"), any other applicable Law of similar effect, including Laws implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or any applicable Laws prohibiting commercial bribery.

8.4 Since December 31, 2005, (i) none of the Group Entities has conducted or initiated any internal investigation or made a voluntary disclosure to any Governmental Authority with respect to any alleged act or omission arising under any applicable Laws and (ii) no Governmental Authority has send notice to the Seller that it initiated, or so far as the Seller is aware, threatened to initiate, a Proceeding against any Group Entity nor any of its respective directors, officers, consultants, employees, agents or other representatives asserting that such Group Entity is not in compliance with any export or import Laws or the FCPA or any other applicable Law of similar effect.

8.5 Since December 31, 2005, all exports, re-exports, sales or transfers of products or services of each Group Entity have been effected in accordance with all applicable Laws, including customs, export control, trade sanctions, anti-terrorism and anti-boycott Laws of the United States, Austria, the PRC or any other relevant jurisdiction. All products shipped by a Group Entity have been accurately marked, labelled and transported in all material respects in accordance with applicable Laws.

8.6 So far as the Seller is aware, none of the Group Entities nor any of their respective directors and officers, nor employees, consultants, agents or other representatives acting for or on behalf of any Group Entity (nor any Person acting on behalf of any of the foregoing) has violated or is in violation of any Anti-Money Laundering Laws. As used in this clause, "Anti-Money Laundering Laws" means all applicable regulations regarding anti-money laundering.

9 Environment

9.1 For the purposes of this Paragraph 9:

"**Environment**" means any or all of the following media (alone or in combination): air; water (including water underground or in the soil); soil and land and any ecological systems and living organisms supported by these media;

"**Environmental Authority**" means any Governmental Authority having jurisdiction to determine any matter arising under Environmental Law and/or relating to the Environment;

"**Environmental Law**" means all Law of any relevant jurisdiction in force at Signing whose purpose is to protect or prevent pollution of the Environment or to regulate emissions, discharges, or releases of Hazardous Substances into the Environment, or to regulate the use, treatment, storage, burial, disposal, transport or handling of Hazardous Substances;

"**Environmental Permit**" means any licence, permit, consent, authorisation, certificate, registration and exemption which is issued, granted or required under Environmental Law which is material to the Business as at Signing;

"**Hazardous Substances**" means, to the extent regulated by the Environmental Authority, any wastes, pollutants, contaminants and any other natural or artificial substance (whether in the form of a solid, liquid, gas or vapour) which is capable of causing harm or damage to the Environment or a nuisance to any person; and

"**Relevant Period**" means the period commencing four (4) years preceding the Signing Date.

9.2 So far as the Seller is aware, the Group Entities are conducting and, during the Relevant Period, have conducted, the business activities of the Group in full compliance with Environmental Law. In particular, there has not been and is no release of any Hazardous Substances at, on, under, in, to, or from any of the Properties, except in compliance with applicable environmental laws and the Group entities are not otherwise liable for any such releases.

9.3 There are no underground storage tanks presently located at the Properties.

9.4 There is no asbestos or asbestos-containing material located at, on, under or in the Properties.

9.5 All Environmental Permits have been obtained, are in force and, have been complied with in all material respects during the Relevant Period.

9.6 No Group Entity has received any written notice during the Relevant Period of any civil, criminal, regulatory or administrative action, claim, investigation or other proceeding or suit relating to a contravention of Environmental Law or Environmental Permits.

9.7 No Group Entity has received written notice during the Relevant Period that:

(a) an environmental Authority is intending to revoke or suspend any Environmental Permits; or

(b) any amendment to any Environmental Permit is required to enable the continued operation of the business activities of the Group. or

(c) a person is alleging any actual or threatened injury or damage to any person, property, natural resource or the environment arising from or relating to the presence, release or threatened release of any hazardous substances at, on, under, in, to or from the Properties or from any other property or from or attributable to any Property.

10 Litigation

10.1 The Group is not involved, whether as claimant or defendant or other party, in any claim, proceeding, litigation, prosecution, investigation, criminal proceeding, enquiry or arbitration, either before court or an arbitration tribunal (other than as claimant in the collection of debts arising in the ordinary course of its business) which is material to the Business as at Signing.

10.2 So far as the Seller is aware, no such claim, proceedings, litigation, prosecution, investigation, enquiry or arbitration of material importance to the Business is threatened against the Business as at the date hereof.

11 Tax

11.1 Each Group Entity has completely and timely filed in accordance with applicable Law all Tax Returns with the competent Tax Authorities and these Tax Returns are correct in all material respects and are not misleading. Each Group Entity has given or delivered within the requisite periods to the competent Tax Authorities all documents and information required in relation to Taxes. All these documents and information are up-to-date, correct and not misleading and have been prepared in accordance with applicable Laws.

11.2 All Taxes to be paid or withheld and remitted by any Group Entity have been duly paid or withheld and remitted to the appropriate Tax Authority.

11.3 No Group Entity is involved in any current dispute with any Tax Authority. No Group Entity is currently subject to any audit by any Tax Authority. To the best of Seller's knowledge, no legal proceeding has been threatened, formally or informally, against or with respect to any Group Entity regarding Taxes.

11.4 Each Group Entity is and has at all times been resident for Tax purposes in the country stated in Schedule 2 and is not and has not at any time been treated as resident in any other jurisdiction for any Tax purpose (including any double taxation arrangement).

11.5 No adjustment for any amount of Tax has been asserted or assessed, formally or informally, by a Tax Authority against any Group Entity, the amount of which is still outstanding, no Group Entity reasonably expects that any such adjustment, assertion or assessment of Tax liability will be made, and no basis for any such adjustment, assertion or assessment exists.

11.6 There are no requests for rulings or determinations in respect of any Tax pending between any Group Entity and any Tax Authority.

11.7 No Group Entity has any outstanding claims for any Tax refunds.

11.8 No Group Entity or any Person on behalf of an Group Entity, other than by operation of Law, has consented to extend the time in which any Tax may be assessed or collected by any Tax Authority.

11.9 No Group Entity has been a member of a group filing a Tax Return on an affiliated basis.

11.10 No Group Entity is a member of any partnership or joint venture or is the holder of any beneficial interest in a trust.

11.11 No claim, notice or inquiry has ever been made against any Group Entity by a Tax Authority in a jurisdiction where such Group Entity does not file Tax Returns that it or any other Group Entity is or may be subject to Taxes assessed by such jurisdiction or obligated to file a Tax Return in such jurisdiction.

11.12 No Group Entity has made a Tax election or entered into a contract with respect to Taxes with any Tax Authority (including a gain recognition agreement).

11.13 There are no liens for Taxes on any of the assets of any Group Entity.

11.14 All transactions before the Closing Date between Group Entities and between Group Entities and the Seller's Group have been conducted on an arm's length basis.

11.15 Each Group Entity has complied with all transfer pricing rules that are relevant and all documentation required by relevant transfer pricing laws have been timely prepared.

11.16 No Group Entity has entered into, or been a party to, a transaction or arrangement which contravenes (or would have contravened had a Tax Authority known about the transaction or arrangement) an anti-avoidance provision, general or otherwise, of any Tax Law.

11.17 None of the Group Companies have made any disguised distributions. The Seller has not made disguised contributions in kind.

12 Insurance

12.1 All material policies of insurance maintained as of the date of this Agreement with respect to the Business are listed in the Virtual Data Room.

12.2 In respect of the insurance policies referred to in Paragraph 12.1, all premiums have been duly paid to date and, so far as the Seller is aware, no member of the Seller's Group has received any notification that any such insurance policy is not valid or enforceable.

12.3 Details of all paid and outstanding insurance claims in excess of the applicable policy deductibles made during the two (2) years prior to the date of this Agreement in relation to the Business are contained in the Virtual Data Room.

13 Intellectual Property

13.1 For the purposes of this paragraph 13:

"**A-Patents**" means the Patents that are listed in Annex A to the Intellectual Property Transfer and License Agreement;

"**B-Patents**" means the Patents that are listed in Annex C to the Intellectual Property Transfer and License Agreement;

"**Domain Names**" means the Internet domain names and applications therefor listed in Annex E to the Intellectual Property Transfer and License Agreement, including the registrations of such domain names;

"**Know-How**" means all technical and commercial information, data and documents of whatever nature, including drawings, specifications, photographs, samples, trade secrets, models, processes, procedures, libraries, manuals, reports and correspondence, including any copyright and/or database rights and other rights for the protection of know how as they may exist, but excluding any (right in) Software, Patents, trademarks, the Domain Names and any other intellectual property rights therein;

"**Office Action**" means actions of the relevant jurisdiction's patent office or other governmental intellectual property office received in the ordinary course of prosecution of Patents.

"**Patents**" means patents, petty patents, design patents, provisionals, utility models and any applications therefor, including any divisionals, continuations (in part), re-examinations, renewals and re-issues thereof, in any country in the world, as well as any inventions described in invention disclosures.

"**Software**" means a code in any programming language contained in any format, including human and machine-readable format.

"**Licensed-In Third Party IP**" means the Patents, Know-How or other intellectual property licensed to the Seller and/or its Subsidiaries from third parties, the contracts for which are identified in Schedule 28.

“**Licensed-Out NXP Patents**” means the Patents licensed from the Seller and/or its Subsidiaries to third parties, the contracts for which are identified in Schedule 29.

13.2 The Seller represents and warrants that it has full title to assign and grant the licences under the Patents (except as indicated in Annex A, B, C or D of the Intellectual Property Transfer and License Agreement, as applicable) and Know-How as assigned and licensed to the Group under the Intellectual Property Transfer and License Agreement.

13.3 The Seller represents and warrants that the A-Patents and B-Patents (i) (with the exception of applications and invention disclosures) are in full force and effect, (ii) (with the exception of invention disclosures) have been properly maintained, and (iii) (with the exception of applications and invention disclosures) to the best of Seller’s knowledge, are valid and enforceable.

13.4 The Seller represents and warrants that, except for any Office Action, no administrative action, lawsuit, arbitration proceeding or similar action has been brought or threatened in writing against the Seller and no unresolved claim received from any third party in writing exists, concerning the ownership, validity or enforceability of any of the A-Patents or B-Patents.

13.5 The Seller represents and warrants that it has not granted licenses with regard to the A-Patents or B-Patents that would prohibit or limit the Group from exercising the rights granted to it with respect thereto under the Intellectual Property Transfer and License Agreement.

13.6 *****

13.7 The Seller represents and warrants that the A-Patents, A2-Patents, B-Patents and B2-Patents together include all of the Patents owned by the Seller and/or its Subsidiaries that (i) are used in the ordinary conduct of the Business (excluding, for the avoidance of doubt, semiconductor integrated circuits) as presently conducted by the Seller and/or its Subsidiaries, including without limitation the making, using, offering to sell and selling of products and *****

13.8 The Seller represents and warrants that other than (x) the Licensed-In Third Party IP, (y) any Patents, Know-How or other intellectual property licensed in pursuant to any contract to which a Group Entity is a party, and (z) purchased off-the-shelf items or items licensed by shrink-wrap or click-wrap licences: (i) there are no Patents, Know-How or other intellectual property licensed by the Seller and/or its Subsidiaries from third parties and used in the ordinary conduct of the Business (excluding, for the avoidance of doubt, semiconductor integrated circuits) as presently conducted by the Seller and/or its Subsidiaries, including without limitation the making, using, offering to sell and selling of products, and *****

13.9 The Seller represents and warrants that no payment is due and owing under any licences granted to the Group or the Seller within the field of the Business, pursuant to the Licensed-In Third Party IP.

13.10 The Seller represents and warrants that (i) during the three (3) years preceding the date hereof, it has not received a written notification from any third party claiming or asserting that the ordinary conduct of the Business (excluding, for the avoidance of doubt, semiconductor integrated circuits) as presently conducted by the Seller and/or its Subsidiaries, including without limitation the making, using, offering to sell and selling of products, infringes upon any Patent or Know- How rights of any third party, and (ii) to its knowledge, the ordinary conduct of the Business (excluding, for the avoidance of doubt, semiconductor integrated circuits) as presently conducted by the Seller and/or its Subsidiaries, including without limitation the making, using, offering to sell and selling of products, does not infringe upon any Patent or Know-How rights of any third party, and *****

14 **Product quality**

14.1 So far as the Seller is aware, no Group Entity has any Liability (and no event has occurred or circumstance exists that could reasonably be expected to give rise to any Proceeding, claim or demand against any of them giving rise to any Liability) arising out of any injury to individuals or property as a result of the ownership, possession or use of any product designed, manufactured, sold, leased, delivered or distributed by any Group Entity. So far as the Seller is aware, the products designed, manufactured, sold, leased, delivered or distributed and the services rendered by the Group Entities prior to the Closing Date do not suffer from any defects which give or could give rise to any material product liability or warranty claims and no such claims against any Group Entities have been threatened or raised or are outstanding or were settled in the past. So far as the Seller is aware, all these products and services comply with the regulations applicable to these products and services in the territories where such products and/or services are designed, manufactured, sold, leased, delivered or otherwise distributed or provided.

Schedule 18 PURCHASER'S WARRANTIES

1 Incorporation, authority, corporate action

1.2 The Purchaser validly exists and is a company duly organized under the law of its jurisdiction of incorporation. The Austrian Purchaser validly exists and is a company duly organized under the law of its jurisdiction of incorporation.

1.3 The Purchaser and the Austrian Purchaser have the full power and authority to enter into and perform this Agreement and any other documents to be executed by it pursuant to or in connection with this Agreement, which, when executed, and assuming due execution by the other parties hereto, will constitute valid and binding obligations of the Purchaser and the Austrian Purchaser in accordance with their respective terms, subject to mandatory provisions of applicable law.

1.4 The Purchaser and the Austrian Purchaser have taken all corporate actions required by each of them to authorise it to enter into and to perform this Agreement and any other documents to be executed by it pursuant to or in connection with this Agreement.

2 Financing

2.5 The Purchaser and the Austrian Purchaser have and will have at the Closing Date sufficient funds to effect the payments due by it at the Closing Date and to pay for all other transactions and fulfil all of its obligations as contemplated by this Agreement. The performance of any obligation by the Purchaser and the Austrian Purchaser under this Agreement is not subject to any third party financing commitments or arrangements.

3 Non-contravention

3.1 The execution and performance by the Purchaser and the Austrian Purchaser of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) violate any provision of the charter, articles of association or other organizational documents of the Purchaser or of the Austrian Purchaser and (ii) violate or result in a breach of or constitute a default under any law, order, decree or other restriction of any Governmental Authority to which the Purchaser or the Austrian Purchaser is subject, other than in the cases of clause (ii) any violation, breach or default which would not impair or delay the Purchaser's or the Austrian Purchaser's ability to perform its obligations hereunder.

Schedule 20 TAX INDEMNITY

1 Definitions

In this Schedule:

“**Event**” means any transaction, event, act or omission;

“**Pre-Closing Tax Period**” means any Tax period ending on or before the Effective Time and the portion of any Straddle Tax Period through the end of the Effective Time.

“**Purchasers’ Tax Group**” means any of the Purchasers and any other company or companies which either are or become after the Closing Date treated as members of the same group as, or otherwise connected or associated in any way with, any of the Purchasers for any Tax purpose;

“**Relief**” means any relief, allowance, amortisation, depreciation, credit, deduction, exemption, set-off or other relief of a similar nature granted or available in relation to Tax and any repayment or right to repayment of Tax; and

“**Straddle Tax Period**” means any period of account for Tax purposes which commences prior to the Effective Time and ends after the Effective Time.

2 Tax indemnity

2.1 The Seller shall indemnify the Purchaser for an amount equal to:

(i) any Tax Liability which arises for the Purchaser and/or any of the Group Entities in respect of any Event arising in or allocable to a Pre-Closing Tax Period; ;

(ii) any Tax Liability which arises in respect of or with reference to any income, profits or gains which were earned, accrued, received or allocable to a Pre-Closing Tax Period ;

(iii) the loss, non-availability or reduction of any Relief or refund that is reflected or included in the Statements or Accounts (“**Tax Asset**”), or the utilization or set-off of such Tax Asset where such utilization or set-off reduces any Taxes described in (i) and (ii); or

(iv) any withholding Tax imposed on Purchaser with respect to the transfer of the Chinese Shares from Seller to Purchaser.

For purposes of determining Seller's indemnity under this Paragraph 2.1, any gain, income, deduction or loss relating to, arising from or attributable to the Austrian Carveout shall be allocated to the Pre-Closing Tax Period.

2.2 In the case of any Straddle Tax Period, the amount of any Taxes based on or measured by income or receipts of any Group Entity for the Pre-Closing Tax Period shall be determined based on an interim closing of the books as of the close of business at the Effective Time and the amount of other Taxes of any Group Entity for a Straddle Tax Period that relates to the Pre-Closing Tax Period shall be deemed to be the amount of such Tax for the entire Tax period multiplied by a fraction the numerator of which is the number of days in the Tax period ending on the Effective Time and the denominator of which is the number of days in such Straddle Tax Period.

2.3 If the facts underlying a matter would constitute a breach of any Tax Warranty in this Agreement and in addition would be indemnified under Paragraph 2.1, any indemnification obligations for a claim arising from such breach shall be determined pursuant to Seller's indemnification obligations under Paragraph 2.1 without any duplication of recovery.

2.4 The covenant contained in Paragraph 2.1 shall not cover any Tax Liability to the extent that:

(a) any allowance, provision or reserve is made in the Working Capital Statement, the Net Cash Statement, or in the Accounts (and not released prior to the Effective Time) provided that allowances, provisions or reserves for Taxes, except for payroll related Taxes and VAT related Taxes in the Ordinary Course of Business shall not reduce the Seller's liabilities for such amounts; or

(b) the Tax Liability arises or is increased as a result of any change, after the Effective Time, in Tax rates or the passing of or any change in Law or generally accepted accounting practice, regulation, directive or requirement or any withdrawal of any extra-statutory concession by a Tax Authority; or

(c) the Tax Liability would not have arisen but for, or is increased by, an Event (including a failure or omission to make any claim for Relief) carried out or effected by any member of the Purchasers' Tax Group, including directors, employees, advisors, agents or successors in title, at any time after the Effective Time, other than any such transaction, action or omission carried out or effected by the Group Entity or a member of the Purchasers' Tax Group:

(i) under a legally binding commitment created on or before the Effective Time; or

(ii) at the specific written request or direction of the Seller; or

(iii) pursuant to an obligation imposed on any of the Group Entities by any Law, regulation or directive or the published practice of any Tax Authority; or

(d) notice of a claim in respect of the Tax Liability is delivered by the Purchaser to the Seller after expiry of the statutory limitation period applicable in the relevant jurisdiction to make a timely objection or appeal to the Tax matter giving rise to such claim in accordance with Clause 13.1 of this Agreement, the foregoing without detracting from Purchaser's notification obligations under Clauses 13.1 and 13.2 of this Agreement; or

(e) the Tax Liability arises as a result of any change after the Effective Time in any accounting policy (including the length of any accounting period for Tax purposes) or any Tax or accounting basis, method or practice of any of the Group Entities introduced or having effect after the Effective Time, other than a change which is necessary in order to comply with the law or generally accepted accounting principles applicable to the relevant Group Entity at the Effective Time; or

(f) recovery has been made or can be made (including, for the avoidance of doubt, the right to recover Taxes from employees), recovery is available under an insurance policy or the Tax Liability is otherwise compensated for without cost to the Purchaser, any of the Group Entities or any other member of the Purchasers' Tax Group, including under the Tax Warranties.

2.5 Paragraph 2.4 shall *mutatis mutandis* apply to the Tax Warranties.

3 Tax Benefits

If Seller is to make or has made an indemnification payment pursuant to paragraph 2.1 and the facts on which the Purchaser's claim pursuant to paragraph 2.1 is based give rise to (i) any Tax refund actually received by the relevant Group Entity; or (ii) any reduction of Tax actually owing by the relevant Group Entity; then the amount of such refund or reduction shall be paid by Purchaser to Seller within 20 (twenty) Business Days following the date on which Purchaser realises the Tax benefit. For purposes of this paragraph, in case of additional depreciations or amortisations, the amount to be repaid shall be equal to the net present value of future Tax refunds or reductions of Tax as a result of these additional depreciations or amortisations as calculated at the Interest Rate and such amount shall be immediately set-off against the amount of the indemnity claim pursuant to paragraph 2.1.

4 Tax Refund

If the Purchaser or any of the Group Entities have a right to, or receive, a rebate, refund or repayment in respect of Tax after the Effective Time in respect of Tax from any Tax Authority in respect of any period up to the Effective Time other than a Tax benefit referred to in paragraph 3 of this Schedule 20 and where such payment has not been included in the Accounts or the Statements and such payment does not arise from the use of a Purchaser's Relief (the amount of such rebate, refund or repayment being hereinafter referred to as a "**Tax Refund**"), then:

(a) the Purchaser will promptly notify the Seller and will take such action as may reasonably be requested to obtain such Tax Refund; and

(b) the amount of the Tax Refund shall be paid by the Purchaser to the Seller within ten (10) Business Days of the receipt of the Tax Refund.

5 Overprovision

If and to the extent that the amount of any provision, reserve or accrual in respect of an identified Tax Liability that is included in the Accounts or the Statements exceeds the amount which actually becomes due by the Purchaser or the Group Entities with respect to such Tax Liability (such amount being referred to as an "**Overprovision**") then the amount of the Overprovision shall be paid by the Purchaser to the Seller within ten (10) Business Days after the date on which the amount of the Overprovision has been finally and irrevocably determined by the Tax Authority.

6 Mitigation

Purchaser shall, at the reasonable direction of Seller, procure that the Group Entities take all such reasonable steps as Seller may require to:

(a) use any Relief available to the Group Entities to reduce or eliminate any Tax Liability in respect of which the Purchaser would have been able to make a claim against the Seller under Paragraph 2.1, provided that the use of such Relief does not cause a material disadvantage for the respective Group Entity;

(b) make all such claims and elections specified by the Seller in respect of any period commencing prior to the Effective Time having the effect of reducing or eliminating any Tax Liability referred to under Paragraph

2.1, provided that such claims and elections do not result in an increase of the Tax Liabilities of the Purchaser's Group; and

(c) allow the Seller to reduce or eliminate any Tax Liability by surrendering or transferring, or procuring the surrender or transfer, by any company other than the Group Entities of a Relief to the Group Entities to the extent permitted by Law but without any payment being made in consideration for such surrender or transfer.

7 Due date for payment

A payment to be made by Seller or Purchaser under this Schedule shall be made within twenty (20) Business Days after the earliest of:

(a) the date on which a compromise or settlement has been reached between the Parties with respect to a claim on the basis of Paragraph 2;

(b) the date on which a compromise or settlement has been reached with the Tax Authority in respect of a Tax Liability subject to a claim on the basis of Paragraph 2; and

(c) the date on which a final decision is made on appeal with respect to a Tax Liability subject to a claim on the basis of Paragraph 2 against which no appeal is permitted (*uitspraak in kracht van gewijsde*).

8 Purchaser's indemnity

8.1 The Purchaser covenants with the Seller to pay to the Seller, so far as possible by way of an adjustment to the consideration for the sale of the Shares, an amount equal to any Tax Liability for which a member of the Seller's Group is liable as a result of any provision imposing liability for any Taxation primarily chargeable against the Purchaser or the Group Entities, save to the extent the Purchaser has the right to claim, but has not received, payment in respect of that Tax Liability under Paragraph 2.1 of this Schedule.

9 Tax Conduct

9.1 Preparation of Tax Returns

9.1.1 The Seller shall prepare and file (or procure the preparation and filing of) all Tax Returns in respect of the Group Entities in a manner and on a basis consistent with past practice, to the extent that these are required to be filed on or prior to the Closing Date.

9.1.2 The Purchaser shall prepare and file (or procure the preparation and filing of) all Tax Returns in respect of the Group Entities not covered by Paragraph 9.1.1. The Seller shall provide the Purchaser such information and render the Purchaser such assistance as is necessary and reasonable to ensure the proper and timely completion and filing of such Tax Returns. To the extent that any such Tax Return relates to a Straddle Tax Period, the Seller shall have the right to review such Tax Return at least twenty (20) Business Days prior to the due date for filing thereof and the Purchaser shall not file such Tax Return without the prior written consent of Seller, such consent not to be unreasonably delayed or denied.

9.1.3 The Seller shall cancel any existing authority held by any employee or agent of or adviser to the Seller or the Group Entities to sign Tax Returns on behalf of the Group Entities with effect from the Closing Date.

9.1.4 The Purchaser shall procure that the Group Entities nor any other member of the Purchasers' Tax Group shall take any position in the Tax Returns relating to the Group Entities that is contrary to the position that the Seller or the Group Entities have taken or will take in the Tax Returns relating to the period up to and including the Effective Time, except to the extent that Purchaser reasonably determines that such position is contrary to applicable Law. In such case Purchaser shall notify Seller and the Seller shall have the right to review such Tax Return at least twenty (20) Business Days prior to the due date for filing thereof and the Purchaser shall not file such Tax Return without the prior written consent of Seller, such consent not to be unreasonably delayed or denied.

9.2 Tax Audits

9.2.1 Upon becoming aware of any pending audit, investigation, assessment or other material proceedings ("Audit") with respect to Tax matters of the Group Entities that may effect a Tax Liability for which the other Party may be liable under this Agreement, the Seller shall, or as the case may be, the Purchaser shall within ten (10) Business Days give written notice of such Audit to the other party. The notice shall set out such information as is available and as is reasonably necessary to enable the other party to assess the merits of the claim, to act to preserve evidence and to make such provision as such other party may consider necessary. Any failure to notify the other Party of an Audit shall not relieve the other Party of any liability with respect to the Audit except to the extent the Party was actually prejudiced as a result thereof.

9.2.2 The Seller shall control the conduct of any such Audit relating to any accounting period for Tax purposes ending at or prior to the Effective Time and shall be entitled to settle and compromise any such Audit. To the extent that any such Audit could have a material adverse effect on the Purchaser or the Group Entity with respect to the period after the Effective Time, the Seller shall advise the Purchaser periodically of developments in the Audit investigation and obtain the Purchaser's prior written approval (such approval not to be unreasonably withheld or delayed) on critical Audit decisions and on material written communication to be forwarded to any Tax Authority or competent court in relation to the Audit.

9.2.3 The Purchaser shall control the conduct of any Audit relating to Tax matters of the Group Entities not covered by Paragraph 9.2.2 and shall be entitled to settle and compromise any such Audit. To the extent that any such Audit relates to a Straddle Tax Period, the Purchaser shall advise the Seller periodically of developments in the Audit investigation and obtain the Seller's prior written approval (such approval not to be unreasonably withheld or delayed) on critical Audit decisions and on material written communication to be forwarded to any Tax Authority or competent court in relation to the Audit if and to the extent it regards Taxes attributable to the period ending on or prior to the Effective Time.

9.2.4 The Seller and the Purchaser shall provide each other such information and render such assistance as may reasonably be requested in order to ensure the proper and adequate defence of any Audit as mentioned in Paragraph 9.2.

9.2.5 The Seller and the Purchaser agree to retain all records that may be required for the conduct of any Audit until the expiration of applicable statutory limitation period and, upon reasonable notice, to provide each other access to all books and records relating to the Group Entities as may be reasonably required to exercise their rights under this Paragraph.

10 Limitations

Notwithstanding the foregoing, the limitations set forth in Clause 12 of this Agreement with respect to any claim by the Purchaser under this Agreement shall *mutatis mutandis* apply with respect to the indemnification provided in Paragraph 2.1. This Schedule governs the procedure for all Tax Liability claims and, in case of a conflict between this Schedule and the remainder of the Agreement, this Schedule will take precedence.

11 Adjustment to Purchase Price

The amount of any payment made under this Schedule shall, to the extent allowed under applicable Law, be an adjustment of the Purchase Price.

August, 2010

STRICTLY PERSONAL

NXP Management Equity Plan 2009

Stock Option terms
Version August 2010
(as revised to reflect NXP's listing at Nasdaq in August 2010)

Article 1
Definitions

In these NXP Management Equity Stock Option Plan Conditions the following definitions shall apply:

1. Board	:	the board of directors of NXP;
2. CEO	:	the chief executive officer from time to time of NXP;
3. Change of Control	:	a sale, directly or indirectly, of Shares in NXP in a transaction or series of related transactions resulting in the Initial Sponsors as hereinafter defined, and for each of its members, their respective affiliates (a) together no longer holding, directly or indirectly, 30% or more of the Shares and other equity instruments issued from time to time by NXP or (b) the sale or divestment of more than 50% of the assets of NXP to a non-affiliate in a transaction or series of related transactions whereby the net proceeds of such asset sale are to be distributed to shareholders of NXP;
4. Conditions	:	the terms and conditions set out in this NXP Management Equity Stock Option Plan 2009, as revised to reflect NXP's listing at Nasdaq in August 2010;
5. Date of Grant	:	the date at which a Stock Option is granted pursuant to these Conditions. The relevant Date of Grant with respect to any grant hereunder shall be determined by NXP and the Participant shall be informed on this;
6. Eligible Individual	:	means an employee of the NXP group or such other person as determined by the Board;
7. Employing Company	:	any company within the NXP group of companies and such other company as NXP may from time to time designate or approve;
8. Exercise Price	:	the price to be paid by the Participant to NXP to acquire a Share upon exercising a Stock Option. Such price, and the various series in which Stock Options may be granted, will be specified in the Grant. No Stock Options will be granted "in the money".
9. Grant	:	the instrument by which the Board grants a Stock Option to one or more Eligible Individuals;
10. Initial Sponsors	:	(a) KKR European Fund II, Limited Partnership;
		(b) Silver Lake Partners II Cayman, L.P.;
		(c) AlpInvest Partners CS Investments 2006 C.V.;
		(d) Bain Capital IX, L.P.;
		(e) Bain Capital Fund VIII-E, L.P.;
		(f) Apax Europe V - A, L.P.;

		(g) Apax Europe VI - A, L.P.;
		(h) such other persons to whom those sponsors have syndicated part of their direct or indirect investment in NXP as per January 1, 2007; and
		(i) for each of the aforegoing persons, their respective affiliates;
11. Listing	:	the listing of any shares, in a form determined by NXP, on a recognised stock exchange;
12. NCC	:	nomination and compensation committee of the Board;
13. NXP	:	NXP Semiconductors N.V.;
14. Participant	:	an individual who participates in the Plan and holds any Stock Options or Shares under these Conditions;
15. Plan	:	this NXP Management Equity Stock Option Plan 2009, as revised to reflect NXP's listing at Nasdaq in August 2010;
16. Sale	:	direct or indirect sale and transfer of Shares or the business to a third party not affiliated to one of the Initial Sponsors or a group company of NXP;
17. Share	:	a common share in the capital of NXP as further defined in NXP's articles of association;
18. Stock Option	:	the conditional right granted by NXP to an Eligible Individual to acquire one Share, subject to these Conditions. The Stock Options may be granted in four series: series 1, series 2, series 3 and series 4;
19. Vesting Date	:	means the vesting date ascribed to it in Article 3.

Article 2
Grant of Stock Options

Any Stock Options may be granted by the Board to an Eligible Individual, subject to the Conditions and any additional terms as may be imposed on Grant. Any Stock Options offered to any such individual and the terms and conditions governing such Stock Options shall be deemed accepted by such individual with effect from the applicable Date of Grant in case NXP has not received, in accordance with a procedure established by NXP, a notice of rejection of such Stock Options at a date determined by NXP.

Article 3
Vesting

1. Except as otherwise provided in Article 3.2 and 3.3, Stock Options will vest as indicated in the Grant. Unvested or lapsed Stock Options cannot be exercised.
2. In case of a Change of Control, the Stock Options will be 100% vested (accelerated vesting). If in the event of a divestment of a Business, being any of High-Performance Mixed Signal, Automotive, Identification and Standard Products, the Participant has

not served notice of termination of employment upon a member of the NXP group nor has been served with notice of termination of employment by a member of the NXP group, the Stock Options held by each such Participant employed within such Business Unit shall be 100% vested upon the time of the divestment.

3. The CEO may, subject to the approval of the NCC, in individual cases, determine a vesting schedule for the relevant Stock Options more favourable for the relevant Participant than would apply pursuant to paragraphs 1 or 2 of this Article 3. Under no circumstances shall the use of this right by the CEO or the approval granted by the NCC create or imply rights for any other Participant.

Article 4
Exercise of Stock Options

1. A Participant may exercise (part of) his vested Stock Options only upon a Sale or Change of Control. The Participants shall be notified in writing by the Board of the occurrence of such Sale or Change of Control. In no event shall there be any obligation to deliver any Shares to a Participant prior to such a Sale or Change of Control without the approval of the CEO in consultation with the NCC. Stock Options not exercised upon a Change of Control shall lapse automatically on a Change of Control.

2. In order to exercise Stock Options, the Participant must notify NXP in accordance with a procedure determined by NXP.

   The notice by the Participant shall state:

   - the Date of Grant of the Stock Options he wishes to exercise;
   - the number of Stock Options to be exercised; and
   - whether Shares to be obtained upon such exercise:

     (i) be sold, on behalf of the Participant as soon as possible. Upon such sale, the aggregate revenue of the Shares sold upon exercise of the Stock Options less the respective Exercise Prices multiplied by the number of such Stock Options, and further costs and taxes in accordance with Articles 7, 11.4 and 12, will be paid to the Participant in accordance with a procedure determined by NXP, subject to Articles 10 and 11; or

     (ii) be delivered to the Participant as provided for in the Articles 4.3 and 4.4 hereof, subject to Articles 10 and 11.

   In case the Participant elects to have the Shares to be delivered to him, his notice shall be accompanied by the payment in full of the Exercise Price for the respective series of Stock Options exercised, multiplied by the number of Stock Options so being exercised, and costs and taxes as stipulated in Articles 7, 11.4 and 12. Such payment shall be made: (a) in cash, (b) through simultaneous sale of the underlying Shares, acquired on exercise, subject to it being permitted under the applicable regulations, (c) through additional methods prescribed by NXP or (d) by a combination of any such method.

3. Subject to these Conditions, if the Participant elects Shares to be delivered to him upon exercise as provided in Article 4.2 (ii), NXP will, following receipt of the full Exercise Price, deliver to the relevant Participants the Shares on or as soon as reasonably practicable after the exercise of a Stock Option. In no event shall NXP have any obligation to deliver any Shares to a Participant prior to the exercise of any Stock Options.

4. Each Participant shall comply with any applicable “insider trading” laws and regulations.

Article 5
Non-transferability

The Stock Options are strictly personal and may not be assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of in any manner. For the avoidance of doubt, in case of death of the Participant all vested Stock Options and all Shares held by such Participant at the date of death shall pass to such Participant's heirs or legatees in accordance with applicable inheritance laws. The Participant may not engage in any transactions on any exchange on the basis of any Stock Option. Any violation of the terms of this Article 5 in relation to Stock Options will cause all Stock Options to become immediately null and void without further notice and without the Participant being entitled to any compensation.

Article 6
Capital Adjustments in corporate events

The CEO shall, after approval of the NCC, make such equitable adjustments to the number of Stock Options, the Exercise Price for the respective series or the number or kind of Shares to be issued on exercise of Stock Options, or replace such Shares by shares in the capital of a NXP group company, as is appropriate to reflect corporate events such as a stock-dividend or stock-split, a recapitalization, a merger, a consolidation, a spin-off, a combination or exchange of shares or other significant corporate change, or any distribution of reserves to holders of Shares.

Article 7
Costs and Taxes

1. All costs of delivering any Shares under these Conditions to a Participant and any other costs connected with the Shares shall be borne by the Participant.
2. Any and all taxes, duties, levies, charges or social security contributions ("Taxes") which arise under any applicable national, state, local or supra-national laws, rules or regulations, whether already effective on the Date of Grant of any Stock Options or becoming effective thereafter, and any changes or modifications therein and termination thereof which may result for the Participant in connection with these Conditions (including, but not limited to, the grant of the Stock Options, the ownership of the Stock Options and/or the delivery of any Shares under these Conditions, the ownership and/or the sale of any Shares acquired under these Conditions) shall be for the sole risk and account of the Participant.
3. NXP and any other Employing Company shall have the right to deduct or withhold (or cause to be deducted or withheld) from any salary payment or other sums due by NXP or any Employing Company to the Participant, or requiring the Participant or beneficiary of the Participant, to pay to NXP or any Employing Company as indicated by NXP an amount necessary to settle any Taxes and any costs determined by NXP necessary to be withheld in connection with these Conditions (including, but not limited to, the grant of the Stock Options or the delivery of any Shares under these Conditions).
4. NXP shall not be required to deliver any Shares and NXP may delay (or cause to be delayed) the transfer of any Shares to a Participant until NXP has received an amount, or the Participant has made such arrangements required by NXP necessary to satisfy any withholding of any Taxes and any costs to be borne by the Participant in connection with these Conditions as determined by NXP.

Article 8
Termination of Employment

1. Notwithstanding anything herein to the contrary and except as otherwise provided in Articles 8.2, 8.3. or 8.4 hereof, if a Participant

   (a) dies, or becomes permanently disabled (as defined under the statutory local social security regulations; or

   (b) retires in accordance with the relevant NXP group member's retirement scheme;

   such Participant, or his heirs or legatees in accordance with Article 5, upon a Change of Control may exercise all Stock Options, and upon a Sale may exercise a pro rata part of his Stock Options, in each case such Stock Options which are vested at the time of the termination of the employment with the Employing Company, in accordance with Article 4, and subject to Articles 10 and 11 hereof. All unvested Stock Options shall be forfeited effective as of the date of termination of the employment without the Participant being entitled to any compensation or any obligation on the part of NXP or any Employing Company.

2. Notwithstanding anything herein to the contrary and except as otherwise provided in Articles 8.1, 8.3 and 8.4 hereof, if a Participant

   (a) is dismissed for urgent reasons as defined in article 7:678 of the Dutch Civil Code (or the equivalent thereof in other jurisdictions if Dutch law is not applicable to his employment);

   (b) voluntarily resigns and subsequently, in the two (2) year period following such resignation, directly or indirectly and in any capacity whatsoever engages in any activities in competition with the activities of any member of the Group; or

   (c) breaches any of the obligations imposed by or pursuant to the Conditions and the Grant;

   such Participant's vested and unvested Stock Options shall be forfeited effective as of the date of termination of the employment without the Participant being entitled to any compensation or any obligation on the part of NXP or any Employing Company.

3. Notwithstanding anything herein to the contrary and except as otherwise provided in Articles 8.1, 8.2. and 8.4 hereof, and subject to Articles 10 and 11, if a Participant ceases to be an employee of any member of the NXP group as a result of facts or circumstances other than those mentioned in Articles 8.1 and 8.2:

   - all his Stock Options, unvested upon termination of the employment, shall be forfeited effective as of the date of termination of the employment without the Participant being entitled to any compensation or any obligation on the part of NXP or any Employing Company;
   - upon a Sale or Change of Control, the Participant receives a cash-payment for the Stock Options vested upon the termination of the employment with an Employing Company, it being understood that in the event of a Sale this payment will only relate to a pro rata part of the Stock Options as stipulated in Article 10, such cash-payment based on the lower of:

   (a) the Fair Market Value, as determined in accordance with Article 9, of the Shares at the business day immediately prior to the date on which the employment was terminated minus the respective Exercise Prices multiplied by the number of such Stock Options and further costs and taxes in accordance with Articles 7, 11.4 and 12, and

   (b) the fair market value of the Shares upon a Sale or Change of Control, this fair market being calculated and determined by, and at the sole discretion of, the

Board of NXP, minus the respective Exercise Prices multiplied by the number of such Stock Options and further costs and taxes in accordance with Articles 7, 11.4 and 12.

The amount due will be transferred to a bank account designated by the Participant as soon as reasonably practical upon a Sale or Change of Control.

4. The CEO may, following approval by the NCC, in individual cases including divestment and Sale scenario's, determine a price for the relevant Shares, or other conditions applicable to the Stock Options or Shares, more favourable for the relevant Participant than would apply pursuant to these Conditions. Under no circumstances shall the use of this right by the CEO or the approval granted by the NCC create or imply rights for any other Participant.

Article 9
Fair Market Value

Fair Market Value in any period after a Listing shall be determined by the Board, subject to the right of the NCC to review and approve same, and in accordance with the following: the weighted average of the closing stock prices on the last consecutive 15 trading days immediately preceding the relevant time on the stock exchange on which the Listing has occurred. If the Listing has occurred on more than one stock exchange, the closing stock price on the stock exchange on which the highest volume of shares has been traded in the aggregate of the relevant 15 trading days shall be used.

Article 10
Drag-along right and tag-along right

1. In the event of a Sale or Change of Control a Participant has the right to exercise his Stock Options and in the event of a Sale a Participant has the right to exercise his vested Stock Options, all in accordance with article 4 of these Conditions. If the Participant elects Shares to be delivered to him, the Participant is aware and agrees that the Initial Sponsors have the right, in relation to any Sale or Change of Control to require that the Participant sells to the relevant buyer a percentage of the Shares held by it equal to the percentage of Shares sold by the Initial Sponsors, on customary terms and conditions and for a consideration per Share equal to that received by the Initial Sponsors.
2. In the event that the Participant sells and transfers any Shares, the Participant shall receive the net proceeds of such sale of Shares.
3. Subject to Articles 4, 8 and 11, each Participant having exercised (part of) his Stock Options has the right, in relation to any Sale by the Initial Sponsors, to demand to be given the opportunity to sell that number of Shares held by such Participant determined by multiplying that number of his Shares by a percentage equal to the percentage of all the Initial Sponsor's Shares to be so sold, and on customary terms and conditions and for a consideration per Share equal to that received by the Initial Sponsors.
4. Where Articles 10.1 and 10.3 refer to "customary terms", this implies - among other things - that NXP shall on behalf of the Participants having exercised (part of) their Stock Options, make such representations and warranties concerning the relevant underlying business as are customary and usual in the context of the relevant

transaction, subject to the CEO being allowed to participate in the negotiation of such representations and warranties and to make fair disclosure against the same and on the basis furthermore that any liability under such representations and warranties shall be pro rata the number of shares sold for their benefit.

Article 11
Listing

1. It shall be in the sole discretion of the Board when and in which form a Listing takes place. Participants are obliged to cooperate and give all consents and take all other measures reasonably requested by the Board in this respect and to enter into such customary lock-up agreement as the Board may reasonably request on the basis of advice received from the investment bank(s) acting as lead manager(s) for that Listing or as may be requested by the relevant underwriter(s) ("Lock-Up"), such request to be made after the Board considering the views of the Participants (such consideration being without prejudice to the obligation of the Participants to agree to such a request by the Board) and to comply with all applicable rules on insider trading.
2. Despite anything to the contrary in these Conditions, in the event of a Listing by way of a primary offering (i.e. listing of newly issued securities only), no Participant shall have any right to request the sale of any of his Shares or any of the securities into which they may have been converted.
3. In the event of a sale of shares on or following a secondary offering, the sale of listed securities must be effected in compliance with any applicable Lock-up, other customary restrictions as may be requested by the underwriters and any applicable insider trading rules.
4. Participants, having exercised (part of) their Stock Options, are entitled to all sales proceeds relating to such a sale of Shares, net of the relevant pro rata portion of any Permitted Expenses and net of any taxes related to such sale in respect of which there is a withholding obligation, all in accordance with Article 12. Permitted Expenses means any related transaction costs, fees and expenses, including without limitation all costs, fees and expenses incurred in respect of lawyers, accountants, investment banks, underwriters, debt providers, other financiers, consultants, and other advisors irrespective of the entity engaging them and all out of pocket expenses paid for or payable to third parties by the Company, any of the Initial Sponsors or any of their respective affiliates and excluding only any fees payable to any of the Initial Sponsors or their respective affiliates such as success fees and advisory fees.

Article 12
Net proceeds

1. In any circumstances when any payment is due to a Participant, this shall always be paid net of the *pro rata* portion of Permitted Expenses and net of any taxes.
2. Where consideration other than cash is received in respect of a transaction triggering the payment to a Participant, NXP shall have the choice, in its sole discretion, to cause the payment due to the Participant to be settled either in cash or in the same form of consideration as was received by the Initial Sponsors, provided that if the latter includes securities or other assets that are not Readily Marketable Securities, NXP shall undertake to put in place such arrangements as

may be necessary to ensure that the relevant Participants are able to dispose of such securities or other assets at the same time and on the same terms as the Initial Sponsors are able to dispose of such securities or other assets as it may hold to an unaffiliated third party (unless the Participants have agreed with the party paying the consideration to keep all or a portion of said securities for a period of time). Readily Marketable Securities means securities that are listed on a recognized investment exchange and may be immediately disposed of through the relevant exchange.

Article 13
General Provisions

1. The Board, following approval by the NCC, shall have the authority to interpret these Conditions, to establish, amend, and rescind any rules and regulations relating to these Conditions, to determine the terms and conditions of any agreements entered into hereunder, to make all other determinations necessary or advisable for the administration of these Conditions, and to determine other conditions applicable to the delivery of Shares, or pursuant to and cash-payment for the Stock Options more favourable for the relevant Participant than would apply pursuant to the Conditions. The Board may delegate the authority to practice administrative and operational functions with respect to the Conditions to officers or employees of subsidiaries of NXP and to service providers. Under no circumstances shall the use of the rights by the Board under this Article 13 create or imply rights for any other Participant.
2. No Participant shall have any rights or privileges of holders of Shares (including the right to receive dividends and to vote) with respect to Shares to be delivered pursuant to the exercise of Stock Options until such Shares are actually delivered to such Participant in accordance with these Conditions.
3. The (value of) Stock Options granted to, or Shares acquired by, a Participant pursuant to such Stock Option under these Conditions shall not be considered as compensation in determining a Participant’s benefits under any benefit plan of an Employing Company, including but not limited to, group life insurance, long-term disability, family survivors, or any retirement, pension or savings plan.
4. Nothing contained in these Conditions or in any grant made or agreement entered into pursuant hereto shall confer upon any Participant any right to be retained in employment with any Employing Company, or to be entitled to any remuneration or benefits not set forth in these Conditions or interfere with or limit in any way with the right of any Employing Company to terminate such Participant’s employment or to discharge or retire a Participant at any time.
5. If a provision of these Conditions is deemed illegal or invalid, the illegality or invalidity shall not affect the remaining parts of these Conditions, these Conditions shall be construed as if the illegal or invalid provisions had not been included in these Conditions.
6. Where the context requires, words in either gender shall include also the other gender.
7. These Conditions shall be governed by and construed in accordance with the laws of The Netherlands. Any dispute arising under or in connection with these Conditions shall be settled by the competent courts in Amsterdam, The Netherlands, subject to appeal (*hoger beroep*) and supreme court appeal (*cassatie*).

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Exhibit 10.24

January, 2011

STRICTLY PERSONAL

NXP Management Equity Plan 2009

Stock Option terms
Version January 2011
(as revised to reflect NXP's listing at Nasdaq in August 2010, the deletion of accelerated vesting and the extension of the exercise period)

Article 1
Definitions

In these NXP Management Equity Stock Option Plan Conditions the following definitions shall apply:

1. Board	:	the board of directors of NXP;
2. CEO	:	the chief executive officer from time to time of NXP;
3. Change of Control	:	a sale, directly or indirectly, of Shares in NXP in a transaction or series of related transactions resulting in the Initial Sponsors as hereinafter defined, and for each of its members, their respective affiliates (a) together no longer holding, directly or indirectly, 30% or more of the Shares and other equity instruments issued from time to time by NXP or (b) the sale or divestment of more than 50% of the assets of NXP to a non-affiliate in a transaction or series of related transactions whereby the net proceeds of such asset sale are to be distributed to shareholders of NXP;
4. Conditions	:	the terms and conditions set out in this NXP Management Equity Stock Option Plan 2009, as revised to reflect NXP's listing at Nasdaq in August 2010, the deletion of accelerated vesting and the extension of the exercise period;
5. Date of Grant	:	the date at which a Stock Option is granted pursuant to these Conditions. The relevant Date of Grant with respect to any grant hereunder shall be determined by NXP and the Participant shall be informed on this;
6. Eligible Individual	:	means an employee of the NXP group or such other person as determined by the Board;
7. Employing Company	:	any company within the NXP group of companies and such other company as NXP may from time to time designate or approve;
8. Exercise Price	:	the price to be paid by the Participant to NXP to acquire a Share upon exercising a Stock Option. Such price, and the various series in which Stock Options may be granted, will be specified in the Grant. No Stock Options will be granted "in the money";
9. Grant	:	the instrument by which the Board grants a Stock Option to one or more Eligible Individuals;
10. Initial Sponsors	:	(a) KKR European Fund II, Limited Partnership;
		(b) Silver Lake Partners II Cayman, L.P.;
		(c) AlpInvest Partners CS Investments 2006 C.V.;
		(d) Bain Capital IX, L.P.;
		(e) Bain Capital Fund VIII-E, L.P.;
		(f) Apax Europe V - A, L.P.;

		(g) Apax Europe VI - A, L.P.;
		(h) such other persons to whom those sponsors have syndicated part of their direct or indirect investment in NXP as per January 1, 2007; and
		(i) for each of the aforegoing persons, their respective affiliates;
11. Listing	:	the listing of any shares, in a form determined by NXP, on a recognised stock exchange;
12. NCC	:	nomination and compensation committee of the Board;
13. NXP	:	NXP Semiconductors N.V.;
14. Participant	:	an individual who participates in the Plan and holds any Stock Options or Shares under these Conditions;
15. Plan	:	this NXP Management Equity Stock Option Plan 2009, as revised to reflect NXP's listing at Nasdaq in August 2010, the deletion of accelerated vesting and the extension of the exercise period;
16. Sale	:	direct or indirect sale and transfer of Shares or the business to a third party not affiliated to one of the Initial Sponsors or a group company of NXP;
17. Share	:	a common share in the capital of NXP as further defined in NXP's articles of association;
18. Stock Option	:	the conditional right granted by NXP to an Eligible Individual to acquire one Share, subject to these Conditions. The Stock Options may be granted in four series: series 1, series 2, series 3 and series 4;
19. Vesting Date	:	means the vesting date ascribed to it in Article 3.

Article 2
Grant of Stock Options

Any Stock Options may be granted by the Board to an Eligible Individual, subject to the Conditions and any additional terms as may be imposed on Grant. Any Stock Options offered to any such individual and the terms and conditions governing such Stock Options shall be deemed accepted by such individual with effect from the applicable Date of Grant in case NXP has not received, in accordance with a procedure established by NXP, a notice of rejection of such Stock Options at a date determined by NXP.

Article 3
Vesting

1. Except as otherwise provided in Article 3.2 and 3.3, Stock Options will vest as indicated in the Grant. Unvested or lapsed Stock Options cannot be exercised.
2. The CEO may, subject to the approval of the NCC, in individual cases, determine a vesting schedule for the relevant Stock Options more favourable for the relevant Participant than would apply pursuant to paragraph 1 of this Article 3. Under no circumstances shall the use of this right by the CEO or the approval granted by the NCC create or imply rights for any other Participant.

Article 4
Exercise of Stock Options

1. A Participant may exercise (part of) his vested Stock Options only upon a Sale or during a period of five years after a Change of Control, subject to the provisions of Article 8. The Participants shall be notified in writing by the Board of the occurrence of such Sale or Change of Control. In no event shall there be any obligation to deliver any Shares to a Participant prior to such a Sale or Change of Control without the approval of the CEO in consultation with the NCC.
2. In order to exercise Stock Options, the Participant must notify NXP in accordance with a procedure determined by NXP.

   The notice by the Participant shall state:

   - the Date of Grant of the Stock Options he wishes to exercise;
   - the number of Stock Options to be exercised; and
   - whether Shares to be obtained upon such exercise:
     (i) be sold, on behalf of the Participant as soon as possible. Upon such sale, the aggregate revenue of the Shares sold upon exercise of the Stock Options less the respective Exercise Prices multiplied by the number of such Stock Options, and further costs and taxes in accordance with Articles 7, 11.4 and 12, will be paid to the Participant in accordance with a procedure determined by NXP, subject to Articles 10 and 11; or
     (ii) be delivered to the Participant as provided for in the Articles 4.3 and 4.4 hereof, subject to Articles 10 and 11.

   In case the Participant elects to have the Shares to be delivered to him, his notice shall be accompanied by the payment in full of the Exercise Price for the respective series of Stock Options exercised, multiplied by the number of Stock Options so being exercised, and costs and taxes as stipulated in Articles 7, 11.4 and 12. Such payment shall be made: (a) in cash, (b) through simultaneous sale of the underlying Shares, acquired on exercise, subject to it being permitted under the applicable regulations, (c) through additional methods prescribed by NXP or (d) by a combination of any such method.
3. Subject to these Conditions, if the Participant elects Shares to be delivered to him upon exercise as provided in Article 4.2 (ii), NXP will, following receipt of the full Exercise Price, deliver to the relevant Participants the Shares on or as soon as reasonably practicable after the exercise of a Stock Option. In no event shall NXP have any obligation to deliver any Shares to a Participant prior to the exercise of any Stock Options.
4. Each Participant shall comply with any applicable “insider trading” laws and regulations.

Article 5
Non-transferability

The Stock Options are strictly personal and may not be assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of in any manner. For the avoidance of doubt, in case of death of the Participant all vested Stock Options and all Shares held by such Participant at the date of death shall pass to such Participant's heirs or legatees in accordance with applicable inheritance laws. The Participant may not engage in any transactions on any exchange on the basis of any Stock Option. Any violation of the terms of this Article 5 in relation to Stock Options will cause all Stock Options to become immediately null and void without further notice and without the Participant being entitled to any compensation.

Article 6
Capital Adjustments in corporate events

The CEO shall, after approval of the NCC, make such equitable adjustments to the number of Stock Options, the Exercise Price for the respective series or the number or kind of Shares to be issued on exercise of Stock Options, or replace such Shares by shares in the capital of a NXP group company, as is appropriate to reflect corporate events such as a stock-dividend or stock-split, a recapitalization, a merger, a consolidation, a spin-off, a combination or exchange of shares or other significant corporate change, or any distribution of reserves to holders of Shares.

Article 7
Costs and Taxes

1. All costs of delivering any Shares under these Conditions to a Participant and any other costs connected with the Shares shall be borne by the Participant.
2. Any and all taxes, duties, levies, charges or social security contributions ("Taxes") which arise under any applicable national, state, local or supra-national laws, rules or regulations, whether already effective on the Date of Grant of any Stock Options or becoming effective thereafter, and any changes or modifications therein and termination thereof which may result for the Participant in connection with these Conditions (including, but not limited to, the grant of the Stock Options, the ownership of the Stock Options and/or the delivery of any Shares under these Conditions, the ownership and/or the sale of any Shares acquired under these Conditions) shall be for the sole risk and account of the Participant.
3. NXP and any other Employing Company shall have the right to deduct or withhold (or cause to be deducted or withheld) from any salary payment or other sums due by NXP or any Employing Company to the Participant, or requiring the Participant or beneficiary of the Participant, to pay to NXP or any Employing Company as indicated by NXP an amount necessary to settle any Taxes and any costs determined by NXP necessary to be withheld in connection with these Conditions (including, but not limited to, the grant of the Stock Options or the delivery of any Shares under these Conditions).
4. NXP shall not be required to deliver any Shares and NXP may delay (or cause to be delayed) the transfer of any Shares to a Participant until NXP has received an amount, or the Participant has made such arrangements required by NXP necessary to satisfy any withholding of any Taxes and any costs to be borne by the Participant in connection with these Conditions as determined by NXP.

Article 8
Termination of Employment

1. Notwithstanding anything herein to the contrary and except as otherwise provided in Articles 8.2, 8.3. or 8.4 hereof, if a Participant

   (a) dies, or becomes permanently disabled (as defined under the statutory local social security regulations;

   (b) retires in accordance with the relevant NXP group member's retirement scheme; or

   (c) ceases to be an employee of any member of the NXP group at the initiative of NXP other than for reasons referred to in paragraph 2 of this Article 8;

   such Participant, or his heirs or legatees in accordance with Article 5, during three months following a Change of Control or, if the employment terminates after a Change of Control, during three months following termination of the employment with an Employing Company, may exercise all Stock Options, and upon a Sale may exercise a pro rata part of his Stock Options, in each case such Stock Options which are vested at the time of the termination of the employment with the Employing Company, in accordance with Article 4, and subject to Articles 10 and 11 hereof. All unvested Stock Options shall be forfeited effective as of the date of termination of the employment without the Participant being entitled to any compensation or any obligation on the part of NXP or any Employing Company.

2. Notwithstanding anything herein to the contrary and except as otherwise provided in Articles 8.1, 8.3 and 8.4 hereof, if a Participant

   (a) is dismissed for urgent reasons as defined in article 7:678 of the Dutch Civil Code (or the equivalent thereof in other jurisdictions if Dutch law is not applicable to his employment);

   (b) voluntarily resigns and subsequently, in the two (2) year period following such resignation, directly or indirectly and in any capacity whatsoever engages in any activities in competition with the activities of any member of the Group; or

   (c) breaches any of the obligations imposed by or pursuant to the Conditions and the Grant;

   such Participant's vested and unvested Stock Options shall be forfeited effective as of the date of termination of the employment without the Participant being entitled to any compensation or any obligation on the part of NXP or any Employing Company.

3. Notwithstanding anything herein to the contrary and except as otherwise provided in Articles 8.1, 8.2. and 8.4 hereof, and subject to Articles 10 and 11, if a Participant ceases to be an employee of any member of the NXP group as a result of facts or circumstances other than those mentioned in Articles 8.1 and 8.2,

   - all his Stock Options, unvested upon termination of the employment, shall be forfeited effective as of the date of termination of the employment without the Participant being entitled to any compensation or any obligation on the part of NXP or any Employing Company;

   - upon a Sale or Change of Control, the Participant receives a cash-payment for the Stock Options vested upon the termination of the employment with an Employing Company, it being understood that in the event of a Sale this payment will only relate to a pro rata part of the Stock Options as stipulated in Article 10, such cash-payment based on the lower of:

   (a) the Fair Market Value, as determined in accordance with Article 9, of the Shares at the business day immediately prior to the date on which the employment was terminated minus the respective Exercise Prices multiplied by the number of such Stock Options and further costs and taxes in accordance with Articles 7, 11.4 and 12, and

(b) the fair market value of the Shares upon a Sale or Change of Control, this fair market being calculated and determined by, and at the sole discretion of, the Board of NXP, minus the respective Exercise Prices multiplied by the number of such Stock Options and further costs and taxes in accordance with Articles 7, 11.4 and 12.

The amount due will be transferred to a bank account designated by the Participant as soon as reasonably practical upon a Sale or Change of Control.

4. The CEO may, following approval by the NCC, in individual cases including divestment and Sale scenario's, determine a price for the relevant Shares, or other conditions applicable to the Stock Options or Shares, more favourable for the relevant Participant than would apply pursuant to these Conditions. Under no circumstances shall the use of this right by the CEO or the approval granted by the NCC create or imply rights for any other Participant.

Article 9
Fair Market Value

Fair Market Value in any period after a Listing shall be determined by the Board, subject to the right of the NCC to review and approve same, and in accordance with the following: the weighted average of the closing stock prices on the last consecutive 15 trading days immediately preceding the relevant time on the stock exchange on which the Listing has occurred. If the Listing has occurred on more than one stock exchange, the closing stock price on the stock exchange on which the highest volume of shares has been traded in the aggregate of the relevant 15 trading days shall be used.

Article 10
Drag-along right and tag-along right

1. In the event of a Sale or Change of Control a Participant has the right to exercise his Stock Options and in the event of a Sale a Participant has the right to exercise his vested Stock Options, all in accordance with article 4 of these Conditions. If the Participant elects Shares to be delivered to him, the Participant is aware and agrees that the Initial Sponsors have the right, in relation to any Sale or Change of Control to require that the Participant sells to the relevant buyer a percentage of the Shares held by it equal to the percentage of Shares sold by the Initial Sponsors, on customary terms and conditions and for a consideration per Share equal to that received by the Initial Sponsors.
2. In the event that the Participant sells and transfers any Shares, the Participant shall receive the net proceeds of such sale of Shares.
3. Subject to Articles 4, 8 and 11, each Participant having exercised (part of) his Stock Options has the right, in relation to any Sale by the Initial Sponsors, to demand to be given the opportunity to sell that number of Shares held by such Participant determined by multiplying that number of his Shares by a percentage equal to the percentage of all the Initial Sponsor's Shares to be so sold, and on customary terms and conditions and for a consideration per Share equal to that received by the Initial Sponsors.
4. Where Articles 10.1 and 10.3 refer to "customary terms", this implies - among other things - that NXP shall on behalf of the Participants having exercised (part of) their

Stock Options, make such representations and warranties concerning the relevant underlying business as are customary and usual in the context of the relevant transaction, subject to the CEO being allowed to participate in the negotiation of such representations and warranties and to make fair disclosure against the same and on the basis furthermore that any liability under such representations and warranties shall be pro rata the number of shares sold for their benefit.

Article 11
Listing

1. It shall be in the sole discretion of the Board when and in which form a Listing takes place. Participants are obliged to cooperate and give all consents and take all other measures reasonably requested by the Board in this respect and to enter into such customary lock-up agreement as the Board may reasonably request on the basis of advice received from the investment bank(s) acting as lead manager(s) for that Listing or as may be requested by the relevant underwriter(s) ("Lock-Up"), such request to be made after the Board considering the views of the Participants (such consideration being without prejudice to the obligation of the Participants to agree to such a request by the Board) and to comply with all applicable rules on insider trading.
2. Despite anything to the contrary in these Conditions, in the event of a Listing by way of a primary offering (i.e. listing of newly issued securities only), no Participant shall have any right to request the sale of any of his Shares or any of the securities into which they may have been converted.
3. In the event of a sale of shares on or following a secondary offering, the sale of listed securities must be effected in compliance with any applicable Lock-up, other customary restrictions as may be requested by the underwriters and any applicable insider trading rules.
4. Participants, having exercised (part of) their Stock Options, are entitled to all sales proceeds relating to such a sale of Shares, net of the relevant pro rata portion of any Permitted Expenses and net of any taxes related to such sale in respect of which there is a withholding obligation, all in accordance with Article 12. Permitted Expenses means any related transaction costs, fees and expenses, including without limitation all costs, fees and expenses incurred in respect of lawyers, accountants, investment banks, underwriters, debt providers, other financiers, consultants, and other advisors irrespective of the entity engaging them and all out of pocket expenses paid for or payable to third parties by the Company, any of the Initial Sponsors or any of their respective affiliates and excluding only any fees payable to any of the Initial Sponsors or their respective affiliates such as success fees and advisory fees.

Article 12
Net proceeds

1. In any circumstances when any payment is due to a Participant, this shall always be paid net of the *pro rata* portion of Permitted Expenses and net of any taxes.
2. Where consideration other than cash is received in respect of a transaction triggering the payment to a Participant, NXP shall have the choice, in its sole discretion, to cause the payment due to the Participant to be settled either in cash or in the same form of consideration as was received by the Initial Sponsors,

provided that if the latter includes securities or other assets that are not Readily Marketable Securities, NXP shall undertake to put in place such arrangements as may be necessary to ensure that the relevant Participants are able to dispose of such securities or other assets at the same time and on the same terms as the Initial Sponsors are able to dispose of such securities or other assets as it may hold to an unaffiliated third party (unless the Participants have agreed with the party paying the consideration to keep all or a portion of said securities for a period of time). Readily Marketable Securities means securities that are listed on a recognized investment exchange and may be immediately disposed of through the relevant exchange.

Article 13
General Provisions

1. The Board, following approval by the NCC, shall have the authority to interpret these Conditions, to establish, amend, and rescind any rules and regulations relating to these Conditions, to determine the terms and conditions of any agreements entered into hereunder, to make all other determinations necessary or advisable for the administration of these Conditions, and to determine other conditions applicable to the delivery of Shares, or pursuant to and cash-payment for the Stock Options more favourable for the relevant Participant than would apply pursuant to the Conditions. The Board may delegate the authority to practice administrative and operational functions with respect to the Conditions to officers or employees of subsidiaries of NXP and to service providers. Under no circumstances shall the use of the rights by the Board under this Article 13 create or imply rights for any other Participant.
2. No Participant shall have any rights or privileges of holders of Shares (including the right to receive dividends and to vote) with respect to Shares to be delivered pursuant to the exercise of Stock Options until such Shares are actually delivered to such Participant in accordance with these Conditions.
3. The (value of) Stock Options granted to, or Shares acquired by, a Participant pursuant to such Stock Option under these Conditions shall not be considered as compensation in determining a Participant’s benefits under any benefit plan of an Employing Company, including but not limited to, group life insurance, long-term disability, family survivors, or any retirement, pension or savings plan.
4. Nothing contained in these Conditions or in any grant made or agreement entered into pursuant hereto shall confer upon any Participant any right to be retained in employment with any Employing Company, or to be entitled to any remuneration or benefits not set forth in these Conditions or interfere with or limit in any way with the right of any Employing Company to terminate such Participant’s employment or to discharge or retire a Participant at any time.
5. If a provision of these Conditions is deemed illegal or invalid, the illegality or invalidity shall not affect the remaining parts of these Conditions, these Conditions shall be construed as if the illegal or invalid provisions had not been included in these Conditions.
6. Where the context requires, words in either gender shall include also the other gender.
7. These Conditions shall be governed by and construed in accordance with the laws of The Netherlands. Any dispute arising under or in connection with these Conditions shall be settled by the competent courts in Amsterdam, The Netherlands, subject to appeal (*hoger beroep*) and supreme court appeal (*cassatie*).

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Global NXP Stock Option Program

TERMS AND CONDITIONS
OF
GLOBAL NXP STOCK OPTION PROGRAM

Article 1
Definitions

In this Global NXP Stock Option Program the following definitions shall apply:

1.	Board:	The board of directors of NXP.
2.	Change of Control:	a transaction or series of transactions or the conclusion of an agreement, which alone or taken together has the effect that as a result thereof a third party, or third parties acting in concert, not being (a) Private Investor(s), obtains, whether directly or indirectly, Control of NXP.
3.	Closing Price:	the price of a Share listed at the NASDAQ Global Select Market ("NASDAQ") with dividend, if any, at closing of NASDAQ . If on the date of receipt of an Exercise Notice, Shares have not been traded at NASDAQ, the Closing Price will be the opening price of the first subsequent trading day at NASDAQ.
4.	Control:	(i) the ownership, whether direct or indirect, of a party or parties acting in concert, of more than 50.1% percent of (a) the issued Share capital and/or (b) the voting rights in the general meeting of shareholders; or (ii) the right, whether direct or indirect, of a party or parties acting in concert to control the composition of the majority of the Board of NXP, or the majority of its voting rights, by contract or otherwise.
5.	Custody Account:	a custody account maintained in the name of an Option Holder.
6.	Date of Grant:	the date at which the Options shall be deemed granted to the Option Holder pursuant to this Program. The Dates of Grant shall be the same dates as the dates of publication of NXP annual and/or quarterly results. The relevant Date of Grant with respect to any grant hereunder shall be determined by NXP.
7.	Eligible Individual:	means an employee of the group of which NXP forms part or such other person as determined by or on behalf of the Board.
8.	Employing Company:	any company within the group of which NXP forms part and such other company as designated by or on behalf of the Board.
9.	Exercise Notice:	a notice in which an Option Holder indicates that he will exercise his vested Options.
10.	Exercise Period:	the term during which an Option can be exercised.
11.	Exercise Price:	the price to be paid by the Option Holder to acquire a Share upon exercising an Option. Such price will be equal to the

		Closing Price on the applicable Date of Grant.
12.	Grant:	a grant of an Option to any Eligible Individual by NXP.
13.	Grant Letter	the letter in which Options are granted to an Eligible Individual.
14.	NXP:	NXP Semiconductors N.V.
15.	Option:	a right granted by NXP under this Program to acquire one Share or the value in cash thereof, subject to this Program.
16.	Option Holder:	a person holding any Options under this Program.
17.	Private Investors:	The private investors, including the Private Equity Consortium, as defined and further explained in the registration statement on Form F-1 which NXP has filed with the US Securities and Exchange Commission on August 5, 2010.
18.	Program:	this Global NXP Stock Option Program.
19.	Share:	a common share in the share capital of NXP.

Article 2
Grant of Options

1. Any Options may be granted by or on behalf of the Board to an Eligible Individual, subject to the terms and conditions of this Program and any other NXP policies or guidelines that may apply to such individual. Any Options granted to any such individual and the terms and conditions governing such Options shall be deemed accepted by such individual with effect from the applicable Date of Grant in case NXP has not received, in accordance with a procedure established by NXP, a notice of rejection of such Options within fourteen (14) days following the Grant Letter or such later date as may be determined by NXP.

2. The Grant Letter shall reflect, inter alia, the Date of Grant, the number of Options awarded, the Exercise Price and the vesting schedule.

Article 3
Vesting

Options will vest over a four-year vesting period as indicated in the Grant Letter, whereby any 1/4 of the Options will vest at each anniversary of the Date of Grant, subject to Article 9 (*Termination of Employment*). In case of a Change of Control, an Option will fully (for 100%) vest (accelerated vesting).

Article 4
Exercise of Options

1. Vested Options can only be exercised during the Exercise Period. Unvested or lapsed Options cannot be exercised.

2. The Exercise Period commences on the vesting of the relevant Options and terminates on the tenth anniversary of the Date of Grant, subject to Article 8 (2)e.

3. Vested Options can only be exercised by (i) submitting an Exercise Notice, and (ii) payment of the Exercise Price. Vested Options may in principle only be exercised subject to a minimum of ten (10) units.

4. The Exercise Notice should contain (i) the Date of Grant of the Options an Option Holder wishes to exercise and (ii) the number of Options to be exercised and whether Shares to be obtained upon such exercise:

   a. be sold, on behalf of the Option Holder as soon as possible. Upon such sale, the aggregate revenue of the Shares sold upon exercise of the Options less the Exercise Price multiplied by the number of such Options, and further costs and Taxes, will be paid to the Option Holder in accordance with a procedure determined by NXP; or

   b. be delivered to the Option Holder as provided for in Article 10. In case the Option Holder elects to have the Shares to be delivered to him, the Exercise Notice shall contain the details of the Custody Account to which the Shares shall be delivered, and shall be accompanied by the payment in full of the Exercise Price, multiplied by the number of Options so being exercised, and further costs and Taxes. Such payment shall be made: (a) in cash, (b) through simultaneous sale through a broker of Shares acquired on exercise, subject to it being permitted under the applicable regulations, (c) through additional methods prescribed by NXP or (d) by a combination of any such method.

Article 5
Cash Alternative

In exceptional circumstances, at the sole discretion of the Board, upon receipt of an Exercise Notice NXP may advise an Option Holder resident outside the Netherlands to request in writing an amount in cash as an alternative to Shares. Upon such request the Option Holder is entitled to receive an amount in U.S. Dollars, equal to the Closing Price minus the Exercise Price, multiplied by the number Options being exercised. Any costs to be paid and any applicable Taxes due shall be deducted from the amount to be received by the Option Holder.

Article 6
Non-transferability

The Options are strictly personal, and may not be assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of in any manner nor may any transaction be entered into with the same effect. For the avoidance of doubt, in case of death of the Option Holder during the Exercise Period, all vested Options held by such Option Holder at the date of his death shall pass to such Option Holder’s heirs or legatees in accordance with applicable inheritance laws. The Option Holder may not engage in any transactions on any exchange on the basis of any Options.

Article 7
Capital Adjustments in corporate events

NXP may make any equitable adjustment or substitution of (a) the number or kind of Shares subject to the Options, and/or (b) the Exercise Price, as it, in its sole discretion, deems equitable to reflect any significant corporate event of or by NXP, for example a change in the outstanding Shares by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other corporate change, or any distribution to holders of Shares other than regular cash dividends.

The effect of the adjustment or substitution shall be to preserve both the aggregate difference and the aggregate ratio between the Exercise Price and the fair market value of the Shares to be acquired upon exercise of the Options. The Option Holder shall be notified promptly of such adjustment or substitution.

Article 8
Costs and Taxes

1. All costs of delivering any Shares under this Program to an Option Holder's Custody Account and any other costs connected with the Shares shall be borne by the Option Holder.
2. Any and all taxes, duties, levies, charges or social security contributions ("Taxes") which arise under any applicable national, state, local or supra-national laws, rules or regulations, whether already effective on the Date of Grant of any Options or becoming effective thereafter, and any changes or modifications therein and termination thereof which may result for the Option Holder in connection with this Program (including, but not limited to, the grant, the ownership and/or the exercise of the Options, and/or the delivery, ownership and/or the sale of any Shares acquired under this Program) shall be for the sole risk and account of the Option Holder.
3. NXP and its subsidiaries shall have the right to deduct or withhold (or cause to be deducted or withheld) from any salary payment or other sums due by NXP or any of its subsidiaries to an Option Holder, or requiring the Option Holder or beneficiary of the Option Holder, to pay to NXP or any of its subsidiaries as indicated by NXP an amount necessary to settle any Taxes and any costs determined by NXP necessary to be withheld in connection with this Program (including, but not limited to, the grant of the Options or the delivery of any Shares under this Program).
4. NXP shall not be required to deliver any Shares and NXP may delay (or cause to be delayed) the transfer of any Shares to a Custody Account, until NXP has received an amount, or the Option Holder has made such arrangements, required by NXP necessary to satisfy any withholding of any Taxes and any costs to be borne by the Option Holder in connection with this Program as determined by NXP.

Article 9
Lapse of Options at termination of employment

1. <u>Unvested</u> Options shall lapse, on the earliest of the following occasions, without notice and without any compensation:
    a. if an Option Holder's employment terminates and such Option Holder is no longer employed by any Employing Company;
    b. upon violation by the Option Holder of any provision of this Program or the Grant Letter in which case the Options shall lapse on the date of such violation (rather than the date on which such violation comes to the attention of NXP).
2. <u>Vested</u> Options shall lapse on the earliest of the following occasions, without notice and without any compensation:
    a. the tenth anniversary of the Date of Grant, subject to Article 9)(2)(e);
    b. if an Option Holder becomes a Bad Leaver (as defined in Article 9(4);
    c. if an Option Holder becomes a Good Leaver (as defined in Article 9(3), in which case the Options lapse on the earlier of (i) 10 years of the Date of Grant, or (ii) 5 years from the date on which the Option Holder's employment terminates;

d. If an Option Holder becomes an Ordinary Leaver, in which case the Options lapse after 6 months from the date on which the Option Holder's employment terminates;

e. If an Option Holder becomes a Good Leaver by reason of death or legal incapability, and the remaining Exercise Period with respect to the relevant Options is less than 12 months, the Options shall remain exercisable for a period of 12 months as of the date the Option Holder dies or becomes legal incapable;

f. if an Option Holder is a Good Leaver and after termination of his employment breaches any of the covenants of his employment or service contract, in each case relating to non-competition, confidentiality, non-solicitation or any other provision of his employment or the aforementioned agreements that survive the termination of his employment, in which case the Options lapse on the date of such breach (rather than the date on which such breach comes to the attention of NXP);

g. upon violation by the Option Holder of any provision of this Program or the Grant Letter, in which case the Options shall lapse on the date of such violation (rather than the date on which such violation comes to the attention of NXP);

h. when an Option is exercised in accordance with this Program; and,

i. at the end of the Exercise Period.

3. For purposes of this Program, a "Good Leaver" shall be an Option Holder whose employment with NXP or an Employing Company is terminated due to:

a. death;

b. disability (i.e., the incapacity to continue employment due to ill health or disability under applicable local employment and social security legislation and regulations);

c. retirement in accordance with Article 9(6); or

d. legal incapability.

4. For purposes of this Program, a "Bad Leaver" shall be an Option Holder whose employment with NXP or an Employing Company is terminated (i) following the Option Holder committing an act of theft, fraud or deliberate falsification of records in relation to his duties for NXP or the Employing Company, (ii) following the Option Holder being convicted of or pleading guilty to a serious criminal offence (*misdrijf*) relating to his duties for NXP or the Employing Company (excluding any motoring or non-duty related minor offence), which act or criminal offence referred to in (i) and/or (ii) has a material adverse effect upon NXP or the Employing Company, or (iii) with immediate effect because of an urgent cause (*dringende reden*) as referred to in article 7:678 of the Dutch Civil Codefor cause.

5. For purposes of this Program, an "Ordinary Leaver" shall be an Option Holder whose employment with NXP or an Employing Company is terminated and who is not a Bad Leaver or a Good Leaver.

6. For purposes of Article 9(3)(c), an Option Holder's is deemed to be retired if his employment is terminated and he is eligible to receive an immediate (early) retirement benefit under an (early) retirement plan of an Employing Company under which such Option Holder was covered, provided that payment of such (early) retirement benefit commences immediately following such termination. In case no retirement plan is provided by NXP in the country where the Option Holder resides, retirement will be determined in the context of local practice, including, but not limited to, eligibility to a state retirement plan. With respect to an Option Holder who is eligible to participate in a U.S. retirement or pension plan and who is a not a party to a contract governing employment conditions or benefits with an entity which is domiciled outside of the United States, the Option Holder's employment shall be deemed terminated as a result of retirement if such Option Holder's employment is terminated and, at the time of his or her termination of employment the Option Holder has at least five (5) years of service with an U.S. Employing Company and has attained the age of fifty-five (55) years.

Article 10
Delivery and Custody Account

1. NXP may require an Option Holder to maintain a Custody Account in connection with this Program. Nothing contained in this Program shall obligate NXP to establish or maintain or cause to establish or maintain a Custody Account for any Option Holder. The Option Holder will provide NXP with the details thereof.
2. Shares obtained upon exercise of Options, will be delivered by NXP, as soon as reasonably practical after the exercise, to the Option Holder's Custody Account.
3. In case the Option Holder has failed to notify NXP with de details of his Custody Account, the Option Holder shall be deemed to have requested NXP to sell or cause to sell such corresponding Shares in accordance with Article 4(4)(a).

Article 11
General Provisions

Insider trading rules

1. Each Option Holder shall comply with any applicable "insider trading" laws and regulations, including the "NXP Semiconductor N.V. rules on holding and trading in NXP Securities".

Authority for this Program

2. NXP shall have the authority to interpret this Program, to establish, amend, and rescind any rules and regulations relating to this Program, to determine the terms and conditions of any agreements entered into hereunder, to make all other determinations necessary or advisable for the administration of this Program. To the extent required by law, the general meeting of shareholders of NXP will be requested to adopt or approve such changes.
3. The terms and conditions in force from time to time are published on the NXP' intranet and on the website of the administrator of this Program and apply to all Options granted and the Shares obtained under this Program. NXP may delegate the authority to perform administrative and operational functions with respect to this Program to officers or employees of subsidiaries of NXP and to service providers.

Shareholder rights

4. No Option Holder shall have any rights or privileges of shareholders (including the right to receive dividends and to vote) with respect to Shares to be delivered pursuant to the exercise of any Options until such Shares are actually delivered to him in accordance with Article 10 of this Program.

Non-recurring discretionary grant

5. Eligibility and participation shall be at the sole discretion of NXP or the Employing Company and as such do not qualify as terms and conditions of employment. The Grant in one year does not create rights for future years.
6. Options granted, Shares obtained or cash received under this Program shall not be considered as compensation in determining an Option Holder's benefits under any benefit plan of an Employing

Company, including but not limited to, group life insurance, long-term disability, family survivors, or any retirement, pension or savings plan.

7. Nothing contained in this Program, Grant Letter or any agreement entered into pursuant hereto shall confer upon any Option Holder any right to be retained employed with any Employing Company, or to be entitled to any remuneration or benefits not set forth in this Program or interfere with or limit in any way with the right of any Employing Company or any of its subsidiaries to terminate such Option Holder's employment or to discharge or retire any Option Holder at any time.

Miscellaneous

8. If a provision of this Program is deemed illegal or invalid, the illegality or invalidity shall not affect the remaining parts of this Program, this Program shall be construed as if the illegal or invalid provisions had not been included in this Program.

9. Where the context requires, words in either gender shall include also the other gender.

Choice of law and forum

10. This Program shall be governed by and construed in accordance with the laws of The Netherlands, without regard to its principles of conflict of laws. Any dispute arising under or in connection with this Program shall be settled by the competent courts in Amsterdam, The Netherlands.

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TERMS AND CONDITIONS
OF
NXP PERFORMANCE STOCK UNITS PLAN

Article 1
Definitions

In this NXP Performance Stock Units Plan the following definitions shall apply:

1.	Board:	the board of directors of NXP.
2.	Change of Control:	a transaction or series of transactions or the conclusion of an agreement, which alone or taken together has the effect that as a result thereof a third party, or third parties acting in concert, not being (a) Private Investor(s), obtains, whether directly or indirectly, Control of NXP.
3.	Control:	(i) the ownership, whether direct or indirect, of a party or parties acting in concert, of more than 50.1% percent of (a) the issued Share capital and/or (b) the voting rights in the general meeting of shareholders; or (ii) the right, whether direct or indirect, of a party or parties acting in concert to control the composition of the majority of the Board of NXP, or the majority of its voting rights, by contract or otherwise.
4.	Custody Account:	a custody account maintained in the name of a Participant.
5.	Date of Grant:	the date at which a Performance Stock Unit is granted pursuant to this Plan. The Dates of Grant of any Performance Stock Units shall be the same dates as the dates of publication of the NXP' annual and/or quarterly results. The relevant Date of Grant and categorization of any Performance Stock Unit with respect to any grant hereunder shall be determined by NXP.
6.	Date of Vesting:	The date at which the relevant performance conditions, as indicated in the Grant Letter, for the relevant Performance Stock Unit is met, subject to confirmation by NXP in accordance with a procedure established by NXP.
7.	Eligible Individual:	means an employee of the group of which NXP forms part or such other person as determined by or on behalf of the Board.
8.	Employing Company:	any company within the group of which NXP forms part and such other company as designated by or on behalf of the Board.
9.	Grant Letter:	the letter in which Performance Stock Units are granted to an Eligible Individual.
10.	NXP:	NXP Semiconductors N.V.
11.	Participant:	an individual who has accepted any Performance Stock Units under this Plan.

12.	Performance Stock Unit:	the conditional right granted to a Participant to receive one Share, subject to the terms and conditions of this Plan.
13.	Plan:	this NXP Performance Stock Units Plan.
14.	Private Investors:	the private investors, including the Private Equity Consortium, as defined and further explained in the registration statement on Form F-1 which NXP has filed with the US Securities and Exchange Commission on August 5, 2010.
15.	Share:	a common share in the share capital of NXP (to be) delivered under this Plan.

Article 2
Grant of Performance Stock Units

1. Any Performance Stock Units may be granted by or on behalf of the Board to an Eligible Individual, subject to the terms and conditions of this Plan and any other NXP policies or guidelines that may apply to such individual. Any Performance Stock Units offered to any such individual and the terms and conditions governing such rights shall be deemed accepted by such individual with effect from the applicable Date of Grant in case NXP has not received, in accordance with a procedure established by NXP, a notice of rejection of such rights within fourteen (14) days of the Grant Letter or such later date as may be determined by NXP.
2. The Grant Letter shall reflect, inter alia, the Date of Grant, the number and category of Performance Stock Units awarded, the vesting schedule and the performance conditions, if any.

Article 3
Vesting of a Performance Stock Unit

1. A Performance Stock Unit will vest (i.e. become unconditional and the corresponding Shares will be delivered to the relevant Participant) on the relevant Date of Vesting subject to (i) any relevant performance conditions, if and when indicated in the Grant Letter, being met and (ii) Article 4 (Termination of Employment). In case of a Change of Control, a Performance Stock Unit will fully (for 100%) vest (accelerated vesting).
2. Whether any performance conditions are met will be established by NXP in accordance with a procedure established by NXP.

Article 4
Termination of Employment

Unvested Performance Stock Units shall lapse, on the earliest of the following occasions, without notice and without any compensation:

a. if a Participant’s employment terminates and such Participant is no longer employed by any Employing Company;

b. upon violation by the Participant of any provision of this Plan or the Grant Letter in which case the Performance Stock Units shall lapse on the date of such violation (rather than the date on which such violation comes to the attention of NXP).

Article 5
Non-transferability

The Performance Stock Units are strictly personal, and may not be assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of in any manner nor may any transaction be entered into with the same effect. The Participant may not engage in any transactions on any exchange on the basis of any Performance Stock Units.

Article 6
Delivery and Holding of Shares

1. NXP may require a Participant to maintain a Custody Account in connection with this Plan. Nothing contained in this Plan shall obligate NXP to establish or maintain or cause to establish or maintain a Custody Account for any Participant. The Participant will provide NXP with the details thereof.
2. Subject to the terms and conditions of this Plan, and further to the Participants election via the website, NXP will deliver a Share to a Participant on or as soon as reasonably practicable, and in any event within 2.5 months, after the relevant Date of Vesting. In no event shall NXP have any obligation to deliver any Shares to a Participant prior to the relevant Date of Vesting.
3. Any Shares to be delivered pursuant to Article 6(2) will be credited to the Custody Account.

Article 7
Capital Dilution

NXP may make any equitable adjustment or substitution of the number or kind of Shares subject to the Performance Stock Units, as it, in its sole discretion, deems equitable to reflect any significant corporate event of or by NXP, for example a change in the outstanding Shares by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other corporate change, or any distribution to holders of Shares other than regular cash dividends.

Article 8
Costs and Taxes

1. All costs of delivering any Shares under this Plan to a Participant’s Custody Account and any other costs connected with the Shares shall be borne by the Participant.
2. Any and all taxes, duties, levies, charges or social security contributions (“Taxes”) which arise under any applicable national, state, local or supra-national laws, rules or regulations, whether already effective on the Date of Grant of any Performance Stock Units or becoming effective thereafter, and any changes or modifications therein and termination thereof which may result for the Participant in connection with this Plan (including, but not limited to, the grant of the Performance Stock Units, the ownership of the Performance Stock Units and/or the delivery of any Shares under this Plan, the ownership and/or the sale of any Shares acquired under this Plan) shall be for the sole risk and account of the Participant.

3. NXP and any other Employing Company shall have the right to deduct or withhold (or cause to be deducted or withheld) from any salary payment or other sums due by NXP or any other Employing Company to Participant, or requiring the Participant or beneficiary of the Participant, to pay to NXP an amount necessary to settle any Taxes and any costs determined by NXP necessary to be withheld in connection with this Plan (including, but not limited to, the grant of the Performance Stock Units or the delivery of any Shares under this Plan).

Article 9
Cash Alternative

In exceptional circumstances, at the sole discretion of the Board, upon the Date of Vesting, NXP may advise a Participant resident outside the Netherlands to request in writing an amount in cash as an alternative to Shares. Upon such request the Participant is entitled to receive an amount in U.S. Dollars, equal to the price of a Share listed at the NASDAQ Global Select Market with dividend, if any, at closing of NASDAQ, multiplied by the relevant number of vested Performance Stock Units. If on the date of receipt of the request from the Participant, Shares have not been traded at NASDAQ, the price of a Share will be the opening price of the first subsequent trading day at NASDAQ. Any costs to be paid and any applicable Taxes due shall be deducted from the amount to be received by the Participant.

Article 10
General Provisions

Insider trading rules

1. Each Participant shall comply with any applicable “insider trading” laws and regulations, including the “NXP Semiconductor N.V. rules on holding and trading in NXP Securities”.

Authority for this Plan

2. NXP shall have the authority to interpret this Plan, to establish, amend, and rescind any rules and regulations relating to this Plan, to determine the terms and conditions of any agreements entered into hereunder, to make all other determinations necessary or advisable for the administration of this Plan. To the extent required by law, the general meeting of shareholders of NXP will be requested to adopt or approve such changes.
3. The terms and conditions in force from time to time are published on the NXP’ intranet and on the website of the administrator of this Plan and apply to all Performance Stock Units granted and the Shares obtained under this Plan. NXP may delegate the authority to perform administrative and operational functions with respect to this Plan to officers or employees of subsidiaries of NXP and to service providers.

Shareholder rights

4. No Participant shall have any rights or privileges of shareholders (including the right to receive dividends and to vote) with respect to Shares to be delivered pursuant to the Performance Stock Units until such Shares are actually delivered to him in accordance with Article 6 of this Plan. The Shares delivered shall carry the same rights as common shares of NXP traded at NASDAQ on the day on which these Shares are delivered.

Non-recurring discretionary grant

5. Eligibility and participation shall be at the sole discretion of NXP or the Employing Company and as such do not qualify as terms and conditions of employment. The Grant in one year does not create rights for future years.

6. The (value of) Performance Stock Units granted to, or Shares acquired by a Participant pursuant to such Performance Stock Unit under this Plan shall not be considered as compensation in determining a Participant's benefits under any benefit plan of an Employing Company, including but not limited to, group life insurance, long-term disability, family survivors, or any retirement, pension or savings plan.

7. Nothing contained in this Plan, Grant Letter or any agreement entered into pursuant hereto shall confer upon any Participant any right to be retained employed with any Employing Company, or to be entitled to any remuneration or benefits not set forth in this Plan or interfere with or limit in any way with the right of any Employing Company or any of its subsidiaries to terminate such Participant's employment or to discharge or retire any Participant at any time.

Miscellaneous

8. If a provision of this Plan is deemed illegal or invalid, the illegality or invalidity shall not affect the remaining parts of this Plan, this Plan shall be construed as if the illegal or invalid provisions had not been included in this Plan.

9. Where the context requires, words in either gender shall include also the other gender.

Choice of law and forum

10. This Plan shall be governed by and construed in accordance with the laws of The Netherlands, without regard to its principles of conflict of laws. Any dispute arising under or in connection with this Plan shall be settled by the competent courts in Amsterdam, The Netherlands.

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TERMS AND CONDITIONS
OF
NXP RESTRICTED STOCK UNITS PLAN

Article 1
Definitions

In this NXP Restricted Stock Units Plan the following definitions shall apply:

1.	Board:	the board of directors of NXP.
2.	Change of Control:	a transaction or series of transactions or the conclusion of an agreement, which alone or taken together has the effect that as a result thereof a third party, or third parties acting in concert, not being (a) Private Investor(s), obtains, whether directly or indirectly, Control of NXP.
3.	Control:	(i) the ownership, whether direct or indirect, of a party or parties acting in concert, of more than 50.1% percent of (a) the issued Share capital and/or (b) the voting rights in the general meeting of shareholders; or (ii) the right, whether direct or indirect, of a party or parties acting in concert to control the composition of the majority of the Board of NXP, or the majority of its voting rights, by contract or otherwise.
4.	Custody Account:	a custody account maintained in the name of a Participant.
5.	Date of Grant:	the date at which a Restricted Stock Unit is granted pursuant to this Plan. The Dates of Grant of any Restricted Stock Units shall be the same dates as the dates of publication of the NXP’ annual and/or quarterly results. The relevant Date of Grant and categorization of any Restricted Stock Unit with respect to any grant hereunder shall be determined by NXP.
6.	Date of Vesting:	depending on whether a Restricted Stock Unit is categorized as a “1 Year Term Restricted Stock Unit”, “2 Year Term Restricted Stock Unit” or “3 Year Term Restricted Stock Unit”, the date of vesting shall be the first, second or third anniversary of the Date of Grant of such Restricted Stock Unit.
7.	Eligible Individual:	means an employee of the group of which NXP forms part or such other person as determined by or on behalf of the Board.
8.	Employing Company:	any company within the group of which NXP forms part and such other company as designated by or on behalf of the Board.
9.	Grant Letter:	the letter in which Restricted Stock Units are granted to an Eligible Individual.
10.	NXP:	NXP Semiconductors N.V.
11.	Participant:	an individual who has accepted any Restricted Stock Units under

		this Plan.
12.	Plan:	this NXP Restricted Stock Units Plan.
13.	Private Investors:	the private investors, including the Private Equity Consortium, as defined and further explained in the registration statement on Form F-1 which NXP has filed with the US Securities and Exchange Commission on August 5, 2010.
14.	Restricted Stock Unit:	the conditional right granted to a Participant to receive one Share, subject to the terms and conditions of this Plan. Restricted Stock Units will be categorized as “1 Year Term Restricted Stock Units”, “2 Year Term Restricted Stock Units” or “3 Year Term Restricted Stock Units”, as applicable.
15.	Share:	a common share in the share capital of NXP (to be) delivered under this Plan.

Article 2
Grant of Restricted Stock Units

1. Any Restricted Stock Units may be granted by or on behalf of the Board to an Eligible Individual, subject to the terms and conditions of this Plan and any other NXP policies or guidelines that may apply to such individual. Any Restricted Stock Units offered to any such individual and the terms and conditions governing such rights shall be deemed accepted by such individual with effect from the applicable Date of Grant in case NXP has not received, in accordance with a procedure established by NXP, a notice of rejection of such rights within fourteen (14) days of the Grant Letter or such later date as may be determined by NXP.
2. The Grant Letter shall reflect, inter alia, the Date of Grant, the number and category of Restricted Stock Units awarded, the vesting schedule and the performance conditions, if any.

Article 3
Vesting of a Restricted Stock Unit

1. A Restricted Stock Unit will vest (i.e. become unconditional and the corresponding Shares will be delivered to the relevant Participant) on the relevant Date of Vesting subject to (i) any relevant performance conditions, if and when indicated in the Grant Letter, being met and (ii) Article 4 (Termination of Employment). In case of a Change of Control, a Restricted Stock Unit will fully (for 100%) vest (accelerated vesting).
2. Whether any performance conditions are met will be established by NXP in accordance with a procedure established by NXP.

Article 4
Termination of Employment

Unvested Restricted Stock Units shall lapse, on the earliest of the following occasions, without notice and without any compensation:

a. if a Participant's employment terminates and such Participant is no longer employed by any Employing Company;

b. upon violation by the Participant of any provision of this Plan or the Grant Letter in which case the Restricted Stock Units shall lapse on the date of such violation (rather than the date on which such violation comes to the attention of NXP).

Article 5
Non-transferability

The Restricted Stock Units are strictly personal, and may not be assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of in any manner nor may any transaction be entered into with the same effect. The Participant may not engage in any transactions on any exchange on the basis of any Restricted Stock Units.

Article 6
Delivery and Holding of Shares

1. NXP may require a Participant to maintain a Custody Account in connection with this Plan. Nothing contained in this Plan shall obligate NXP to establish or maintain or cause to establish or maintain a Custody Account for any Participant. The Participant will provide NXP with the details thereof.
2. Subject to the terms and conditions of this Plan, and further to the Participants election via the website, NXP will deliver a Share to a Participant on or as soon as reasonably practicable, and in any event within 2.5 months, after the relevant Date of Vesting. In no event shall NXP have any obligation to deliver any Shares to a Participant prior to the relevant Date of Vesting.
3. Any Shares to be delivered pursuant to Article 6(2) will be credited to the Custody Account.

Article 7
Capital Dilution

NXP may make any equitable adjustment or substitution of the number or kind of Shares subject to the Restricted Stock Units, as it, in its sole discretion, deems equitable to reflect any significant corporate event of or by NXP, for example a change in the outstanding Shares by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other corporate change, or any distribution to holders of Shares other than regular cash dividends.

Article 8
Costs and Taxes

1. All costs of delivering any Shares under this Plan to a Participant's Custody Account and any other costs connected with the Shares shall be borne by the Participant.
2. Any and all taxes, duties, levies, charges or social security contributions ("Taxes") which arise under any applicable national, state, local or supra-national laws, rules or regulations, whether already effective on the Date of Grant of any Restricted Stock Units or becoming effective thereafter, and any changes or modifications therein and termination thereof which may result for the Participant in connection with this

Plan (including, but not limited to, the grant of the Restricted Stock Units, the ownership of the Restricted Stock Units and/or the delivery of any Shares under this Plan, the ownership and/or the sale of any Shares acquired under this Plan) shall be for the sole risk and account of the Participant.

3. NXP and any other Employing Company shall have the right to deduct or withhold (or cause to be deducted or withheld) from any salary payment or other sums due by NXP or any other Employing Company to Participant, or requiring the Participant or beneficiary of the Participant, to pay to NXP an amount necessary to settle any Taxes and any costs determined by NXP necessary to be withheld in connection with this Plan (including, but not limited to, the grant of the Restricted Stock Units or the delivery of any Shares under this Plan).

Article 9
Cash Alternative

In exceptional circumstances, at the sole discretion of the Board, upon the Date of Vesting, NXP may advise a Participant resident outside the Netherlands to request in writing an amount in cash as an alternative to Shares. Upon such request the Participant is entitled to receive an amount in U.S. Dollars, equal to the price of a Share listed at the NASDAQ Global Select Market with dividend, if any, at closing of NASDAQ, multiplied by the relevant number of vested Restricted Stock Units. If on the date of receipt of the request from the Participant, Shares have not been traded at NASDAQ, the price of a Share will be the opening price of the first subsequent trading day at NASDAQ. Any costs to be paid and any applicable Taxes due shall be deducted from the amount to be received by the Participant.

Article 10
General Provisions

Insider trading rules

1. Each Participant shall comply with any applicable “insider trading” laws and regulations, including the “NXP Semiconductor N.V. rules on holding and trading in NXP Securities”.

Authority for this Plan

2. NXP shall have the authority to interpret this Plan, to establish, amend, and rescind any rules and regulations relating to this Plan, to determine the terms and conditions of any agreements entered into hereunder, to make all other determinations necessary or advisable for the administration of this Plan. To the extent required by law, the general meeting of shareholders of NXP will be requested to adopt or approve such changes.

3. The terms and conditions in force from time to time are published on the NXP’ intranet and on the website of the administrator of this Plan and apply to all Restricted Stock Units granted and the Shares obtained under this Plan. NXP may delegate the authority to perform administrative and operational functions with respect to this Plan to officers or employees of subsidiaries of NXP and to service providers.

Shareholder rights

4. No Participant shall have any rights or privileges of shareholders (including the right to receive dividends and to vote) with respect to Shares to be delivered pursuant to the Restricted Stock Units until such Shares are actually delivered to him in accordance with Article 6 of this Plan. The Shares delivered shall carry the same rights as common shares of NXP traded at NASDAQ on the day on which these Shares are delivered.

Non-recurring discretionary grant

5. Eligibility and participation shall be at the sole discretion of NXP or the Employing Company and as such do not qualify as terms and conditions of employment. The Grant in one year does not create rights for future years.

6. The (value of) Restricted Stock Units granted to, or Shares acquired by a Participant pursuant to such Restricted Stock Unit under this Plan shall not be considered as compensation in determining a Participant's benefits under any benefit plan of an Employing Company, including but not limited to, group life insurance, long-term disability, family survivors, or any retirement, pension or savings plan.

7. Nothing contained in this Plan, Grant Letter or any agreement entered into pursuant hereto shall confer upon any Participant any right to be retained employed with any Employing Company, or to be entitled to any remuneration or benefits not set forth in this Plan or interfere with or limit in any way with the right of any Employing Company or any of its subsidiaries to terminate such Participant's employment or to discharge or retire any Participant at any time.

Miscellaneous

8. If a provision of this Plan is deemed illegal or invalid, the illegality or invalidity shall not affect the remaining parts of this Plan, this Plan shall be construed as if the illegal or invalid provisions had not been included in this Plan.

9. Where the context requires, words in either gender shall include also the other gender.

Choice of law and forum

10. This Plan shall be governed by and construed in accordance with the laws of The Netherlands, without regard to its principles of conflict of laws. Any dispute arising under or in connection with this Plan shall be settled by the competent courts in Amsterdam, The Netherlands.

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TERMS AND CONDITIONS
OF
NXP SHARE PLAN

Article 1
Definitions

In this NXP Share Plan the following definitions shall apply:

1.	Board:	the board of directors of NXP.
2.	Change of Control:	a transaction or series of transactions or the conclusion of an agreement, which alone or taken together has the effect that as a result thereof a third party, or third parties acting in concert, not being (a) Private Investor(s), obtains, whether directly or indirectly, Control of NXP.
3.	Control:	(i) the ownership, whether direct or indirect, of a party or parties acting in concert, of more than 50.1% percent of (a) the issued Share capital and/or (b) the voting rights in the general meeting of shareholders; or (ii) the right, whether direct or indirect, of a party or parties acting in concert to control the composition of the majority of the Board of NXP, or the majority of its voting rights, by contract or otherwise.
4.	Custody Account:	a custody account maintained in the name of Participant.
5.	Date of Grant:	the date at which a Share is granted pursuant to this Plan. The Dates of Grant of any Share shall be the same dates as the dates of publication of the NXP' annual and/or quarterly results. The relevant Date of Grant and categorization of any Share with respect to any grant hereunder shall be determined by NXP.
6.	Eligible Individual:	means an employee of the group of which NXP forms part or such other person as determined by or on behalf of the Board.
7.	Employing Company:	any company within the group of which NXP forms part and such other company as designated by or on behalf of the Board.
8.	Grant Letter:	the letter in which Shares are granted to an Eligible Individual.
9.	Lock-Up Period	the period during which the Shares cannot be transferred as set out in Article 4. During the lock-up period the Shares will be held on the Nominee Account. Depending on whether a Share is categorized as a "1 Year Term Share", "2 Year Term Share" or "3 Year Term Share", the lock-up period shall terminate on the first, second or third anniversary of the Date of Grant of such Share. In any event, the Lock-Up Period ends upon a Change of Control.
10.	Nominee Account:	a custody account maintained in the name of a Participant established by an administrator designated by NXP.

11.	NXP:	NXP Semiconductors N.V.
12.	Participant:	an individual who has accepted any Share under this Plan.
13.	Plan:	this NXP Share Plan.
14.	Private Investors:	The private investors, including the Private Equity Consortium, as defined and further explained in the registration statement on Form F-1 which NXP has filed with the US Securities and Exchange Commission on August 5, 2010.
15.	Share:	a common share in the share capital of NXP.

Article 2
Grant of Shares

1. Any Shares may be granted by or on behalf of the Board to an Eligible Individual, subject to the terms and conditions of this Plan and any other NXP policies or guidelines that may apply to such individual. Any Share offered to any such individual and the terms and conditions governing such rights shall be deemed accepted by such individual with effect from the applicable Date of Grant in case NXP has not received, in accordance with a procedure established by NXP, a notice of rejection of such rights within fourteen (14) days of the Grant Letter or such later date as may be determined by NXP.
2. The Grant Letter shall reflect, inter alia, the Date of Grant, the number and category of Shares awarded, the performance conditions, if any, and the transfer back obligation.

Article 3
Transfer Back Obligation

1. A Participant is obliged to transfer back to NXP the relevant Shares acquired under the Plan and to pay back any distributions on such relevant Shares as the Participant has received from NXP, on the earliest of the following occasions, without any compensation:
    a. if a Participant’s employment terminates, and such Participant is no longer employed by any Employing Company, prior to the termination of the relevant Lock-Up Period;
    b. if the relevant performance conditions, if and when indicated in the Grant Letter not being met prior to the termination of the relevant Lock-Up Period; or
    c. upon violation by the Participant of any provision of this Plan or the Grant Letter.
2. After the occurrence of a Change of Control, a Participant is no longer obliged to transfer back to NXP any Shares acquired under the Plan, unless Article 3 (1)(c) applies.

Article 4
Lock-Up Period and Non-transferability

During the Lock-Up Period, the Shares may not be assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of in any manner nor may any transaction be entered into with the same effect.

During the Lock-Up Period, the Participant may not engage in any transactions on any exchange on the basis of any Share.

Article 5
Delivery and Holding of Shares

1. NXP may require a Participant to maintain a Nominee Account in connection with this Plan. Nothing contained in this Plan shall obligate NXP to establish or maintain or cause to establish or maintain a Nominee Account for any Participant. The Participant will provide NXP with the details thereof.
2. Subject to the terms and conditions of this Plan, and further to the Participants' election in accordance with a procedure established by NXP, NXP will deliver a Share to the Nominee Account of a Participant on or as soon as reasonably practicable after the Date of Grant.
3. Any Shares to be delivered pursuant to Article 5(2) will be credited to the Nominee Account.
4. Except as may be otherwise approved in writing by NXP in its sole discretion, in case a Participant no longer holds any Shares that are subject to a Lock-Up Period under any Plan, the Participant (or his or her estate or legal representatives, as the case may be) shall withdraw all Shares credited to the Participant's Nominee Account within two (2) months of the termination of the relevant Lock-Up Period. The Shares shall be transferred to the Participant's Custody Account, upon receipt of the details thereof. In case the Participant (or his or her estate or legal representatives, as the case may be) fails to comply with the foregoing obligations, then the Participant (or his or her estate or legal representatives, as the case may be) shall be deemed to have requested NXP to sell or cause to sell such Shares.

Article 6
Costs and Taxes

1. All costs connected with the Nominee Account shall be borne by NXP or the Employing Company.
2. All costs of delivering any Shares under this Plan to a Participant's Custody Account and any other costs connected with the Shares shall be borne by the Participant.
3. Any and all taxes, duties, levies, charges or social security contributions ("Taxes") which arise under any applicable national, state, local or supra-national laws, rules or regulations, whether already effective on the Date of Grant of any Share or becoming effective thereafter, and any changes or modifications therein and termination thereof which may result for the Participant in connection with this Plan (including, but not limited to, the grant of the Shares, the delivery of any Shares under this Plan, the ownership and/or the sale of any Shares acquired under this Plan) shall be for the sole risk and account of the Participant.
4. NXP and any other Employing Company shall have the right to deduct or withhold (or cause to be deducted or withheld) from any salary payment or other sums due by NXP or any other Employing Company to Participant, or requiring the Participant or beneficiary of the Participant, to pay to NXP an amount necessary to settle any Taxes and any costs determined by NXP necessary to be withheld in connection with this Plan (including, but not limited to, the grant of the Shares or the delivery of any Shares under this Plan and any distributions on the Shares prior to the termination of the relevant Lock-Up Period).
5. NXP shall not be required to deliver any Shares and NXP may delay (or cause to be delayed) the transfer of any Shares from a Nominee Account to a Custody Account until NXP has received an amount, or the Participant has made such arrangements required by NXP necessary to satisfy any withholding of any Taxes and any costs to be borne by the Participant in connection with this Plan as determined by NXP.

6. NXP is herewith authorised by the Participant to sell (part of) Participant's Shares credited to a Nominee Account and to maintain such part of the proceeds of this sale as payment to NXP necessary to satisfy any withholding of any Taxes and any costs to be borne by the Participant in connection with this Plan as determined by NXP.

Article 7
General Provisions

Insider trading rules

1. Each Participant shall comply with any applicable "insider trading" laws and regulations, including the "NXP Semiconductor N.V. rules on holding and trading in NXP Securities".

Authority for this Plan

2. NXP shall have the authority to interpret this Plan, to establish, amend, and rescind any rules and regulations relating to this Plan, to determine the terms and conditions of any agreements entered into hereunder, to make all other determinations necessary or advisable for the administration of this Plan. To the extent required by law, the general meeting of shareholders of NXP will be requested to adopt or approve such changes.
3. The terms and conditions in force from time to time are published on the NXP' intranet and on the website of the administrator of this Plan and apply to all Shares obtained under this Plan. NXP may delegate the authority to perform administrative and operational functions with respect to this Plan to officers or employees of subsidiaries of NXP and to service providers.

Non-recurring discretionary grant

4. Eligibility and participation shall be at the sole discretion of NXP or the Employing Company and as such do not qualify as terms and conditions of employment. The Grant in one year does not create rights for future years.
5. The (value of) Shares granted to, or Shares acquired by a Participant pursuant to this Plan shall not be considered as compensation in determining a Participant's benefits under any benefit plan of an Employing Company, including but not limited to, group life insurance, long-term disability, family survivors, or any retirement, pension or savings plan.
6. Nothing contained in this Plan, Grant Letter or any agreement entered into pursuant hereto shall confer upon any Participant any right to be retained employed with any Employing Company, or to be entitled to any remuneration or benefits not set forth in this Plan or interfere with or limit in any way with the right of any Employing Company or any of its subsidiaries to terminate such Participant's employment or to discharge or retire any Participant at any time.

Miscellaneous

7. If a provision of this Plan is deemed illegal or invalid, the illegality or invalidity shall not affect the remaining parts of this Plan, this Plan shall be construed as if the illegal or invalid provisions had not been included in this Plan.
8. Where the context requires, words in either gender shall include also the other gender.

Choice of law and forum

9. This Plan shall be governed by and construed in accordance with the laws of The Netherlands, without regard to its principles of conflict of laws. Any dispute arising under or in connection with this Plan shall be settled by the competent courts in Amsterdam, The Netherlands.

• • • • •

$500,000,000
SECURED TERM CREDIT AGREEMENT

Dated as of 4 March 2011

among

NXP B.V.,

NXP FUNDING LLC,
as the Borrowers

The Several Lenders
from Time to Time Parties Hereto

MORGAN STANLEY SENIOR FUNDING, INC.,
as Global Collateral Agent

MIZUHO CORPORATE BANK, LTD.,
as Taiwan Collateral Agent

BARCLAYS BANK PLC,
as Administrative Agent

BARCLAYS CAPITAL,
as Sole Lead Arranger and Sole Bookrunner

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EXHIBITS

Exhibit A	Assignment and Acceptance
Exhibit B	Notice of Borrowing
Exhibit C	Form of Closing Certificates
Exhibit D	Form of Promissory Note

CREDIT AGREEMENT dated as of March 4, 2011, among NXP B.V. with its corporate seat in Eindhoven, the Netherlands (the "Company"), NXP FUNDING LLC (the "Co-Borrower"), the lending institutions from time to time parties hereto (each a "Lender" and, collectively, the "Lenders"), Barclays Bank PLC, as Administrative Agent (in such capacity, the "Administrative Agent"), MORGAN STANLEY SENIOR FUNDING, INC., as Global Collateral Agent (in such capacity, the "Global Collateral Agent"), MIZUHO CORPORATE BANK, LTD., as Taiwan Collateral Agent (in such capacity, the "Taiwan Collateral Agent") and BARCLAYS CAPITAL (the investment banking division of Barclays Bank PLC) as Sole Lead Arranger (the "Sole Lead Arranger") and Sole Bookrunner (the "Sole Bookrunner").

WHEREAS, the Borrowers have requested that the Lenders extend credit in the form of Loans on the terms and conditions set forth in this Agreement;

WHEREAS, the proceeds of Loans will be used by the Borrowers on or after the Signing Date for general corporate purposes (including repaying certain Indebtedness); and

WHEREAS, the Lenders are willing to make available to the Borrowers Loans upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the covenants and agreements contained herein, the parties hereto hereby agree as follows:

SECTION 1. Definitions

1.1 Defined Terms. (a) As used herein, the following terms shall have the meanings specified in this Section 1.1 unless the context otherwise requires:

"ABR" shall mean for any day, a rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1% and (c) the LIBOR Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1.00%; provided that, for the avoidance of doubt, the LIBOR Rate for any day shall be based on the rate determined on the basis of the British Bankers' Association Interest Settlement Rate for Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on the appropriate page of the Reuters screen as of 11:00 a.m. Any change in the ABR due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"ABR Loan" shall mean each loan bearing interest at the rate provided in Section 2.8(b).

"Acquired Indebtedness" means Indebtedness (a) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (b) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Company or such acquisition or (c) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Company or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (a) on the date such Person becomes a Restricted Subsidiary and, with respect to clause (b) on the date of consummation of such acquisition of assets and, with respect to clause (c), on the date of the relevant merger, consolidation or other combination.

"Acquisition" means the acquisition pursuant to the Acquisition Agreement whereby Holdings acquired all of the Capital Stock of the Company.

"Acquisition Agreement" means the Stock Purchase Agreement (as amended from time to time in accordance therewith), dated as of September 29, 2006 between the Seller and Holdings (including all exhibits and schedules thereto).

"Acquisition Side Letter" means the letter dated as of September 29, 2006 between the Seller and Holdings in relation to the completion of the reorganization in Russia and Germany.

"Additional Assets" means:

(a) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Company, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);

(b) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary of the Company; or

(c) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Company.

"Additional Guarantors" means each Wholly Owned Subsidiary (other than the Original Guarantor) which are required to Guarantee the obligations of the Borrowers under this Agreement pursuant to the Guaranty and Section 9.11 of this Agreement.

"Adjusted Total Commitment" shall mean at any time the Total Commitment less the aggregate Commitments of all Defaulting Lenders.

"Administrative Agent's Office" shall mean in respect of all Loans, the office of the Administrative Agent located at 745 Seventh Avenue, New York, NY 10019, or such other office as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"Administrative Questionnaire" shall have the meaning provided in Section 13.7(b)(ii)(D).

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For the avoidance of doubt, neither the Seller nor any of its subsidiaries, joint ventures or operations shall be deemed to be an "Affiliate" of the Company or any Restricted Subsidiary due solely to its ownership of Voting Stock of the Company or the presence of its or their nominee on the Board of Directors of the Company, in each case at the percentage level disclosed in the offering memorandum relating to the Senior Notes Offering.

"Affiliate Transactions" has the meaning given in Section 10.6(a).

"Agency Fee Letter" means the letter dated on or prior to the date hereof between the Administrative Agent and the Company setting out the fees of the Administrative Agent.

"Agent Parties" shall have the meaning provided in Section 13.20(c).

"Agents" shall mean the Sole Lead Arranger, the Sole Bookrunner, the Administrative Agent and each Collateral Agent.

"Agreed Security Principles" means the principles set forth on Schedule 1.1(a) as applied reasonably and in good faith by the Company.

"Applicable ABR Margin" shall mean with respect to any ABR Loan 2.25% per annum.

"Applicable LIBOR Margin" shall mean with respect to a LIBOR Loan 3.25% per annum.

"Approved Fund" shall have the meaning provided in Section 13.7(b).

"Arranger Fee Letter" means the letter dated on or prior to the date hereof between Barclays Bank PLC and the Company.

"ASMC" means Advanced Semiconductor Manufacturing Corporation of Shanghai and any successor business thereto and their respective subsidiaries, assets and businesses.

"Asset Disposition" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(a) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;

(b) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(c) a disposition of inventory or other assets in the ordinary course of business;

(d) a disposition of obsolete, surplus or worn out equipment or other assets or equipment or other assets that are no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries;

(e) transactions permitted under Section 10.9 or 10.10 or a transaction that constitutes a Change of Control;

(f) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors;

(g) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Company) of less than €30,000,000;

(h) any Restricted Payment that is permitted to be made, and is made, under Section 10.2 and the making of any Permitted Payment or Permitted Investment or, solely for purposes of Section 10.5(a)(iii), asset sales other than sales of securities or indebtedness of SSMC so long as it is not a Restricted Subsidiary, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(i) dispositions in connection with Permitted Liens;

(j) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(k) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(l) foreclosure, condemnation or any similar action with respect to any property or other assets;

(m) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(n) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary (with the exception of (x) SSMC and (y) Investments in Unrestricted Subsidiaries acquired pursuant to clause (o) of the definition of Permitted Investments);

(o) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(p) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(q) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person; provided, however, that the Board of Directors shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to the Company and its Restricted Subsidiaries (considered as a whole); provided, further, that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (q) and dispositions pursuant to the corresponding provision in the Revolving Credit Agreement on or after the Original Closing Date but before the Signing Date does not exceed €50,000,000; and

(r) any disposition with respect to property built, owned or otherwise acquired by the Company or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by this Agreement.

"Assignment and Acceptance" shall mean an assignment and acceptance substantially in the form of Exhibit A.

"Associate" means (a) any Person engaged in a Similar Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (b) any joint venture entered into by the Company or any Restricted Subsidiary of the Company.

"Authorized Officer" shall mean, with respect to any Person, the President, the Chief Executive Officer, the Chief Financial Officer, any Managing Director (if authorized to act individually), the Treasurer or any other senior officer (or two such officers if the Company so elects) of such Person authorized to represent such Person and designated as such in writing to the Administrative Agent by such Person.

"Availability Period" shall mean the period beginning on the Signing Date to and including April 6, 2011.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Board of Directors" means (a) with respect to the Company or any Credit Party organized or established under the laws of the Netherlands (x) for the purposes of the definition of Change of Control only, its managing board or supervisory board (if any) and (y) for all other purposes, its managing board; (b) with respect to any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (c) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (d) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"Borrower" means collectively the Company and the Co-Borrower.

"Borrowing" shall mean the incurrence of one Type of Loan on the Funding Date (or resulting from conversions on a given date thereafter) having in the case of LIBOR Loans the same Interest Period; provided that ABR Loans incurred pursuant to Section 2.10(b) shall be considered part of any related Borrowing of LIBOR Loans.

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in London, United Kingdom and Amsterdam, The Netherlands, New York and:

(a) in relation to any date for payment or purchase of a currency other than Euro, the principal financial centre of the country of that currency; or

(b) in relation to any date for payment or purchase of Euro, any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer ("TARGET") payment system is open for the settlement of payments.

"Capital Stock" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"Capitalized Lease Obligations" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of GAAP. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of GAAP, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"Cash Equivalents" means:

(a) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a member state of the European Union, Switzerland or Norway or, in each case, any agency or instrumentality of thereof (provided that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(b) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any Lender or by any bank or trust company (i) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (ii) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €500,000,000;

(c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (a) and (b) entered into with any bank meeting the qualifications specified in clause (b) above;

(d) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(e) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any member of the European Union, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(f) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(g) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(h) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (a) through (g) above; and

(i) for purposes of clause (b) of the definition of "Asset Disposition", the marketable securities portfolio owned by the Company and its Subsidiaries on the Signing Date.

"Change in Law" shall mean (a) the adoption of any law, treaty, order, policy, rule or regulation after the date of this Agreement, (b) any change in any law, treaty, order, policy, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by the Lender with any guideline, request or directive issued or made after the date hereof by any central bank or other governmental or quasi governmental authority (whether or not having the force of law) ; provided, however, that notwithstanding anything herein to the contrary, the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith shall be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Change of Control" means:

(a) the Company becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Original Closing Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Original Closing Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company, provided that for the purposes of this clause, (x) no Change of Control shall be deemed to occur by reason of the Company becoming a Subsidiary of a Successor Parent and (y) any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) shall not be included in any Voting Stock of which any such person or group is the "beneficial owner" (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock;

(b) following the Initial Public Offering of the Company or any Parent, during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the directors (excluding any employee representatives, if any) on the Board of Directors of the Company or any Parent (together with any new directors whose election by the majority of such directors on such Board of Directors of the Company or any Parent or whose nomination for election by shareholders of the Company or any Parent, as applicable, was approved by a vote of the majority of such directors on the Board of Directors of the Company or any Parent then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) ceased for any reason to constitute the majority of the directors (excluding any employee representatives, if any) on the Board of Directors of the Company or any Parent, then in office; or

(c) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Collateral" shall have the meaning provided in any Security Document.

"Collateral Agency Agreement" means the Collateral Agency Agreement dated as of 29 September, 2006 among the Collateral Agents, the Borrowers, the Secured Parties and the Guarantors.

"Collateral Agent" means the Global Collateral Agent or the Taiwan Collateral Agent.

"Commitment" shall mean (a) with respect to each Lender that is a Lender on the date hereof, the amount set forth opposite such Lender's name on Schedule 1.1(b) as such Lender's "Commitment" and (b) in the case of any Lender that becomes a Lender after the date hereof, the amount specified as such Lender's "Commitment" in the Assignment and Acceptance pursuant to which such Lender assumed a portion of the Total Commitment, in each case of the same may be changed from time to time pursuant to terms hereof. The aggregate amount of the Commitments as of the date of this Agreement is $500,000,000.

"Commodity Hedging Agreements" means in respect of a Person any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"Communications" shall have the meaning provided in Section 13.20(a).

"Compliance Certificate" means a certificate in substantially the form set forth in Schedule 1.1(c).

"Confidential Information" shall have the meaning provided in Section 13.19.

"Consolidated EBITDA" for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(a) Fixed Charges and items (D), (E) and (F) in clause (a) of the definition of Consolidated Interest Expense;

(b) Consolidated Income Taxes;

(c) consolidated depreciation expense;

(d) consolidated amortization expense;

(e) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including one-time amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; provided that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by this Agreement (in each case whether or not successful) (including any such fees, expenses or charges related to the Original Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by an Officer of the Company;

(f) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period;

(g) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by Section 10.6; and

(h) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or other items classified by the Company as special items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period).

Notwithstanding the foregoing, the provision for taxes and the depreciation, amortization, non-cash items, charges and write-downs of a Restricted Subsidiary shall be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income (loss) of such Restricted Subsidiary was included in calculating Consolidated Net Income for the purposes of this definition.

"Consolidated Income Taxes" means taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding taxes) and franchise taxes of any of the Company and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any Governmental Authority.

"Consolidated Interest Expense" means, with respect to any Person for any period, without duplication, the sum of:

(a) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, to the extent such expense was deducted (and not added back) in computing Consolidated Net Income (including (i) amortization of original issue discount resulting from the issuance of Indebtedness at less than par, (ii) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (iii) non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments pursuant to GAAP), (iv) the interest component of Capitalized Lease Obligations, and (v) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness, and excluding (A) accretion or accrual of discounted liabilities other than Indebtedness, (B) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (C) any additional interest pursuant to a registration rights agreement with respect to any securities, (D) amortization of deferred financing fees, debt issuance costs, commissions, fees and expenses, (E) any expensing of commitment and other financing fees, and (F) interest with respect to Indebtedness of any direct or indirect parent of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under GAAP; plus

(b) consolidated capitalized interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued; less

(c) interest income for such period.

For purposes of this definition, interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by such Person to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP.

"Consolidated Leverage" means the sum of the aggregate outstanding Indebtedness of the Company and its Restricted Subsidiaries (excluding Hedging Obligations except to the extent provided in Section 10.1(g)(iii)).

"Consolidated Leverage Ratio" means, as of any date of determination, the ratio of (a) Consolidated Leverage at such date to (b) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available; provided, however, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

(i) since the beginning of such period the Company or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "Sale") or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; provided that if any such Sale constitutes "discontinued operations" in accordance with the then applicable GAAP, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(ii) since the beginning of such period, the Company or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "Purchase"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto as if such Purchase occurred on the first day of such period; and

(iii) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Company or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (i) or (ii) above if made by the Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto as if such Sale or Purchase occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, (a) calculations will be as determined in good faith by a responsible financial or chief accounting officer of the Company (including in respect of cost savings and synergies) and (b) in determining the amount of Indebtedness outstanding on any date of determination, pro forma effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period.

"Consolidated Net Income" means, for any period, the net income (loss) of the Company and its Restricted Subsidiaries determined on a consolidated basis on the basis of GAAP; provided, however, that there will not be included in such Consolidated Net Income:

(a) subject to the limitations contained in clause (c) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Company's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment or (except in the case of SSMC so long as it is not a Restricted Subsidiary, but this exception shall only apply for the purposes of determining the amount available for Restricted Payments (other than Restricted Investments) under Section 10.2(c)(i) could have been distributed, as reasonably determined by an Officer of the Company (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (b) below);

(b) solely for the purpose of determining the amount available for Restricted Payments under Section 10.2(a)(iv)(C)(1), any net income (loss) of any Restricted Subsidiary (other than Guarantors) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company or a Guarantor by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (i) restrictions that have been waived or otherwise released, (ii) restrictions pursuant to this Agreement, the Revolving Credit Agreement, the Senior Notes or any Note Indenture, and (iii) restrictions specified in Section 10.4(b)(xi)), except that the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(c) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Company);

(d) any extraordinary, exceptional, unusual or nonrecurring gain, loss or charge or any charges or reserves in respect of any restructuring, redundancy or severance or any expenses, charges, reserves or other costs related to the Original Transactions or the Transactions (including (i) in relation to expenses relating to consulting or operational improvement initiatives, (iii) expenses associated with the closing out of existing management equity programs and (iii) start-up and transaction costs);

(e) the cumulative effect of a change in accounting principles;

(f) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(g) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(h) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(i) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(j) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary;

(k) any purchase accounting effects including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by GAAP and related authoritative pronouncements (including the effects of such adjustments pushed down to the Company and the Restricted Subsidiaries), as a result of the Original Transactions, the Transactions or the disentanglement, any consummated acquisition, or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);

(l) any goodwill or other intangible asset impairment charge or write-off;

(m) solely for the purpose of determining the amount available for Restricted Investments (but not other Restricted Payments) under Section 10.2(a)(iv)(C)(1): (i) only to the extent not otherwise added back to Consolidated Net Income, depreciation and amortization expense to the extent in excess of capital expenditures on property, plant and equipment and (ii) Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes; and

(n) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"Consolidated Secured Leverage Ratio" means the Consolidated Leverage Ratio, but (a) calculated by excluding all Indebtedness other than Secured Indebtedness (except Secured Indebtedness Incurred pursuant to Section 10.1(b)(xiii) and secured only by assets in the applicable jurisdiction but, for the avoidance of doubt, including Indebtedness secured by Liens permitted under clause (u) of the definition of "Permitted Liens") and (b) calculating Consolidated EBITDA for the purposes of such definition as though (i) consolidated depreciation expense included such expense of the Company and its consolidated Subsidiaries attributable to SSMC and Jilin and (ii) consolidated amortization expense included such expense of the Company and its consolidated Subsidiaries attributable to SSMC and Jilin.

"Contingent Obligations" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(a) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(b) to advance or supply funds:

(i) for the purchase or payment of any such primary obligation; or

(ii) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"Credit Documents" shall mean this Agreement, the Security Documents, the Guaranty (including any supplement thereto) and any promissory notes issued by any Borrower hereunder.

"Credit Facility" means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including this Agreement or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under this Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and security documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (a) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (b) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (c) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (d) otherwise altering the terms and conditions thereof.

"Credit Party" shall mean each Borrower, each Guarantor or any other Subsidiary of the Company that is a party to a Credit Document.

"Crolles" means the alliance previously operated by or to be operated by the Company and its Restricted Subsidiaries (and assets owned by the Company and its Restricted Subsidiaries that were deployed in such alliance, and activities undertaken by any of them as part of such alliance, which shall be deemed to be a part of Crolles) and any successor thereto.

"Currency Agreement" means in respect of a Person any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"Debtor Relief Laws" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally (including, in the case of Credit Parties incorporated or organized in England or Wales, administration, administrative receivership, voluntary arrangement and schemes of arrangement).

"Default" shall mean any event, act or condition that with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulting Lender" shall mean any Lender with respect to which a Lender Default is in effect.

"Designated Non-Cash Consideration" means the fair market value (as determined in good faith by the Company) of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Disposition that is designated as Designated Non-Cash Consideration (or with respect to Asset Dispositions consummated on or after the Original Closing Date but before the Signing Date, was designated as "Designated Non-Cash Consideration" pursuant to the Secured Note Indenture) pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with Section 10.5.

"Designated Preference Shares" means, with respect to the Company or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in Section 10.2(a)(iv)(C)(2).

"Disinterested Director" means, with respect to any Affiliate Transaction, a member of the Board of Directors of the Company having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors of the Company shall be deemed not to have such a financial interest by reason of such member's holding Capital Stock of the Company or any Parent or any options, warrants or other rights in respect of such Capital Stock.

"Disqualified Stock" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(a) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;

(b) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary); or

(c) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior the Maturity Date; provided, however, that (x) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (y) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with Section 10.2.

"Enforcement Event" has the meaning given in the Collateral Agency Agreement.

"Environmental Law" shall mean any applicable Federal, state, foreign or local statute, Law, rule, regulation, ordinance, code and rule of common law now or hereafter in effect and in each case as amended, and any binding judicial or administrative interpretation thereof, including any binding judicial or administrative order, consent decree or judgment, relating to the protection of environment, including, without limitation, ambient air, surface water, groundwater, land surface and subsurface strata and natural resources such as wetlands, or human health or safety (to the extent relating to human exposure to hazardous materials), or hazardous materials.

"Equity Offering" means (a) a sale of Capital Stock of the Company (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions, or (b) the sale of Capital Stock or other securities, the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company or any of its Restricted Subsidiaries.

"Escrowed Proceeds" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"Euro" and "€" means the lawful currency of Participating Member States.

"Euro Equivalent" shall mean, on any date of determination, (a) with respect to any amount denominated in Euro, such amount, and (b) with respect to any amount denominated in any Foreign Currency, the equivalent in Euro of such amount, determined by the Administrative Agent using the applicable Exchange Rate.

"Event of Default" shall have the meaning provided in Section 11.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"Exchange Rate" means for the purposes of Section 10, the spot rate for the purchase of the Euro with the applicable currency other than Euro as published in The Financial Times in the "Currency Rates" section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Company) on the date of such determination.

"Excluded Contribution" means Net Cash Proceeds or property or assets received by the Company as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company after the Signing Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Company and to the extent not required to be used to prepay Loans.

"Excluded Taxes" shall mean, with respect to any Agent, any Lender or any Participant (a) (i) net income taxes and franchise taxes (imposed in lieu of net income taxes) and capital taxes imposed on such Agent, such Lender or such Participant, (ii) any Taxes imposed on such Agent, such Lender or such Participant as a result of such Agent, such Lender or such Participant doing business in the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from such Agent, such Lender or such Participant having executed, delivered or performed its obligations or received a payment under, or having been a party to (or participating in) or having enforced this Agreement or any other Credit Document), (iii) any Taxes imposed on such Lender (including a Lender not party to this Agreement at the Signing Date) to the extent attributable to such Lender's failure to comply with Section 5.3(d) and (iv) any Taxes imposed on such Agent, such Lender or such Participant as a result of the gross negligence or willful misconduct of any Agent or Lender and (b) in the case of a Lender not party to this Agreement at the Signing Date, any withholding tax that is imposed on amounts payable to such Lender by a Relevant Taxing Jurisdiction under the law in effect at the time such Lender becomes a party to this Agreement (or, in the case of a Participant not party to this Agreement at the Signing Date, on the date such Participant became a Participant hereunder); provided that this clause (b) shall not apply to the extent that (x) the indemnity payments or additional amounts any Lender (or Participant) would be entitled to receive (without regard to this clause (b) do not exceed the indemnity payment or additional amounts that the person making the assignment, participation or transfer to such Lender (or Participant) would have been entitled to receive in the absence of such assignment, participation or transfer or (y) any Tax is imposed on a Lender in connection with an interest or participation in any Loan or other obligation that such Lender was required to acquire pursuant to Section 13.11(a) or that such Lender acquired pursuant to Section 13.8 (it being understood and agreed, for the avoidance of doubt, that any withholding tax imposed on a Lender as a result of a Change in Law occurring after the time such Lender became a party to this Agreement (or designates a new lending office) shall not be an Excluded Tax).

"fair market value" may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Company setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"Federal Funds Effective Rate" shall mean, for any day, the weighted average of the *per annum* rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"Fee Letter" means the Agency Fee Letter and/ or the Arranger Fee Letter.

"Fees" shall mean all amounts payable pursuant to, or referred to in, Section 4.1.

"Fixed Charge Coverage Ratio" means, with respect to any Person on any determination date, the ratio of (x) Consolidated EBITDA of such Person for the most recent four consecutive fiscal quarters ending immediately prior to such determination date for which internal consolidated financial statements are available to (y) the Fixed Charges of such Person for such four consecutive fiscal quarters. In the event that the Company or any Restricted Subsidiary Incurs, assumes, guarantees, redeems, defeases, retires or extinguishes any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Fixed Charge Coverage Ratio Calculation Date"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such Incurrence, assumption, guarantee, redemption, defeasance, retirement or extinguishment of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four-quarter period.

For purposes of making the computation referred to above, any Investment, acquisitions, dispositions, mergers, consolidations and disposed operations that have been made by the Company or any of its Restricted Subsidiaries, including the Original Transactions or the Transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a pro forma basis assuming that all such Investments, acquisitions, dispositions, mergers, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in Consolidated EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged with or into the Company or any of its Restricted subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation or disposed or discontinued operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect thereto for such period as if such Investment, acquisition, disposition, merger, consolidation or disposed operation had occurred at the beginning of the applicable four-quarter period.

For purposes of this definition, whenever pro forma effect is to be given to a transaction, the pro forma calculations shall be made in good faith by a responsible financial or chief accounting officer of the Company (including cost savings and synergies). If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed with a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Company may designate.

"Fixed Charges" means, with respect to any Person for any period, the sum of:

(a) Consolidated Interest Expense of such Person for such Period;

(b) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Preferred Stock during such period; and

(c) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period.

"FMSA" means the Dutch Financial Markets Supervision Act (*Wet financieël toezicht*).

"Foreign Currency" shall mean any currency other than Euro.

"Forward Start Credit Agreement" means the €458,000,000 secured revolving credit agreement dated as of 10 May 2010, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time with, amongst others, the lenders listed therein, Morgan Stanley Senior Funding Inc., as administrative agent and collateral agent and Barclays Capital, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank), Credit Suisse Securities (USA) LLC, Fortis Bank (Nederland) N.V., Goldman Sachs International, HSBC Bank plc, Merrill Lynch International and Morgan Stanley Bank International Limited as joint lead arrangers and joint bookrunners.

"Funding Date" means such date during the Availability Period specified to be the "Date of Borrowing" in the Notice of Borrowing, subject to satisfaction (or waiver) of the conditions precedent set forth in Section 7 hereof.

"GAAP" means generally accepted accounting principles in the United States of America as in effect on the date of any calculation or determination required hereunder. Except as otherwise set forth in this Agreement, all ratios and calculations based on GAAP contained in this Agreement shall be computed in accordance with GAAP. At any time after the Signing Date, the Company may elect to establish that GAAP shall mean the GAAP as in effect on or prior to the date of such election, provided that any such election, once made, shall be irrevocable. The Company shall give notice of either such election to the Administrative Agent and the Lenders. At any time after the Signing Date, the Company may elect to apply IFRS accounting principles in lieu of GAAP and, upon any such election, references herein to GAAP shall thereafter be construed to mean IFRS (except as otherwise provided in this Agreement), including as to the ability of the Company to make an election pursuant to the previous sentence provided that any such election, once made, shall be irrevocable; provided, further again, that the Company may only make such election if it also elects to report any subsequent financial reports required to be made by the Company including pursuant to this Agreement in IFRS. The Company shall give notice of any such election made in accordance with this definition to the Administrative Agent.

"Governmental Authority" shall mean any nation, sovereign or government, any state, province, territory or other political subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank or stock exchange.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(b) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, however, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Guarantor" means the Original Guarantor and each Additional Guarantor that Guarantees the obligations of the Borrowers under this Agreement pursuant to the Guaranty.

"Guaranty" means the Guaranty dated as of the date of this Agreement between, among others, the Administrative Agent, the Taiwan Collateral Agent and the Original Guarantor (as supplemented from time to time).

"Hazardous Materials" shall mean (a) any petroleum or petroleum products, radioactive materials, friable asbestos, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing regulated levels of polychlorinated biphenyls, and radon gas; (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances", "hazardous waste", "hazardous materials", "extremely hazardous waste", "restricted hazardous waste", "toxic substances", "toxic pollutants", "contaminants", or "pollutants", or words of similar import, under any applicable Environmental Law; and (c) any other chemical, material or substance, which is prohibited, limited or regulated by any Environmental Law.

"Hedge Agreement" shall mean an Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Hedge Agreement.

"Holdings" means NXP Semiconductors N.V.

"Immaterial Subsidiary" means any Restricted Subsidiary that (a) has not guaranteed any other Indebtedness (save for the Revolving Credit Facility and/or the Super Priority Notes) of a Borrower and (b) has Total Assets (as determined in accordance with GAAP) and Consolidated EBITDA of less than 2.5% of the Company's Total Assets and Consolidated EBITDA measured, in the case of Total Assets, at the end of the most recent fiscal period for which internal financial statements are available and, in the case of Consolidated EBITDA, for the four quarters ended most recently for which internal financial statements are available, in each case measured on a pro forma basis giving effect to any acquisitions or dispositions of companies, division or lines of business since such balance sheet date or the start of such four quarter period, as applicable, and on or prior to the date of acquisition of such subsidiary.

"Incur" means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; provided, however, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication):

(a) the principal of indebtedness of such Person for borrowed money;

(b) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence);

(d) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(e) Capitalized Lease Obligations of such Person;

(f) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(g) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of such Indebtedness will be the lesser of (i) the fair market value of such asset at such date of determination (as determined in good faith by the Company) and (ii) the amount of such Indebtedness of such other Persons;

(h) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(i) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "Indebtedness" shall not include Subordinated Shareholder Funding or any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under GAAP as in effect on the Original Closing Date, any prepayments of deposits received from clients or customers in the ordinary course of business, or obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Original Closing Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding and, in the case of letters of credit, bankers' acceptances and similar instruments, reimbursement obligations outstanding (to the extent such obligations constitute Indebtedness under clause (c) above). The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in this Agreement, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (g) or (h) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of GAAP.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations Incurred in the ordinary course of business;

(ii) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; provided, however, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; or

(iii) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"Indemnified Taxes" shall mean all Taxes (other than Excluded Taxes) and Other Taxes.

"Independent Financial Advisor" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; provided, however, that such firm or appraiser is not an Affiliate of the Company.

"Initial Investors" means (a) the Initial Sponsors and funds or partnerships related, managed or advised by any of them, or any Affiliate of any of them, and (b) Koninklijke Philips Electronics N.V. and its Subsidiaries.

"Initial Public Offering" means an Equity Offering of common stock or other common equity interests of the Company or any Parent or any successor of the Company or any Parent (the "IPO Entity") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"Initial Sponsor" means KKR European Fund II, Limited Partnership, KKR Millennium Fund (Overseas), Limited Partnership, Silver Lake Partners II, Cayman L.P., AlpInvest CS Investments 2006 C.V., Bain Capital Fund IX, L.P., Bain Capital Fund VIII-E, L.P., Apax Europe Fund V-A, L.P., Apax Europe Fund VI-A, L.P.

"Interest Period" shall mean, with respect to any Loan, the interest period applicable thereto, as determined pursuant to Section 2.9.

"Interest Rate Agreement" means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"Investment" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of GAAP; provided, however, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time.

For purposes of Section 10.2:

(a) "Investment" will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Company at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (i) the Company's "Investment" in such Subsidiary at the time of such redesignation less (ii) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by the Board of Directors of the Company in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(b) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Company.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Company's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"Investment Grade Securities" means:

(a) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(b) securities issued or directly and fully guaranteed or insured by a member of the European Union, or any agency or instrumentality thereof (other than Cash Equivalents);

(c) debt securities or debt instruments with a rating of "A-" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and

(d) investments in any fund that invests exclusively in investments of the type described in clauses (a), (b) and (c) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"IPO Market Capitalization" means an amount equal to (a) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (b) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"Jilin" means Jilin NXP Semiconductor Ltd. (formerly known as Philips Jilin Semiconductors Co. Ltd.).

"Law" includes common or customary law, principles of equity and any constitution, code of practice, decree, judgment, decision, legislation, order, ordinance, regulation, by-law, statute, treaty or other legislative measure in any jurisdiction or any present or future directive, regulation, guideline, request, rule or requirement (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the general practice of persons to whom the directive, regulation, guideline, request, rule or requirement is intended to apply) of any Governmental Authority.

"Legal Reservations" means:

(a) the principle that equitable remedies may be granted or refused at the discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganization and other laws of any applicable jurisdiction generally affecting the rights of creditors;

(b) the time barring of claims under the applicable limitation laws, the possibility that an undertaking to assume liability for or indemnify a person against non-payment of stamp duty (or similar taxes) may be void and defences of set-off or counterclaim; and

(c) any other matters which are set out as qualifications or reservations as to matters of law in the legal opinions referred to in Section 6 and delivered to the Administrative Agent at the Signing Date or later delivered in connection with the provision of any Guarantee or Lien under any Security Document.

"Lender" shall have the meaning provided in the preamble to this Agreement.

"Lender Default" shall mean (a) the failure (which has not been cured) of a Lender to make available its portion of any Borrowing, unless such failure is the subject of a good faith dispute, (b) a Lender having notified the Administrative Agent and/or the Borrower that it does not intend to comply with the obligations under Section 2.1(a) or (c) a Lender becoming the subject of a bankruptcy or insolvency proceeding.

"LIBOR Loan" shall mean any Loan bearing interest at the rate provided in Section 2.8(c).

"LIBOR Rate" shall mean, in the case of any LIBOR Loan, with respect to each day during each Interest Period pertaining to such LIBOR Loan, the greater of (i)(a) the rate of interest determined on the basis of the British Bankers' Association Interest Settlement Rate for Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on the appropriate page of the Reuters screen as of 11:00 a.m. two Business Days prior to the beginning of such Interest Period multiplied by (b) the Statutory Reserve Rate and (ii) 1.25% *per annum*. In the event that any such rate does not appear on the appropriate page of the Reuters screen (or otherwise on such service), the "LIBOR Rate" for the purposes of clause (i)(a) of this paragraph shall be determined by reference to such other publicly available service for displaying LIBOR rates as may be agreed upon by the Administrative Agent and the Company or, in the absence of such agreement, the "LIBOR Rate" for the purposes of this paragraph shall instead be the arithmetic mean of the rates *per annum* (rounded upwards to four decimal places) notified to the Administrative Agent by the Reference Banks as the rate at which each such Reference Bank quotes to leading banks in the Relevant Interbank Market for deposits in Dollars at or about 11:00 a.m. two Business Days prior to the beginning of such Interest Period for a period comparable to such Interest Period and an amount comparable to the amount of such LIBOR Loan.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

“Loan” shall mean any ABR Loan or LIBOR Loan made by any Lender hereunder.

“Management Advances” means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Company or any Restricted Subsidiary:

(a) (i) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (ii) for purposes of funding any such person’s purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Company, its Subsidiaries or any Parent with (in the case of this sub-clause (ii)) the approval of the Board of Directors;

(b) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(c) not exceeding €5,000,000 in the aggregate outstanding at any time.

“Management Investors” means the officers, directors, employees and other members of the management of or consultants to any Parent, the Company or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company, any Restricted Subsidiary or any Parent.

“Mandatory Cost” means the percentage rate *per annum* calculated by the Administrative Agent in accordance with Schedule 1.1(d).

“Market Capitalization” means an amount equal to (a) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (b) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

“Material Adverse Effect” means a material adverse effect on:

(a) the consolidated business, assets or financial condition of the Company and its Subsidiaries taken as a whole such that the Company and its Subsidiaries taken as a whole would be reasonably likely to be unable to perform their payment obligations under any of the Credit Documents; and/or

(b) subject to the Legal Reservations and the Agreed Security Principles, the validity of any security granted pursuant to the Credit Documents to which any Credit Party is a party in any way which is materially adverse to the interests of the Lenders under the Credit Documents taken as a whole and, without duplication of any other cure period, if capable of remedy, not remedied within 20 Business Days of the Company becoming aware of the issue or being given notice of the issue by the Administrative Agent.

"Maturity Date" shall mean March 4, 2017, or, if such date is not a Business Day, the next preceding Business Day.

"Moody's" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"Nationally Recognized Statistical Rating Organization" means a nationally recognized statistical rating organization within the meaning of Rule 436 under the Securities Act.

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(a) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under GAAP (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;

(b) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which by applicable law be repaid out of the proceeds from such Asset Disposition;

(c) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(d) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of GAAP, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"Net Cash Proceeds," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"Non-Consenting Lender" shall have the meaning provided in Section 13.8(b).

"Non-Defaulting Lender" shall mean and include each Lender other than a Defaulting Lender.

"Note Indenture" means the Secured Note Indenture or the Unsecured Note Indenture.

"Notice of Borrowing" shall have the meaning provided in Section 2.3(a).

"Notice of Conversion or Continuation" shall have the meaning provided in Section 2.6.

"Officer" means, with respect to any Person, (a) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Managing Director (or any two Managing Directors if elected by such Credit Party) or the Secretary (i) of such Person or (ii) if such Person is owned or managed by a single entity, of such entity; or (b) any other individual designated as an "Officer" for the purposes of this Agreement by the Board of Directors of such Person.

"Officer's Certificate" means, with respect to any Person, a certificate signed by one Officer (or two officers, if elected by such Person) of such Person.

"Opinion of Counsel" means a written opinion from legal counsel reasonably satisfactory to the Administrative Agent. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

"Original Closing Date" means September 29, 2006.

"Original Credit Party" means each of the Company, the Co-Borrower and the Original Guarantor.

"Original Guarantor" means NXP Semiconductors Netherlands B.V, NXP B.V. and NXP Funding LLC.

"Original Transactions" means the acquisition by Holdings of the Company and its Subsidiaries and the related transactions (including the repayment of existing indebtedness of the Company and the disentanglement) pursuant to the Acquisition Agreement (including the equity investments made upon the closing thereof) and the Acquisition Side Letter, the Senior Notes, and the extensions of credit under the Revolving Credit Agreement.

"Other Taxes" shall mean any and all present or future stamp, documentary or any other excise, property or similar taxes (including interest, fines, penalties, additions to tax and related expenses with regard thereto) arising directly from any payment made or required to be made under this Agreement or from the execution or delivery of, registration or enforcement of, consummation or administration of, or otherwise with respect to, this Agreement or any other Credit Document, other than any such taxes that arise from the assignment or participation of any rights or obligations under this Agreement in accordance with Section 13.7.

"Parallel Debt" means, in relation to the Underlying Debt, an obligation to pay to the Global Collateral Agent an amount equal to (and in the same currency as) the amount of the Underlying Debt outstanding from time to time.

"Parallel Debt Secured Party" shall have the meaning provided in Section 9.19(a).

"Parent" means any Person of which the Company at any time is or becomes a Subsidiary after the Signing Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"Parent Expenses" means:

(a) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any Governmental Authority, this Agreement, the Senior Notes or any other agreement or instrument relating to Indebtedness of the Company or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(b) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;

(c) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;

(d) Transaction Expenses;

(e) general corporate overhead expenses, including (i) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Company or any of its Restricted Subsidiaries or (ii) costs and expenses with respect to any litigation or other dispute relating to the Transactions;

(f) other fees, expenses and costs relating directly or indirectly to activities of the Company and its Subsidiaries in an amount not to exceed €5,000,000 in any fiscal year; and

(g) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness:

(i) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary,

(ii) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed, or

(iii) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"Pari Passu Indebtedness" means Indebtedness of the Company or any Guarantor if such Indebtedness ranks equally in right of payment to the Loans (or the Guaranty with respect thereto, in the case of a Guarantor) and is, in each case, secured by Liens on assets of the Company or such Guarantor.

"Participant" shall have the meaning provided in Section 13.7(c).

"Participating Member State" means any member state of the European Communities that adopts or has adopted the Euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union.

"Patriot Act" shall have the meaning provided in Section 13.21.

"Permitted Asset Swap" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Company or any of its Restricted Subsidiaries and another Person; provided that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with Section 10.5.

"Permitted Collateral Liens" means (a) Liens on the Collateral (i) arising by operation of law that are described in one or more of clauses (c), (d) and (i) of the definition of "Permitted Liens" and that, in each case, would not materially interfere with the ability of a Collateral Agent to enforce the Lien on the Collateral or (ii) that are Liens over cash and bank accounts equally and ratably granted to cash management banks securing cash management obligations pursuant to Section 9.16, (b) Liens on the Collateral to secure Indebtedness of the Company or a Restricted Subsidiary that is permitted to be Incurred under clauses (i), (ii) (in the case of clause (ii), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (iv)(A) (with regard to the Loans hereunder and any Senior Secured Notes only), (iv)(B) (iv)(D) and (iv)(E) (if the original Indebtedness was so secured), (vi), (xi) or (xiii) secured only by assets in the applicable jurisdiction) of Section 10.1(b) and any Refinancing Indebtedness in respect of such Indebtedness; provided, however, that such Lien ranks equal to all other Liens on such Collateral securing Indebtedness of the Company or such Restricted Subsidiary, as applicable (except that a Lien in favor of Indebtedness incurred under Section 10.1(b)(i) and obligations under Hedging Agreements provided by Lenders or Affiliates of Lenders (at the time such Hedging Agreements were entered into) may have super priority not materially less favourable to the Lenders than that accorded to the Revolving Credit Agreement on the Signing Date and (c) Liens on the Collateral securing Indebtedness incurred under Section 10.1(a) and Section 10.1(b)(xii); provided that, in the case of this clause (c), after giving effect to such Incurrence on that date, the Consolidated Secured Leverage Ratio is less than 3.25:1.

“Permitted Holders” means, collectively, (a) the Initial Investors (b) Senior Management and (c) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Company, acting in such capacity.

“Permitted Investment” means (in each case, by the Company or any of its Restricted Subsidiaries):

(a) Investments in (i) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (ii) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(b) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary;

(c) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(d) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;

(e) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(f) Management Advances;

(g) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(h) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition (but excluding a Permitted Asset Swap), in each case, that was made in compliance with Section 10.5;

(i) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Original Closing Date and including the committed investment in PSSL (not exceeding €5,000,000);

(j) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with Section 10.1;

(k) Investments, taken together with all other Investments made pursuant to this clause (k) or the corresponding provision of the Revolving Credit Agreement on or after the Original Closing Date and prior to the Signing Date and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed €300,000,000 less the amount invested in Trident; provided that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to Section 10.2, such Investment shall thereafter be deemed to have been made pursuant to clause (a) or (b) of the definition of "Permitted Investments" and not this clause;

(1) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under Section 10.3;

(m) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock) or Capital Stock of any Parent as consideration;

(n) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of Section 10.6(b) (except those described in Section 10.6(c)(i), 10.6(c)(iii), 10.6(c)(vi), 10.6(c)(viii), 10.6(c)(ix) and 10.6(c)(xii);

(o) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and in accordance with this Agreement;

(p) Guarantees not prohibited by Section 10.1 and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(q) Investments (i) in SSMC to increase the Company's percentage ownership thereof; provided that, after giving effect to such Investment, the Company is able to incur €1.00 of Indebtedness under Section 10.1(a) or (ii) in SSMC or any other Person partially financed by a Singapore government agency (or another project finance with a local or multilateral Governmental Authority) in an aggregate amount under this sub-clause (ii) not to exceed €300,000,000;

(r) Loans to Jilin on terms consistent with past practices between Jilin and the Seller, not to exceed €25,000,000 at any one time outstanding; and

(s) Investments in Crolles (and any similar research and development program) to fund research and development activities and maintenance capital expenditures in an aggregate amount not to exceed €190,000,000 in the first two years after the Original Closing Date and €50,000,000 *per annum* thereafter (with a carry over of unused amounts).

"Permitted Liens" means, with respect to any Person:

(a) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;

(b) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(c) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(d) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; provided that appropriate reserves required pursuant to GAAP have been made in respect thereof;

(e) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary in the ordinary course of its business;

(f) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(g) Liens on assets or property of the Company or any Restricted Subsidiary securing Hedging Obligations permitted under this Agreement;

(h) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(i) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(j) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; <u>provided</u> that (i) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under this Agreement and (ii) any such Lien may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(k) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(1) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(m) Liens existing on the Original Closing Date, excluding Liens securing the Senior Notes;

(n) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Company or any Restricted Subsidiary); <u>provided</u>, <u>however</u>, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); <u>provided</u>, <u>further</u>, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(o) Liens on assets or property of the Company or any Restricted Subsidiary securing Indebtedness or other obligations of the Company or such Restricted Subsidiary owing to the Company or another Restricted Subsidiary, or Liens in favor of the Company or any Restricted Subsidiary;

(p) Liens (other than Permitted Collateral Liens) securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under this Agreement; provided that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(q) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(r) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Company or any Restricted Subsidiary of the Company has easement rights or on any leased property and subordination or similar arrangements relating thereto and (ii) any condemnation or eminent domain proceedings affecting any real property;

(s) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(t) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(u) Liens on cash accounts securing Indebtedness incurred under Section 10.1(b)(xi) with local financial institutions;

(v) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(w) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities or Liens over cash accounts securing cash pooling arrangements;

(x) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(y) Liens Incurred in the ordinary course of business with respect to obligations (other than Indebtedness for borrowed money) which do not exceed €50,000,000 at any one time outstanding;

(z) Permitted Collateral Liens;

(aa) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary; and

(bb) any security granted over the marketable securities portfolio described in clause (i) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"Platform" shall have the meaning provided in Section 13.20(b).

"PMP" means a professional market party (*professionele marktpartij*) within the meaning of the FMSA.

"Preferred Stock," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Prime Rate" shall mean the rate of interest *per annum* publicly announced from time to time by Barclays Bank PLC as its reference rate in effect at its principal office in New York City (the Prime Rate not being intended to be the lowest rate of interest charged by Barclays Bank PLC in connection with extensions of credit to debtors).

"Public Market" means any time after:

(a) an Equity Offering has been consummated; and

(b) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100,000,000 on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"Public Offering" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"Purchase Money Obligations" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"Reference Banks" means in relation to LIBOR and Mandatory Cost the principal London offices of Barclays Bank PLC and Morgan Stanley Bank International Limited or such other banks as may be appointed by the Administrative Agent in consultation with the Company.

"Refinance" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in this Agreement shall have a correlative meaning.

"Refinancing Indebtedness" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of this Agreement or Incurred in compliance with this Agreement (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; provided, however, that:

(a) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final Stated Maturity of the Indebtedness being refinanced or, if shorter, this Agreement;

(b) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith);

(c) if the Indebtedness being refinanced is expressly subordinated to this Agreement, such Refinancing Indebtedness is subordinated to this Agreement on terms at least as favorable to the Lenders as those contained in the documentation governing the Indebtedness being refinanced;

provided, however, that Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"Register" shall have the meaning provided in Section 13.7(b)(iv).

"Regulation D" shall mean Regulation D of the Board as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

"Regulation T" shall mean Regulation T of the Board as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

"Regulation U" shall mean Regulation U of the Board as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

"Regulation X" shall mean Regulation X of the Board as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

"Related Parties" shall mean, with respect to any specified Person, such Person's Affiliates and the directors, officers, employees, agents, trustees, advisors of such Person and any Person that possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise.

"Related Person" with respect to any Permitted Holder means:

(a) any controlling equityholder or Subsidiary of such Person; or

(b) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(c) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(d) in the case of the Initial Investors any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"Related Taxes" means

(a) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (provided such Taxes are in fact paid) by any Parent by virtue of its:

(i) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company or any of the Company's Subsidiaries);

(ii) issuing or holding Subordinated Shareholder Funding;

(iii) being a holding company parent, directly or indirectly, of the Company or any of the Company's Subsidiaries;

(iv) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any of the Company's Subsidiaries; or

(v) having made any payment in respect to any of the items for which the Company is permitted to make payments to any Parent pursuant to Section 10.2; or

(b) if and for so long as the Company is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Company and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Company and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Company and its Subsidiaries.

"Relevant Interbank Market" means the London interbank market.

"Relevant Taxing Jurisdiction" shall mean any jurisdiction in which the Borrowers are organized or otherwise considered to be a resident for tax purposes at the time such Lender becomes a party to this Agreement, or any political subdivision or Governmental Authority thereof or therein having the power to tax.

"Required Lenders" shall mean, at any date, Non-Defaulting Lenders holding more than 50% of the aggregate principal amount of Loans outstanding (or, prior to the Funding Date, having more than 50% of the Adjusted Total Commitment), in each case, as at such date; provided, that the aggregate principal amount of Loans held by the Company or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any Guarantor (other than any investment fund managed or advised by an Initial Sponsor or an Affiliate of an Initial Sponsor that is a bona fide debt fund and that extends or buys loans in ordinary course of business) shall be disregarded in all respects in the determination of the Required Lenders at any time.

"Relevant Percentage" shall mean at any time, for each Lender, (i) on or prior to the Funding Date, the percentage obtained by dividing (a) such Lender's Commitment by (b) the aggregate amount of the Commitments and (ii) after the Funding Date, the percentage obtained by dividing (a) the outstanding principal amount of such Lender's Loans by (b) the aggregate outstanding principal amount of all Lenders' Loans at such time.

"Requirement of Law" shall mean, as to any Person, the Certificate of Incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or assets or to which such Person or any of its property or assets is subject.

"Responsible Officer" means:

(a) when used with respect to the Administrative Agent, any officer within the Loan Operations Group (or any successor group of the Administrative Agent) or any other officer of the Administrative Agent customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject; or

(b) when used with respect to any Credit Party or any of its Subsidiaries, the chief executive officer, chief financial officer, where customary in the relevant jurisdiction, any Managing Director (or any two Managing Directors, if elected by such Credit Party), treasurer, controller or any other senior officer (or two such officers, if the relevant Credit Party so elects) authorized to represent such Credit Party and designated as such by the Company in writing to the Administrative Agent.

"Restricted Investment" means any Investment other than a Permitted Investment.

"Restricted Payment" has the meaning given in Section 10.2(a)(iv).

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"Revolving Credit Agreement" means the €500,000,000 senior revolving credit facility agreement dated on or about the Original Closing Date among Holdings, the Company, certain of the Company's Subsidiaries as borrowers and guarantors, the senior lenders (as named therein), and Morgan Stanley Senior Funding, Inc., as facility agent and global collateral agent, as amended, supplemented, refinanced, including pursuant to the Forward Start Credit Agreement, or otherwise modified from time to time.

"Revolving Facility" means the €500,000,000 secured revolving credit facility made available to the Borrowers under the Revolving Credit Agreement.

"S&P" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"SEC" shall mean the Securities and Exchange Commission or any successor thereto.

"Secured Indebtedness" means any Indebtedness secured by a Lien.

"Secured Note Indentures" means (i) the Indenture relating to the issuance of the Senior Secured Notes entered into between the Company and the Co-Borrower (as co issuers), Deutsche Bank Trust Company Americas, as trustee and certain subsidiaries of the Company named as parties thereto as guarantors on October 12, 2006 and (ii) the indenture relating to the issuance of Senior Secured Notes entered into between the Company and the Co-Borrower (or co-issuers), Deutsche Bank Trust Company America, as trustee, and certain subsidiaries dated July 20, 2010.

"Secured Obligations" shall have the meaning assigned to such term in the Security Documents.

"Secured Parties" shall have the meaning assigned to such term in the applicable Security Documents.

"Securities Act" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"Security Documents" shall mean, collectively, (a) the Collateral Agency Agreement, (b) each of the documents, agreements and instruments confirmed or delivered pursuant to Section 9.17 each other security agreement or other instrument or document executed and delivered pursuant to Section 9.11 or 9.12 or pursuant to any of the Security Documents to secure any of the Secured Obligations.

"Seller" means Koninklijke Philips Electronics N.V. as Seller under the Stock Purchase Agreement in connection with the Acquisition.

"Senior Finance Documents" means the Revolving Credit Agreement and such other documents identified as "Senior Finance Documents" pursuant to the Revolving Credit Agreement.

"Senior Management" means the officers, directors, and other members of senior management of the Company or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company or any Parent and with an equity investment in excess of €250,000.

"Senior Notes" means Senior Secured Notes or Senior Unsecured Notes.

"Senior Notes Offering" has the meaning given in the preamble to this Agreement.

"Senior Secured Notes" means senior secured notes issued by the Company pursuant to the Secured Note Indentures.

"Senior Unsecured Notes" means senior unsecured notes issued by the Company pursuant to the Unsecured Note Indenture.

"Significant Subsidiary" means any Restricted Subsidiary that meets any of the following conditions:

(a) the Company's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(b) the Company's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10%

of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(c) the Company's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"Signing Date" means the date of this Agreement.

"Similar Business" means (a) any businesses, services or activities engaged in by the Company or any of its Subsidiaries or any Associates on the Signing Date and (b) any businesses, services and activities engaged in by the Company or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"SSMC" means Systems On Silicon Manufacturing Company Pte Ltd. For purposes of Section 10.2 and the definition "Asset Disposition" references to SSMC shall also refer to any Unrestricted Subsidiary (x) any Capital Stock or debt of which is owned directly or indirectly by SSMC or (y) which has received a cash distribution or dividend from SSMC.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"Statutory Reserve Rate" shall mean for any day as applied to any LIBOR Loan, a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages that are in effect on that day (including any marginal, special, emergency or supplemental reserves), expressed as a decimal, as prescribed by the Board and to which the Administrative Agent is subject, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. LIBOR Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subordinated Indebtedness" means, with respect to any person, any Indebtedness (whether outstanding on the Original Closing Date or thereafter Incurred) which is expressly subordinated in right of payment to the obligations of the Borrowers under this Agreement pursuant to a written agreement.

"Subordinated Shareholder Funding" means, collectively, any funds provided to the Company by a Parent in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; provided, however, that such Subordinated Shareholder Funding:

(a) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the seventh anniversary of this Agreement (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the "requirements of this definition);

(b) does not require, prior to the seventh anniversary of this Agreement, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(c) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the seventh anniversary of this Agreement;

(d) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries; and

(e) pursuant to its terms is fully subordinated and junior in right of payment to this Agreement, the Senior Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

"Subsidiary" means, with respect to any Person:

(a) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(b) any partnership, joint venture, limited liability company or similar entity of which:

(i) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(ii) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"Successor Parent" with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Original Closing Date).

"Super Priority Indenture" means the Indenture related to the issuance of Super Priority Notes entered into between the Company and the Co-Borrower (as co-issuer), Deutsche Bank Trust Company Americas and the other parties thereto dated April 2, 2009.

"Super Priority Notes" means notes issued pursuant to the Super Priority Indenture.

"Tax Credit" means any credit against any Taxes or any relief or remission for Taxes (or their repayment).

"Tax Distribution" shall mean any distribution permitted to be paid pursuant to Section 10.2(c)(ix)(A).

"Taxes" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

"Tax Sharing Agreement" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of this Agreement.

"Temporary Cash Investments" means any of the following:

(a) any investment in:

(i) direct obligations of, or obligations Guaranteed by, (A) the United States of America or Canada, (B) any European Union member state, (C) Switzerland or Norway, (D) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds or (E) any agency or instrumentality of any such country or member state, or

(ii) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(b) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(i) any Lender;

(ii) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (a)(i) above; or

(iii) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof;

in each case, having capital and surplus aggregating in excess of €250,000,000 (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (a) or (b) above entered into with a Person meeting the qualifications described in clause (b) above;

(d) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(e) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(f) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(g) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250,000,000 (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(h) investment funds investing 95% of their assets in securities of the type described in clauses (a) through (g) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(i) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"Total Assets" means the consolidated total assets of the Company and its Restricted Subsidiaries in accordance with GAAP as shown on the most recent balance sheet of such Person;

"Total Commitments" shall mean the sum of the Commitments of all the Lenders.

"Transactions" means the Loans under this Agreement (including the refinancing of certain Indebtedness with the proceeds thereof).

"Transaction Expenses" shall mean any fees or expenses incurred or paid by the Company or any of its Subsidiaries in connection with the Transactions, this Agreement and the other Credit Documents and the transactions contemplated hereby and thereby.

"Transferee" shall have the meaning provided in Section 13.7(e).

"Trident" means Trident Microsystems, Inc.

"Type" shall mean, in relation to any Loan, its nature as an ABR Loan or as a LIBOR Loan.

"Underlying Debt" means, in relation to each of the Credit Parties and at any given time, each obligation (whether present or future, actual or contingent) owing by that Credit Party to a Parallel Debt Secured Party under the Credit Documents (including, for the avoidance of doubt, any change or increase in those obligations pursuant to or in connection with any amendment or supplement or restatement or novation of this Agreement, whether or not anticipated as of the date of this Agreement) excluding that obligor's Parallel Debts.

"Uniform Commercial Code" means the New York Uniform Commercial Code.

"Unrestricted Subsidiary" means SSMC, Jilin, Trident and:

(a) any Subsidiary of the Company (other than the Co-Borrower) that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Company in the manner provided below); and

(b) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(i) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Company or any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(ii) such designation and the Investment of the Company in such Subsidiary complies with Section 10.2.

Any such designation by the Board of Directors of the Company shall be evidenced to the Administrative Agent by filing with the Administrative Agent a resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, that immediately after giving effect to such designation (a) no Default or Event of Default would result therefrom, and (b)(i) the Fixed Charge Coverage Ratio would not be greater than 2.00 to 1.00 or (ii) the Fixed Charge Coverage Ratio would not be worse than it was immediately prior to giving effect to such designation, in each case, on a pro forma basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Administrative Agent by promptly filing with the Administrative Agent a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"Unsecured Note Indenture" means the Indenture relating to the issuance of the Senior Unsecured Notes entered into on October 12, 2006 between the Company and the Co-Borrower (as co-issuers), Deutsche Bank Trust Company Americas as trustee and certain subsidiaries of the Company named as parties thereto as guarantors.

"US Dollars", "Dollars" and "US$" means the lawful currency of the United States of America.

"US Government Obligations" means securities that are (a) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally Guaranteed as a full faith and credit obligation of the United States of America, which, in either case, are not callable or redeemable at the option of the Company thereof, and shall also include a depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such US Government Obligations or a specific payment of principal of or interest on any such US Government Obligations held by such custodian for the account of the holder of such depositary receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the US Government Obligations or the specific payment of principal of or interest on the US Government Obligations evidenced by such depositary receipt.

"Voting Stock" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"Wholly-Owned Subsidiary" means a Restricted Subsidiary of the Company, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Company or another Wholly-Owned Subsidiary) is owned by the Company or another Wholly-Owned Subsidiary.

1.2 Other Interpretive Provisions. With reference to this Agreement and each other Credit Document, unless otherwise specified herein or in such other Credit Document:

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words "herein", "hereto", "hereof" and "hereunder" and words of similar import when used in any Credit Document shall refer to such Credit Document as a whole and not to any particular provision thereof.

(c) Article, Section, Exhibit and Schedule references are to the Credit Document in which such reference appears.

(d) The term "including" is by way of example and not limitation.

(e) The term "documents" includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form.

(f) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding"; and the word "through" means "to and including".

(g) Section headings herein and in the other Credit Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Credit Document.

(h) Any reference herein to any Person shall be construed to include such Person's successors and assigns.

(i) Any reference to a time of day is a reference to London time.

(j) Any reference to a "Managing Director" of the Company or a Credit Party organized or established under the laws of the Netherlands means a managing director (*bestuurder*).

1.3 Accounting Terms. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP.

1.4 Rounding. Any financial ratios required to be maintained by the Company pursuant to this Agreement (or required to be satisfied in order for a specific action to be permitted under this Agreement) shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.5 References to Agreements, Laws, Etc. Unless otherwise expressly provided herein, (a) references to organizational and constitutive documents, agreements (including this Agreement and each of the other Credit Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, amendment and restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, amendment and restatements, extensions, supplements and other modifications are permitted by any Credit Document; and (b) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law.

1.6 Exchange Rates. For purposes of determining compliance under Sections 10.2 (other than with respect to determining the amount of any Indebtedness) and 10.5, with respect to any amount in a Foreign Currency, such amount shall be deemed to equal the Euro Equivalent thereof based on the average Exchange Rate for a Foreign Currency for the most recent twelve-month period immediately prior to the date of determination determined in a manner consistent with that used in calculating Consolidated EBITDA for the related period. For purposes of determining compliance with Sections 10.1, 10.2 and 10.3, with respect to any amount of Indebtedness in a Foreign Currency, compliance will be determined at the time of Incurrence or advancing thereof using the Euro Equivalent thereof at the Exchange Rate in effect at the time of such Incurrence or advancement.

1.7 Liability of Co-Borrower. The Co-Borrower shall be jointly and severally liable for all of the obligations and liabilities of the Company under this Agreement and the other Credit Documents; provided that the obligations of the Co-Borrower under this Agreement and the other Credit Documents shall be limited to an aggregate amount that would not render such obligations subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of applicable law.

SECTION 2. Amount and Terms of Credit

2.1 Commitments. (a) Subject to and upon the terms and conditions herein set forth, each Lender severally agrees to make a Loan or Loans denominated in US Dollars to the Borrowers on the Funding Date in an aggregate principal amount not to exceed such Lender's Commitment, which Loans (i) may not be reborrowed once paid and (ii) may, at the option of the Company be incurred and maintained as, and/or converted into, ABR Loans or LIBOR Loans; provided that all Loans made by each of the Lenders pursuant to the same Borrowing shall, unless otherwise specifically provided herein, consist entirely of Loans of the same Type; provided further that the gross proceeds required to be funded by each Lender with respect to Loans shall be equal to 99.5% of the principal amount of such Loan.

(b) Each Lender may at its option make any LIBOR Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan, provided that (i) any exercise of such option shall not affect the obligation of the Borrower to repay such Loan and (ii) in exercising such option, such Lender shall use its reasonable efforts to minimize any increased costs to the Borrower resulting therefrom (which obligation of the Lender shall not require it to take, or refrain from taking, actions that it determines would result in increased costs for which it will not be compensated hereunder or that it determines would be otherwise disadvantageous to it and in the event of such request for costs for which compensation is provided under this Agreement, the provisions of Section 2.10 shall apply). In the event that any Loan is made by any domestic or foreign branch or Affiliate of a Lender on behalf of such Lender as contemplated by this clause (b) all of the provisions of this Agreement applicable to Lenders shall apply to and be enforceable by any such domestic or foreign branch or Affiliate.

2.2 [Reserved].Notice of Borrowing. (a) To request the borrowing of the Loans, the relevant Borrower or Borrowers shall give the Administrative Agent at the Administrative Agent's Office, written notice (or telephonic notice promptly confirmed in writing (i) prior to 10:00 a.m. on at least the second Business Day prior to the Funding Date in respect of proposed LIBOR Loans or (ii) prior to 12:00 Noon on at least the first Business Day prior to the Funding Date in respect of proposed ABR Loans. Such notice (the "Notice of Borrowing"), except as otherwise expressly provided in Section 2.10, shall specify (i) the aggregate principal amount of the Loans to be made on the Funding Date, (ii) the date of Borrowing (which shall be a Business Day and the Funding Date); (iii) the portions of the Loans so made that shall consist of ABR Loans or LIBOR Loans, and (iv) the Interest Period to be initially applicable thereto. If the Borrowers fail to specify an Interest Period of a Loan in a Notice of Borrowing then the Loan so requested shall have an initial Interest Period of three months. The Administrative Agent shall promptly give each Lender written notice (or telephonic notice promptly confirmed in writing) of the proposed Borrowing, of such Lender's proportionate share thereof and of the other matters covered by the Notice of Borrowing.

(b) Without in any way limiting the obligation of a Borrower to confirm in writing any notice it may give hereunder by telephone, the Administrative Agent may act prior to receipt of written confirmation without liability upon the basis of such telephonic notice believed by the Administrative Agent in good faith to be from an Authorized Officer of a Borrower. In each such case, such Borrower hereby waives the right to dispute the Administrative Agent's record of the terms of any such telephonic notice. Any Notice of Borrowing delivered in writing to the Administrative Agent shall be in substantially the form set forth in Exhibit B.

2.4 Disbursement of Funds. (a) No later than 12:00 Noon on the date specified in the Notice of Borrowing, each Lender will make available its pro rata portion of the Borrowings requested to be made on such date in the manner provided below.

(b) Unless otherwise agreed by the Company and the Administrative Agent in writing, each Lender shall make available all amounts it is to fund to the Borrower on the Funding Date in immediately available funds in Dollars to the Administrative Agent at the Administrative Agent's Office and the Administrative Agent will make available to the Borrowers, by depositing to an account designated by the Company to the Administrative Agent the aggregate of the amounts so made available. Unless the Administrative Agent shall have been notified by any Lender prior to the Funding Date that such Lender does not intend to make available to the Administrative Agent its portion of the Borrowing or Borrowings to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date of Borrowing, and the Administrative Agent, in reliance upon such assumption, may (in its sole discretion and without any obligation to do so) make available to the Borrowers a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender and the Administrative Agent has made available same to the Borrowers, the Administrative Agent shall be entitled to recover such corresponding amount from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor the Administrative Agent shall promptly notify the Borrowers, and such Borrower shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover from such Lender or such Borrower interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrowers to the date such corresponding amount is recovered by the Administrative Agent, at a rate *per annum* equal to (i) if paid by such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry practice on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing, or (ii) if paid by the Borrower, the then-applicable rate of interest, calculated in accordance with Section 2.8, for the relevant Loans.

(c) Nothing in this Section 2.4 shall be deemed to relieve any Lender from its obligation to fulfill its commitments hereunder or to prejudice any rights that any Borrower may have against any Lender as a result of any default by such Lender hereunder (it being understood, however, that the obligations of each Lender hereunder are several and no Lender shall be responsible for the failure of any other Lender to fulfill its obligations hereunder).

2.5 Repayment of Loans; Evidence of Debt. (a) The Borrower shall, jointly and severally, repay to the Administrative Agent, for the benefit of the Lenders, on each date set forth below (or, if not a Business Day, the immediately preceding Business Day) (each, a "Loan Repayment Date"), a principal amount in respect of the Loans equal to (x) the outstanding principal amount Loans on the Funding Date multiplied by (y) the percentage set forth below opposite such Loan Repayment Date (each, a "Loan Repayment Amount"):

Date	**Percentage**
June 30, 2011	0.25%
September 30, 2011	0.25%
December 31, 2011	0.25%
March 31, 2012	0.25%
June 30, 2012	0.25%
September 30, 2012	0.25%
December 31, 2012	0.25%
March 31, 2013	0.25%
June 30, 2013	0.25%
September 30, 2013	0.25%
December 31, 2013	0.25%
March 31, 2014	0.25%
June 30, 2014	0.25%
September 30, 2014	0.25%
December 31, 2014	0.25%
March 31, 2015	0.25%
June 30, 2015	0.25%
September 30, 2015	0.25%
December 31, 2015	0.25%
March 31, 2016	0.25%
June 30, 2016	0.25%
September 30, 2016	0.25%
December 31, 2016	0.25%
March 31, 2017	0.25%

Notwithstanding anything to the contrary contained herein, all outstanding principal amounts of the Loans, including interest payable thereon, shall be due and payable on the Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to the appropriate lending office of such Lender resulting from each Loan made by such lending office of such Lender from time to time, including the amounts of principal and interest payable and paid to such lending office of such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain the Register pursuant to Section 13.7(b), in which Register shall be recorded (i) the amount of each Loan made hereunder, the Borrower of such Loan, the Type of each Loan made and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrowers to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrowers and each Lender's share thereof.

(d) The entries made in the Register and accounts maintained pursuant to paragraphs (b) and (c) of this Section 2.5 shall, to the extent permitted by applicable Law, be prima facie evidence of the existence and amounts of the obligations of a Borrower therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain such account, such Register or such subaccount, as applicable, or any error therein, shall not in any manner affect the obligation of any Borrower to repay (with applicable interest) the Loans made to such Borrower by such Lender in accordance with the terms of this Agreement.

2.6 Conversions and Continuations. (a) The Company shall have the option on any Business Day to convert all or a portion of the outstanding principal amount of Loans of one Type into a Borrowing or Borrowings of another Type and shall have the option on any Business Day to continue the outstanding principal amount of any LIBOR Loans, as the case may be, for an additional Interest Period, provided that (i) ABR Loans may not be converted into LIBOR Loans if a Default or Event of Default is in existence on the date of the conversion and the Administrative Agent has or the Required Lenders have determined in its or their sole discretion not to permit such conversion and (ii) LIBOR Loans denominated in US Dollars may not be continued as LIBOR Loans for an additional Interest Period if an Event of Default is in existence on the date of the proposed continuation and the Administrative Agent has or the Required Lenders have determined in its or their sole discretion not to permit such continuation. Each such conversion or continuation shall be effected by the Company by giving the Administrative Agent at the Administrative Agent's Office prior to 10:00 a.m. at least two Business Days' (or one Business Day's notice in the case of a conversion into ABR Loans) prior written notice (or telephonic notice promptly confirmed in writing) (each, a "Notice of Conversion or Continuation") specifying the Loans to be so converted or continued, the Type of Loans to be converted or continued into and, if such Loans or are to be converted into or continued as LIBOR Loans, the Interest Period to be initially applicable thereto. The Administrative Agent shall give each Lender notice as promptly as practicable of any such proposed conversion or continuation affecting any of its Loans.

(b) If any Default or Event of Default is in existence at the time of any proposed continuation of any LIBOR Loans and the Administrative Agent has or the Required Lenders have determined in its or their sole discretion not to permit such continuation, such LIBOR Loans shall be automatically converted on the last day of the current Interest Period into ABR Loans. If upon the expiration of any Interest Period in respect of LIBOR Loans, a Borrower has failed to specify a new Interest Period to be applicable thereto as provided in paragraph (a) above, such Borrower shall be deemed to have specified an Interest Period of one month, effective as of the expiration date of such current Interest Period. If a Borrower requests the conversion to, or continuation of, a LIBOR Loan, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

2.7 Pro Rata Borrowings. The borrowing of Loans under this Agreement and each Borrowing outstanding from time to time hereunder shall be made or maintained, as applicable, by the Lenders pro rata on the basis of their Commitments (in the case of Loans made on the Funding Date) or the aggregate outstanding amount of their Loans (in the case of separate Borrowings consisting of different Types or having different Interest Periods). It is understood that (a) no Lender shall be responsible for any default by any other Lender in its obligation to make Loans hereunder and that each Lender shall be obligated to make the Loans provided to be made by it hereunder, regardless of the failure of any other Lender to fulfill its commitments hereunder and (b) other than as expressly provided herein with respect to a Defaulting Lender, failure by a Lender to perform any of its obligations under any of the Credit Documents shall not release any Person from performance of its obligation under any Credit Document.

2.8 Interest. (a) [Reserved]

(b) The unpaid principal amount of each ABR Loan shall bear interest from the date of the Borrowing thereof until maturity thereof (whether by acceleration or otherwise) at a rate *per annum* that shall at all times be aggregate of (i) the Applicable ABR Margin plus the ABR in effect from time to time.

(c) The unpaid principal amount of each LIBOR Loan shall bear interest from the date of the Borrowing thereof until maturity thereof (whether by acceleration or otherwise) at a rate *per annum* that shall at all times be aggregate of (i) the Applicable LIBOR Margin in effect from time to time, (ii) the relevant LIBOR Rate, and (iii) the Mandatory Cost, if any.

(d) If all or a portion of the principal amount of any Loan or any interest payable thereon shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate *per annum* that is (x) in the case of overdue principal on any Loan, the rate that would otherwise be applicable thereto plus 1% or (y) in the case of any overdue interest, to the extent permitted by applicable law, the rate described in Section 2.8(b) or (c), as applicable, plus 1%, in each case from and including the date of such non-payment to but excluding the date on which such amount is paid in full (after as well as before judgment).

(e) Interest on each Loan shall accrue from and including the date of the borrowing thereof to but excluding the date of any repayment thereof and shall be payable (i) on the last day of each Interest Period applicable thereto and, in the case of an Interest Period in excess of three months, on each date occurring at three-month intervals after the first day of such Interest Period, and (ii) on any prepayment (on the amount prepaid), at maturity (whether by acceleration or otherwise) and, after such maturity, on demand.

(f) All computations of interest hereunder shall be made in accordance with Section 5.4.

(g) Each Lender shall supply the Administrative Agent with any information required by the Administrative Agent in order to calculate the Mandatory Cost in accordance with Schedule 1.1(d).

(h) The Administrative Agent, upon determining the interest rate for any Borrowing of Loans, shall promptly notify the Company and the relevant Lenders thereof. Each such determination shall, absent clearly demonstrable error, be final and conclusive and binding on all parties hereto.

2.9 Interest Periods. At the time the Company gives the Notice of Borrowing or a Notice of Conversion or Continuation in respect of the making of, or conversion into or continuation as, a Borrowing of LIBOR Loans (in the case of the initial Interest Period applicable thereto) or prior to 10:00 a.m. at least two Business Days prior to the expiration of an Interest Period applicable to a Borrowing of LIBOR Loans, the Company shall have the right to elect by giving the Administrative Agent written notice (or telephonic notice promptly confirmed in writing) the Interest Period applicable to a Borrowing, which Interest Period shall, at the option of the Company, be a period commencing on the date of Borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Conversion or Continuation and ending one (1), two (2), three (3) or six (6) (or if agreed by all relevant Lenders, nine (9) or twelve (12)) months thereafter, as the Borrower may elect in the applicable notice, provided that the initial Interest Period may be for a period less than one month if agreed upon by the Company and the Administrative Agent.

Notwithstanding anything to the contrary contained above:

(a) the initial Interest Period for any Borrowing of LIBOR Loans shall commence on the date of such Borrowing (including the date of any conversion from a Borrowing of ABR Loans) and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the next preceding Interest Period expires;

(b) if any Interest Period relating to a Borrowing of LIBOR Loans begins on the last Business Day of a calendar month or begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of the calendar month at the end of such Interest Period;

(c) if any Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day, provided that if any Interest Period in respect of a LIBOR Loan would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(d) the Borrower shall not be entitled to elect any Interest Period in respect of any LIBOR Loan if such Interest Period would extend beyond the Maturity Date; and

(e) after giving effect to the initial borrowing, all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type, there shall not be more than 25 Interest Periods in effect with respect to LIBOR Loans.

2.10 Increased Costs, Illegality, etc. (a) In the event that (x) in the case of clause (i) below, the Administrative Agent or (y) in the case of clauses (ii) and (iii) below, any Lender shall have reasonably determined (which determination shall, absent clearly demonstrable error, be final and conclusive and binding upon all parties hereto):

(i) on any date for determining the LIBOR Rate for any Interest Period that (x) deposits in the principal amounts of the Loans comprising such Borrowing are not generally available in Dollars in the Relevant Interbank Market for a period equivalent to the relevant Interest Period or (y) by reason of any changes arising on or after the Funding Date affecting the Relevant Interbank Market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of LIBOR Rate (as the case may be); or

(ii) at any time, that such Lender shall incur any increase in the cost to such Lender or reductions in the amounts received or receivable hereunder in connection with making or agreeing to make, funding or maintaining, LIBOR Loans or its Commitment hereunder (other than any such increase or reduction attributable to Taxes) because of (x) any Change in Law, such as, for example, without limitation, a change in official reserve requirements, and/or (y) other circumstances affecting the Relevant Interbank Market or the position of such Lender in such market; or

(iii) at any time, that the making or continuance of any LIBOR Loan or its Commitment hereunder has become unlawful by compliance by such Lender in good faith with any Law, governmental rule, regulation, guideline or order (or would conflict with any such governmental rule, regulation, guideline or order not having the force of law even though the failure to comply therewith would not be unlawful), or has become impracticable as a result of a contingency occurring after the date hereof that materially and adversely affects the Relevant Interbank Market;

then, and in any such event, such Lender (or the Administrative Agent, in the case of clause (i) above) shall within a reasonable time thereafter give notice (if by telephone, confirmed in writing) to the Company and to the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each of the other Lenders). Thereafter (x) in the case of clause (i) above, LIBOR Loans shall no longer be available until such time as the Administrative Agent notifies the Company and the Lenders that the circumstances giving rise to such notice by the Administrative Agent no longer exist (which notice the Administrative Agent agrees to give at such time when such circumstances no longer exist), and the Notice of Borrowing or any Notice of Conversion or Continuation with respect to LIBOR Loans that have not yet been incurred, converted or continued (as applicable) shall be deemed rescinded by the Company (y) in the case of clause (ii) above, the Company shall pay to such Lender, promptly after receipt of written demand therefor such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender in its reasonable discretion shall determine) as shall be required to compensate such Lender for such increased costs or reductions in amounts receivable hereunder (it being agreed that a written notice as to the additional amounts owed to such Lender, showing in reasonable detail the basis for the calculation thereof, submitted to the Company by such Lender shall, absent clearly demonstrable error, be final and conclusive and binding upon all parties hereto) and (z) in the case of clause (iii) above, the Borrowers shall take one of the actions specified in Section 2.10(b) as promptly as possible and, in any event, within the time period required by Law.

(b) At any time that any LIBOR Loan is affected by the circumstances described in Section 2.10(a)(ii) or (iii), the Borrowers may (and in the case of a LIBOR Loan affected pursuant to Section 2.10(a)(iii) shall) either (i) if the affected LIBOR Loan has been requested pursuant to the Notice of Borrowing or a Notice of Conversion or Continuation but has not been made, converted or continued (as applicable), cancel said Borrowing, conversion or continuation (as applicable) by giving the Administrative Agent telephonic notice (confirmed promptly in writing) thereof on the same date that the Company was notified by a Lender pursuant to 2.10(a)(ii) or (iii); or (ii) if the affected LIBOR Loan is then outstanding (x) upon at least three Business Days' notice to the Administrative Agent (if such Lender may lawfully continue to maintain such LIBOR Loans to such day or immediately, if such Lender may not lawfully continue to maintain such LIBOR Loans), require the affected Lender to convert each such LIBOR Loan into an ABR Loan if such conversion would overcome the illegality and each Loan so converted shall, (y) prepay the affected LIBOR Loans on the last day of the Interest Period applicable thereto, if such Lender may lawfully continue to maintain such LIBOR Loan to such date, or immediately, if such Lender may not lawfully continue to maintain such LIBOR Loan or cause any affected Lender to assign the affected LIBOR Loans to another Lender or to another bank or institution willing to accept such assignment (which assignment shall be subject to and in compliance with Section 13.7) to the extent any such affected Lender may lawfully continue to maintain the relevant LIBOR Loans until such time as such assignment becomes effective in accordance with the terms hereof. Upon any such conversion or prepayment, the Borrowers shall also pay accrued interest on the amount so converted or prepaid all amounts due, if any, in connection with such prepayment or conversion under Section 2.11. The Borrowers shall pay all reasonable costs and expenses incurred by any Lender in connection with any assignment pursuant to sub-clause (z). If more than one Lender is affected at any time, then all affected Lenders must be treated in the same manner pursuant to this Section 2.10(b).

(c) If, after the date hereof, the adoption of any applicable Law, rule or regulation regarding capital adequacy, or any Change in Law, or any change in the interpretation or administration thereof by any Governmental Authority, the National Association of Insurance Commissioners, any central bank or comparable agency charged with the interpretation or administration thereof, or compliance by a Lender or its parent with any request or directive made or adopted after the date hereof regarding capital adequacy (whether or not having the force of law) of any such authority, association, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's or its parent's or its Affiliate's capital or assets as a consequence of such Lender's commitments or obligations hereunder to a level below that which such Lender or its parent or its Affiliate could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's or its parent's policies with respect to capital adequacy), then from time to time, promptly after demand by such Lender (with a copy to the Administrative Agent), the Borrowers shall pay to such Lender such additional amount or amounts as will compensate such Lender or its parent or its Affiliates for such reduction, it being understood and agreed, however, that a Lender shall not be entitled to compensation for such reduction except to the extent resulting from the adoption of any applicable Law, rule or regulation regarding capital adequacy, or any Change in Law, or any change in the interpretation or administration thereof by any Governmental Authority, the National Association of Insurance Commissioners, any central bank or comparable agency charged with the interpretation or administration thereof, after the date hereof. Each Lender, upon determining in good faith that any additional amounts will be payable pursuant to this Section 2.10(c), will give prompt written notice thereof to the Company which notice shall set forth in reasonable detail the basis of the calculation of such additional amounts, although the failure to give any such notice shall not, subject to Section 2.13, release or diminish the Borrowers' obligations to pay additional amounts pursuant to this Section 2.10(c) upon receipt of such notice.

(d) It is understood that this Section 2.10 shall not apply to Excluded Taxes or to any amounts that would be payable under Section 5.3 but for another provision of Section 5.3 or, to the extent duplicative of Section 5.3, this Section 2.10 shall not apply to Taxes.

2.11 Compensation. If (a) any payment of principal of any LIBOR Loan is made by a Borrower to or for the account of a Lender, or is converted or continued, other than on the last day of the Interest Period for such LIBOR Loan as a result of a payment or conversion pursuant to Section 2.5, 2.10, 5.1 or 13.8, as a result of acceleration of the maturity of the Loans pursuant to Section 11 or for any other reason, (b) any Borrowing of LIBOR Loans is not made as a result of a withdrawn Notice of Borrowing or as a result of the operation of any of the provisions of this Agreement, (c) any ABR Loan is not converted into a LIBOR Loan as a result of a withdrawn Notice of Conversion or Continuation or as a result of the operation of any of the provisions of this Agreement, (d) any LIBOR Loan is not continued as a LIBOR Loan (as the case may be), as a result of a withdrawn Notice of Conversion or Continuation or as a result of the operation of any of the provisions of this Agreement, (e) any prepayment of principal of any LIBOR Loan is not made as a result of a withdrawn notice of prepayment pursuant to Section 5.1 or as a result of the operation of any of the provisions of this Agreement, (f) any assignment of a LIBOR Loan on a day other than the last day of the Interest Period for such Loan as a result of a request by the Company pursuant to Section 13.8(a), the Borrowers shall, after receipt of a written request by such Lender (which request shall set forth in reasonable detail the basis for requesting such amount), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses that such Lender may reasonably incur as a result of such payment, failure to convert, failure to continue or failure to prepay, including any loss, cost or expense (excluding loss of anticipated profits) actually incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such LIBOR Loan.

For purposes of calculating amounts payable by the Borrowers to the Lenders under this Section 2.11, each Lender shall be deemed to have funded each LIBOR Loan made by it by a matching deposit or other borrowing in the Relevant Interbank Market in Dollars for a comparable amount and for a comparable period, whether or not such LIBOR Loan was in fact so funded.

2.12 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.10(a)(ii), 2.10(a)(iii), 2.10(b), or 5.3 with respect to such Lender, it will, if requested by the Company use commercially reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event or to assign its rights and obligations hereunder to another of its branches or Affiliates, provided that such designation or assignment is made on such terms that would eliminate or reduce amounts payable pursuant to Section 2.10(a)(ii), 2.10(a)(iii), 2.10(b) or 5.3, as the case may be, and that, in such Lender's judgment, cause such Lender and its lending office suffer no economic (including becoming subject to any unreimbursed cost or expense), legal or regulatory disadvantage. Nothing in this Section 2.12 shall affect or postpone any of the obligations of any Borrower or the right of any Lender provided in Section 2.10 or 5.3.

2.13 Notice of Certain Costs. Notwithstanding anything in this Agreement to the contrary, to the extent any notice required by Section 2.10, 2.11 or 5.3 is given by any Lender more than 180 days after such Lender has knowledge (or should have had knowledge) of the occurrence of the event giving rise to the additional cost, reduction in amounts, loss, tax or other additional amounts described in such Sections, such Lender shall not be entitled to compensation under Section 2.10, 2.11 or 5.3, as the case may be, for any such amounts incurred or accruing prior to the 181st day prior to the giving of such notice to the Borrower.

SECTION 3. [Reserved]

SECTION 4. Fees; Commitments

4.1 Fees. The Company agrees to pay to the Administrative Agent the fees and expenses in respect of the performance of such role as may be separately agreed from time to time.

4.2 Voluntary Reduction of Commitments. Upon at least three Business Days prior written notice (or telephonic notice promptly confirmed in writing) to the Administrative Agent at the Administrative Agent's Office (which notice the Administrative Agent shall promptly transmit to each of the Lenders), the Company (on behalf of each of the Borrowers) shall have the right at any time prior to the Signing Date and the making of the Loans hereunder, without premium or penalty, permanently to terminate or reduce the Commitments in whole or in part, provided that (a) any such reduction shall apply proportionately and permanently to reduce the Commitment of each of the Lenders and (b) any partial reduction pursuant to this Section 4.2 shall be in the amount of at least $5,000,000 and in integral multiples of $1,000,000 in excess thereof.

4.3 Mandatory Termination or Reduction of Commitments. The Total Commitment shall terminate upon the earlier of (i) the funding thereof on the Funding Date and (ii) 5:00p.m. (London time) on the last day of the Availability Period.

SECTION 5. Payments

5.1 Voluntary Prepayments. The Borrowers shall have the right to prepay Loans, without premium or penalty (except as provided below), in whole or in part from time to time on or after the second anniversary of the Signing Date on the following terms and conditions: (a) the Company shall give the Administrative Agent and at the Administrative Agent's Office written notice (or telephonic notice promptly confirmed in writing) of its intent to make such prepayment, the amount of such prepayment and (in the case of LIBOR Loans) the specific Borrowing(s) to be prepaid, which notice shall be given by the Company no later than 10:00 a.m. two Business Days prior to the date of such prepayment and shall promptly be transmitted by the Administrative Agent to each of the Lenders; (b) each partial prepayment of any LIBOR Loans shall be in an integral multiple of $1,000,000 and in an aggregate principal amount of at least $5,000,000 and each partial prepayment of ABR Loans shall be in an integral multiple of $1,000,000 and in an aggregate principal amount of at least $1,000,000 or, in each case, if less, the entire principal amount thereof then outstanding, and any prepayment of Loans pursuant to this Section 5.1 on any day other than the last day of an Interest Period applicable thereto shall be subject to compliance by the Borrowers with the applicable provisions of Section 2.11. Each prepayment pursuant to this Section 5.1 shall be (a) applied to such Loans as the Company may specify and (b) applied to reduce such Loan Repayment Amounts as the Company may specify. At the Company's election in connection with any prepayment pursuant to this Section 5.1, such prepayment shall not be applied to any Loan of a Defaulting Lender.

In the event that, a Borrower makes any voluntary prepayment of Loans on or after the Second Anniversary of the Signing Date (pursuant to Section 5.1), the Borrowers shall pay to the Administrative Agent, for the ratable account of each Lender, a prepayment premium as follows:

(i) in the event that such a prepayment is made on or after the second anniversary of the Signing Date but prior to the third anniversary of the Signing Date, 2% of the amount of the Loans being prepaid; and

(ii) in the event that such a prepayment is made on or after the third anniversary of the Signing Date but prior to the fourth anniversary of the Signing Date, 1% of the amount of the Loans being prepaid.

5.2 Method and Place of Payment. (a) Except as otherwise specifically provided herein, all payments under this Agreement shall be made by each Borrower, without set-off, counterclaim or deduction of any kind, to the Administrative Agent for the ratable account of the Lenders entitled thereto, not later than 12:00 Noon on the date when due and shall be made in immediately available funds at the Administrative Agent's Office or at such other office as the Administrative Agent shall specify for such purpose by notice to the Company, it being understood that written or facsimile notice by a Borrower to the Administrative Agent to make a payment from the funds in such Borrower's account at the Administrative Agent's Office shall constitute the making of such payment to the extent of such funds held in such account. All repayments or prepayments of Loans (whether of principal, interest or otherwise) hereunder shall be made in Dollars. The Administrative Agent will thereafter cause to be distributed on the same day (if payment was actually received by the Administrative Agent prior to 12:00 noon on such day) like funds relating to the payment of principal or interest or Fees ratably to the Lenders entitled thereto.

(b) Any payments under this Agreement that are made later than 1:00 p.m. shall be deemed to have been made on the next succeeding Business Day. Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, such extension of time shall be reflected in computing interest or fees (as the case may be) at the applicable rate in effect immediately prior to such extension.

5.3 Net Payments. (a) Any and all payments made by or on behalf of any Credit Party under this Agreement or any other Credit Document shall be made free and clear of, and without deduction or withholding for or on account of, any Indemnified Taxes; provided that if a Credit Party shall be required by law to deduct or withhold any Indemnified Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions and withholdings (including deductions or withholdings applicable to additional sums payable under this Section 5.3), the Administrative Agent, any Collateral Agent or any Lender, as the case may be, receives an amount equal to the after tax sum it would have received had no such deductions or withholdings been made, (ii) the relevant Credit Party shall make such deductions or withholdings and (iii) the relevant Credit Party shall pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law. Whenever any Indemnified Taxes are payable by a Credit Party, as promptly as possible thereafter, such Credit Party shall send to the Administrative Agent for its own account or for the account of such Lender, as the case may be, a certified copy of an original official receipt in such form as provided in the ordinary course by the relevant Governmental Authority and as is reasonably available to the relevant Credit Party (or other evidence acceptable to such Lender, acting reasonably) received by such Credit Party showing payment thereof.

(b) Each Credit Party shall pay and shall jointly and severally indemnify and hold harmless, on an after tax basis, the Administrative Agent, each Collateral Agent and each Lender (whether or not such Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority) with regard to any Other Taxes.

(c) Each Credit Party shall jointly and severally indemnify and hold harmless, on an after tax basis, the Administrative Agent, each Collateral Agent and each Lender within 15 Business Days after written demand therefor, for the full amount of any Indemnified Taxes imposed on the Administrative Agent, each Collateral Agent or such Lender as the case may be, on or with respect to any payment by or on account of any obligation of any Credit Party hereunder or under any other Credit Document (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 5.3) and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Upon the request of the Company, such Administrative Agent, Collateral Agent, or a Lender must provide details of how it calculated the amount of Indemnified Taxes for which it claimed liability under this Section 5.3. A certificate as to the amount of such payment or liability delivered to a Credit Party by a Lender or by the Administrative Agent or a Collateral Agent on its own behalf or on behalf of a Lender shall be conclusive absent manifest error.

(d) Each Lender shall to the extent it is legally entitled to do so:

(i) upon the request of the Company or the Administrative Agent deliver to the Borrowers and the Administrative Agent two copies of any certification, information, documents or other evidence concerning the nationality, residence or identity of such Lender or make any declaration of similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, regulation or administrative practice of a relevant Governmental Authority as a precondition to exemption from all or a part of any Taxes, assessment or other governmental charge; and

(ii) deliver to the Borrowers and the Administrative Agent two further copies of any such form or certification (or any applicable successor form) on or before the date that any such form or certification expires or becomes obsolete and after the occurrence of any event requiring a change in the most recent form previously delivered by it to any Borrower;

unless in any such case any Change in Law has occurred prior to the date on which any such delivery would otherwise be required that renders any such form inapplicable or would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender so advises the Borrowers and the Administrative Agent. Each Person that shall become a Participant pursuant to Section 13.7 or a Lender pursuant to Section 13.7 shall, upon the effectiveness of the related transfer, be required to provide all the forms and statements required pursuant to this Section 5.3(d), provided that in the case of a Participant such Participant shall furnish all such required forms and statements to the Lender from which the related participation shall have been purchased.

(e) If a Credit Party determines in good faith that a reasonable basis exists for contesting any taxes for which indemnification has been demanded hereunder or any other Credit Document, the relevant Lender, the Administrative Agent or a Collateral Agent, as applicable, shall cooperate with such Credit Party in challenging such taxes at such Credit Party's expense if so requested by such Credit Party. If any Lender, the Administrative Agent or a Collateral Agent, as applicable, receives a refund of, or determines that a Tax Credit is available to it with respect to, a tax for which a payment has been made by a Credit Party pursuant to this Agreement, which refund or Tax Credit in the good faith judgment of such Lender, the Administrative Agent or a Collateral Agent, as the case may be, is attributable to such payment made by such Credit Party, then the Lender, the Administrative Agent or a Collateral Agent, as the case may be, shall reimburse such Credit Party for such amount (together with any interest received thereon) as the Lender, the Administrative Agent or a Collateral Agent, as the case may be, determines to be the proportion of the refund or Tax Credit as will leave it, after such reimbursement, in no better or worse position (taking into account expenses or any taxes imposed on the refund) than it would have been in if the payment had not been required. A Lender, the Administrative Agent or a Collateral Agent shall claim any refund or Tax Credit that it determines is available to it, unless it concludes in its reasonable discretion that it would be adversely affected by making such a claim. Neither the Lender, the Administrative Agent nor any Collateral Agent shall be obliged to disclose any information regarding its tax affairs or computations to the any Credit Party in connection with this paragraph (e) or any other provision of this Section 5.3.

(f) The agreements in this Section 5.3 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

5.4 Computations of Interest and Fees. Interest on LIBOR Loans and, except as provided in the next succeeding sentence, ABR Loans shall be calculated on the basis of a 360-day year for the actual days elapsed. Interest on ABR Loans in respect of which the rate of interest is calculated on the basis of the Prime Rate and interest on overdue interest shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed.

5.5 Limit on Rate of Interest.

(a) No Payment shall exceed Lawful Rate. Notwithstanding any other term of this Agreement, no Borrower shall be obliged to pay any interest or other amounts under or in connection with this Agreement in excess of the amount or rate permitted under or consistent with any applicable law, rule or regulation.

(b) Payment at Highest Lawful Rate. If a Borrower is not obliged to make a payment which it would otherwise be required to make, as a result of Section 5.5(a), such Borrower shall make such payment to the maximum extent permitted by or consistent with applicable laws, rules and regulations.

(c) Adjustment if any Payment exceeds Lawful Rate. If any provision of this Agreement or any of the other Credit Documents would obligate any Borrower to make any payment of interest or other amount payable to any Lender in an amount or calculated at a rate which would be prohibited by any applicable Law, rule or regulation, then notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to, in the case of LIBOR Loans the beginning of the relevant Interest Period or, in the case of ABR Loans, the relevant date, the maximum amount or rate of interest, as the case may be, as would not be so prohibited by Law, such adjustment to be effected, to the extent necessary, by reducing the amount or rate of interest required to be paid by such Borrower to the affected Lender under Section 2.8.

Notwithstanding the foregoing, and after giving effect to all adjustments contemplated thereby, if any Lender shall have received from any Borrower an amount in excess of the maximum permitted by any applicable Law, rule or regulation, then such Borrower shall be entitled, by notice in writing to the Administrative Agent to obtain reimbursement from that Lender in an amount equal to such excess, and pending such reimbursement, such amount shall be deemed to be an amount payable by that Lender to such Borrower.

5.6 Currency Indemnity

(a) If any sum due from a Credit Party under the Credit Documents (a "Sum"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "First Currency") in which that Sum is payable into another currency (the "Second Currency") for the purpose of: (i) making or filing a claim or proof against that Credit Party; (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings, in either case that Credit Party shall as an independent obligation, within three Business Days of demand, indemnify each Lender to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

(b) Each Credit Party waives any right it may have in any jurisdiction to pay any amount under the Credit Documents in a currency or currency unit other than that in which it is expressed to be payable.

SECTION 6. Conditions Precedent to the Signing Date Conditions Precedent. The occurrence of the Signing Date and the borrowing of Loans hereunder on such date are subject to the satisfaction of the following conditions precedent, except as otherwise agreed in writing between the Company and the Administrative Agent (with the consent of the requisite percentage of Lenders in accordance with the terms hereof). The Administrative Agent shall, upon such conditions precedent being satisfied (or waived as the case may be), promptly confirm such satisfaction (or waiver) in writing to the Lenders and the Company.

6.2 Credit Documents. The Administrative Agent shall have received:

(i) this Agreement, executed and delivered by a duly authorized signatory of each Borrower and each Lender;

(ii) the Guaranty, executed and delivered by a duly authorized signatory of the Company, the Co-Borrower and NXP Semiconductors Netherlands B.V.; and

(iii) any required accessions to the Collateral Agency Agreement, executed and delivered by a duly authorized signatory of each party thereto.

6.3 Indebtedness. No Indebtedness or financing preferred stock of the Company or its Subsidiaries to third parties shall remain outstanding as of the Signing Date and no shareholder loans shall have been made without the consent of the Sole Lead Arranger, other than Indebtedness pursuant to or permitted under this Agreement.

6.4 Solvency Certificate. On the Signing Date, the Administrative Agent shall have received a certificate from an Authorized Officer of the Company in a form reasonably satisfactory to the Administrative Agent demonstrating that, as of the Signing Date, the Company on a consolidated basis with its Subsidiaries is solvent.

6.5 Legal Opinions. The Administrative Agent shall have received the executed legal opinions of (i) special New York counsel to the Borrowers reasonably satisfactory to the Administrative Agent and (ii) special Dutch counsel to the Borrowers reasonably satisfactory to the Administrative Agent, in each case in substantially the same form and substance as provided under and in connection with the Revolving Credit Agreement or otherwise in form and substance reasonably satisfactory to the Administrative Agent and, in each case, to the extent applicable to entities that are Original Credit Parties. The Borrowers, the other Original Credit Parties and the Administrative Agent hereby instruct counsel to deliver such legal opinions.

6.6 Closing Certificates. The Administrative Agent shall have received a certificate of each Original Credit Party, dated the Signing Date, substantially in the form of Exhibit C, with appropriate insertions, executed by the President or any Vice President and the Secretary or any Assistant Secretary of such Original Credit Party (or where customary in the relevant jurisdiction, executed by a director of such Original Credit Party), and attaching the documents referred to in Sections 6.7 and 6.8 below.

6.7 Corporate Proceedings of Each Original Credit Party. The Administrative Agent shall have received a copy of the resolutions, in form and substance satisfactory to the Administrative Agent, of the Board of Directors and, to the extent required under applicable Law or the organizational documents of any Original Credit Party, the shareholders of each Original Credit Party (or a duly authorized committee thereof) authorizing (i) the execution, delivery and performance of the Credit Documents (and any agreements relating thereto) to which it is a party and (ii) in the case of the Borrowers, the Loans contemplated hereunder.

6.8 Corporate Documents. The Administrative Agent shall have received true and complete copies of the certificate of incorporation, by-laws (or equivalent organizational documents) and, to the extent available in the relevant jurisdiction, an extract of the trade register of each Original Credit Party.

6.9 Know Your Customer. The Lenders shall have received such documentation and other evidence as shall have been reasonably requested no later than 5 days prior to the Signing Date in order for each such Lender to carry out and be satisfied with the results of all necessary “know your customer” or other similar identification procedures.

6.10 Representations and Warranties. At the date hereof (a) no Default or Event of Default shall have occurred and be continuing and (b) all representations and warranties made by any Credit Party contained herein or in the other Credit Documents shall be true and correct in all material respects (except where such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date).

The acceptance of the benefits of the Loans shall constitute a representation and warranty by each Credit Party to each of the Lenders that all the applicable conditions specified above exist as of that time.

SECTION 7. Conditions Precedent To The Funding Date. The borrowing of Loans hereunder on any Business Day during the Availability Period is subject to the satisfaction of the following conditions precedent:

7.1 No Default; Representations and Warranties. On the Funding Date and also after giving effect thereto, (a) no Default or Event of Default shall have occurred and be continuing and (b) all representations and warranties made by any Credit Party contained herein or in the other Credit Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the Funding Date (except where such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date and except for the representation in Section 8.9(b), which shall be deemed to relate to the matter referred to therein on and as of the Signing Date).

7.2 Notice of Borrowing. The Administrative Agent shall have received a Notice of Borrowing in writing meeting the requirements of Section 2.3.

7.3 Fees. The Agents and Lenders shall have received evidence that the fees in the amounts (and at the times) previously agreed in writing by the Agents and such Lenders to be received on or prior to the Funding Date and all expenses for which the Borrowers are responsible and in relation to which invoices have been presented prior to the Funding Date shall be paid on or by the Funding Date, and the Company and its Subsidiaries that are party thereto shall have complied in all material respects with all of the other terms of the Fee Letter to be complied with on or before the Funding Date.

The acceptance of the benefits of the borrowing shall constitute a representation and warranty by each Credit Party to each of the Lenders that all the applicable conditions specified above exist as of that time.

SECTION 8. Representations, Warranties and Agreements

In order to induce the Lenders to enter into this Agreement and to make the Loans as provided for herein, each Borrower makes the following representations and warranties to, and agreements with, the Lenders, each Agent, all of which shall survive the execution and delivery of this Agreement and the making of the Loans:

8.1 Organization; Powers. Each of the Credit Parties (a) is a partnership, limited liability company, exempted company or corporation duly organized, validly existing and in good standing (or, if applicable in a foreign jurisdiction, enjoys the equivalent status under the laws of any jurisdiction of organization outside the United States) under the laws of the jurisdiction of its organization and (b) has the power and authority to execute, deliver and perform its obligations under each of the Credit Documents and each other agreement or instrument contemplated thereby to which it is or will be a party and, in the case of the Borrowers, to borrow and otherwise obtain credit hereunder.

8.2 Authorization. The execution, delivery and performance by each of the Credit Parties of each of the Credit Documents to which it is a party, and the borrowings hereunder (a) have been duly authorized by all corporate, stockholder, shareholder, limited liability company or partnership action required to be obtained by each Credit Party and (b) will not (i) violate (A) any material provision of any material law, statute, rule or regulation, or of the certificate or articles of incorporation or other constitutive documents or by-laws of any Credit Party, (B) any applicable order of any court or any rule, regulation or order of any Governmental Authority or (C) any provision of any indenture, certificate of designation for preferred stock, agreement or other instrument to which any Credit Party is a party or by which any or any of their property is or may be bound, except for any such conflict, breach or default described in this paragraph (C) that could not reasonably be expected to have a Material Adverse Effect or otherwise have a material adverse effect on the rights and remedies of the Lenders under the Credit Documents, (ii) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under, give rise to a right of or result in any cancellation or acceleration of any right or obligation (including any payment) or to a loss of a benefit under any such indenture, certificate of designation for preferred stock, agreement or other instrument, except for any such conflict, breach or default described in this sub-clause (ii) that (1) could not reasonably be expected to have a Material Adverse Effect or otherwise have a material adverse effect on the rights and remedies of the Lenders under the Credit Documents, or (2) result in the creation or imposition of any Lien upon or with respect to any material property or assets now owned or hereafter acquired by any Credit Party.

8.3 Enforceability. This Agreement has been duly executed and delivered by each Credit Party party hereto and constitutes, and each other Credit Document when executed and delivered by each Credit Party that is party thereto will constitute, a legal, valid and binding obligation of such Credit Party enforceable against each such Credit Party in accordance with its terms, subject to Debtor Relief Laws and to general principles of equity.

8.4 Governmental Approvals; Other Consents. No action, consent or approval of, registration or filing with or any other action by, any Governmental Authority or any other Person is or will be required in connection with the execution, delivery and performance of the Credit Documents, except for (a) such as have been made or obtained and are in full force and effect, (b) filings necessary to perfect the Liens on the Collateral granted by the Credit Parties in favor of the Secured Parties and (c) those approvals, consents, exemptions, authorizations or other actions, notices or filings, the failure of which to obtain or make could not reasonably be expected to have a Material Adverse Effect.

8.5 Federal Reserve Regulations. (a) No Credit Party nor any Restricted Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

(b) No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of Regulation U or Regulation X.

8.6 Investment Company Act. No Credit Party nor any Restricted Subsidiary is an “investment company” as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

8.7 Use of Proceeds. The proceeds of the Loans will be used for general corporate purposes (including refinancing or repaying Indebtedness) not in contravention of any law or any Credit Document.

8.8 Solvency. (a) On the date hereof, and on the Signing Date (i) (A)the fair value of the assets of the Company and its Subsidiaries on a consolidated basis, at a fair valuation, will exceed the debts and liabilities, direct, subordinated, contingent or otherwise, it’s the Company and its Subsidiaries on a consolidated basis, respectively; (B) the present fair saleable value of the property of the Company and its Subsidiaries on a consolidated basis will be greater than the amount that will be required to pay the probable liability of the Company and its Subsidiaries on a consolidated basis on their debts and other liabilities, direct, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (C) the Company and its Subsidiaries on a consolidated basis will be able to pay their debts and liabilities, direct, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (D) the Company and its Subsidiaries on a consolidated basis will not have unreasonably small capital with which to conduct the businesses in which they are engaged as such businesses are now conducted and are proposed to be conducted following the Signing Date and (ii) each Credit Party (A) has not ceased, and does not expect that it will cease, making payments on its liabilities when due and (B) can, and expects that it can, obtain credit in the ordinary course of business.

(b) No Credit Party intends to, and does not believe that it or any of the Restricted Subsidiaries will, incur debts beyond its ability to pay such debts as they mature, taking into account the timing and amounts of cash to be received by it or any such Subsidiary and the timing and amounts of cash to be payable on or in respect of its Indebtedness or the Indebtedness of any such Subsidiary.

8.9 Financial Statements; No Material Adverse Effect. (a) The audited financial statements of the Company as at December 31, 2009 and for the fiscal year then ended together with the notes thereto (ii) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (ii) fairly present, in all material respects, the consolidated financial condition of the Company as of the date thereof and its results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein.

(b) Since the date of the audited financial statements described in clause (a) above, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

8.10 Litigation. Except as specifically disclosed on Schedule 8.10, there are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Borrowers, threatened in writing, at law, in equity, in arbitration or before any governmental authority, by or against the Company or any of its Restricted Subsidiaries or against any of their properties or revenues that either individually or in the aggregate, have had or could reasonably be expected to have a Material Adverse Effect.

8.11 No Default. Neither the Company nor any Subsidiary thereof is in default under any contractual obligation that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

8.12 Ownership of Properties; Liens. The Company and each Subsidiary thereof has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse

Effect. The property of the Company and its Subsidiaries is subject to no Liens, other than Permitted Liens and Permitted Collateral Liens.

8.13 Environmental Compliance. The Company and its Restricted Subsidiaries conduct in the ordinary course of business a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof to the best knowledge of the Company, except as specifically disclosed in Schedule 8.13, such Environmental Laws and claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

8.14 Taxes. Except as could not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, the Company and its Subsidiaries have filed all federal, state and other material tax returns and reports required to be filed, and have paid all federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those (x) which are not overdue by more than 30 days or (y) which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP.

8.15 Subsidiaries; Equity Interests. As of the date of this Agreement, the Company has no Restricted Subsidiaries other than those specifically disclosed in Schedule 8.15, and (except as disclosed on such Schedule) all of the outstanding equity interests in such Restricted Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or a Subsidiary thereof in the amounts specified in Schedule 8.15 free and clear of all Liens other than (a) those created under the Security Documents and (b) any Permitted Lien. As of the date of this Agreement, neither the Company nor any of its Subsidiaries has any equity investments in any other corporation or entity other than those permitted under this Agreement.

8.16 No Material Misstatements. All written information (other than projections) (the "Information") furnished by or on behalf of any Credit Party to any Lenders or the Administrative Agent in connection with the Transactions (as such Information may have been supplemented in writing prior to the Signing Date) or the other transactions contemplated by the Credit Documents, when taken as a whole, was true and correct in all material respects, as of the date such Information was furnished to the Lenders or the Administrative Agent (as the case may be) and (in the case of such Information delivered prior to the Signing Date) as of the Signing Date and did not contain any material misstatement of fact as of any such date or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements were made; provided that, with respect to projected financial information and pro forma financial information, the Credit Parties represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time of preparation; it being understood that such projections may vary from actual results and that such variances may be material.

8.17 Compliance With Laws. The Company and each of its Restricted Subsidiaries is in compliance in all material respects with the requirements of all laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. Without limitation of the foregoing, the Company and each of its Restricted Subsidiaries is in compliance (i) with all applicable provisions of law and all applicable regulations and published interpretations thereunder with respect to any employee pension benefit plan or other social security and employee benefit plan governed by the laws in any jurisdiction in which it operates and (ii) with the terms of any such plan, except, in each case, for (x) such requirement of law, applicable regulation, published interpretations or plan term is being contested in good faith by appropriate proceeding diligently conducted; or (y) such noncompliance that could not reasonably be expected to have a Material Adverse Effect.

8.18 Intellectual Property Licenses. The Company and its Restricted Subsidiaries own, license or possess the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights (collectively, "IP Rights") that are reasonably necessary for the operation of their respective businesses as currently conducted, without conflict with the rights of any other person, except to the extent such conflicts, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. To the best knowledge of the Company, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Company or any Subsidiary infringes upon any rights held by any other person, except to the extent such infringements, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. Except as specifically disclosed in Schedule 8.18, no claim or litigation regarding any of the foregoing against the Company or its Restricted Subsidiaries is pending or, to the knowledge of the Company, threatened in writing, which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

SECTION 9. Affirmative Covenants

Each Borrower hereby covenants and agrees that on the Signing Date and thereafter, until the Commitments have terminated and the Loans, together with interest, Fees and all other Secured Obligations incurred hereunder, are paid and performed in full:

9.1 Financial Statements. The Company will deliver to the Administrative Agent for prompt further distribution to each Lender:

(a) beginning with the fiscal year ending December 31, 2011, as soon as available, but in any event on or before the date on which such financial statements would be required to be filed with the SEC but no later than 120 days after the end of each fiscal year (or, if such financial statements are not required to be filed with the SEC, within 120 days after the end of each fiscal year of the Company) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, audited and accompanied by a report and opinion of KPMG or another registered public accounting firm of internationally recognized standing reasonably acceptable to the Administrative Agent, which report and opinion shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit; and

(b) beginning with the fiscal quarter ending March 31, 2011, as soon as available, but in any event on or before the date on which such financial statements would be required to be filed with the SEC (or, if such financial statements are not required to be filed with the SEC, within 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Company), a consolidated balance sheet of the Company and its Subsidiaries as at the end of such fiscal quarter, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal quarter and for the portion of the Company's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by the chief executive officer, chief financial officer, treasurer or controller of the Company as fairly presenting in all material respects the financial condition, results of operations, shareholders' equity and cash flows of the Company and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Company, then the annual and quarterly financial information required by the clauses (a) and (b) above shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Company and its Subsidiaries, which reconciliation shall include the following items: revenue, EBITDA, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense.

Notwithstanding the foregoing, the obligations in clauses (a) and (b) above may be satisfied with respect to financial information of the Company and its Subsidiaries by furnishing (i) the applicable financial statements of Holdings (or any direct or indirect parent of Holdings) or (ii) the Company's or Holdings' (or any direct or indirect parent thereof), as applicable, Form 20-F or 6-K, as applicable, filed with the SEC; provided that, with respect to each of sub-clauses (i) and (ii), (A) to the extent such information relates to Holdings (or a parent thereof), such information is accompanied by consolidating information that explains in reasonable detail the differences between the information relating to Holdings (or such parent), on the one hand, and the information relating to the Company and its Subsidiaries on a standalone basis, on the other hand and (B) to the extent such information is in lieu of information required to be provided under this Section 9.1, such materials are accompanied by a report and opinion of an independent registered public accounting firm of internationally recognized standing, which report and opinion shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit.

9.2 Certificates; Other Information. The Company will deliver to the Administrative Agent for prompt further distribution to each Lender:

(a) not later than 5 Business Days after the delivery of the financial statements referred to in Section 9.1(a), a certificate of the registered public accounting firm certifying such financial statements; and

(b) not later than 5 Business Days after the delivery of the financial statements referred to in Section 9.1(a) and 9.1(b), a duly completed Compliance Certificate signed by the chief executive officer, chief financial officer, treasurer or controller of the Company.

Documents required to be delivered pursuant to Section 9.1(a) or 9.1(b) above may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (a) on which Holdings or the Company posts such documents, or provides a link thereto on Holdings' or the Company's website on the internet at the website address listed on Schedule 9.2; or (b) on which such documents are posted on Holdings' or the Company's behalf on an internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) upon written request by the Administrative Agent, Holdings or the Company shall deliver paper copies of such documents to the Administrative Agent for further distribution to each Lender that requests Holdings or the Company to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) Holdings or the Company shall notify the Administrative Agent for further notification to each Lender (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Notwithstanding anything contained herein, in every instance Company shall be required to provide paper copies of the Compliance Certificates to the Administrative Agent. Each Lender shall be solely responsible for timely accessing posted documents or requesting delivery of paper copies of such documents from the Administrative Agent and maintaining its copies of such documents.

9.3 Notices. (a) Each Borrower will, or will cause the relevant Subsidiary (other than Jilin and SSMC or any other Unrestricted Subsidiary) to, promptly after a Responsible Officer of the Company or such Subsidiary obtains knowledge thereof, notify the Administrative Agent:

(i) of the occurrence of any Default; and

(ii) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect, including (A) breach or non-performance of, or any default under, a contractual obligation of the Company or any Subsidiary thereof; (B) any dispute, litigation, investigation, proceeding or suspension between the Company or any Subsidiary thereof and any Governmental Authority; or (C) the commencement of, or any material development in, any litigation or proceeding affecting the Company or any Subsidiary thereof, including pursuant to any applicable Environmental Laws, which, in any such case, has resulted or could reasonably be expected to result in a Material Adverse Effect.

(b) Each notice pursuant to this Section 9.3 shall be accompanied by a statement of a Responsible Officer of the Company setting forth material details of the occurrence referred to therein and stating what action the Company or the relevant Subsidiary has taken and proposes to take with respect thereto.

9.4 Payment of Obligations. Each Borrower will, and will cause each of its Restricted Subsidiaries to, pay and discharge as the same shall become due and payable, all its obligations and liabilities in respect of taxes, assessments and governmental charges or levies upon it or its properties or assets, unless (a) the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves, if any, in accordance with GAAP are being maintained by the Company or such Restricted Subsidiary; or (b) the failure to pay or discharge the same could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.5 Preservation of Existence; Assets. Each Borrower will, and will cause each of its Restricted Subsidiaries to:

(a) preserve, renew and maintain in full force and effect its legal existence and good standing under the laws of the jurisdiction of its organization, except to the extent the failure to do so could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except (i) to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect or (ii) pursuant to a transaction permitted by Section 10.9 or 10.10; and

(c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non preservation of which could reasonably be expected to have a Material Adverse Effect.

9.6 Maintenance of Properties. Each Borrower will, and will cause each of its Restricted Subsidiaries to, maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted and casualty and condemnation excepted, and make all necessary repairs thereto and renewals and replacements thereof (in accordance with prudent industry practice) except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

9.7 Maintenance of Insurance. Each Borrower will, and will cause each of its Restricted Subsidiaries to, maintain with financially sound and reputable insurance companies, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by persons engaged in the same or similar business, of such types and in such amounts (after giving effect to any self-insurance reasonable and customary for similarly situated persons engaged in the same or similar businesses as the Company and its Restricted Subsidiaries) as are customarily carried under similar circumstances by such other persons.

9.8 Compliance with Laws. Each Borrower will, and will cause each of its Restricted Subsidiaries to, comply in all material respects with the requirements of all laws and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (a) such requirement of law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted; or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect. Without limitation of the foregoing, the Company and each of its Restricted Subsidiaries shall at all times comply (i) with all applicable provisions of law and all applicable regulations and published interpretations thereunder with respect to any employee pension benefit plan or other social security and employee benefit plan governed by the laws in any jurisdiction in which it operates and (ii) with the terms of any such plan (including funding obligations thereunder), except, in each case, for (x) such requirement of law, applicable regulation, published interpretations or plan term is being contested in good faith by appropriate proceeding diligently conducted; or (y) such noncompliance that could not reasonably be expected to have a Material Adverse Effect.

9.9 Inspection Rights. Each Borrower will, and will cause each of its Restricted Subsidiaries to, permit representatives and independent contractors of the Administrative Agent and the Required Lenders to visit and inspect any of its properties, to examine its corporate, financial and operating records, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Company; provided, however, that, excluding any such visits and inspections during the continuation of an Event of Default, only the Administrative Agent on behalf of the Lenders may exercise rights of the Administrative Agent and the Required Lenders under this Section 9.9 and the Administrative Agent shall not exercise such rights more often than two times during any calendar year absent the existence of an Event of Default and for one such time the reasonable expenses of the Administrative Agent in connection with such visit and inspection shall be for the Company's account; provided further that when an Event Of Default exists the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the reasonable expense of the Company at any time during normal business hours and upon reasonable advance notice.

9.10 Use of Proceeds. Each Borrower will use the proceeds of the Loans under this Agreement for general corporate purposes (including, for the avoidance of doubt, refinancing of any existing indebtedness) not in contravention of any law or any Credit Document.

9.11 Guarantees Restricted Subsidiaries. (a) Subject to the Agreed Security Principles, all existing Wholly Owned Subsidiaries (other than an Immaterial Subsidiary and NXP Semiconductors France SAS) will fully and unconditionally guarantee this Agreement within 60 days after the Funding Date (or such longer period as the Administrative Agent may agree in writing in its sole discretion). If the Company or any of its Restricted Subsidiaries acquires or creates a Wholly Owned Subsidiary (other than an Immaterial Subsidiary) after the Funding Date and the issuance of a Guarantee by such Guarantor is not precluded by the Agreed Security Principles, the new Restricted Subsidiary must, within 30 days (or such longer period as the Administrative Agent may agree in writing) after becoming a Restricted Subsidiary, provide a Guarantee of this Agreement by executing a supplement to the Guaranty in the form attached thereto.

(b) The obligations of each Guarantor under the Guaranty will be limited to the maximum amount that would not render the Guarantors obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law.

(c) The obligations of a Guarantor under the Guaranty will terminate upon:

(i) a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Company or a Restricted Subsidiary), in each case, as permitted by this Agreement;

(ii) the designation in accordance with this Agreement of the Guarantor as an Unrestricted Subsidiary;

(iii) to the extent that the Guarantor is not an Immaterial Subsidiary due to the operation of clause (a) of the definition of “Immaterial Subsidiary”, upon the release of the guarantee referred to in such clause; or

(iv) repayment in full of all amounts due and payable under the Credit Documents and cancellation of Commitments hereunder.

9.12 Additional Liens and Security Interests. (a) Subject to the Agreed Security Principles, within 60 days (or such longer period as the Administrative Agent may agree in writing in its sole discretion) after (i) any Restricted Subsidiary becomes a Guarantor in accordance with Section 9.11 who as at the Signing Date has not granted security pursuant to the Security Documents or (ii) any Credit Party acquires any material property that is not automatically subject to a perfected security interest under the Security Documents, the relevant Credit Party shall, in each case at its sole cost and expense, duly execute and deliver to the Administrative Agent such mortgages, deeds of trust, mortgage amendment, deed of trust amendments, security agreement supplements and other security documents, as reasonably specified by and in form and substance reasonably satisfactory to the Administrative Agent (in form and scope, and covering such collateral on such terms, in each case consistent with the mortgages, security agreements and other security documents in effect on the Signing Date), granting a security interest in favor of the Secured Parties, and take such additional actions (including the giving of notices, the filing of statements and the provision of all instruments and documents reasonably requested by the Administrative Agent) to perfect and protect the security interests of the Secured Parties under the Security Documents. Notwithstanding the foregoing, no Credit Party shall be required to provide a security interest pursuant to this Section 9.12 (x) except as provided in Section 9.16, in cash or bank accounts prior to the occurrence of an Enforcement Event, (y) if the Agreed Security Principles would not so require or (z) over assets or properties that are not subject to Liens under the Security Documents as a result of the application of the Agreed Security Principles. Any security interest provided pursuant to this Section 9.12 shall be accompanied with such opinions of counsel to the Company as customarily given by borrower's counsel in the relevant jurisdiction (or title company endorsements), in form and substance customary for such jurisdiction. The Company will use reasonable endeavors to procure that its counsel or title company, as the case may be, in any relevant jurisdiction provides a legal opinion in respect of any such security interest.

(b) The obligations of a Credit Party under the Security Documents to which it is a party will terminate upon:

(i) such Credit Party ceasing to be a Guarantor in accordance with Section 9.11(c);

(ii) the designation in accordance with this Agreement of such Credit Party as an Unrestricted Subsidiary; or

(iii) payment and performance in full of the Secured Obligations and the cancellation of Commitments hereunder.

(c) The assets or property of a Credit Party forming part of the Collateral shall be released from the Lien created under any Security Document to which such Credit Party is a party upon the sale or disposition of such assets or property (other than to the Company or a Restricted Subsidiary) in a transaction permitted by this Agreement (other than a sale or disposition subject to Section 10.9 or 10.10(c)).

9.13 Further Assurances. Subject to the Agreed Security Principles, promptly upon request by the Administrative Agent, (a) correct any material defect or error that may be discovered in any Credit Document or in the execution, acknowledgment, filing or recordation thereof, and (b) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, certificates, assurances and other instruments as the Administrative Agent, may reasonably require from time to time in order to carry out more effectively the purposes of any Credit Document.

9.14 Insurance Endorsements. Within 10 Business Days (or 30 days in the case of the Guarantor organized under the laws of Thailand) (or such later date as the Collateral Agent and the Borrowers may agree) after the Funding Date or such later date on which the relevant Guarantor (i) grants security to secure the Secured Obligations or (ii) takes any steps necessary for the Secured Obligations to benefit from the security documents that secure the Senior Secured Notes (if not already received) and the end of each calendar year, the relevant Collateral Agent shall have received endorsements naming the relevant Collateral Agent, on behalf of the Lenders, as an additional insured or loss payee, as the case may be, under all material insurance policies to be renewed following the Funding Date or entered into prior to the end of such fiscal year with respect to the properties of the Company and its Subsidiaries forming part of the Collateral.

9.15 Equal and Ratable Security. In the event that assets of the Guarantor organized under the laws of the Philippines or the Capital Stock in such Guarantor are provided as security (other than through sharing the benefit of any conditional assignment) for Indebtedness referred to in Section 10.1(b)(i), 10.1(b)(iv), 10.1(b)(xi) or 10.1(b)(xiii) in excess of an aggregate of €25,000,000, then the Company shall, or shall cause the relevant Restricted Subsidiary to, provide that the obligations of the Borrowers under the Credit Documents are secured equally and ratably with all the Indebtedness that causes that threshold to be exceeded, for so long as such Indebtedness is so secured.

9.16 Security Over Cash and Bank Accounts. (a) The Company shall maintain bank accounts held, in each case, with the Global Collateral Agent in London and denominated in US Dollars, Euros and Sterling (each a "Initial Secured Account" and together the "Initial Secured Accounts") (pursuant to Clause 9.16 of the Revolving Credit Agreement) and shall, on the Funding Date, if such accounts are empty, deposit a nominal amount into each Initial Secured Account.

(b) Upon the occurrence and during the continuance of an Enforcement Event the Company shall, and shall procure that each of its Restricted Subsidiaries shall (i) pay the proceeds of the sale or collection of Collateral to a bank account or bank accounts that do not contain other cash of the Company or the relevant Restricted Subsidiary (as the case may be) that is not the proceeds of Collateral, (ii) not comingle the proceeds of Collateral with other cash of the Company or the relevant Restricted Subsidiary and (iii) pay the proceeds of Collateral denominated in US Dollars, Sterling and Euros that are paid to, or received by, the Company or a Restricted Subsidiary promptly to the relevant Initial Secured Account and, to the extent practicable, direct counterparties to pay the proceeds of Collateral directly to the relevant Initial Secured Account.

(c) Upon the occurrence and during the continuance of an Enforcement Event, the Company shall, and shall procure that each of its Restricted Subsidiaries shall, grant, subject to the Agreed Security Principles, a perfected Lien in all bank accounts held by the Company or any Restricted Subsidiary to which proceeds of Collateral are paid, to the extent of the proceeds of such Collateral (any such account, an "Additional Secured Account", and together with the Initial Secured Accounts, the "Secured Accounts"); provided that, to the extent any of the Additional Secured Accounts are or become part of the bank accounts used in the cash management system of the Company, the Company and its Restricted Subsidiaries shall each be entitled to grant a Lien over the Additional Secured Accounts in favor of the bank providing cash management facilities to secure the Company's obligations to such bank, which Lien shall rank equally and ratably with the Lien created in favor of the Global Collateral Agent.

9.17 Conditions Subsequent to the Funding Date. Subject to the Agreed Security Principles, as soon as is reasonably practicable following the Funding Date and in any event within 60 days thereafter (or, in the case of security over assets located in Japan and/or any Security Documents governed by Japanese law and legal opinion to be issued by Japanese counsel, 120 days thereafter or in any case, such longer period as the Administrative Agent may agree in writing in its sole discretion, and specifically in the case of clause (e) below and in respect of any filings or registrations required to perfect Liens granted by a Guarantor incorporated or registered under the laws of Hong Kong in the case of paragraph (c) below, such longer period as is reasonably required following the Funding Date):

(a) the Administrative Agent shall have received accessions to the Guaranty as required pursuant to Section 9.11 of this Agreement;

(b) the Global Collateral Agent and the Taiwan Collateral Agent, as applicable, shall have received (i) to the extent that the Global Collateral Agent has reasonably determined (based on the advice of counsel in each relevant jurisdiction) that the security documents that secure the Senior Secured Notes may continue in force and effect to secure the obligations of the Borrowers under this Agreement, confirmation that such security documents remain in full force and effect and (ii) to the extent that the Global Collateral Agent has reasonably determined (based on the advice of counsel in each relevant jurisdiction) that amendments or replacements of the security documents that secure the Senior Secured Notes as of the Funding Date are required in order to ensure that the obligations of the Borrowers under this Agreement and the Guarantors under the Guaranty are secured on a pari passu basis with the Senior Secured Notes, then copies of each such required amended or replaced agreement, executed and delivered by a duly authorized signatory of each party thereto;

(c) the Global Collateral Agent and the Taiwan Collateral Agent, as applicable, shall have received all documents and instruments, including Uniform Commercial Code or other applicable personal property and fixture security financing statements, required by Law or reasonably requested by a Collateral Agent, as applicable, to be filed, registered or recorded in any relevant jurisdiction to create the Liens intended to be created by the Security Documents and perfect such Liens to the extent required by, and with the priority required by, the Security Documents, shall have been filed, registered or recorded or delivered to such Collateral Agent for filing, registration or recording, subject to the Agreed Security Principles;

(d) the Global Collateral Agent and the Taiwan Collateral Agent, as applicable, shall have received the executed legal opinions of (i) special German counsel to the Borrowers reasonably satisfactory to the Global Collateral Agent, (ii) special Hong Kong counsel to the Global Collateral Agent reasonably satisfactory to the Global Collateral Agent, (iii) special Philippines counsel to the Global Collateral Agent reasonably satisfactory to the Global Collateral Agent, (iv) special Taiwan counsel to the Borrowers reasonably satisfactory to the Taiwan Collateral Agent, (v) special Taiwan counsel to the Taiwan Collateral Agent reasonably satisfactory to the Taiwan Collateral Agent, (vi) special Thailand counsel to the Global Collateral Agent reasonably satisfactory to the Global Collateral Agent, (vii) special Singapore counsel to the Global Collateral Agent reasonably satisfactory to the Global Collateral Agent, (viii) special English counsel to the Global Collateral Agent reasonably satisfactory to the Global Collateral Agent, (ix) special Japan counsel to the Borrowers and the Global Collateral Agent reasonably satisfactory to the Global Collateral Agent, (x) special California and Arizona counsel to the Borrowers reasonably satisfactory to the Global Collateral Agent and (xi) special Netherlands counsel to the Borrower reasonably satisfactory to the Global Collateral Agent in each case in substantially the same form and substance as provided under and in connection with the Revolving Credit Agreement or otherwise in form and substance reasonably satisfactory to Global Collateral Agent and the Taiwan Collateral Agent, as applicable, and, in each case, to the extent applicable to entities that are Credit Parties. The Borrowers, the other Credit Parties, Global Collateral Agent and the Taiwan Collateral Agent hereby instruct counsel to deliver such legal opinions; and

(e) NXP Semiconductors Singapore Pte. Ltd. shall progress the necessary “whitewash” procedures under Section 76 of the Companies Act (Chapter 50 of Singapore) in Singapore. Once the necessary “whitewash” procedures are completed, the securities (referred to in clause (b) above) and the Guaranty granted by NXP Semiconductors Singapore Pte Ltd. (pursuant to clause (a) above) will effectively secure all Secured Obligations in respect of liabilities or obligations.

9.18 Change in Control Repurchase

(a) Within 30 days from the occurrence of a Change of Control, the Borrowers shall provide written notice to the Administrative Agent (a “Change of Control Offer Notice”) of its offer to repurchase the Loans of each lender in whole (and not in part) at a purchase price in cash equal to 101% of the principal amount of all such Loans plus accrued and unpaid interest to the date of purchase (the “Change of Control Purchase Price”).

(b) Within 20 days from the Administrative Agent’s receipt of the Change of Control Offer Notice, the Borrower shall pay to the Administrative Agent for the account of each Lender who has elected to have the Borrowers repurchase its Loans in an amount sufficient to repurchase all such Loans at the Change of Control Purchase Price; provided that Lenders shall notify the Administrative Agent of its election to have the Borrower repurchase its Loans within 10 days of the Administrative Agent’s receipt of the Change of Control Offer Notice; provided further, that a Lender shall be deemed to have elected not to have its Loans repurchased if it fails to notify the company and Administrative Agent of such election within such 10 day period.

(c) The Borrowers will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer made by the Borrowers and repurchases all Loans elected for repurchase under such Change of Control Offer.

(d) The Borrowers shall not be obliged to repurchase Loans pursuant to this Section 9.18 in the event and to the extent that they have exercised their right to repay all of the Loans.

(e) The provisions of this Section 9.18 may be waived or modified with the consent of the Required Lenders.

9.19 Parallel Debts. (a) Each of the Credit Parties undertakes by way of an abstract acknowledgment of indebtedness with the Global Collateral Agent to pay to the Global Collateral Agent its Parallel Debts. The parties acknowledge that the Global Collateral Agent is the creditor of the Parallel Debts and shall act in its own name and not as agent of any of the Lenders, the Sole Lead Arranger, the Sole Bookrunner, the Administrative Agent or the Global Collateral Agent or the Taiwan Collateral Agent (each a “Parallel Debt Secured Party”) (but always for the benefit of the Parallel Debt Secured Parties in accordance with the provisions of the Credit Documents).

(b) Paragraph (a) above is (i) for the purpose of ensuring the validity and effect of certain security rights governed by German laws, granted by any Credit Party pursuant to the Guaranty; and (ii) without prejudice to the other provisions of the Guaranty. For the avoidance of doubt, (i) the respective Parallel Debt shall be decreased to the extent the Underlying Debt has been repaid or discharged, (ii) the Underlying Debt shall be decreased to the extent that the respective Parallel Debt has been repaid or discharged, and (iii) the amount of the Parallel Debt shall at all times be equal to the amount of the Underlying Debt.

(c) Each Parallel Debt is a separate and independent obligation and shall not make the Global Collateral Agent or any Parallel Debt Secured Party a joint and several creditor of any Underlying Debt.

SECTION 10. Negative Covenants

Each Borrower hereby covenants and agrees that on the Signing Date and thereafter, until the Commitments have terminated and the Loans, together with interest, Fees and all other Secured Obligations incurred hereunder, are paid and performed in full:

10.1 Limitation on Indebtedness. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); provided, however, that the Company and any of the Guarantors may Incur Indebtedness if on the date of such Incurrence and after giving pro forma effect thereto (including pro forma application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries is greater than 2.00 to 1.0.

(b) Clause (a) will not prohibit the Incurrence of the following Indebtedness:

(i) Indebtedness Incurred pursuant to any Credit Facility (including the Super Priority Notes and also including in respect of letters of credit or bankers' acceptances issued or created thereunder) and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (A) €750,000,000, plus (B) in the case of any refinancing of any Indebtedness permitted under this sub-clause (i) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(ii) (A) (1) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Guarantor and (2) co-issuance by the Co-Borrower of any Indebtedness of the Company, in each case so long as the Incurrence of such Indebtedness is permitted under this Agreement; or

(B) without limiting Section 10.3, Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under this Agreement;

(iii) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; provided, however, that:

(A) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Company or a Restricted Subsidiary of the Company; and

(B) any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary of the Company,

shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be;

(iv) Indebtedness represented by (A) any Indebtedness (other than Indebtedness described in sub-clauses (i) and (iii) above) outstanding on the Original Closing Date, (B) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this sub-clause (iv) or sub-clauses (v), (vii), or (xi) below or Incurred pursuant to clause (a) above, (C) Management Advances, (D) the Senior Secured Notes, (E) the Senior Unsecured Notes, and (F) obligations arising under a declaration of joint and several liability in respect of a Restricted Subsidiary used for the purpose of section 2:403 of the Dutch Civil Code (*Burgerlijk Wetboek*) (and any residual liability under such declaration arising pursuant to section 2:404(2) of the Dutch Civil Code) to the extent that such obligations constitute Indebtedness;

(v) Indebtedness of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary of the Company or another Restricted Subsidiary of the Company or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition); provided, however, with respect to this sub-clause (v), that at the time of such acquisition or other transaction (x) the Company would have been able to Incur €1.00 of additional Indebtedness pursuant to clause (a) above after giving effect to the Incurrence of such Indebtedness pursuant to this sub-clause (v), or (y) the Fixed Charge Coverage Ratio would not be lower than it was immediately prior to giving effect to such acquisition or other transaction;

(vi) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for bona fide hedging purposes of the Company or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or senior management of the Company);

(vii) Indebtedness represented by Capitalized Lease Obligations or Purchase Money Obligations, and in each case any Refinancing Indebtedness in respect thereof, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this sub-clause (vii) and then outstanding, will not exceed at any time outstanding the greater of (A) €100,000,000 and (B) 1% of Total Assets;

(viii) Indebtedness in respect of (A) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business, (B) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, (C) the financing of insurance premiums in the ordinary course of business and (D) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(ix) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); provided that the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(x) (A) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five Business Days of Incurrence;

(B) Customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business;

(C) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries; and

(D) Indebtedness incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management purposes, in each case incurred or undertaken in the ordinary course of business on arm's length commercial terms on a recourse basis;

(xi) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this sub-clause (xi) and then outstanding, will not exceed €450,000,000;

(xii) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this sub-clause (xii) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Company, in each case, subsequent to the Original Closing Date; provided, however, that (A) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under Sections 10.2(c)(i), (vi) and (x) to the extent the Company and its Restricted Subsidiaries incur Indebtedness in reliance thereon, and (B) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this sub-clause (xii) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under Section 10.2 and Sections 10.2(c)(i), (vi), and (x) in reliance thereon;

(xiii) Indebtedness of Non-Guarantor Restricted Subsidiaries incurred as a result of (A) any governmental or regulatory restrictions, limitations or penalties in the nature of capital controls, exchange controls or similar restrictions affecting the incurrence or repayment of intercompany Indebtedness by any Restricted Subsidiary or (B) any ordinary course country risk management policies of the Company restricting or limiting transfers or distributions from the Company or any Restricted Subsidiary to the Company or any Restricted Subsidiary, provided that the principal amount of such Indebtedness so incurred when aggregated with other Indebtedness previously incurred in reliance on this sub-clause (xiii) and still outstanding shall not in the aggregate exceed €350,000,000; and

(xiv) the guarantee by the Company or a Restricted Subsidiary of Debt of any Person in which the Company or a Restricted Subsidiary has beneficial ownership of 15% or more of the Voting Stock in respect of performance, bid or surety bonds issued by or on behalf of any such Person in the ordinary course of business in an aggregate amount, together with all other guarantees of the Company outstanding pursuant to this sub-clause (xiv) on the date of such incurrence, not to exceed €15,000,000.

(c) For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this Section 10.1:

(i) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in clauses (a) and (b) above, the Company, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the sub-clauses of clause (b) or clause (a);

(ii) all Indebtedness outstanding on the Original Closing Date under this Agreement and the Super Priority Notes shall be deemed initially Incurred on the Signing Date under clause (b)(i) above and not clause (a) or clause (b)(v)(v) above, and may not be reclassified pursuant to sub-clause (i) above;

(iii) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(iv) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (b)(i), (vii), (xi), (xii) or (xiii) or clause (a) above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(v) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(vi) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(vii) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of GAAP.

(d) Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in GAAP, will not be deemed to be an Incurrence of Indebtedness for purposes of this Section 10.1.

(e) The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (ii) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

(f) If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under this Section 10.1 the Company shall be in Default of this covenant).

(g) For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Company, first committed, in the case of Indebtedness Incurred under a revolving credit facility; provided that (i) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euros, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (ii) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Original Closing Date shall be calculated based on the relevant currency exchange rate in effect on the Original Closing Date, except to the extent the amount of such Indebtedness is incurred under a revolving credit facility; and (iii) if and for so long as any such Indebtedness is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated in euros, will be the amount of the principal payment required to be made under such Currency Agreement and, otherwise, the Euro Equivalent of such amount plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

(h) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may Incur pursuant to this Section 10.1 shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

(i) If the Company adopts the US Dollars as its reporting currency, it may elect irrevocably to convert all Euro-denominated restrictions into US Dollar-denominated restrictions at the applicable Exchange Rate prevailing on the date of such election, and all references in this Agreement to determining Euro Equivalents and Euro amounts shall apply mutatis mutandis as though referring to US Dollars.

10.2 Limitation on Restricted Payments. (a) The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(i) declare or pay any dividend or make any distribution on or in respect of the Company's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except:

(A) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Company or in Subordinated Shareholder Funding; and

(B) dividends or distributions payable to the Company or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Company or another Restricted Subsidiary on no more than a pro rata basis, measured by value);

(ii) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company or any direct or indirect Parent of the Company held by Persons other than the Company or a Restricted Subsidiary of the Company (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));

(iii) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (A) any such purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (B) any Indebtedness Incurred pursuant to Section 10.1(b)(iii)) or any Subordinated Shareholder Funding; or

(iv) make any Restricted Investment in any Person;

(any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in sub-clauses (i) through (iv) above made on or after the Original Closing Date are referred to herein as a "Restricted Payment"), unless, at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(A) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(B) the Fixed Charge Coverage Ratio would not exceed 2.00 to 1.00 after giving effect, on a pro forma basis, to such Restricted Payment; or

(C) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Original Closing Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (c)(vi), (x), (xi), and (xii), but excluding all other Restricted Payments permitted by clause (c)) would exceed the sum of (without duplication):

(1) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing after the Original Closing Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(2) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with clause (b) below) of property or assets or marketable securities, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Original Closing Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company subsequent to the Original Closing Date (other than (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (c)(vi) below, and (z) Excluded Contributions);

(3) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with clause (b) below) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Original Closing Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with clause (b) below) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange);

(4) the amount equal to the net reduction in Restricted Investments made by the Company or any of its Restricted Subsidiaries after the Original Closing Date resulting from:

(a) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Company or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Company or any Restricted Subsidiary; or

(b) the redesignation of Unrestricted Subsidiaries (other than SSMC) as Restricted Subsidiaries (valued, in each case, as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this sub-paragraph (4), was included in the calculation of the amount of Restricted Payments referred to in the first sentences of this sub-clause (C); provided, however, that no amount will be included in Consolidated Net Income for purposes of sub-paragraph (1) above to the extent that it is (at the Company's option) included under this sub-paragraph (4); and

(5) the amount of the cash and fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or of marketable securities received by the Company or any of its Restricted Subsidiaries after the Original Closing Date in connection with:

(a) the sale or other disposition (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Company (other than SSMC); and

(b) any dividend or distribution made by an Unrestricted Subsidiary or Affiliate (other than SSMC) to the Company or a Restricted Subsidiary;

provided, however, that no amount will be included in Consolidated Net Income for purposes of sub-paragraph (1) above to the extent that it is (at the Company's option) included under this sub-paragraph (5) above;

provided further, however, that such amount shall not exceed the amount included in the calculation of the amount of Restricted Payments referred to in the first sentence of this sub-clause (C).

(b) The fair market value of property or assets other than cash covered by clause (a) above shall be the fair market value thereof as determined in good faith by the Board of Directors of the Company or the relevant Restricted Subsidiary.

(c) Clause (a) above will not prohibit any of the following (collectively, "Permitted Payments"):

(i) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Designated Preference Shares, Subordinated Shareholder Funding or Subordinated Indebtedness made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company; provided, however, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock, Subordinated Shareholder Funding or such contribution will be excluded from clause (a)(iv)(C)(2) above;

(ii) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to Section 10.1;

(iii) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Company or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Company or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to Section 10.1, and that in each case, constitutes Refinancing Indebtedness;

(iv) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(A) (1) from Net Available Cash to the extent permitted under Section 10.5, but only if the Company shall have first complied with Section 10.5 and purchased all Loans tendered pursuant to any offer to repurchase all the Loans required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (2) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(B) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (1) if the Company shall have first paid in full all amounts due under this Agreement as a result of such Change of Control and purchased all Loans tendered pursuant to the offer to repurchase all the Loans required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (2) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(C) (1) consisting of Acquired Indebtedness (other than Indebtedness Incurred (x) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (y) otherwise in connection with or contemplation of such acquisition) and (2) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(v) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this provision;

(vi) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Company to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; provided that such payments, loans, advances, dividends or distributions since the Original Closing Date do not exceed an amount (net of repayments of any such loans or advances) equal to (A) €40,000,000 plus (B) €20,000,000 multiplied by the number of calendar years that have commenced since the Original Closing Date plus (C) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Original Closing Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (C), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under clause (a)(iv)(C)(2) above;

(vii) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with Section 10.1;

(viii) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(ix) dividends, loans, advances or distributions to any Parent or other payments by the Company or any Restricted Subsidiary in amounts equal to (without duplication):

(A) the amounts required for any Parent to pay any Parent Expenses or any Related Taxes; or

(B) amounts constituting or to be used for purposes of making payments (1) in connection with, and of fees and expenses Incurred in connection with, the Transactions or (2) to the extent specified in Sections 10.6(c)(ii), (iii), (v), (vii) and (xii).

(x) so long as no Default or Event of Default has occurred and is continuing (or would result from), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Company or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (A) 6% of the Net Cash Proceeds received by the Company from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company and (B) following the Initial Public Offering, an amount equal to the greater of (1) the greater of (x) 7% of the Market Capitalization and (y) 7% of the IPO Market Capitalization; provided that after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 2.75 to 1.00 and (2) the greater of (x) 5% of the Market Capitalization and (y) 5% of the IPO Market Capitalization; provided that after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 3.25 to 1.00;

(xi) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed €200,000,000 less the amount of any such Restricted Payments made prior to the Signing Date but on or after the Original Closing Date pursuant to the corresponding provision of the Revolving Credit Agreement;

(xii) payments by the Company, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Company or any Parent in lieu of the issuance of fractional shares of such Capital Stock, provided, however, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this Section 10.2 or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors);

(xiii) Investments made since the Original Closing Date in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, made since the Original Closing Date or consisting of non-cash Excluded Contributions, or Investments to the extent made in exchange for or using as consideration Investments previously made under this sub-clause (xiii);

(xiv) [Reserved];

(xv) [Reserved];

(xvi) (A) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Original Closing Date; and (B) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent issued after the Original Closing Date; provided, however, that, in the case of paragraphs (xvi) and (xvi), the amount of all dividends declared or paid pursuant to sub-clause (xvi) shall not exceed the Net Cash Proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by Parent or an Affiliate the issuance of Designated Preference Shares) of the Company, from the issuance or sale of such Designated Preference Shares;

(xvii) [Reserved];

(xviii) dividends or other distributions of Capital Stock of Unrestricted Subsidiaries other than SSMC (unless the Unrestricted Subsidiary's principal asset is cash and Cash Equivalents or to the extent the assets owned by such Unrestricted Subsidiary were contributed in contemplation to such dividend or distribution); and

(xix) [Reserved].

(d) The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Company acting in good faith.

(e) In addition to the foregoing, it will be a breach of this Section 10.2 if any of the Initial Investors receives directly or indirectly from SSMC payments that would, if made by the Company, constitute Restricted Payments of the types described in clauses (a)(i) to (iii) above (inclusive), other than through distributions and dividends (x) to the Company and the making of such payments by the Company in a manner permitted by the covenant set forth above or (y) on a pro rata basis (proportionate to its ownership of SSMC) to another portfolio company of any Initial Investor, or, in the case of the Seller, another operating subsidiary, engaged in an active business that owns Capital Stock of SSMC at such time.

10.3 Limitation on Liens. The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien (other than Permitted Liens or, in the case of assets constituting Collateral, Permitted Collateral Liens) upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Company), whether owned on the Original Closing Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien secures any Indebtedness.

10.4 Limitation on Restrictions on Distributions from Restricted Subsidiaries. (a) The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(i) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Company or any Restricted Subsidiary;

(ii) make any loans or advances to the Company or any Restricted Subsidiary; or

(iii) sell, lease or transfer any of its property or assets to the Company or any Restricted Subsidiary;

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

(b) Clause (a) above will not prohibit:

(i) any encumbrance or restriction pursuant to (A) any Credit Facility (including the Credit Documents) or (B) any other agreement or instrument, in each case, in effect at or entered into on the Signing Date;

(ii) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Company or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; provided that, for the purposes of this sub-clause (ii), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Company;

(iii) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in sub-clause (i) or (ii) above or this sub-clause (iii) (an "Initial Agreement") or contained in any amendment, supplement or other modification to an agreement referred to in sub-clause (i) or (ii) above or this sub-clause (iii); provided, however, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Lenders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Company);

(iv) any encumbrance or restriction:

(A) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(B) contained in mortgages, pledges or other security agreements permitted under this Agreement or securing Indebtedness of the Company or a Restricted Subsidiary permitted under this Agreement to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges or other security agreements; or

(C) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;

(v) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under this Agreement, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(vi) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(vii) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(viii) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(ix) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(x) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(xi) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Signing Date pursuant to Section 10.1 if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Lenders than (A) the encumbrances and restrictions contained in this Agreement, together with the Security Documents associated therewith as in effect on the Signing Date or (B) in comparable financings (as determined in good faith by the Company) and where, in the case of paragraph (B), the Company determines at the time of issuance of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Borrowers' ability to make principal or interest payments on the Loans or Unpaid Drawings;

(xii) [Reserved]; or

(xiii) any encumbrance or restriction existing by reason of any Lien permitted under Section 10.3.

10.5 Limitation on Sales of Assets and Subsidiary Stock. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(i) the Company or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Company, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);

(ii) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Company or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments; and

(iii) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company or such Restricted Subsidiary, as the case may be:

(A) to the extent the Company or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness of a Restricted Subsidiary), (1) to prepay, repay or purchase any Indebtedness of a non-Guarantor Restricted Subsidiary (in each case, other than Indebtedness owed to the Company or any Restricted Subsidiary) or Indebtedness under the Revolving Credit Agreement or the Super Priority Notes within 365 days from the later of (x) the date of such Asset Disposition and (y) the receipt of such Net Available Cash; provided, however, that such prepayment shall only be required after the Company and the Co-Borrower have complied with Section 10.5(b)(ii) and in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this paragraph (A), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) (except in the case of the Revolving Credit Agreement) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; or (2) to prepay, repay or purchase Pari Passu Indebtedness at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment or purchase; provided that the Company shall redeem, repay or repurchase Pari Passu Indebtedness pursuant to this sub-paragraph (A) only if the Company makes (at such time or subsequently in compliance with this Section 10.5) an offer to Lenders to purchase Loans in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Loans at least equal to the proportion that (x) the total aggregate principal amount of Loans outstanding bears to (y) the sum of the total aggregate principal amount of Loans outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness; or

(B) to the extent the Company or such Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Company or another Restricted Subsidiary) within 365 days from the later of (1) the date of such Asset Disposition and (2) the receipt of such Net Available Cash; provided, however, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Company that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day; provided that to the extent that any disposition in such Asset Sale was of Collateral, the assets (including Voting Stock) acquired with the Net Cash Proceeds thereof shall, subject to the Agreed Security Principles, be pledged as Collateral under the Security Documents substantially simultaneously with such acquisition;

provided that, pending the final application of any such Net Available Cash in accordance with paragraph (A) or paragraph (B) above, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by this Agreement.

(b) (i) Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in clause (a) above will be deemed to constitute "Excess Proceeds." On the 366th day after an Asset Disposition, if the aggregate amount of Excess Proceeds exceeds €50,000,000, the Borrowers will, subject to sub-clause (i) below, be required to make an offer ("Asset Disposition Offer") to all Lenders and, to the extent the Company elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Loans and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Loans in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Loans and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth herein or the agreements governing the Pari Passu Indebtedness, as applicable.

(ii) The Borrowers shall only be required to make an Asset Disposition Offer to Lenders and apply any Excess Proceeds to purchase Loans after the Company and the Co-Borrower have, at the election of the Company and the Co-Borrower, prepaid, repaid or repurchased Indebtedness under the Note Indentures in respect of the Senior Notes, and, in each case, then only to the extent of the Excess Proceeds available after the Company and the Co-Borrower have complied with such obligations or made such prepayment, repayment or repurchase (as the case may be).

(c) To the extent that the aggregate amount of Loans and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for general corporate purposes, subject to the other provisions of this Agreement. If the aggregate principal amount of the Loans surrendered in any Asset Disposition Offer by Lenders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Loans and Pari Passu Indebtedness to be purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Loans and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in Euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Company that is within the Asset Disposition Offer Period (as defined in clause (e) below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

(d) To the extent that any portion of Net Available Cash payable in respect of the Loans is denominated in a currency other than Dollars, the amount thereof payable in respect of such Loans shall not exceed the net amount of funds in Dollars that is actually received by the Company upon converting such portion into Dollars.

(e) The Asset Disposition Offer will remain open for a period of not less than 20 Business Days following its commencement (the "Asset Disposition Offer Period"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "Asset Disposition Purchase Date"), the Borrowers will purchase the principal amount of Loans and, to the extent they elect, Pari Passu Indebtedness required to be purchased pursuant to this covenant (the "Asset Disposition Offer Amount") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Loans and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

(f) On or before the Asset Disposition Purchase Date, the Borrowers will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Loans and Pari Passu Indebtedness or portions of Loans and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Loans and Pari Passu Indebtedness so validly tendered and not properly withdrawn. The Company will deliver to the Administrative Agent an Officer's Certificate stating that such Loans or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 10.5. The Borrowers will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) pay to the Administrative Agent for the account of each tendering Lender an amount equal to the purchase price of the Loans so validly tendered and not properly withdrawn by such Lender, and accepted by the Borrowers for purchase.

(g) For the purposes of clause (a)(ii) above, the following will be deemed to be cash:

(i) the assumption by the transferee of Indebtedness of the Company or Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness of the Company or a Guarantor) and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

(ii) securities, notes or other obligations received by the Company or any Restricted Subsidiary of the Company from the transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

(iii) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Company and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(iv) consideration consisting of Indebtedness of the Company (other than Subordinated Indebtedness) received after the Signing Date from Persons who are not the Company or any Restricted Subsidiary; and

(v) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this Section 10.5, or designated as such pursuant to the corresponding provision of the Secured Indenture prior to the Signing Date but on or after the Original Closing Date that is at that time outstanding, not to exceed the greater of €100,000,000 and 1% of Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

10.6 Limitation on Affiliate Transactions. The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (an "Affiliate Transaction") involving aggregate value in excess of €20,000,000 unless:

(i) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and

(ii) in the event such Affiliate Transaction involves an aggregate value in excess of €50,000,000, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Company or the relevant Restricted Subsidiary (as applicable).

(b) Any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in clause (a)(ii) above if such Affiliate Transaction is approved by a majority of the Disinterested Directors. If there are no Disinterested Directors, any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in this Section 10.6 if the Company or any of its Restricted Subsidiaries, as the case may be, delivers to the Administrative Agent a letter from an Independent Financial Advisor stating that such transaction is fair to the Company or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to the Company or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person on an arm's length basis.

(c) The provisions of clause (b) above will not apply to:

(i) any Restricted Payment permitted to be made pursuant to Section 10.2, any Permitted Payments (other than pursuant to Section 10.2(c)(ix)(B)) or any Permitted Investment (other than Permitted Investments as defined in clauses (a)(ii), (b), (k) and (o) of the definition thereof);

(ii) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;

(iii) any Management Advances and any waiver or transaction with respect thereto;

(iv) any transaction between or among the Company and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries;

(v) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Company, any Restricted Subsidiary of the Company or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(vi) the Transactions and the entry into and performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Original Closing Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this Section 10.6 or to the extent not more disadvantageous to the Lenders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(vii) execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(viii) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or the senior management of the Company or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(ix) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary or any Affiliate of the Company or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(x) (A) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; provided that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors in their reasonable determination and (B) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of this Agreement;

(xi) without duplication in respect of payments made pursuant to sub-clause (xii) below, (C) payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual customary management, consulting, monitoring or advisory fees and related expenses customary for portfolio companies of the Initial Investors described in clause (a) of the definition thereof and (D) customary payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this paragraph (xi) are approved by a majority of the Board of Directors in good faith; and

(xii) payment to any Permitted Holder of all reasonable out of pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Company and its Subsidiaries.

10.7 Limitation on Business Activities of the Co-Borrower. The Co-Borrower may not hold any material assets, become liable for any material obligations or engage in any business activities; provided that it may be a co-obligor with respect to any Indebtedness issued by the Company or a Guarantor, and may engage in any activities directly related thereto or necessary in connection therewith. The Co-Borrower shall be a Wholly-Owned Subsidiary of the Company at all times.

10.8 [Reserved]

10.9 Merger and Consolidation by the Company. (a) The Company will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(i) the resulting, surviving or transferee Person (the "Successor Company") will be a Person organized and existing under the laws of any member state of the European Union on January 1, 2004, or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or

Switzerland and the Successor Company (if not the Company) will expressly assume, by supplemental agreements, executed and delivered to the Administrative Agent, in form reasonably satisfactory to the Administrative Agent, all the obligations of the Company under the Credit Documents;

(ii) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(iii) immediately after giving effect, on a pro forma basis, to such transaction, either (A) the Fixed Coverage Ratio of the Successor Company would exceed 2.00 to 1.00 or (B) the Fixed Charge Coverage Ratio would not be lower than it was immediately prior to giving effect to such transaction; and

(iv) the Company shall have delivered to the Administrative Agent an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental agreement (if any) comply with this Agreement and an Opinion of Counsel to the effect that such supplemental agreement (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Administrative Agent), provided that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of sub-clauses (ii) and (iii) above.

(b) Any Indebtedness that becomes an obligation of the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with Section 10.1.

(c) For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

(d) The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under this Agreement and the other Credit Documents but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under this Agreement or the other Credit Documents.

(e) Notwithstanding clauses (a)(ii) and (a)(iii) above (which do not apply to transactions referred to in this clause 10.9(e) and, other than with respect to clause (c) above and clause (a)(iv) above, (i) any Restricted Subsidiary of the Company may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Company and (ii) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary. Notwithstanding clause (a)(ii) or (a)(iii) above (which does not apply to the transactions referred to in this clause 10.9(e), the Company may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Company, reincorporating the Company in another jurisdiction, or changing the legal form of the Company.

(f) This Section 10.9 (other than the requirements of clause (a)(ii) above) shall not apply to the creation of a new subsidiary as a Restricted Subsidiary of the Company.

10.10 Merger and Consolidations by the Co-Borrower and Guarantors. (a) The Co-Borrower may not consolidate with, merge with or into any person or permit any person to merge with or into the Co-Borrower unless:

(i) concurrently therewith, a Subsidiary of the Company that is a limited liability company or corporation organized under the laws of the United States of America or any state thereof or the District of Columbia (which may be the Co-Borrower or the continuing person as a result of such transaction) expressly assumes all of the obligations of the Co-Borrower under this Agreement and the other Credit Documents; or

(ii) after giving effect to the transaction, at least one obligor on the Senior Notes is a limited liability company or corporation organized under the laws of the United States of America or any state thereof or the District of Columbia.

(b) Upon the consummation of any transaction effected in accordance with this Section 10.10, the resulting, surviving or transferee Co-Borrower will succeed to, and be substituted for, and may exercise every right and power of, the Co-Borrower under each Credit Document with the same effect as if such successor Person had been named as the Co-Borrower under such Credit Documents. Upon such substitution, the Co-Borrower will be released from its obligations under each Credit Document.

(c) No Guarantor may (i) consolidate with or merge with or into any Person, or (ii) sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person, or (iii) permit any Person to merge with or into the Guarantor, unless, in any such case:

(A) the other Person is the Company or any Restricted Subsidiary that is Guarantor or becomes a Guarantor concurrently with the transaction; or

(B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under the Credit Documents to which such Guarantor is a party; and

(2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by this Agreement.

10.11 Impairment of Liens. The Company shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the Lien with respect to the Collateral (it being understood that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Lien with respect to the Collateral) for the benefit of the Secured Parties, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than a Collateral Agent, for the benefit of the Secured Parties, any interest whatsoever in any of the Collateral, except that the Company and its Restricted Subsidiaries may Incur Permitted Collateral Liens and the Collateral may be discharged and released in accordance with the Credit Documents.

10.12 Suspension of Covenants on Achievement of Investment Grade Status. If on any date following the Signing Date, the Loans have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Loans cease to have Investment Grade Status (the "Reversion Date"), the following provisions will not apply: Section 10.1, Section 10.2, Section 10.4, Section 10.5, Section 10.6 and Section 10.9(a)(iii) and, in each case, any related default provision will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken during the continuance of the Suspension Event, and Section 10.2 will be interpreted as if it has been in effect since the Signing Date except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Company's option, as having been Incurred pursuant to Section 10.1(a) or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred under Section 10.1 such Indebtedness will be deemed to have been outstanding on the Original Closing Date, so that it is classified as permitted under Section 10.1(b)(iv).

In addition, so long as each Rating Agency confirms that the Investment Grade Status for the Loans has taken into account such release, all Liens securing Secured Obligations hereunder will be released upon achievement of Investment Grade Status. All such Liens shall, subject to the Agreed Security Principles, be reinstated upon the Reversion Date.

SECTION 11. Events of Default

11.1 Events of Default. Any of the following shall constitute an Event of Default:

(a) Non-Payment of Interest. Default in any payment of interest on any Loan when due and payable and such default continues for 5 days;

(b) Non-Payment of Principal. Default in the payment of the principal amount of or premium, if any, on any Loan when due pursuant to the terms hereof, including upon any required repurchase, upon acceleration of maturity or otherwise;

(c) Breach of Specific Covenants. Failure to comply for 30 days after notice by the Administrative Agent on behalf of the Lenders or the Required Lenders with any covenant, warranty or other agreement with respect to Section 9.11, Section 9.12 or Section 10;

(d) Breach of Other Covenants. Failure to comply for 60 days after notice by the Administrative Agent on behalf of the Lenders or the Required Lenders with its other agreements (not specified in clause (a), (b) or (c) above) contained in any Credit Document;

(e) Cross-Acceleration. Default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company, the Co-Borrower or any of their Restricted Subsidiaries (or the payment of which is Guaranteed by the Company, the Co-Borrower any of their Restricted Subsidiaries) other than Indebtedness owed to the Company, the Co-Borrower or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the date hereof, which default:

(i) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness; or

(ii) results in the acceleration of such Indebtedness prior to its maturity;

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €100 million or more;

(f) [Reserved]

(g) Insolvency. Any Credit Party or any of the Restricted Subsidiaries institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator, administrator, administrative receiver or similar office is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for sixty (60) calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property or assets is instituted without the consent of such Person and continues undismissed or unstayed for (60) calendar days, or an order for relief is entered in any such proceeding;

(h) Breach of Representations. Any representation or warranty made or deemed made by any Credit Party (or any of its officers) under or in connection with any Credit

Document shall prove to have been incorrect in any material respect when made or deemed made;

(i) Security Documents. (i) Any Lien under the Security Document on any material Collateral shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document and this Agreement) for any reason other than the satisfaction in full of all of the Secured Obligations or the release of any such Lien in accordance with the terms hereof or (ii) any Security Document or any Lien created thereunder on any material Collateral shall be declared invalid or unenforceable or a Borrower shall assert in writing that any such Lien is invalid or unenforceable, and, in any such case, such event or circumstance continues for 10 days.

(j) Judgments. Failure by any Credit Party or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Borrowers and their Restricted Subsidiaries), would constitute a Significant Subsidiary, to pay final judgments aggregating in excess of €100,000,000 (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final; or

(k) Guaranty. The Guaranty ceases to be in full force and effect, other than in accordance the terms of the Credit Documents and the Agreed Security Principles, or a Guarantor denies or disaffirms its obligations under the Guaranty, other than in accordance with the terms thereof or upon release of the Guaranty in accordance with the Credit Documents;

then, and in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Administrative Agent shall, upon the written request of the Required Lenders, by written notice to the Borrowers, take any or all of the following actions, without prejudice to the rights of the Administrative Agent or any Lender to enforce its claims against the Borrowers, except as otherwise specifically provided for in this Agreement: (i) declare the Total Commitment terminated, whereupon the Commitments of each Lender shall forthwith terminate immediately and any Fees theretofore accrued shall forthwith become due and payable without any other notice of any kind; and (ii) declare the principal of and any accrued interest and fees in respect of all Loans, and all other amounts owing hereunder or under any other Credit Document to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers; provided that upon the occurrence of any Event of Default under Section 11.1(g) the Total Commitment and Commitment of each Lender shall automatically terminate, the unpaid principal amount of all outstanding Loans, and all interest and other amounts as aforesaid shall automatically become due and payable, in each case without further act of the Administrative Agent or any Lender.

11.2 [Reserved]

11.3 Application of Funds. After the exercise of remedies as provided in Section 11.1 (or after the Commitments have been automatically cancelled, Loans and all other amounts have automatically become due and payable), any amounts received by the

Administrative Agent on account of the Secured Obligations shall be applied in accordance with Section 4 of the Collateral Agency Agreement.

SECTION 12. The Agents

12.1 Appointment. (a) Each Lender hereby irrevocably designates and appoints the Administrative Agent as the agent of such Lender under this Agreement and the other Credit Documents, and each such Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Credit Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Credit Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Credit Document or otherwise exist against the Administrative Agent.

(b) The Administrative Agent and each Lender hereby irrevocably designate and appoint each Collateral Agent as its agent under this Agreement and the other Credit Documents, and the Administrative Agent and each Lender irrevocably authorize each Collateral Agent, in such capacity, to take such action on their behalf under the provisions of this Agreement and the other Credit Documents and to exercise such powers and perform such duties as are expressly delegated to each Collateral Agent by the terms of this Agreement and the other Credit Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, each Collateral Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with the Administrative Agent or any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Credit Document or otherwise exist against a Collateral Agent.

(c) Notwithstanding any other provision of this Agreement or any provision of any other Credit Document, each of the Sole Lead Arranger and the Sole Bookrunner are named as such for recognition purposes only, and in their respective capacities as such shall have no obligations, duties, responsibilities or liabilities with respect to this Agreement or any other Credit Document; it being understood and agreed that each of the Sole Lead Arranger and the Sole Bookrunner shall be entitled to all benefits of this Section 12. Without limitation of the foregoing, neither the Sole Lead Arranger nor the Sole Bookrunner in their respective capacities as such shall, by reason of this Agreement or any other Credit Document, have any fiduciary relationship in respect of any Lender, Credit Party or any other Person.

(d) Each Lender confirms that the Sole Lead Arranger and the Administrative Agent has authority to accept on its behalf (and ratifies the acceptance on its behalf of any letters or reports already accepted by the Sole Lead Arranger or Administrative Agent) the terms of any reliance letter or engagement letters relating to any reports or letters provided by accountants in connection with the Credit Documents or the transactions contemplated in the Credit Documents (including any net asset letter in connection with the financial assistance procedures) and to bind it in respect of those reports or letters and to sign such letters on its behalf and further confirms that it accepts the terms and qualifications set out in such letters.

12.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement and the other Credit Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

12.3 Exculpatory Provisions. No Agent nor any of its respective officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Credit Document (except for its or such Person's own gross negligence or willful misconduct) or (b) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower, any Guarantor, any other Credit Party or any officer thereof contained in this Agreement or any other Credit Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent or any Collateral Agent under or in connection with, this Agreement or any other Credit Document, or the perfection or priority of any Lien or security interest created or purported to be created under the Security Documents, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Credit Document or for any failure of the Borrower, any Guarantor or any other Credit Party to perform its obligations hereunder or thereunder. No Agent shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Credit Document, or to inspect the properties, books or records of any Credit Party.

12.4 Reliance by Agents. Each Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to any Credit Party), independent accountants and other experts selected by such Agent. Each Agent may deem and treat the Lender specified in the Register with respect to any amount owing hereunder as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. Each Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Credit Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. Each Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Credit Documents in accordance with a request of the Required Lenders (or such greater number or percentage of Lenders as may be expressly required by this Agreement in any instance), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

12.5 Notice of Default. No Agent shall be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless it has received notice from a Lender or a Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, it shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders, provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders (except to the extent that this Agreement requires that such action be taken only with the approval of the Required Lenders or each of the Lenders, as applicable).

12.6 Non-Reliance on Agents and Other Lenders. Each Lender expressly acknowledges that no Agent nor any of its respective officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by any Agent hereinafter taken, including any review of the affairs of a Borrower, any Guarantor or any other Credit Party, shall be deemed to constitute any representation or warranty by any Agent to any Lender. Each Lender represents to each Agent that it has, independently and without reliance upon such Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of each Borrower, any Guarantor and any other Credit Party and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Credit Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of any Borrower, any Guarantor and any other Credit Party. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, no Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, assets, operations, properties, financial condition, prospects or creditworthiness of any Borrower, any Guarantor or any other Credit Party that may come into the possession of such Agent any of its respective officers, directors, employees, agents, attorneys-in-fact or Affiliate.

12.7 Indemnification. The Lenders agree to indemnify each Agent, each in its capacity as such (to the extent not reimbursed by any Credit Party and without limiting the obligation of any Credit Party to do so), ratably according to their respective portions of the aggregate principal amount of the Loans outstanding on the date on which indemnification is sought (or, if indemnification is sought (x) before the Loans shall have been made, each Lender's share of the Total Commitment or (y) after the Loans shall have been paid in full, ratably in accordance with their respective portions of the aggregate principal amount of the Loans outstanding immediately prior to the repayment thereof), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (including at any time following the payment of the Loans) be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of, the Commitments, this Agreement, any of the other Credit Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent under or in connection with any of the foregoing, provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or willful misconduct, as determined by a final, nonappealable judgment of a court of competent jurisdiction; it being acknowledged and agreed that no action taken in accordance with the instructions of the Required Lenders (or such other number or percentage of the Lenders as shall be required by the Credit Documents) shall constitute gross negligence or willful misconduct. The agreements in this Section 12.7 shall survive termination of the Commitment, the repayment of the Loans and all other amounts payable hereunder.

12.8 Agents in their Individual Capacity. Each Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with any Borrower, any Guarantor, and any other Credit Party as though it were not an Agent hereunder and under the other Credit Documents. With respect to the Loans made by it, each Agent shall have the same rights and powers under this Agreement and the other Credit Documents as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include each Agent in its individual capacity.

12.9 Successor Agents. The Administrative Agent may resign as Administrative Agent upon 20 days' prior written notice to the Lenders and the Borrowers. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Credit Documents, then the Required Lenders shall appoint from among the Lenders a successor Administrative Agent which successor agent shall be approved by the Company (which approval shall not be unreasonably withheld or delayed) so long as no Default or Event of Default is continuing. If no successor agent has accepted appointment as the Administrative Agent by the date which is twenty (20) days following the retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. Upon the acceptance of any appointment as the Administrative Agent hereunder by a successor (or upon the Lenders assuming such role as provided above) and upon the execution and filing or recording of such financing statements, or amendments thereto, and such amendments or supplements to the Security Documents, and such other instruments or notices, as may be necessary or desirable, as the Required Lenders may request, in order to (1) continue the perfection of the Liens granted or purported to be granted by the Security Documents or (2) otherwise ensure that the requirements set forth in Section 9.11 are satisfied, the Administrative Agent shall thereupon succeed to the rights, powers and duties of the Administrative Agent and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 12 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Credit Documents.

12.10 Withholding Tax and Deductions. To the extent required by any applicable Law, the Administrative Agent may withhold from any interest payment to any Lender an amount equivalent to any applicable withholding tax. If the Internal Revenue Service or any authority of the United States or other jurisdiction asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify the Administrative Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason), such Lender shall indemnify the Administrative Agent (to the extent that the Administrative Agent has not already been reimbursed by a Credit Party and without limiting the obligation of any Credit Party to do so) fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax or otherwise, including penalties and interest, together with all expenses incurred, including legal expenses, allocated staff costs and any out of pocket expenses.

12.11 Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Credit Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on any Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Secured Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Section 4.1 and 13.6) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Agents and their respective agents and counsel, and any other amounts due the Administrative Agent under Sections 4.1 and 13.6.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Secured Obligations or the rights of any

Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

12.12 Joint and Several Claims. Each of the Agents and Lenders hereby agree that as regards any Collateral located in or related to the Republic of China, the Taiwan Collateral Agent shall be deemed to be a creditor jointly and severally with each of them with respect to the rights and claims against the Credit Parties hereunder and under any of the other Credit Documents pursuant to Article 283 of the Republic of China Civil Code and that the Taiwan Collateral Agent shall be entitled to exercise and pursue all such rights and claims against the Credit Parties in its capacity as a joint and several creditor and for the joint and several benefit of the Agents and the Lenders. Each of the Agents and Lenders hereby further agree that as regards any Collateral located in or related to Japan, the Global Collateral Agent shall be deemed to be a creditor jointly and severally with each of them with respect to the rights and claims against the Credit Parties hereunder and under any of the other Credit Documents and that the Global Collateral Agent shall be entitled to exercise and pursue all such rights and claims against the Credit Parties in its capacity as a joint and several creditor and for the joint and several benefit of the Agents and Lenders.

SECTION 13. Miscellaneous.

13.1 Professional Market Party Representations (a) For the purpose of this Section 13.1, each Lender includes the domestic or foreign branch office or Affiliate making a Loan.

(b) Without limiting the Borrower's obligations under the FMSA, each Lender which is a party to this Agreement on the date hereof represents and warrants to each party to this Agreement on the date hereof that it is a PMP.

(c) If, on the date on which a party becomes a Lender, it is a requirement of Dutch law that such party be a PMP, each such new Lender represents and warrants to each party to this Agreement on the date on which it becomes a party to this Agreement as a Lender that it is a PMP.

(d) Each Lender acknowledges that (b) it is aware of the consequences of the representation and warranty made by it under this Section 13.1 and (c) each of the Agents and other Lenders and the Company has relied upon such representation and warranty.

13.2 Amendments and Waivers. (a) Neither this Agreement nor any other Credit Document, nor any terms hereof or thereof may be amended, supplemented, modified or waived except in accordance with the provisions of this Section 13.2. The Required Lenders may, or, with the written consent of the Required Lenders, the Administrative Agent may, from time to time (i) enter into with the relevant Credit Party or Credit Parties written amendments, supplements, modifications or waivers hereto and to the other Credit Documents for the purpose of adding any provisions to this Agreement or the other Credit Documents or changing in any manner the rights of the Lenders or of the Credit Parties hereunder or thereunder or (ii) waive in writing, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Credit Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement, modification or waiver shall directly (A) forgive or reduce or waive any portion of any Loan or extend the final scheduled maturity date of any Loan (it being understood that only the consent of the Required Lenders shall be necessary to waive any obligation of the Borrowers to pay interest at the "default rate"), or forgive any portion, or extend the date for the payment, of any interest or fee payable hereunder (other than as a result of waiving the applicability of any post-default increase in interest rates), or extend the final expiration date of any Lender's Commitment, or increase the aggregate amount of the Commitments of any Lender, or amend or modify any provisions of Section 5.2(a) (with respect to the ratable allocation of any payments only) and 13.11(a), in each case without the written consent of each Lender directly and adversely affected thereby, (B) amend, modify or waive any provision of this Section 13.2 or reduce the percentages specified in the definitions of the terms "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, or consent to the assignment or transfer by any Borrower of its rights and obligations under any Credit Document to which it is a party (except as permitted pursuant to Sections 10.9 or 10.10), (in any such case) without the written consent of each Lender, (C) amend, modify or waive any provision of Section 12 without the written consent of each Agent, (D) release all or substantially all of the Guarantors under the Guaranty (except as expressly permitted by the Guaranty) or release all or substantially all of the Collateral under any of the Security Documents, without the prior written consent of each Lender, (E) amend Section 2.9 so as to permit Interest Periods of greater than six months without the written consent of each Lender directly and adversely affected thereby, (F) affect the rights, duties, privileges, liabilities or obligations of, or any fees or other amounts payable to, the Administrative Agent under this Agreement or the other Credit Documents, without the written consent of the Administrative Agent or (G) amend, modify or waive any provision of Section 9.17 without the written consent of each Lender. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the affected Lenders and shall be binding upon the Borrowers, the Lenders, the Administrative Agent and all future holders of the affected Loans. In the case of any waiver, the Borrowers, the Lenders and the Administrative Agent shall be restored to their former positions and rights hereunder and under the other Credit Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing, it being understood that no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Notwithstanding the foregoing, the Administrative Agent may, without notice or consent of the Required Lenders, amend or supplement this Agreement to cure any ambiguity, omission, defect, error or inconsistency in this Agreement;

(b) Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender (it being understood that any Commitments or Loans held or deemed held by any Defaulting Lender shall be excluded for a vote of the Lenders hereunder requiring any consent of the Lenders).

13.3 Notices. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder or under any other Credit Document shall be in writing (including by facsimile transmission). All such written notices shall be mailed, faxed or delivered to the applicable address, facsimile number or electronic mail address, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(a) if to a Borrower, the Administrative Agent or any Collateral Agent, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule 13.2 or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the other parties; and

(b) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the Borrowers, the Administrative Agent and any Collateral Agent.

All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the relevant party hereto and (ii) (A) if delivered by hand or by courier, when signed for by or on behalf of the relevant party hereto; (B) if delivered by mail, three (3) Business Days after deposit in the mails, postage prepaid; (C) if delivered by facsimile, when sent and receipt has been confirmed by telephone; and (D) if delivered by electronic mail, when delivered; provided that notices and other communications to the Administrative Agent or the Lenders pursuant to Sections 2.3, 2.6, 2.9, 4.2 and 5.1 shall not be effective until received.

13.4 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent, a Collateral Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Credit Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

13.5 Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Credit Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans hereunder.

13.6 Payment of Expenses and Taxes. The Company and the Co-Borrower jointly and severally agree (a) to pay or reimburse the Agents for all their reasonable out-of-pocket costs and expenses incurred after the Signing Date in connection with any amendment, supplement or modification to, this Agreement and the other Credit Documents and any other documents prepared in connection therewith including the reasonable fees, disbursements and other charges of the Administrative Agent's counsel, (b) to pay or reimburse each Lender and Agent for all its reasonable and documented costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Credit Documents and any such other documents, including the reasonable fees, disbursements and other charges of counsel to each Lender and the Agents, (c) subject to the Agreed Security Principles, to pay, indemnify, and hold harmless each Lender and Agent from, any and all recording and filing fees incurred on or after the Signing Date and (d) to pay, indemnify, and hold harmless each Lender and Agent and their respective directors, officers, employees, advisors and agents from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever, including reasonable and documented fees, disbursements and other charges of counsel, with respect to the enforcement, performance and (except in the case of each Agent) administration of this Agreement, the other Credit Documents and any such other documents, including, without limitation, any of the foregoing relating to any violation of, noncompliance with or liability under, any Environmental Law or to any actual or alleged presence, release or threatened release of Hazardous Materials involving or attributable to the operations of any Borrower, any of its Subsidiaries (all the foregoing in this clause (d), collectively, the "indemnified liabilities"), provided that the Company and the Co-Borrower shall have no obligation hereunder to the Administrative Agent or any Lender nor any of their respective Related Parties with respect to indemnified liabilities to the extent attributable to (i) the gross negligence or willful misconduct of the party to be indemnified or any of its Related Parties, as determined by a final, nonappealable judgment of a court of competent jurisdiction, or (ii) disputes among the Administrative Agent, the Lenders and/or their transferees. All amounts payable under this Section 13.6 shall be paid within ten Business Days of receipt by the Company or the Co-Borrower (as the case may be) of an invoice relating thereto setting forth such expense in reasonable detail. In the case of an investigation, litigation or proceeding to which the indemnity in this paragraph applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by the Borrower, any Guarantors, any equityholders or creditors or an indemnified party or any other person or entity, whether or not an indemnified party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. The agreements in this Section 13.6 shall survive resignation of any Agent, the replacement of any Lender, the termination of the Total Commitments and repayment of the Loans and all other amounts payable hereunder.

13.7 Successors and Assigns; Participations and Assignments. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) no Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by any Borrower or without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section 13.7. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants (to the extent provided in paragraph (c) of this Section 13.7) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it) with the prior written consent of (i) the Administrative Agent, which consent shall not be unreasonably withheld or delayed), provided that no consent of the Administrative Agent shall be required for (x) an assignment of any Commitment to an assignee that is a Lender or (y) any Loan to a Lender, an Affiliate of a Lender, an Agent or an Affiliate of an Agent or an Approved Fund; (ii) prior to and including the Funding Date, the Company (which consent shall not be unreasonably withheld or delayed), provided that (except in the case of an assignment by the Taiwan Collateral Agent) no consent of the Company shall be required for an assignment to a Lender, an Affiliate of a Lender, an Agent or an Affiliate of an Agent (unless increased costs would result therefrom except if an Event of Default under Section 11.1(a), (b) or, with respect to any Credit Party, (g) has occurred and is continuing), an Approved Fund or, if an Event of Default under Section 11.1(a), (b) or, with respect to any Credit Party, (g) has occurred and is continuing, any other assignee; provided that the Company shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within 5 Business Days after having received notice thereof; and (iii) after the Funding Date, the Company in the case of an assignment by the Taiwan Collateral Agent; provided that the Company shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within 5 Business Days after having received notice thereof.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender, an Affiliate of a Lender, an Agent or an Affiliate of an Agent or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $1,000,000, unless each of the Company and the Administrative Agent otherwise consents (which consent shall not be unreasonably withheld or delayed), provided that contemporaneous assignments to a single assignee made by Affiliates of Lenders and related Approved Funds shall be aggregated for purposes of meeting the minimum assignment amount requirements stated above;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500, provided that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee, and provided further that only one such fee shall be payable in the event of simultaneous assignments to or from two or more Approved Funds; and

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an administrative questionnaire in a form approved by the Administrative Agent (the "Administrative Questionnaire").

For the purpose of this Section 13.7(b), the term "Approved Fund" means any Person (other than a natural person) that is (or will at the time of the relevant assignment be) engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course and that is managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that manages a Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(v) of this Section 13.7, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.10, 2.11, 5.3 and 13.6). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 13.7 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section 13.7.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrowers shall maintain at the Administrative Agent's Office a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). Further, the Register shall contain the name and address of the Administrative Agent and the lending office through which each such Person acts under this Agreement. The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section 13.7 and any written consent to such assignment required by paragraph (b) of this Section 13.7, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. Promptly following any change to the Register, the Administrative Agent shall deliver to the Company an updated version thereof.

(c) (i) Any Lender may, without the consent of the Borrowers or the Administrative Agent, sell participations to one or more banks or other entities (each, a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans owing to it), provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (C) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and (D) at any time it is a requirement of Dutch law on the date participations are sold to a Participant, such Participant is a PMP. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement or any other Credit Document, provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 13.2 that affects such Participant. Subject to paragraph (c)(ii) of this Section 13.7, each Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.10, 2.11 and 5.3 to the same extent as if it were a Lender (subject to the requirements of those Sections) and had acquired its interest by assignment pursuant to paragraph (b) of this Section 13.7. To the extent permitted by Law, each Participant also shall be entitled to the benefits of Section 13.11(b) as though it were a Lender, provided such Participant agrees to be subject to Section 13.7(a) as though it were a Lender.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.10 or 5.3 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Company's prior written consent (which consent shall not be unreasonably withheld or delayed).

(d) Any Lender may, without the consent of the Borrowers or the Administrative Agent, at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section 13.7 shall not apply to any such pledge or assignment of a security interest, provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto. In order to facilitate such pledge or assignment, each Borrower hereby agrees that, upon request of any Lender at any time and from time to time after such Borrower has made its initial borrowing hereunder, such Borrower shall provide to such Lender, at such Borrower's own expense, a promissory note, substantially in the form of Exhibit D, as the case may be, evidencing the Loans owing to such Lender; provided that any such promissory note shall be governed by the laws of the State of New York and the Borrowers shall not be required to pay for any notarization of any such promissory note.

(e) Subject to Section 13.19, each Borrower authorizes each Lender to disclose to any Participant, secured creditor of such Lender or assignee (each, a "Transferee") and any prospective Transferee any and all information in such Lender's possession concerning the Borrowers and their respective Affiliates that has been delivered to such Lender by or on behalf of the Borrowers and their respective Affiliates pursuant to this Agreement or any other Credit Document or which has been delivered to such Lender by or on behalf of the Borrowers and their respective Affiliates in connection with such Lender's credit evaluation of the Borrowers and their respective Affiliates prior to becoming a party to this Agreement.

(f) Notwithstanding anything to the contrary contained herein, (x) any Lender may, at any time, assign all or a portion of its rights and obligations under this Agreement in respect of its Loans or Commitments to the Company and/or any Subsidiary and (y) the Company and/or any Subsidiary may, from time to time, purchase or prepay Loans, in each case, on a non-pro rata basis.

13.8 Replacements of Lenders under Certain Circumstances. (a) A Borrower shall be permitted to replace any Lender that (i) requests reimbursement for amounts owing pursuant to Section 2.10, or 5.3; (ii) is affected in the manner described in Section 2.10(a)(iii) and as a result thereof any of the actions described in such Section is required to be taken; or (iii) becomes a Defaulting Lender with (in any such case) a replacement bank or other financial institution, provided that (1) such replacement does not conflict with any Law, (2) no Event of Default shall have occurred and be continuing at the time of such replacement, (3) such Borrower shall repay (or the replacement bank or institution shall purchase, at par) all Loans and other amounts (other than any disputed amounts), pursuant to Section 2.10, 2.11, or 5.3, as the case may be) owing to such replaced Lender prior to the date of replacement, (4) the replacement bank or institution, if not already a Lender, and the terms and conditions of such replacement, shall be reasonably satisfactory to the Administrative Agent, (5) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 13.7 (provided that the Borrowers shall be obligated to pay the registration and processing fee referred to therein) and (6) any such replacement shall not be deemed to be a waiver of any rights that such Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

(b) If any Lender (such Lender, a "Non-Consenting Lender") has failed to consent to a proposed amendment, waiver, discharge or termination which pursuant to the terms of Section 13.2 requires the consent of all of the Lenders affected and with respect to which the Required Lenders shall have granted their consent, then provided no Event of Default then exists, the Company shall have the right (unless such Non-Consenting Lender grants such consent) to replace such Non-Consenting Lender by requiring such Non-Consenting Lender to assign its Loans, and its Commitments hereunder to one or more assignees reasonably acceptable to the Administrative Agent, provided that: (i) all Secured Obligations of the Borrowers owing to such Non-Consenting Lender being replaced shall be paid in full to such Non-Consenting Lender concurrently with such assignment, and (ii) the replacement Lender shall purchase the foregoing by paying to such Non-Consenting Lender a price equal to the principal amount thereof plus accrued and unpaid interest thereon. In connection with any such assignment, the Borrowers, Administrative Agent, such Non-Consenting Lender and the replacement Lender shall otherwise comply with Section 13.7.

13.9 [Reserved]

13.10 Assignment to SPCs. Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Company (an "SPC") the option to provide all or any part of any

Loan that such Granting Lender would otherwise be obligated to make pursuant to this Agreement; provided that (i) such SPC makes the representations and warranties applicable to Lenders set forth in Section 13.1 (ii) nothing herein shall constitute a commitment by any SPC to fund any Loan, and (iii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. Each party hereto hereby agrees that (i) neither the grant to any SPC nor the exercise by any SPC of such option shall increase the cost or expenses or otherwise increase or change the obligations of any Borrower under this Agreement (including its obligations under Section 2.10, 2.11, or 5.3, (ii) no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Lender would be liable, and (iii) the Granting Lender shall for all purposes, including the approval of any amendment, waiver or other modification of any provision of any Credit Document, remain the lender of record hereunder. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Notwithstanding anything to the contrary contained herein, any SPC may (i) with notice to, but without prior consent of any Borrower and the Administrative Agent and with the payment of a processing fee of €3,500 assign all or any portion of its right to receive payment with respect to any Loan to the Granting Lender and (ii) disclose on a confidential basis any non-public information relating to its funding of Loans to any rating agency, commercial paper dealer or provider of any surety or Guarantee or credit or liquidity enhancement to such SPC; provided that the information disclosed shall be limited to the extent necessary to satisfy the requirements of any such rating agency, commercial paper dealer, provider of any surety or Guarantee or credit or liquidity enhancement and shall not include (without the prior written consent of the Company) non-public projections, forecasts or any other forward looking information provided by, or relating to, the Company.

13.11 Adjustments; Set-off. (a) If any Lender (a "benefited Lender") shall at any time receive any payment of all or part of its Loans, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 11.1(g), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Loans, or interest thereon, such benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Loan, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefited Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) After the occurrence and during the continuance of an Event of Default, in addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to any Borrower, any such notice being expressly waived by each Borrower to the extent permitted by applicable Law, upon any amount becoming due and payable by a Borrower hereunder (whether at the stated maturity, by acceleration or otherwise) to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any of its Affiliates or any branch or agency thereof to or for the credit or the account of such Borrower. Each Lender agrees promptly to notify the Company and the Administrative Agent after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application.

13.12 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by facsimile or other electronic transmission), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

13.13 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13.14 Integration. This Agreement and the other Credit Documents represent the agreement of the Borrowers, the Collateral Agents, the Administrative Agent and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Borrowers, the Administrative Agent, the Collateral Agents or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Credit Documents.

13.15 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

13.16 Submission to Jurisdiction; Waivers . Each party hereto hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Credit Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) in the case of each Credit Party party hereto (other than the Co-Borrower) appoints the Co-Borrower (the "Process Agent") as its agent to receive on behalf of such Credit Party and its property service of copies of the summons and complaint and any other process which may be served by the Administrative Agent or any Lender in any such action or proceeding in any aforementioned court in respect of any action or proceeding arising out of or relating to this Agreement. Such service may be made by delivering a copy of such process to such Credit Party by courier and by certified mail (return receipt requested), fees and postage prepaid, both (i) in care of the Process Agent at the Process Agent's address and (ii) at the relevant Credit Party's address specified pursuant to Section 13.3, and each Credit Party hereby irrevocably authorizes and directs the Process Agent to accept such service on its behalf that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Person at its address set forth on Schedule 13.2 at such other address of which the Administrative Agent shall have been notified pursuant to Section 13.3;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section 13.16 any special, exemplary, punitive or consequential damages.

13.17 <u>Acknowledgments</u>. Each Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Credit Documents;

(b) no Agent nor any Lender has any fiduciary relationship with or duty to any Borrower arising out of or in connection with this Agreement or any of the other Credit Documents, and the relationship between such Agent and Lenders, on one hand, and the Borrowers, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Credit Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrowers and the Lenders.

13.18 <u>**WAIVERS OF JURY TRIAL**</u>. EACH BORROWER, EACH AGENT AND EACH LENDER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

13.19 <u>Confidentiality</u>. The Administrative Agent and each Lender shall hold all non-public information furnished by or on behalf of a Borrower in connection with such Lender's evaluation of whether to become a Lender hereunder or obtained by such Lender or the Administrative Agent pursuant to the requirements of this Agreement ("<u>Confidential Information</u>"), confidential in accordance with its customary procedure for handling confidential information of this nature and (in the case of a Lender that is a bank) in accordance with safe and sound banking practices and in any event may make disclosure (a) as required or requested by any Governmental Authority or representative thereof or pursuant to legal process, or (b) to such

Lender's or the Administrative Agent's attorneys, professional advisors or independent auditors or Affiliates, (c) to any other party to this Agreement, (d) to any pledgee referred to in Section 13.7(d), provided that the information disclosed shall be limited to the extent necessary to satisfy the requirements of such pledgee and shall not include (without the prior written consent of the Company) non-public projections, forecasts or other forward looking information provided by, or relating to, the Company, (e) to the extent such Confidential Information becomes publicly available other than as a result of a breach of this Section 13.19 and (f) otherwise with prior written consent of the Company, provided that unless specifically prohibited by applicable Law or court order or similar process, each Lender and the Administrative Agent shall notify the Company of any request by any Governmental Authority or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender by such Governmental Authority) for disclosure of any such non-public information prior to disclosure of such information, and provided, further, that in no event shall any Lender or the Administrative Agent be obligated or required to return any materials furnished by a Borrower or any Subsidiary of a Borrower. Each Lender and the Administrative Agent agrees that it will not provide to prospective Transferees or to prospective direct or indirect contractual counterparties in Hedge Agreements to be entered into in connection with Loans made hereunder any of the Confidential Information unless such Person is advised of and agrees to be bound by provisions at least as restrictive as those of this Section 13.19.

13.20 Direct Website Communications.

(a) (i) A Borrower may, at its option but subject to the limitations set forth in Sections 9.1 and 9.2, provide to the Administrative Agent any information, documents and other materials that it is obligated to furnish to the Administrative Agent pursuant to the Credit Documents, including, without limitation, all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that (A) relates to a request for a new, or a conversion or extension of an existing Borrowing (including any election of an Interest rate or Interest Period relating thereto), (B) relates to the payment of any principal or other amount due under the Credit Agreement prior to the scheduled date therefor, (C) provides notice of any Default or Event of Default or (D) is required to be delivered to satisfy any condition precedent to the effectiveness of the Credit Agreement and/or any Borrowing (all such non-excluded communications being referred to herein collectively as "Communications"), by transmitting the Communications in an electronic/soft medium in a format reasonably acceptable to the Administrative Agent to the contact provided in Schedule 13.2 attached hereto. Nothing in this Section 13.20 shall prejudice the right of the Borrowers, the Administrative Agent or any Lender to give any notice or other communication pursuant to any Credit Document in any other manner specified in such Credit Document.

(ii) The Administrative Agent agrees that the receipt of the Communications by the Administrative Agent at its e-mail address set forth above shall constitute effective delivery of the Communications to the Administrative Agent for purposes of the Credit Documents. Each Lender agrees that notice to it (as provided in the next sentence) specifying that the Communications have been posted to the Platform shall constitute effective delivery of the Communications to such Lender for purposes of the Credit Documents. Each Lender agrees (A) to notify the Administrative Agent in writing (including by electronic communication) from time to time of such Lender's e-mail address to which the foregoing notice may be sent by electronic transmission and (B) that the foregoing notice may be sent to such e-mail address.

(b) Each Borrower further agrees that the Administrative Agent may make the Communications available to the Lenders by posting the Communications on Intralinks or a substantially similar electronic transmission system (the "Platform"), so long as the access to such Platform is limited (i) to the Agents and the Lenders and (ii) remains subject the confidentiality requirements set forth in Section 13.19.

(c) The Platform is provided "as is" and "as available". The Agent Parties do not warrant the accuracy or completeness of the Communications, or the adequacy of the Platform and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Agent Parties in connection with the Communications or the Platform. In no event shall the Administrative Agent, a Collateral Agent or any of its Affiliates or any of their respective officers, directors, employees, agents, advisors or representatives (collectively, "Agent Parties") have any liability to any Borrower, any Lender or any other person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of a Borrower's or the Administrative Agent's transmission of Communications through the internet, except to the extent the liability of any Agent Party resulted from such Agent Party's (or any of its Related Parties) gross negligence or willful misconduct.

13.21 USA Patriot Act. Each Lender hereby notifies each Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Borrowers, which information includes the name and address of the Borrowers and other information that will allow such Lender to identify the Borrowers in accordance with the Patriot Act.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

BORROWERS

NXP B.V.

By: ______________________________

Name:

Title:

NXP FUNDING LLC

By: ______________________________

Name:

Title:

[Signature Page to Secured Term Credit Agreement]

GLOBAL COLLATERAL AGENT

MORGAN STANLEY SENIOR FUNDING, INC.,
as Global Collateral Agent

By: ______________________________
Name:
Title:

[Signature Page to Secured Term Credit Agreement]

ADMINISTRATIVE AGENT

BARCLAYS BANK PLC,
as Administrative Agent and Lender

By: ________________________________
Name:
Title:

MIZUHO CORPORATE BANK, LTD.,
as Lender

By: ______________________________
Name:
Title:

[Signature Page to Secured Term Credit Agreement]

TAIWAN COLLATERAL AGENT

MIZUHO CORPORATE BANK, LTD.,
as Taiwan Collateral Agent

By: ______________________________
Name:
Title:

[Signature Page to Secured Term Credit Agreement]

SCHEDULE 1.1(a)

AGREED SECURITY PRINCIPLES

1. Agreed Security Principles

1.1 The Guarantees and Liens to be provided by the Credit Parties will be given in accordance with certain agreed security principles (the "Agreed Security Principles"). This Schedule 1.1(a) identifies the Agreed Security Principles and addresses the manner in which the Agreed Security Principles will impact on or be determinant of the Guarantees and Liens to be taken in relation to this Agreement.

1.2 All Guarantees, Liens and security shall be provided in accordance with the Guarantees, Liens and security provided under or in connection with the Senior Secured Notes (including on substantially the same terms thereof and subject to the Agreed Security Principles).

1.3 The Agreed Security Principles embody a recognition by all parties that there may be certain legal, commercial and practical difficulties in obtaining effective security from the Company and each of its Restricted Subsidiaries in every jurisdiction in which the Company and its Restricted Subsidiaries are located. In particular:

(a) general statutory limitations, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules, retention of title claims and similar matters may limit the ability of the Company or any of its Restricted Subsidiaries to provide a Guarantee or Liens or may require that it be limited as to amount or otherwise, and if so the same shall be limited accordingly, provided that the Company or the relevant Restricted Subsidiary shall use reasonable endeavors to overcome such obstacle. The Company will use reasonable endeavors to assist in demonstrating that adequate corporate benefit accrues to each of the Restricted Subsidiary;

(b) the Company and its Restricted Subsidiaries will not be required to give Guarantees or enter into Security Documents if (or to the extent) it is not within the legal capacity of the Company or its relevant Restricted Subsidiary or if the same would conflict with the fiduciary duties of their directors or contravene any legal prohibition or regulatory condition or result in, or could reasonably be expected to result in, a material risk of personal or criminal liability for any officer or director of the Company or any of the Restricted Subsidiaries, provided that the Company and each of its Restricted Subsidiaries shall use reasonable endeavors to overcome any such obstacle;

(c) a key factor in determining whether or not security shall be taken is the applicable cost (including adverse effects on interest deductibility, registration taxes and notarial costs) which shall not be disproportionate to the benefit to the Lenders of obtaining such security;

(d) where there is material incremental cost involved in creating security over all assets owned by any of the Borrowers or a Guarantor in a particular category (e.g. real estate), regard shall be had to the principle stated at paragraph 1.2(c) of this Schedule 1.1(a) which shall apply to the immaterial assets and, subject to the Agreed Security Principles, only the material assets in that category (e.g. real estate of material economic value) shall be subject to security;

(e) it is expressly acknowledged that it may be either impossible or impractical to create security over certain categories of assets in which event security will not be taken over such assets;

(f) any assets subject to contracts, leases, licenses or other arrangements with a third party that exist concurrently (but which are not created in contemplation of the Transactions) or are not prohibited by this Agreement and which (subject to override by the UCC and other relevant provisions of applicable law), effectively prevent those assets from being charged will be excluded from any relevant Security Document; provided that reasonable endeavors to obtain consent to creating Liens in any such assets shall be used by the Company and each of its Restricted Subsidiaries to avoid or overcome such restrictions if the Administrative Agent reasonably determines that the relevant asset is material (which endeavors shall not include the payment of any consent fees), but unless effectively prohibited by contracts, leases, licenses or other arrangements with a third party that exist concurrently (but which are not created in contemplation of the Transactions) or are not prohibited by this Agreement, this shall not prevent security being given over any receipt or recovery under such contract, lease or license;

(g) the giving of a Guarantee, the granting of security or the perfection of the security granted will not be required if it would have a material adverse effect (as reasonably determined in good faith by management of the relevant obligor) on the ability of the relevant obligor to conduct its operations and business in the ordinary course as otherwise permitted by this Agreement;

(h) in the case of accounts receivable, a material adverse effect on the Company's , the Co-Borrower's or a Guarantor's relationship with or sales to the customer generating such receivables or material legal or commercial difficulties (as reasonably determined by management of the relevant obligor in good faith) provided that none of the Borrowers and the Guarantors may utilize this exception unless, after giving effect thereto no less than a majority of the book value of the accounts receivable of the Company and its Subsidiaries on a consolidated basis (as measured at the end of each fiscal quarter) is subject to perfected liens, and provided further that any accounts receivable of the Borrowers and the Guarantors excluded from collateral by virtue of this clause (except where prohibited by law and subject to the remainder of these Agreed Security Principles) shall be subject to perfected Liens promptly if and when the corporate credit of the Company is downgraded to "B" or lower from S&P and "B2" or lower from Moody's;

(i) security will be limited so that the aggregate of notarial costs and all registration and like taxes relating to the provision of security shall not exceed an amount to be agreed. Any additional costs may be paid by the Lenders at their option; and

(k) all security shall be given in favor of a single security trustee or collateral agent and not the secured parties individually. "Parallel debt" provisions and other similar structural options will be used where necessary and such provisions will be contained in the intercreditor agreement and not the individual security documents unless required under local law. No action will be required to be taken in relation to the guarantees or security when any lender assigns or transfers any of its participation in this Agreement to a new lender.

2. Terms of Security Documents

The following principles will be reflected in the terms of any Security Document to be executed and delivered as part of the Transactions:

(a) the terms of each Security Document shall be in substantially the same form as such corresponding security document was provided under or in connection with the Senior Secured Notes;

(b) subject to permitted liens and these Agreed Security Principles the security will be first ranking and the perfection of security (when required) and other legal formalities will be completed as soon as practicable and, in any event, within the time periods specified in the Credit Documents or, if earlier or to the extent no such time period is specified in the Credit Documents, within the time periods specified by applicable law in order to ensure due perfection;

(c) the security will not be enforceable until an Event of Default has occurred and notice of acceleration of the Loans has been given by the applicable Administrative Agent or the Loans have otherwise become due and payable prior to the scheduled maturity thereof (an "Enforcement Event");

(d) prior to the Maturity Date, notification of any Liens over bank accounts will be given (subject to legal advice) to the banks with whom the accounts are maintained only if an Enforcement Event has occurred;

(e) notification of receivables security to debtors who are not members of the Company or its Subsidiaries will only be given if an Enforcement Event has occurred;

(f) notification of any security interest over insurance policies will be served on any insurer of the Company's or any Restricted Subsidiaries' assets (other than in respect of any insurance policy maintained by the Company or any of its Restricted Subsidiaries which is due to expire on or before December 31, 2011);

(g) the Security Documents should only operate to create security rather than to impose new commercial obligations. Accordingly, they should not contain material additional representations, undertakings or indemnities (such as in respect of insurance, information or the payment of costs) unless these are the same as or consistent with those contained in this Agreement or are necessary for the creation or perfection of the security;

(h) in respect of the share pledges and pledges of intra-group receivables, until an Enforcement Event has occurred, the pledgors will be permitted to retain and to exercise voting rights to any shares pledged by them in a manner which does not materially adversely affect the value of the security (taken as a whole) or the validity or enforceability of the security or cause an Event of Default to occur, and the pledgors will be permitted to receive dividends on pledged shares and payment of intra-group receivables and retain the proceeds and/or make the proceeds available to the Company and its Subsidiaries to the extent not prohibited under this Agreement;

(i) Secured Parties will only be able to exercise a power of attorney in any Security Document following the occurrence of an Enforcement Event or with respect to perfection or further assurance obligations that following request, the relevant obligor has failed to satisfy;

(j) no obligor shall be required to provide surveys on real property (unless such surveys already exist in which case there shall be no requirement that such surveys be certified to the Lenders) or to remove any encumbrances on title (not created in contemplation of the Transactions) that are reflected in any title insurance or any other existing encumbrances on real property (not created in contemplation of the Transactions) (not including Liens securing Indebtedness of the Company or any of its Restricted Subsidiaries);

(k) no obligor shall be required to protect any Liens in the United States prior to the occurrence of an Enforcement Event by means other than customary filings (including UCC-1s, mortgage or deed of trust filings and patent and trademark filings) and delivery of share certificates (accompanied by powers of attorney executed in blank) and any intercompany promissory notes; and

(l) information, such as lists of assets, will be provided if, and only to the extent, required by local law to be provided to protect or create, perfect or register the security and, to the extent so required will be provided annually (unless required to be provided by local law more frequently, but not more frequently than quarterly) and following the occurrence and during the continuance of an Event of Default, on the applicable Administrative Agent's reasonable request.

SCHEDULE 1.1(b)

COMMITMENTS

Initial Lender	Commitment
BARCLAYS BANK PLC	$499,950,000
MIZUHO CORPORATE BANK, LTD.	$ 50,000

SCHEDULE 1.1(c)

FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: __________,

To: Barclays Bank PLC as Administrative Agent

Ladies and Gentlemen:

Reference is made to the Secured Term Credit Agreement dated as of [•], March 2011 (the "Credit Agreement"), between, amongst others, NXP B.V. (the "Company"), NXP FUNDING LLC, the lenders from time to time parties thereto (each a "Lender" and, collectively, the "Lenders"), and Barclays Bank PLC as Administrative Agent, and Morgan Stanley Senior Funding, Inc. as Global Collateral Agent. All capitalized terms used but not defined herein shall have the meanings given in the Credit Agreement.

This is a Compliance Certificate for the purposes of the Credit Agreement.

The undersigned hereby certifies as of the date hereof that he/she is the [*Title*][1] of the Company, and that, as such, he/she is authorized to execute and deliver this Compliance Certificate to the Administrative Agent on the behalf of the Company, and that:

[Use following paragraph 1 for fiscal ***year-end*** *financial statements]*

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 9.01(a) of the Credit Agreement for the fiscal year of the Company ended as of the above date, together with the report and opinion of [______] required by and in conformance with such section.

[Use following paragraph 1 for fiscal ***quarter-end*** *financial statements]*

2. Except as otherwise permitted by the Credit Agreement, attached hereto as Schedule 1 are the unaudited financial statements required by Section 9.01(b) of the Credit Agreement for the fiscal quarter of the Company ended as of the above date. Such financial statements fairly present, in all material respects, the financial condition, results of operations shareholders' equity and cash flows of the Company and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

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[1] Must be the chief executive officer, chief financial officer, treasurer or controller of the Company.

3. The undersigned has reviewed and is familiar with the terms of the Credit Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition (financial or otherwise) of the Company and its Subsidiaries during the accounting period covered by the attached financial statements.

IN WITNESS WHEREOF, the undersigned has executed this Compliance Certificate as of [ ].

By: ______________________________
Name:
Title:

SCHEDULE 1.1(d)

MANDATORY COSTS

1. The Mandatory Cost is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.

2. On the first day of each Interest Period (or as soon as possible thereafter) the Administrative Agent shall calculate, as a percentage rate, a rate (the "Additional Cost Rate") for each Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Administrative Agent as a weighted average of the Lenders' Additional Cost Rates (weighted in proportion to the percentage participation of each Lender in the relevant Loan) and will be expressed as a percentage rate per annum.

3. The Additional Cost Rate for any Lender lending from a Facility Office in a Participating Member State will be the percentage notified by that Lender to the Administrative Agent. This percentage will be certified by that Lender in its notice to the Administrative Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender's participation in all Loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that Facility Office.

4. The Additional Cost Rate for any Lender lending from a Facility Office in the United Kingdom will be calculated by the Administrative Agent as follows:

(a) in relation to a sterling Loan:

$$\frac{AB + C(B - D) + E \mathrm{x} 0.01}{100 - (A + C)} \text{ per cent. per annum}$$

(b) in relation to a Loan in any currency other than sterling:

$$\frac{E \text{ x } 0.01}{300} \text{ per cent. per annum}$$

Where:

A is the percentage of Eligible Liabilities (assuming these to be in excess of any stated minimum) which that Lender is from time to time required to maintain as an interest free cash ratio deposit with the Bank of England to comply with cash ratio requirements.

B is the percentage rate of interest (excluding the Applicable LIBOR Margin and the Mandatory Cost and any additional rate of interest charged on overdue amounts pursuant to Section 2.8 payable for the relevant Interest Period on the Loan.

C is the percentage (if any) of Eligible Liabilities which that Lender is required from time to time to maintain as interest bearing Special Deposits with the Bank of England.

D is the percentage rate per annum payable by the Bank of England to the Administrative Agent on interest bearing Special Deposits.

E is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Administrative Agent as being the average of the most recent rates of charge supplied by the Reference Banks to the Administrative Agent pursuant to paragraph 7 below and expressed in pounds per £1,000,000.

5. For the purposes of this Schedule:

(a) "Eligible Liabilities" and "Special Deposits" have the meanings given to them from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;

(b) "Facility Office" means, in respect of any Lender, the jurisdiction of the office out of which such Lender is making available its participation in the relevant Loan;

(c) "Fees Rules" means the rules on periodic fees contained in the Financial Services Authority Fees Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;

(d) "Fee Tariffs" means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate); and

(e) "Tariff Base" has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.

6. In application of the above formulae, A, B, C and D will be included in the formulae as percentages (i.e. 5 per cent. will be included in the formula as 5 and not as 0.05). A negative result obtained by subtracting D from B shall be taken as zero. The resulting figures shall be rounded to four decimal places.

7. If requested by the Administrative Agent, each Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to the Administrative Agent, the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services

Authority (calculated for this purpose by that Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Reference Bank.

8. Each Lender shall supply any information required by the Administrative Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Lender shall supply the following information on or prior to the date on which it becomes a Lender:

   (a) the jurisdiction of its Facility Office; and

   (b) any other information that the Administrative Agent may reasonably require for such purpose.

   Each Lender shall promptly notify the Administrative Agent of any change to the information provided by it pursuant to this paragraph.

9. The percentages of each Lender for the purpose of A and C above and the rates of charge of each Reference Bank for the purpose of E above shall be determined by the Administrative Agent based upon the information supplied to it pursuant to paragraphs 7 and 8 above and on the assumption that, unless a Lender notifies the Administrative Agent to the contrary, each Lender's obligations in relation to cash ratio deposits and Special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a Facility Office in the same jurisdiction as its Facility Office.

10. The Administrative Agent shall have no liability to any person if such determination results in an Additional Cost Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or Reference Bank pursuant to paragraphs 3, 7 and 8 above is true and correct in all respects.

11. The Administrative Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders on the basis of the Additional Cost Rate for each Lender based on the information provided by each Lender and each Reference Bank pursuant to paragraphs 3, 7 and 8 above.

12. Any determination by the Administrative Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Additional Cost Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all parties hereto.

13. The Administrative Agent may from time to time, after consultation with the Company and the Lenders, determine and notify to all parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority

or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all parties.

SCHEDULE 8.10

LITIGATION (EXCEPT INTELLECTUAL PROPERTY LITIGATION) AGAINST THE COMPANY AND ITS RESTRICTED SUBSIDIARIES

	Entity	*Issue*	*Amount claimed*	*Additional Information*
Claims against NXP				
1.	NXP Semiconductors Netherlands B.V.	Unlawful breach of negotiations	EUR 8,302,752 plus pro memorie claims	• Negotiations with Norit Winkelsteeg B.V. and Vitens N.V. to build and operate a so-called permeaatwater factory for NXP Semiconductors Netherlands B.V. were terminated. • The Court of Appeal ruled that in NXP's favour a compensation for indirect losses or loss of profit cannot be awarded but that limited compensation should be awarded for direct losses. • Next step is for Norit/Vitens to submit a statement of objections - this is due since Q2 2010; NXP will be able to submit a response taking as much time as N/V will take.
2.	NXP Semiconductors Netherlands B.V.	Breach of contract	Not included in statement of claim – a declaratory judgment would be needed to determine quantum (if liability was awarded). Claimants counsel	• NXP has entered into an exclusive license to use the claimants (Semiconductors Ideas To the Market B.V. and Yellow Dwarf Group B.V.) technology.

			have mentioned damages of EUR 60,000,000	• Claimants state that NXP Semiconductors Netherlands B.V. intended to keep the technology from the market and instead use NXP's own technology. • NXP has marketed the licensed technology to third parties and paid substantial royalties to the claimants for the license. • Court appointed expert's report of Nov 2010 indicates that amending NXP's die size was technically impossible, claimant now has to file a response to the expert's report.
3.	NXP Semiconductors Netherlands B.V.	Breach of contract	USD 11,366,408 (inventories) USD 2,878,000 (R&D tax credits) USD 9,769,000 (indemnity for retention bonuses)	• In relation to the divestment of NXP's wireless business, ST has made several claims for breach of contract. NXP has made several other claims against ST. • Parties are negotiating settlement
4.	NXP Semiconductors Netherlands B.V.	Product liability	No amount claimed. maximum liability under agreement capped at USD 4,000,000	• Flaws in software developed for Sony Corp. • Parties are discussing the claim
5.	NXP B.V.	Breach of contract	USD 5,000,000	• GloNav alleged a breach of contract by NXP. • NXP 's move to dismiss the claim on

				the grounds of lack of standing the representative of GloNav, Inc. denied • Discovery and depositions ongoing
6.	NXP Semiconductors France SAS	Former NXP employees claiming cancellation of voluntary termination of employment contract	EUR 3,600,000	• 17 former employees of DSPG filed a claim against NXP to require their re-integration within NXP following termination of their employment or payment of a severance package • NXP has an indemnity from DSPG for any liabilities resulting from such terminations. • Case won by NXP but employees filed for appeal
7.	NXP Semiconductors France SAS	Breach of contract	EUR 4,000,000	• ILM Technologies France claims that NXP unlawfully terminated a services agreement. • ILM lost in fist instance and in appeal but filed for appeal in the highest court in October 2010
8.	NXP Semiconductors USA, Inc.	Breach of contract	USD 80,000,000	• NXP allegedly breached a joint development contract NXP was successful in a number of procedural steps • Exatel indicated a settlement could be negotiated which they indicated to be single

				digit mio • Negotiations ongoing
9.	NXP Semiconductors USA, Inc.	Alleged exposure to harmful substances resulting in physical injuries and birth defects Other Semi companies have received similar claims	None claimed, to be determined at trial	• Three former employees assert exposure to harmful substances resulting in physical injuries and birth defects • Claims filed, initial discovery request served in one of the cases
10.	NXP Semiconductors USA, Inc.	Preference action seeking recovery of amounts paid to NXP (e.a.) during 90 day preference period preceding chapter 11 filing Delphi Corporation	USD 21,422,598.20	• Numerous other defendants have filed motions to dismiss. NXP has filed a “joinder” motion • Awaiting court ruling
11.	NXP Semiconductors USA, Inc.	Product liability	USD 3,974,368	• Schneider Electric asserts various field failures in certain products (MPU’s, 150,746 pcs) that were delivered by NXP Semiconductors USA, Inc. to Schneider. • Parties are negotiating a settlement

Claims by NXP

12.	NXP Semiconductors Netherlands B.V.	Breach of contract	USD 59,000,000	• Arbitration procedure ongoing

13.	NXP B.V.	Indemnity claim under Sale and Contribution Agreement from ST/ST-E to NXP	USD 10,000,000	• NXP has made a claim against ST-E in an amount of USD 10,000,000 for breach of contract by STE • Discussions are ongoing.
14.	NXP B.V.	Breach of contract	USD 12,000,000	• Breach of contract in view of transfer of manufacturing technology • Arbitration procedure in Hong Kong started

SCHEDULE 8.13

ENVIRONMENTAL CLAIMS AGAINST THE COMPANY AND ITS RESTRICTED SUBSIDIARIES

Site	*Issue*	*Expected Liability*	*Additional Information*
France			
Caen	Groundwater	EUR 530,000	• The responsibility for groundwater liabilities has not been transferred to the new owner of the site. • The requirement at present is only to monitor the site, however, it cannot be discounted that the environmental agency will require a depollution in the future.
Germany			
Hamburg	Soil and groundwater pollution	EUR 800,000 per year for next 25 years	• Clean up already underway and will continue for 25 years. • Currently investigating alternative decontamination methods which will result in cost efficiencies but may require further investment to implement. Pilot treatment started in January 2011. • Yearly reviews undertaken by environmental agency. Last review was in January 2011.
Netherlands			
Nijmegen	Soil and groundwater pollution	USD 100,000 per year for next 10 years	• Soil and groundwater are contaminated. These matters have been reported to the authorities and no further action is required. • However, NXP extracts

Site	Issue	Expected Liability	Additional Information
			groundwater of companies in neighbourhood and must treat this on an ongoing basis, costing USD 100,000 per year for next 10 years.
	Asbestos in foundation parking lot	USD 700,000	• NXP rents a parcel from the municipality. If the lease is ended, NXP would be required to dismantle the parcel which would result in costs in relation to the disposal of asbestos.
Lent	TCE contamination	EUR 4,000,000 if ProRail claims are successful	• Site has been sold to ProRail. ProRail claims that NXP contaminated the land. Claims are being rejected (the last claim was in January 2010). • If ProRail is successful in its claims, this may result in a total liability of EUR 4,000,000 if building activities are undertaken by ProRail. • However, it is considered very unlikely that a claim against NXP in connection with this matter will be made successfully.
United Kingdom			
Southampton	Asbestos in buildings	USD 1,700,000 if building demolished	• Updated survey complete. Cost is in relation to removal of asbestos which will be required if the building is demolished.
	Soil and groundwater pollution	USD 10,000 per year for 15-25 years	• Cost is in relation to sampling. • Cost of EUR 250,000 if building is demolished prior to sale of site

Site	***Issue***	***Expected Liability***	***Additional Information***
Hazel Grove	Asbestos in building and foundation	USD 850,000 Unknown	• No action required at present but removal of asbestos will be required on demolition of the building at a cost of USD 850,000
	Possible soil and groundwater pollution	USD 5,000 per year for 25 years	• Cost is in relation to testing for contamination. • At present there is no cause for concern.

SCHEDULE 8.15

RESTRICTED SUBSIDIARIES

No.	Subsidiary	Jurisdiction of Organization	Ownership Interest
1.	NXP Semiconductors Netherlands B.V.	Netherlands	100%
2.	NXP Software B.V.	Netherlands	100%
3.	NXP Semiconductors International B.V.	Netherlands	100%
4.	NXP Holding B.V.	Netherlands	100%
5.	NXP Semiconductors GA GmbH	Germany	100%
6.	SMST Unterstützungsksasse GmbH	Germany	100%
7.	NXP Semiconductors Germany GmbH	Germany	100%
8	NXP Stresemannallee 101 Dritte Verwaltungs GmbH	Germany	100%
9.	NXP Semiconductors Austria GmbH	Austria	100%
10.	NXP Semiconductors Switzerland AG	Switzerland	100%
11.	NXP Semiconductors Belgium N.V.	Belgium	100%
12.	NXP Semiconductors France SAS	France	100%
13.	NXP Semiconductors Finland Oy	Finland	100%
14.	NXP Semiconductors Sweden AB	Sweden	100%
15.	NXP Semiconductors UK Limited	UK	100%
16.	NXP Semiconductors Hungary Ltd.	Hungary	100%
17.	NXP Semiconductors Electronik Ticaret A.S	Turkey	100%
18.	NXP Semiconductors Poland Sp.z.o.o	Poland	100%
19.	O.O.O. NXP Semiconductors Russia	Russia	100%
20.	NXP Semiconductors Guangdong Ltd	China	100%
21.	NXP Semiconductors (Beijing) Ltd	China	100%
22.	NXP Semiconductors (Shanghai) Ltd	China	100%
23.	NXP Semiconductors Hong Kong Ltd.	Hong Kong	100%
24.	Electronic Devices Ltd.	Hong Kong	100%
25.	Semiconductors NXP Ltd.	Hong Kong	100%
26.	NXP Semiconductors Japan Ltd	Japan	100%
27.	NXP Semiconductors Korea Ltd.	Korea	100%

No.	Subsidiary	Jurisdiction of Organization	Ownership Interest
28.	NXP Semiconductors Singapore Pte. Ltd	Singapore	100%
29.	NXP Semiconductors Taiwan Ltd.	Taiwan	100%
30.	NXP Semiconductors Malaysia Sdn. Bhd.	Malaysia	100%
31.	NXP Semiconductors Philippines, Inc.	Philippines	100%
32.	NXP Semiconductors Cabuyao, Inc.	Philippines	99.9%
33.	NXP Semiconductors (Thailand) Ltd under liquidation (voluntary wind up)	Thailand	100%
34.	NXP Manufacturing (Thailand) Ltd	Thailand	100%
35.	NXP Semiconductors India Pvt Ltd.	India	100%
36.	NXP Semiconductors USA, Inc.	USA	100%
37.	NXP Semiconductors (GPS) USA, Inc.	USA	100%
38.	Jennic America, Inc.	USA	100%
39.	NXP Laboratories UK Holding Ltd.	UK	100%
40.	NXP Laboratories UK Ltd.	UK	100%
41.	Glonav UK Ltd.	UK	100%
42.	Glonav Ltd.	Ireland	100%
43.	NXP Semiconductors Canada Inc.	Canada	100%
44.	NXP Semiconductors Brasil Ltda	Brazil	100%
45.	NXP Funding LLC	USA	100%

EQUITY INVESTMENTS

No.	Entity	Country	Stakeholder[2]	Ownership Interest
1.	Laguna Ventures, Inc.	Philippines	NXP Semiconductors Philippines, Inc.	39.9%
2.	Suzhou ASEN Semiconductors Co. Ltd	China	NXP B.V.	40%
3.	Advanced Semiconductor Manufacturing Corporation Limited	China	NXP B.V.	27.47%
4.	NuTune Singapore Pte. Ltd.	Singapore	NXP B.V.	9.09%
5.	VIVOtech, Inc.	USA	NXP B.V.	0.72%

[2] As far as the NXP B.V. stake is concerned.

SCHEDULE 8.18

INTELLECTUAL PROPERTY LITIGATION AGAINST THE COMPANY AND ITS RESTRICTED SUBSIDIARIES

Entity	*Issue*	*Amount claimed*	*Additional Information*
NXP B.V.	Patent infringement	USD 5,000,000 for past use and USD 50,000,000 for 5 years future use	• Pre-claim discussions are ongoing. NXP believes amount claimed this figure is based on an inaccurate knowledge of NXP's market share. • Negotiations are ongoing.
NXP B.V.	Patent infringement	No amount claimed	• MOSAID Technologies, Inc. asserted that NXP infringes patents and requested NXP pay USD 5,500,000damages. • Negotiations are ongoing.
NXP B.V.	Patent Infringement	No amount claimed	• Intravisual claims infringement by NXP based on products which practice the H.264 video compression standard seeking damages and an injunction against further sales of H.264-compliant products. • NXP filed a motion to dismiss for lack of personal jurisdiction .

SCHEDULE 9.2

COMPANY'S WEBSITE

http://www.nxp.com

SCHEDULE 13.2

NOTICES

1. To the Administrative Agent

Barclays Bank PLC
745 Seventh Avenue
New York, NY 10019
Attention: Kevin Cullen/ Nick Versandi
Telephone: (212) 526-4979/ (212) 526-9799
Telecopy: **917-265-1239**/ (646) 758-4256
E-mail: Kevin.cullen@barcap.com
Nicholas.versandi@barcap.com
ltmny@barcap.com

With a copy to:

Barclays Capital
1301 Avenue of the Americas
New York, NY 10019
Attention: Patrick Kerner
Telephone: 1-212-320-6927
Fax: (917) 522-0569
Group Email: XraUSLoanOps5@barclayscapital

2. To the Global Collateral Agent

Morgan Stanley Senior Funding, Inc.
25 Cabot Square Canary Wharf London E14 4QA
Telephone: +44 20 7677 2889
Fax: +44 20 7056 5471
Attn: Nicole Shoaf
Email: loansagency@morganstanley.com

3. To the Company or the Co-Borrower:

NXP B.V.
High Tech Campus 60
5656 AG Eindhoven
The Netherlands
Telephone: (31) 40 272-2041
Fax: (31) 40 272-4005

Email: guido.dierick@nxp.com
Attention: Guido Dierick

With a copy to: ‘

NXP Semiconductors N.V.
High Tech Campus 60
5656 AG Eindhoven
The Netherlands
Telephone: (31) 20 5407575
Fax: (31) 20 5407500
Email: erik.thyssen@alpinvest.com
Attn: Erik Thyssen

Exhibit 12.1

CERTIFICATION

I, Rick Clemmer, certify that:

1. I have reviewed this annual report on Form 20-F of NXP Semiconductors N.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 9, 2011

/S/ RICK CLEMMER

Rick Clemmer
President, Chairman of the Board of Management and the Management Team

CERTIFICATION

I, Karl-Henrik Sundström, certify that:

1. I have reviewed this annual report on Form 20-F of NXP Semiconductors N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 9, 2011

/S/ KARL-HENRIK SUNDSTRÖM

Karl-Henrik Sundström
Executive Vice President and Chief Financial Officer

Exhibit 13.1

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of NXP Semiconductors N.V. (the “Company”), hereby certifies, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2010 (the “Report”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 9, 2011

/S/ RICK CLEMMER

Rick Clemmer
President, Chairman of the Board of Management and the Management Team

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 13.2

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of NXP Semiconductors N.V. (the “Company”), hereby certifies, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2010 (the “Report”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 9, 2011

/S/ KARL-HENRIK SUNDSTRÖM

Karl-Henrik Sundström
Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

Separate Financial Statements of Trident Microsystems, Inc. for the fiscal year ended December 31, 2010

TRIDENT MICROSYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2010	Six Months Ended December 31, 2009	Years Ended June 30, 2009	Years Ended June 30, 2008
	(In thousands, except per share data)			
Net revenues	$ 557,198	$ 63,011	$ 75,761	$257,938
Cost of revenues	439,635	47,265	52,433	137,912
Gross profit	117,563	15,746	23,328	120,026
Operating expenses:				
Research and development	175,001	32,512	53,016	52,608
Selling, general and administrative	79,161	19,980	29,617	48,598
Goodwill impairment	7,851	—	1,432	—
In-process research and development	—	—	697	—
Restructuring charges	28,261	1,558	810	—
Total operating expenses	290,274	54,050	85,572	101,206
Income (loss) from operations	(172,711)	(38,304)	(62,244)	18,820
Loss on sale of short-term investments	(303)	—	(8,940)	—
Impairment loss on short-term investments	—	—	(556)	(6,480)
Gain on acquisition	43,402	—	—	—
Interest income	868	118	2,968	6,166
Other income (expense), net	951	(1,212)	4,053	445
Income (loss) before provision for income taxes	(127,793)	(39,398)	(64,719)	18,951
Provision for income taxes	1,096	1,129	5,513	8,799
Net income (loss)	$ (128,889)	$ (40,527)	$(70,232)	$ 10,152
Net income (loss) per share — Basic	$ (0.79)	$ (0.58)	$ (1.12)	$ 0.17
Net income (loss) per share — Diluted	$ (0.79)	$ (0.58)	$ (1.12)	$ 0.16
Shares used in computing net income (loss) per share — Basic	163,438	69,372	62,535	59,367
Shares used in computing net income (loss) per share — Diluted	163,438	69,372	62,535	62,751

The accompanying notes are an integral part of these consolidated financial statements.

TRIDENT MICROSYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS

	As of December 31, 2010	As of December 31, 2009
	(In thousands, except par values)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 93,224	$147,995
Accounts receivable, net	62,328	4,582
Accounts receivable from related parties	7,337	—
Inventories	23,025	14,536
Notes receivable from related parties	20,884	—
Prepaid expenses and other current assets	18,330	7,357
Total current assets	225,128	174,470
Property and equipment, net	31,566	26,168
Goodwill	—	7,851
Intangible assets, net	82,921	5,635
Long-term receivable from related parties	1,500	—
Other assets	29,826	14,369
Total assets	$ 370,941	$228,493
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,828	$ 18,883
Accounts payable to related parties	26,818	2,401
Accrued expenses and other current liabilities	70,401	26,739
Deferred margin	8,904	329
Income taxes payable	2,077	1,696
Total current liabilities	116,028	50,048
Long-term income taxes payable	25,476	22,262
Deferred income tax liabilities	200	94
Other long-term liabilities	4,933	—
Total liabilities	146,637	72,404
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, $0.001 par value: 500 shares authorized; none issued and outstanding	—	—
Common stock, $0.001 par value; 250,000 shares and 95,000 shares authorized; 177,046 and 70,586 shares issued and outstanding at December 31, 2010 and 2009, respectively	177	71
Additional paid-in capital	434,825	237,827
Retained earnings (accumulated deficit)	(210,698)	(81,809)
Total stockholders' equity	224,304	156,089
Total liabilities and stockholders' equity	$ 370,941	$228,493

The accompanying notes are an integral part of these consolidated financial statements.

TRIDENT MICROSYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2010	Six Months Ended December 31, 2009	Years Ended June 30, 2009	2008
		(In thousands)		
Cash flows from operating activities:				
Net income (loss)	$ (128,889)	$ (40,527)	$ (70,232)	$ 10,152
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Stock-based compensation expense	6,903	3,455	12,673	24,270
Depreciation and amortization	27,829	6,745	9,544	5,354
Excess tax benefit from stock-based compensation	—	—	(96)	(561)
In-process research and development	—	—	697	—
Amortization of acquisition-related intangible assets	55,714	2,048	3,985	5,725
Impairment of goodwill	7,851	—	1,432	—
Impairment of intangible assets	—	—	2,689	—
Impairment of technology licenses and prepaid royalties	2,516	—	—	—
Impairment loss on short-term investments	—	200	556	6,480
Gain on acquisition	(43,402)	—	—	—
Loss (gain) on sales of investments	303	(125)	8,966	(969)
Loss on disposal of property and equipment	377	96	83	52
Deferred income taxes	(2,989)	306	63	(722)
Changes in operating assets and liabilities, net of effect of acquisitions:				
Accounts receivable	(57,746)	(496)	612	4,665
Accounts receivable from related party	3,987	4,954	(5,289)	—
Inventories	(8,489)	(7,708)	1,852	7,583
Notes receivable from related parties	19,016	—	—	—
Prepaid expenses and other current assets	(7,850)	(2,484)	5,885	6,088
Accounts payable	(11,252)	8,009	(577)	(8,902)
Accounts payable to related party	24,417	(3,112)	5,512	—
Accrued expenses and other liabilities	20,479	7,522	(7,309)	(3,574)
Deferred margin	8,575	—	—	—
Income taxes payable	3,595	(10,807)	(2,897)	2,273
Net cash provided by (used in) operating activities	(79,055)	(31,924)	(31,850)	57,914
Cash flows from investing activities:				
Purchases of property and equipment	(9,237)	(1,134)	(3,189)	(6,246)
Proceeds from sale of property, plant and equipment	—	18	294	48
Acquisition of businesses, net of cash acquired	46,380	(140)	(2,531)	(1,960)
Proceeds from the capital reduction of UMC investment	—	—	—	7,829
Proceeds from sale of investments	—	223	17,234	6,079
Proceeds from sale of investments in private companies	—	—	—	1,056
Purchases of technology licenses	(13,048)	(7,223)	(6,471)	(5,070)
Net cash provided by (used in) investing activities	24,095	(8,256)	5,337	1,736
Cash flows from financing activities:				
Proceeds from issuance of common stock to employees	189	238	1,058	5,523
Excess tax benefit from stock-based compensation	—	—	96	561
Net cash provided by financing activities	189	238	1,154	6,084
Net (decrease) increase in cash and cash equivalents	(54,771)	(39,942)	(25,359)	65,734
Cash and cash equivalents at beginning of year	147,995	187,937	213,296	147,562
Cash and cash equivalents at end of year	$ 93,224	$ 147,995	$187,937	$213,296
Supplemental disclosure of cash flow information:				
Cash paid for income taxes	$ 1,817	$ 12,296	$ 1,588	$ 1,219
Supplemental schedule of non-cash investing and financing activities:				
Common stock, preferred shares, and warrants issued in connection with acquisitions of businesses	$ 188,610	$ —	$ 12,087	$ —

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
				(In thousands)		
Balance at June 30, 2007	57,748	58	179,390	18,798	3,602	201,848
Net income	—	—	—	10,152	—	10,152
Unrealized losses on investments, net of tax	—	—	—	—	(3,654)	(3,654)
Comprehensive income						6,498
Shares issued pursuant to stock awards, net	3,490	3	5,520	—	—	5,523
Stock-based compensation expense	—	—	24,270	—	—	24,270
Net cash settlement of stock options	—	—	(1,274)	—	—	(1,274)
Tax benefit from stock-based compensation	—	—	393	—	—	393
Balance at June 30, 2008	61,238	61	208,299	28,950	(52)	237,258
Net loss	—	—	—	(70,232)	—	(70,232)
Unrealized gain on short-term investment	—	—	—	—	52	52
Comprehensive loss						(70,180)
Shares issued pursuant to stock awards, net	1,682	2	1,056	—	—	1,058
Shares and warrant issued in connection with the acquisition of Micronas assets	7,000	7	12,080	—	—	12,087
Stock-based compensation expense	—	—	12,673	—	—	12,673
Net cash settlement for TMT's stock options	—	—	26	—	—	26
Balance at June 30, 2009	69,920	70	234,134	(41,282)	—	192,922
Net loss	—	—	—	(40,527)	—	(40,527)
Comprehensive loss						(40,527)
Shares issued pursuant to stock awards, net	666	1	238	—	—	239
Stock-based compensation expense	—	—	3,455	—	—	3,455
Balance at December 31, 2009	70,586	71	237,827	(81,809)	—	156,089
Net loss	—	—	—	(128,889)	—	(128,889)
Comprehensive loss						(128,889)
Shares issued in connection with the acquisition of NXP assets	104,204	104	188,506	—	—	188,610
Shares issued pursuant to stock awards, net	2,256	2	16	—	—	16
Stock-based compensation expense	—	—	8,476	—	—	8,476
Balance at December 31, 2010	177,046	$ 177	$434,825	$ (210,698)	$ —	$ 224,304

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Business and Business Combinations

Business

Trident Microsystems, Inc. (including our subsidiaries, referred to collectively in this Report as "Trident" or the "Company") is a provider of high-performance multimedia semiconductor solutions for the digital home entertainment market. We design, develop and market integrated circuits, or ICs, and related software for processing, displaying and transmitting high quality audio, graphics and images in home consumer electronics applications such as digital TVs (DTV), PC and analog TVs, and set-top boxes. Our product line includes system-on-a-chip, or SoC, semiconductors that provide completely integrated solutions for processing and optimizing video, audio and computer graphic signals to produce high-quality and realistic images and sound. Our products also include frame rate converter, or FRC, demodulator or DRX and audio decoder products, DOCSIS[R] modems, interface devices and media processors. Trident's customers include many of the world's leading original equipment manufacturers, or OEMs, of consumer electronics, computer display and set-top box products. Our goal is to become a leading provider for the "connected home," with innovative semiconductor solutions that make it possible for consumers to access their entertainment and content (music, pictures, internet, data) anywhere and at anytime throughout the home.

Business Combinations

On May 14, 2009, we completed our acquisition of selected assets of the frame rate converter, or FRC, demodulator, or DRX, and audio decoder product lines from Micronas Semiconductor Holding AG, or Micronas, a Swiss corporation. In connection with the acquisition, we issued 7.0 million shares of our common stock and warrants to acquire up to 3.0 million additional shares of our common stock, with a combined fair value of approximately $12.1 million, and incurred approximately $5.2 million of acquisition-related transaction costs and liabilities, for a total purchase price of approximately $17.3 million. In connection with this acquisition, we established three new subsidiaries in Europe, Trident Microsystems (Europe) GmbH, or TMEU, Trident Microsystems Nederland B.V., or TMNM, and Trident Microsystems Holding B.V., or TMH, to primarily provide sales liaison, marketing and engineering services in Europe. TMEU is located in Freiburg, Germany and TMNM and TMH are located in Nijmegen, The Netherlands.

On February 8, 2010, we completed the acquisition of the television systems and set-top box business lines from NXP B.V., a Dutch besloten vennootschap, or NXP. As a result of the acquisition, we issued 104,204,348 shares of Trident common stock to NXP, or Shares, equal to 60% of the Company's total outstanding shares of common stock, after giving effect to the share issuance to NXP, in exchange for the contribution of selected assets and liabilities of the television systems and set-top box business lines from NXP and cash proceeds in the amount of $44 million. In accordance with U.S. generally accepted accounting principles, the closing price on February 8, 2010 was used to value our common stock. In addition, we issued to NXP four shares of a newly created Series B Preferred Stock, or the Preferred Shares. The purchase price and fair value of the consideration transferred by us was $140.8 million. In connection with this acquisition, we acquired or established additional subsidiaries in Asia, India and Europe and established a branch office in France of an existing European entity. For details of the acquisition, see Note 13, "Business Combinations," of Notes to Consolidated Financial Statements.

Basis of Consolidation and Presentation

The accompanying Consolidated Financial Statements include the accounts and operations of the Company. All intercompany accounts and transactions have been eliminated. The U.S. dollar is the functional currency for Trident and its subsidiaries; therefore, the Company does not have a translation adjustment recorded through accumulated other comprehensive income (loss). Certain reclassifications have been made to prior period amounts to conform to the current period presentation, as follows: (i) part of the accounts receivable from related party has been reclassified as accounts receivable; (ii) technology licenses classified as prepaid expenses and other current assets have been reclassified as other assets; (iii) deferred margin previously classified as accrual expenses and other liabilities has been separately classified. Such reclassifications did not have a significant impact on the Company's gross profit, net loss of net cash (used in) provided by operating activities.

Change in Fiscal Year End

On November 16, 2009 the Board of Directors approved a change in the fiscal year end from June 30, to December 31. The change became effective at the end of the quarter ended December 31, 2009. All references to “years”, unless otherwise noted, refer to the 12-month fiscal year, which prior to July 1, 2009, ended on June 30, and beginning with January 1, 2010, ends on December 31, of each year. In addition, the Company presents the Consolidated Statement of Operations and Consolidated Statement of Cash Flows for the transition six month period ended December 31, 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Foreign Currency Remeasurement

The Company uses the U.S. dollar as the functional currency for all of its foreign subsidiaries. Sales and purchase transactions are generally denominated in U.S. dollars. The Company has not engaged in hedging transactions to reduce its foreign currency exposure to such fluctuations; however, it may take action in the future to reduce its foreign exchange risk. Gains and losses from foreign currency remeasurements are included in “Other income (expense), net” in the Consolidated Statements of Operations. The Company recorded foreign currency remeasurement losses of $3.1 million during the year ended December 31, 2010, $0.6 million for the six months ended December 31, 2009 and $2.4 million for the year ended June 30, 2008, respectively. The Company recorded a foreign currency remeasurement gain of $1.8 million during the year ended June 30, 2009.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments in money market funds invested in Treasuries and certificates of deposits purchased with an original maturity of ninety days or less from the date of purchase.

Fair Value of Financial Instruments

Currently, the Company’s financial instruments consist principally of cash and cash equivalents, accounts receivable, notes receivable and accounts payable. The Company believes that the recorded values of all of its other financial instruments approximate their recorded values because of their nature and respective maturity dates or durations.

Concentrations of Credit Risk and Other Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, notes receivable and trade accounts receivable. Cash and cash equivalents held with financial institutions may exceed the amount of insurance provided by the Federal Deposit Insurance Corporation on such deposits.

A majority of the Company’s trade receivables is derived from sales to large multinational OEMs who manufacture digital TVs, located throughout the world, with a majority located in Asia. Prior to May 14, 2009, the date of the acquisition of the Micronas business lines, sales to most of the Company’s customers were typically made on a prepaid or letter of credit basis while sales to a few customers were made on open accounts. The Company performs ongoing credit evaluations of its newly acquired customers’ financial condition and generally requires no collateral to secure accounts receivable. Historically, a relatively small number of customers have accounted for a significant portion of its revenues. The Company’s products have been manufactured primarily by two foundries, United Microelectronics Corporation, or UMC, based in Taiwan and Micronas, based in Germany. Effective with the February 8, 2010 closing of the Company’s acquisition of certain assets from NXP B.V., the Company also has products manufactured by Taiwan Semiconductor Manufacturing Company, or TSMC.

Foreign currency exchange rate risk

As of December 31, 2010, the Company had operations in the United States, United Kingdom, India, Taiwan, China, Hong Kong, Germany, The Netherlands, Japan, Singapore and South Korea. The functional currency of all of these operations is the U.S. dollar. Approximately $66.7 million, or 71.5% of the Company's cash and cash equivalents, were held by entities outside the United States as of December 31, 2010, a majority of which is denominated in U.S. dollars. In addition, income tax payable in foreign jurisdictions is denominated in foreign currencies and is subject to foreign currency exchange rate risk. Although personnel and facilities-related expenses are primarily incurred in local currencies due to the location of the Company's subsidiaries outside the United States, substantially all of the Company's other expenses are incurred in U.S. dollars. Since the Company acquired certain product lines from Micronas in May 2009, the Company has also incurred manufacturing and related expenses in Euros, and expects to incur additional expenses in Euros in the future as a result of the NXP Transaction.

While the Company expects international revenues to continue to be denominated primarily in U.S. dollars, an increasing portion of the Company's international revenues may be denominated in foreign currencies, such as Euros. In addition, the Company's operating results may become subject to significant fluctuations based upon changes in foreign currency exchange rates of certain currencies relative to the U.S. dollar. The Company analyzes its exposure to foreign currency fluctuations and may engage in financial hedging techniques in the future to attempt to minimize the effect of these potential fluctuations; however, foreign currency exchange rate fluctuations may adversely affect the Company's financial results in the future. Following the NXP Transaction, the Company now has many foreign locations, and a large percentage of the Company's international operational expenses are denominated in foreign currencies. As a result, foreign currency exchange rate volatility, particularly in Euros and China's currency, Renminbi, could negatively or positively affect the Company's operating costs in the future.

Fluctuations in foreign exchange rates may have an adverse effect on the Company's financial results due to the NXP acquired business lines, as a substantial proportion of expenses of the acquired business lines are incurred in various denominations, while most of the revenues are denominated in U.S. dollars.

Interest rate risk

The Company currently maintains its cash equivalents primarily in certificates of deposit, U.S Treasuries, and other highly liquid investments. The Company does not have any derivative financial instruments. The Company places cash investments in instruments that meet high credit quality standards, as specified in the Company's investment policy guidelines. These guidelines also limit the amount of credit exposure to any one issue, issuer or type of instrument.

The Company's cash and cash equivalents are not subject to significant interest rate risk due to the short maturities of these instruments. As of December 31, 2010, the Company has approximately $93.2 million in cash and cash equivalents, of which $62.2 million is cash and $31.0 million is money market funds invested in U.S. Treasuries. The Company currently intends to continue investing a significant portion of its existing cash equivalents in interest bearing, investment grade securities, with maturities of less than three months. The Company does not believe that investments, in the aggregate, have significant exposure to interest rate risk. However, the Company will continue to monitor the health of the financial institutions with which these investments and deposits have been made due to the global financial environment.

Inventories

Inventories are computed using the lower of cost or market, which approximates actual cost on a first-in-first-out basis. Inventory components are work-in-process and finished goods. Finished goods are reported as inventories until the point of title transfer to the customer. The Company writes down its inventory value for excess and for estimated obsolescence for the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. These factors are impacted by market and economic conditions, technology changes, new product introductions and changes in strategic direction and require estimates that may include uncertain elements. Actual demand may differ from forecasted demand, and such differences may have a material effect on recorded inventory values. At December 31, 2010, the Company had an inventory reserve balance of $4.6 million. In addition, the Company recorded a $2.8 million liability for ordered product with no expected demand from customers for the year ended December 31, 2010.

Long-lived Assets

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Major improvements are capitalized, while repairs and maintenance are expensed as incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Furniture and fixtures are depreciated over five years. Machinery, equipment and software are depreciated over three years. Leasehold improvements are depreciated over the shorter of the estimated useful lives of the assets or the lease terms. The Company's Shanghai office building is depreciated over a twenty year life and the office building land is subject to a customary local property right certificate. Construction in progress is not subject to depreciation until the asset is placed in service. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are removed from the accounts. Gains or losses resulting from retirements or disposals are included in "Other income (expense), net" in the Consolidated Statements of Operations. Depreciation expense was $14.5 million for the year ended December 31, 2010, $2.4 million for the six months ended December 31, 2009, and $3.5 million and $2.5 million for the years ended June 30, 2009 and 2008, respectively.

Amortizable Intangible Assets

The Company has two types of intangible assets: acquisition-related intangible assets and purchased intangible assets from third-party vendors. Intangible assets are carried at cost, net of accumulated amortization. The Company amortizes acquisition-related identified intangibles on a straight-line basis, reflecting the pattern in which the economic benefits of the intangible asset is consumed, over their estimated economic lives of 4 to 5 years for core and developed technology, 2 to 3 years for customer relationships, 1 year for backlog, 4 to 5 years for patents and the contractual term for service agreements.

Management evaluates the recoverability of its identifiable intangible assets and long-lived assets in accordance with applicable accounting guidance, which requires the assessment of these assets for recoverability when events or circumstances indicate a potential impairment exists. Certain events and circumstances the Company considered in determining whether the carrying value of identifiable intangible assets and other long-lived assets may not be recoverable include, but are not limited to: significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant negative industry or economic trends; a significant decline in its stock price for a sustained period of time; and changes in its business strategy. In determining if an impairment exists, the Company estimates the undiscounted cash flows to be generated from the use and ultimate disposition of these assets. If an impairment is indicated based on a comparison of the assets' carrying values and the undiscounted cash flows, the impairment loss is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

During the year ended December 31, 2010, the Company wrote off $2.5 million of technology licenses and prepaid royalties under "Cost of revenues" in the Consolidated Statement of Operations. During the year ended June 30, 2009, the Company recognized a $1.0 million impairment loss on acquisition-related intangible assets. In addition, the Company wrote off $1.7 million of third-party purchased IP under "Research and development" in the Consolidated Statement of Operations for the year ended June 30, 2009. There was no impairment loss recorded during the six month period ended December 31, 2009.

Goodwill

The Company accounts for goodwill in accordance with applicable accounting guidance. Goodwill is recorded when the purchase price of an acquisition exceeds the fair value of the net purchased tangible and intangible assets acquired and is carried at cost. Goodwill is not amortized, but is subject to an impairment test annually. The Company will continue to perform its annual goodwill impairment analysis in the quarter ended June 30 of each year or more frequently if the Company believes indicators of impairment exist. Factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to historical or projected future operating results;
- significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition;
- significant negative industry or economic trends; and
- significant decline in the Company's market capitalization.

The performance of the test involves a two-step process. The first step requires a comparison of the fair value of the reporting unit to its net book value, including goodwill. The fair value of the reporting unit is determined based on the present value of estimated future cash flows of the reporting unit. A potential impairment exists if the fair value of the reporting unit is lower than its net book value. The second step of the process is only performed if a potential impairment exists, and it involves determining the difference between the fair values of the reporting unit's net assets, other than goodwill, and the fair value of the reporting unit, and, if the difference is less than the net book value of goodwill, an impairment charge is recorded. In the event that the Company determines that the value of goodwill has become impaired, the Company will record a charge for the amount of impairment during the quarter in which the determination is made. The Company performed its annual goodwill impairment analysis in the quarter ended June 30, 2010 and recorded an impairment charge of $7.9 million, due to the excess of the carrying value over the estimated market value for the television systems operating segment. The market approach method and the Company's stock price at June 30, 2010, were used to determine the estimated market value of the television systems operating segment.

Revenue Recognition

The Company recognizes revenues upon shipment directly to end customers provided that persuasive evidence of an arrangement exists, delivery has occurred, title has transferred, the price is fixed or determinable, there are no customer acceptance requirements, there are no remaining significant obligations and collectability of the resulting receivable is reasonably assured.

The Company records estimated reductions to revenue for customer incentive offerings, including rebates and sales returns allowance in the same period that the related revenue is recognized. The Company's customer incentive offerings primarily involve volume rebates for its products in various target markets and the Company accrues for 100% of the potential rebates when it is likely that the relevant criteria will be met. A sales returns allowance, which is presented as a reduction to accounts receivable on the Company's Consolidated Balance Sheet, is established based primarily on historical sales returns, analysis of credit memo data and other known factors at that time.

A significant amount of the Company's revenue is generated through distributors that may benefit from pricing protection and/or rights of return. The Company defers recognition of product revenue and costs from sales to such distributors until the products are resold by the distributor to the end user customers and records deferred revenue less cost of deferred revenues as a net liability on the Company's Consolidated Balance Sheet. At the time of shipment to such distributors, the Company records a trade receivable at the selling price since there is a legally enforceable obligation from the distributor to pay the Company currently for product delivered and relieve inventory for the carrying value of goods shipped since legal title has passed to the distributor. During the year ended December 31, 2010, the Company recognized $131.2 million of product revenue from products that were sold by distributors to the end user customers.

The Company presents any taxes assessed by a governmental authority that are both imposed on and concurrent with our sales on a net basis, excluded from revenues.

Stock-based Compensation

The Company accounts for share-based payments, including grants of stock options and awards to employees and directors, in accordance with applicable accounting guidance, which requires that share-based payments be recognized in its Consolidated Statements of Operations based on their fair values and the estimated number of shares the Company ultimately expects to vest. The Company recognizes stock-based compensation expense on a straight-line basis over the service period of all stock options and awards other than performance-based restricted stock awards with market conditions.

Shipping and Handling Costs

Shipping and handling costs are included as a component of cost of revenues.

Research and Development Costs

Research and development costs are expensed as incurred. These costs primarily include employees' compensation, consulting fees, software licensing fees and tape-out expenses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of personnel related expenses including stock-based compensation, commissions paid to sales representatives and distributors and professional fees.

Income Taxes

The Company accounts for income taxes in accordance with applicable accounting guidance, which requires that deferred tax assets and liabilities be recognized by using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities.

The Company also has to assess the likelihood that it will be able to realize its deferred tax assets. If realization is not more likely than not, the Company is required to record a valuation allowance against deferred tax assets that the Company estimates it will not ultimately realize. The Company believes that it will not ultimately realize a substantial amount of the deferred tax assets recorded on its consolidated balance sheets. However, should there be a change in the ability to realize deferred tax assets; the valuation allowance against deferred tax assets would be released, resulting in a corresponding reduction in the Company's tax provision.

The Company is required to make certain estimates and judgments in determining income tax expense for financial statement purposes. The Company recognizes liabilities for uncertain tax positions based on the two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. Because the Company is required to determine the probability of various possible outcomes, such estimates are inherently difficult and subjective. The Company reevaluates these uncertain tax positions on a quarterly basis. This reevaluation is based on factors including, but not limited to, changes in facts or circumstances and changes in tax law. A change in recognition or measurement would result either in the recognition of a tax benefit or in an additional charge to the tax provision for the period.

Net Income (loss) per Share

The Company computes net income (loss) per share in accordance with applicable accounting guidance. Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for the reporting period. Diluted net income (loss) per share is computed by dividing net income by the combination of dilutive common share equivalents, comprised of shares issuable under the Company's stock-based compensation plans and the weighted average number of shares of common stock outstanding during the reporting period. Dilutive common share equivalents include the dilutive effect of in-the-money options and warrants to purchase shares, which is calculated based on the average share price for each period using the treasury stock method. Under the treasury stock method, the exercise price of an option, the amount of compensation cost, if any, for future service that the Company has not yet recognized, and the amount of estimated tax benefits that would be recorded in paid-in capital, if any, when the option is exercised are assumed to be used to repurchase shares in the current period.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in the equity of a company during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Unrealized gains and losses on investments are comprehensive income (loss) items applicable to the Company and are reported as a separate component of equity as "Accumulated other comprehensive income (loss)."

Product Warranty

The Company's products are generally subject to warranty, which provides for the estimated future costs of repair, replacement or customer accommodation upon revenue recognition in the accompanying statements of operations. The Company warrants its products against material defects for a period of time usually between 90 days and one year.

Advertising Expense

Advertising costs are expensed when incurred.

Recent Accounting Pronouncements

Effective July 1, 2009, the Company adopted the FASB's updated guidance related to business combinations. The updated guidance establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. The updated standard also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Under the updated guidance, the Company is expensing the transaction and employee termination costs associated with the NXP product lines acquisitions, while under the prior accounting standards such costs would have been capitalized. In addition, the Company acquired in-process research and development of $18.0 million in 2010, which has been capitalized in accordance with the updated guidance, whereas under prior authoritative guidance the amount would have been expensed immediately. Therefore, the Company believes the updated guidance had a material impact on its future consolidated financial statements.

Effective January 1, 2010, the Company adopted the FASB's updated guidance related to fair value measurements and disclosures, which requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and to describe the reasons for the transfers. In addition, in the reconciliation for fair value measurements using significant unobservable inputs, or Level 3, a reporting entity should disclose separately information about purchases, sales, issuances and settlements (that is, on a gross basis rather than one net number). The updated guidance also requires that an entity should provide fair value measurement disclosures for each class of assets and liabilities and disclosures about the valuation techniques and inputs used to measure fair value for both recurring and non-recurring fair value measurements for Level 2 and Level 3 fair value measurements. The guidance is effective for interim or annual financial reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. Therefore, the Company has not yet adopted the guidance with respect to the roll forward activity in Level 3 fair value measurements. The Company has updated its disclosures to comply with the updated guidance; however, adoption of the updated guidance did not have an impact on the Company's consolidated results of operations or financial condition.

In April 2010, new accounting guidance was issued for the milestone method of revenue recognition. Under the new guidance, an entity can recognize revenue from consideration that is contingent upon achievement of a milestone in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. This guidance is effective prospectively for milestones achieved in fiscal years, and interim period within those years, beginning on or after June 15, 2010. The adoption of this guidance did not significantly impact the Company's Consolidated financial statements. This guidance was incorporated into the Company's recognition of revenue.

In December 2010, the FASB updated its guidance related to when to perform step two of the goodwill impairment test for reporting units with zero or negative carrying amounts. The updated guidance requires that for any reporting unit with a zero or negative carrying amount, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The updated guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The Company does not expect adoption to have a material impact on its consolidated results of operations or financial condition.

In December 2010, the FASB updated its guidance related to disclosure of supplementary pro forma information for business combinations. The updated guidance requires that if comparative financial statements are presented, the pro forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date for all business combinations that occurred during the current year had been as of the beginning of the comparable prior annual reporting period only. The updated guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. The Company has not yet adopted the updated guidance and the Company does not expect adoption to have an impact on its consolidated results of operations or financial condition as the updated guidance only affects disclosures related to future business combinations.

3. BALANCE SHEET COMPONENTS

	December 31, 2010	December 31, 2009
	(Dollars in thousands)	
Cash and cash equivalents:		
Cash	$ 62,226	$ 86,382
Money market funds invested in U.S. Treasuries	30,998	61,613
Total cash and cash equivalents	$ 93,224	$ 147,995
Accounts receivable:		
Accounts receivable, gross	$ 62,962	$ 4,902
Allowance for sales returns and doubtful accounts	(634)	(320)
Total accounts receivable	$ 62,328	$ 4,582
Inventories:		
Work in process	$ 4,751	$ 12,539
Finished goods	18,274	1,997
Total inventories	$ 23,025	$ 14,536
Prepaid expenses and other current assets:		
VAT receivable	9,488	3,886
Prepaid and deferred taxes	658	—
Prepaid insurance	524	—
Other	7,660	3,471
Total prepaid expenses and other current assets:	$ 18,330	$ 7,357
Property and equipment, net:		
Building and leasehold improvements	$ 21,068	$ 19,522
Machinery and equipment	29,889	15,427
Software	4,816	4,096
Furniture and fixtures	3,411	2,296
	59,184	41,341
Accumulated depreciation	(27,618)	(15,173)
Total property and equipment, net	$ 31,566	$ 26,168
Accrued expenses and other current liabilities:		
Compensation and benefits	$ 22,098	$ 4,482
Price rebates	6,414	5,913
Wafer and substrate fees	4,203	2,227
VAT Tax payable	4,203	1,256
Royalties	2,579	939
Contingent liabilities	2,758	4,336
Professional fees	2,133	2,912
Restructuring accrual	4,518	—
Warranty accrual	1,596	—
Software licenses	5,989	—
Other	13,910	4,674
Total accrued expenses and other current liabilities	$ 70,401	$ 26,739
Deferred margin:		
Deferred revenue on shipments to distributors	$ 18,841	$ 709
Deferred cost of sales on shipments to distributors	(9,937)	(380)
Total deferred margin	$ 8,904	$ 329

4. GOODWILL AND INTANGIBLE ASSETS

Goodwill and impairment

The following table presents goodwill balances:

	(In thousands)
Balance as of June 30, 2008	$ 1,432
Goodwill acquired	7,708
Impairment charge	(1,432)
Balance as of June 30, 2009	7,708
Goodwill acquired	—
Impairment charge/other	143
Balance as of December 31, 2009	7,851
Goodwill acquired	—
Impairment charge	(7,851)
Balance as of December 31, 2010	$ —

The Company performed a goodwill impairment analysis in the quarter ended March 31, 2009 and determined TMBJ's net book value exceeded the estimated fair value since there will be no future revenues for the products developed by TMBJ, and the Company decided to reallocate its resources to the SOC market and the acquisition of the Micronas product lines. Accordingly, the Company wrote off the entire goodwill balance at TMBJ and recognized a goodwill impairment charge of $1.4 million.

The Company performed an annual goodwill impairment analysis in the quarter ended June 30, 2010 and recorded an impairment charge of $7.9 million, due to the excess of the carrying value over the estimated market value for the television systems operating segment. The market approach method and the Company's stock price at June 30, 2010, were used to determine the estimated market value of the television systems operating segment.

Intangible assets and impairment

The following table summarizes the components of intangible assets and related accumulated amortization, including impairment, for the periods presented:

	As of December 31, 2010			As of December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization and Impairment	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization and Impairment	Net Carrying Amount
			(In thousands)			
Intangible assets:						
Core & developed	$ 84,607	$ (40,716)	$ 43,891	$27,751	$ (22,366)	$ 5,385
Customer relationships	25,120	(11,795)	13,325	2,120	(1,944)	176
Backlog	15,166	(15,166)	—	166	(92)	74
Patents	13,000	(2,588)	10,412	—	—	—
In-process R&D	9,144	—	9,144	—	—	—
Service agreements	16,000	(9,851)	6,149	—	—	—
Total	$163,037	$ (80,116)	$ 82,921	$30,037	$ (24,402)	$ 5,635

As of December 31, 2010, the status of in-process research and development is consistent with the Company's expectation at the time the in-process research and development was acquired. Future period intangible assets amortization expense will include the amortization of in-process research and development, if and when the technology reaches technical feasibility. As of December 31, 2010, approximately $8.9 million of the in-process research and development has reached technological feasibility and the unamortized portion is included in the estimated future amortization expense of intangible assets. See Note 13, "Business Combinations," of Notes to Consolidated Financial Statements for a further description of the Company's in-process research and development.

The following table presents details of the amortization of intangible assets included in net revenues, cost of revenues, research and development and selling, general and administrative expense categories for the periods presented:

	Year Ended December 31, 2010	Six Months Ended December 31, 2009	Years Ended June 30, 2009	2008
		(In thousands)		
Cost of revenues	$ 48,206	$ 1,949	$3,567	$—
Operating expenses:				
Research and development	2,818	—	—	—
Selling, general and administrative	4,690	102	398	—
	$ 55,714	$ 2,051	$3,965	$—

As of December 31, 2010, the estimated future amortization expense of intangible assets in the table above is as follows, excluding in-process research and development intangible asset that has not reached technological feasibility:

Year Ending	Estimated Amortization (In thousands)
2011	$ 38,310
2012	26,706
2013	7,015
2014	1,746
2015 and thereafter	—
Total	$ 73,777

5. WARRANTY PROVISION

The Company replaces defective products that are expected to be returned by its customers under its warranty program and includes such estimated product returns in its "Allowance for sales returns" analysis. The following table reflects the changes in the Company's accrued product warranty for expected customer claims related to known product warranty issues for the year ended December 31, 2010, six months ended December 31, 2009 and years ended June 30, 2009 and 2008:

	Year Ended December 31, 2010	Six Months Ended December 31, 2009	Years Ended June 30, 2009	2008
		(Dollars in thousands)		
Accrued product warranty, beginning of period	$ —	$ —	$ 256	$ 800
Charged to (reversal of) cost of revenues	1,666	—	(256)	(372)
Actual product warranty expenses	(70)	—	—	(172)
Accrued product warranty, end of period	$ 1,596	$ —	$ —	$ 256

6. COMMITMENTS AND CONTINGENCIES

Commitments

NXP Acquisition Related Commitments

On February 8, 2010, as a result of the acquisition of selected assets and liabilities of the television systems and set-top box business lines from NXP, the Company entered into a Transition Services Agreement, pursuant to which NXP provides to the Company, for a limited period of time, specified transition services and support. Depending on the service provided, the term for the majority of services range from three to eighteen months, and limited services could continue into the fourth quarter of 2011. The total remaining payment obligation under the Transition Services Agreement is approximately $0.6 million as of December 31, 2010.

The terms of the agreements allow the Company to cancel either or both the Transition Services Agreement and the Manufacturing Services Agreement with minimum notice periods. Also see Note 15, "Related Party Transactions," of Notes to Consolidated Financial Statements.

Contractual Obligations

The following summarizes our contractual obligations as of December 31, 2010:

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Thereafter	Total
Contractual Obligations							
Operating Leases(1)	$ 5.1	$ 4.6	$ 3.5	$ 2.6	$ 1.5	$ 1.3	$18.6
Purchase Obligations(2)	21.2	1.0	—	—	—	—	22.2
Total	$ 26.3	$ 5.6	$ 3.5	$ 2.6	$ 1.5	$ 1.3	$40.8

(1) At December 31, 2010, the Company leased office space and has lease commitments, which expire at various dates through August 2019, in North America as well as various locations in Japan, Hong Kong, China, Taiwan, South Korea, Singapore, Germany, The Netherlands, the United Kingdom, Israel and India. Operating lease obligations include future minimum lease payments under non-cancelable operating leases and includes lease commitments resulting from the acquisition of selected assets and liabilities of NXP on February 8, 2010 and its corporate headquarters lease that commenced on April 1, 2010 having a $3.6 million total future lease obligation.

(2) Purchase obligations primarily represent unconditional purchase order commitments with contract manufacturers and suppliers for wafers and software licensing including engineering software license and maintenance. As of December 31, 2010, the Company had purchase commitments in the amount of $13.0 million that were not included in the consolidated balance sheet at that date. Of this amount, $1.2 million represents purchase commitments by the Company to UMC for intellectual properties, software licensing purchases and other commitments. In addition, the Company entered into an engineering software license and maintenance agreement with NXP on March 5, 2010 having a future net cash obligation of $9.2 million. NXP is obligated under the engineering software license and maintenance agreement to reimburse the Company for $9.2 million.

Rental expense for the year ended December 31, 2010, six months ended December 31, 2009 and the years ended June 30, 2009 and 2008, was $5.9 million, $1.4 million, $1.5 million, and $1.5 million, respectively.

Contingencies

Intellectual Property Proceedings

In March 2010, Intravisual Inc. filed complaints against Trident and multiple other defendants, including NXP, in the United States District Court for the Eastern District of Texas, No. 2:10-CV-90 TJW alleging that certain Trident video decoding products infringe a patent relating generally to compressing and decompressing digital video. The complaint seeks a permanent injunction against Trident as well as the recovery of unspecified monetary damages and attorneys' fees. On May 28, 2010, Trident filed its answer, affirmative defenses and counterclaims. No date for trial has been set. We intend to contest this action vigorously. Because this action is in the very early stages, and due to the inherent uncertainty surrounding the litigation process, we are unable to reasonably estimate the ultimate outcome of this litigation at this time.

Shareholder Derivative Litigation

Trident has been named as a nominal defendant in several purported shareholder derivative lawsuits concerning the granting of stock options. The federal court cases have been consolidated as In re Trident Microsystems Inc. Derivative Litigation, Master File No. C-06-3440-JF. Plaintiffs in all cases alleged that certain of our current or former officers and directors caused us to grant options at less than fair market value, contrary to our public statements (including its financial statements); and that as a result those officers and directors are liable to the Company. No particular amount of damages has been alleged, and by the nature of the lawsuit no damages will be alleged against the Company. Our Board of Directors appointed a Special Litigation Committee ("SLC") composed solely of independent directors to review and manage any claims that we may have relating to the stock option grant practices investigated by the Special Committee. The scope of the SLC's authority includes the claims asserted in the derivative actions.

On March 26, 2010, the federal court approved settlements with all defendants other than Frank Lin, our former CEO. The details of that partial settlement, which disposed of the federal litigation as to all individual defendants other than Mr. Lin and as to the consolidated state court action in its entirety, were previously disclosed in our Form 8-K filed on February 10, 2010.

On June 8, 2010, Mr. Lin filed a counterclaim against Trident. In that counterclaim, Mr. Lin sought recovery of payments he claimed he was promised during the negotiations surrounding his eventual termination and also losses he claimed he has suffered because he was not permitted to exercise his Trident stock options between January 2007 and March 2008. On February 11, 2011, we entered into a settlement agreement with Mr. Lin regarding his counterclaims, contingent on the settlement of the derivative litigation pursuant to certain terms.

On February 15, 2011, we entered into a Stipulation of Settlement to resolve the federal litigation in its entirety, or Proposed Settlement, and on February 17, 2011, the federal court preliminarily approved the Proposed Settlement. A hearing for consideration of final approval of the Proposed Settlement has been scheduled for April 15, 2011 at 9:00 a.m. in Courtroom 3 of the United States District Court in San Jose, California. Final approval, without appeal, of the Proposed Settlement would satisfy the contingency in the settlement of Mr. Lin’s counterclaims against us. We cannot predict whether the federal court will order the final approval of the Proposed Settlement and, if it does, whether such decision will be appealed. As a result, we cannot predict whether Mr. Lin’s counterclaims against us in the federal litigation are likely to result in any material recovery by or expense to Trident. We expect to continue to incur legal fees in responding to this lawsuit and related to the Proposed Settlement, including expenses for the reimbursement of certain legal fees of at least Mr. Lin under our advancement obligations. The expense of defending such litigation may be significant. The amount of time to resolve this and any additional lawsuits is unpredictable and these actions may divert management’s attention from the day-to-day operations of our business, which could adversely affect our business, results of operations and cash flows.

Regulatory Actions

As previously disclosed, we were subject to a formal investigation by the Securities and Exchange Commission, or SEC, in connection with its investigation into our historical stock option granting practices and related issues. On July 16, 2010, we entered into a settlement with the SEC regarding this investigation. We agreed to settle with the SEC without admitting or denying the allegations in the SEC’s complaint. We consented to entry of a permanent injunction against future violations of anti-fraud provisions, reporting provisions and the books and records requirements of the Securities Exchange Act of 1934 and the Securities Act of 1933. On July 19, 2010, the U.S. District Court for the District of Columbia entered a final judgment incorporating the judgment consented to by us. The final judgment did not require us to pay a civil penalty or other money damages. Pursuant to the same judgment, we received a payment of $817,509 from Mr. Lin, representing $650,772 in disgorged profits gained as a result of conduct alleged by the SEC in its civil complaint against him, together with prejudgment interest thereon of $166,737. Although the Department of Justice, or DOJ, commenced an informal investigation relating to the same issues, the DOJ has not requested information from us since February 20, 2009 and we believe that the DOJ has concluded its investigation without taking any action against us. We believe that the settlement with the SEC concluded the government’s investigations into our historical stock option practices.

Special Litigation Committee

Effective at the close of trading on September 25, 2006, we temporarily suspended the ability of optionees to exercise vested options to purchase shares of our common stock, until we became current in the filing of our periodic reports with the SEC and filed a Registration Statement on Form S-8 for the shares issuable under the 2006 Plan, or 2006 Plan S-8. This suspension continued in effect through August 22, 2007, the date of the filing of the 2006 Plan S-8, which followed our filing, on August 21, 2007, of our Quarterly Reports on Form 10-Q for the periods ended September 30, 2006, December 31, 2006 and March 31, 2007. As a result, we extended the exercise period of approximately 550,000 fully vested options held by 10 employees, who were terminated during the suspension period, giving them either 30 days or 90 days after we became current in the filings of our periodic reports with the SEC and filed the 2006 Plan S-8 in order to exercise their vested options. During the three months ended September 30, 2007, eight of these ten former employees stated above exercised all of their vested options. However, on September 21, 2007, the SLC decided that it was in the best interests of our stockholders not to allow the remaining two former employees, as well as our former CEO and two former non-employee directors, to exercise their vested options during the pendency of the SLC’s proceedings, and extended, until March 31, 2008, the period during which these five former employees could exercise approximately 428,000 of their fully vested options. Moreover, the SLC allowed one former employee to exercise all of his fully vested stock options and another former employee agreed to cancel all of such individual’s fully vested stock options during the three months ended March 31, 2008.

On January 31, 2008, the SLC extended, until August 31, 2008, the period during which the two former non-employee directors could exercise their unexpired vested options. On March 31, 2008, the SLC entered into an agreement with our former CEO allowing him to exercise all of his fully vested stock options. Under this agreement, he agreed that any shares obtained through these exercises or net proceeds obtained through the sale of such shares would be placed in an identified securities brokerage account and not withdrawn, transferred or otherwise removed without either (i) a court order granting him permission to do so or (ii) the written permission of us.

On May 29, 2008, the SLC permitted one of our former non-employee directors to exercise his fully vested stock and entered into an agreement with the other former non-employee director on terms similar to the agreement entered into with our former CEO, allowing him to exercise all of his fully vested stock options. Because Trident's stock price as of June 30, 2008 was lower than the prices at which our former CEO and each of the two former non-employee directors had desired to exercise their options, as indicated in previous written notices to the SLC, we recorded a contingent liability in accordance with accounting guidance, totaling $4.3 million, which was included in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheet as of June 30, 2008 and the related expenses were included in "Selling, general and administrative expenses" in the Consolidated Statement of Operations for the year then ended. Following the March 2010 partial settlement of the derivative litigation, which included a release of claims by our two former non-employee directors, we reduced the contingent liability by $1.6 million. However, because the derivative litigation is still pending with respect to Mr. Lin, who may seek compensation from us relating to the exercise of his fully vested stock options in the event that the Proposed Settlement entered into during February 2011 is either not finally approved by the federal court or successfully appealed thereafter; a $2.8 million contingent liability remained in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheet as of December 31, 2010.

Indemnification Obligations

We indemnify, as permitted under Delaware law and in accordance with our Bylaws, our officers, directors and members of our senior management for certain events or occurrences, subject to certain limits, while they were serving at our request in such capacity. In this regard, we have received, or expect to receive, requests for indemnification by certain current and former officers, directors and employees in connection with our investigation of our historical stock option granting practices and related issues, and the related governmental inquiries and shareholder derivative litigation. The maximum amount of potential future indemnification is unknown and potentially unlimited; therefore, it cannot be estimated. We have directors' and officers' liability insurance policies that may enable us to recover a portion of such future indemnification claims paid, subject to coverage limitations of the policies, and plan to make claim for reimbursement from our insurers of any potentially covered future indemnification payments.

Commercial Litigation

In June 2010, Exatel Visual Systems, Ltd ("Exatel") filed a complaint against Trident and NXP Semiconductors USA, Inc. ("NXP"), in Superior Court for the State of California, No. 1-10-CV-174333, alleging the following five counts: (1) breach of contract, (2) breach of implied covenant of good faith and fair dealing, (3) fraud by misrepresentation and concealment, (4) negligent misrepresentation, and (5) breach of fiduciary duty. The complaint arises from a series of alleged transactions between Exatel and NXP's predecessor, Conexant Systems, Inc. pertaining to a joint product development project they undertook commencing in 2007. Trident and NXP have each tendered an indemnity claim to the other for damages and fees arising out of the lawsuit pursuant to a contractual indemnity agreement between them. Both have refused. We have filed a demurrer seeking to dismiss the lawsuit primarily on the grounds that we are not a party to any contract with Exatel. Prior to the hearing on demurrer, Exatel dismissed NXP without prejudice from the lawsuit and agreed to arbitration after NXP filed a motion to compel arbitration for the claims against it pursuant to contractual arbitration provisions within the relevant contracts. On December 7, 2010, the court sustained our demurrer as to all causes of action, with leave to amend. Exatel has filed an amended complaint. We will demur again, with the hearing set for June 23, 2011. Because this action is in the very early stages, and due to the inherent uncertainty surrounding the litigation process, we are unable to reasonably estimate the ultimate outcome of this litigation at this time.

General

From time to time, the Company is involved in other legal proceedings arising in the ordinary course of our business. While the Company cannot be certain about the ultimate outcome of any litigation, management does not believe any pending legal proceeding will result in a judgment or settlement that will have a material adverse effect on its business, financial position, results of operation or cash flows.

7. STOCKHOLDERS' EQUITY

Common Stock Warrants

In connection with the Micronas acquisition, the Company issued warrants to acquire up to 3.0 million additional shares of its common stock. The warrants were valued using the Black-Scholes option pricing model with the following inputs: volatility factor 68%, contractual terms of 5 years, risk-free interest rate of 1.98%, and a market value for Trident stock of $1.43 per share at the acquisition date, May 14, 2009. Warrants to purchase one million shares will vest on each of the second, third and fourth anniversaries of the closing of the transaction, with exercise prices of $4.00 per share, $4.25 per share and $4.50 per share, respectively. The warrants provide for customary anti-dilution adjustments, including for stock splits, dividends, distributions, rights issuances and certain tender offers or exchange offers. If not yet exercised, the warrants will expire on May 14, 2014.

Preferred Stock

In connection with the NXP acquisition, the Company issued to NXP four shares of a newly created Series B Preferred Stock, having the rights, privileges and preferences set forth in the Certificate of Designation of the Series B Preferred Stock filed on February 5, 2010 ("Series B Certificate"). The number of shares of Series B Preferred Stock is fixed at four. Each share has a liquidation preference of $1.00, which must be paid prior to any distribution to holders of common stock upon any liquidation of the Company, and no subsequent right to participate in further distributions on liquidation. The shares of Series B Preferred Stock have no dividend rights. The voting rights of the shares of Series B Preferred Stock primarily relate to the nomination and election of up to four members of the Company's Board of Directors ("Series B Directors"), as distinguished from the other members of the Company's Board of Directors. For so long as the holders of the Series B Preferred Stock beneficially own 11% or more of the Company's common stock and are entitled to elect a director, the size of the Company's Board will be fixed at nine directors. The holders of the Series B Preferred Stock are solely entitled to elect a number of Series B Directors based on a formula relating to their aggregate beneficial ownership of the Company's common stock as follows: (a) at 40% or greater, four Series B Directors, (b) less than 40% but at least 30%, three series B Directors, (c) less than 30% but at least 20%, two Series B Directors and (d) less than 20% but at least 11%, one Series B Director. The Series B Certificate sets forth the rights of the holders of the Series B Preferred Stock to remove and replace the Series B Directors, as well as their rights to vote as a class to amend, alter or repeal any of its provisions that would adversely affect the powers, designations, preferences and other special rights of the Series B Preferred Stock.

Preferred Shares Rights

On July 24, 1998, the Company's Board of Directors adopted a Preferred Shares Rights Agreement (the "Original Rights Agreement"). Pursuant to the Agreement, the Company's Board of Directors authorized and declared a dividend of one preferred share purchase right ("Right") for each outstanding share of the Company's common stock, par value $0.001 ("Common Shares") of the Company as of August 14, 1998. The Rights are designed to protect and maximize the value of the outstanding equity interests in Trident in the event of an unsolicited attempt by an acquirer to take over Trident, in a manner or terms not approved by the Board of Directors.

On July 23, 2008, the Board approved an amendment to the Original Rights Agreement pursuant to an Amended and Restated Rights Agreement dated as of July 23, 2008 (the "Amended and Restated Rights Agreement"). The Amended and Restated Rights Agreement (i) extended the Final Expiration Date, as defined in the Original Rights Agreement, through July 23, 2018; (ii) adjusted the number of shares of Series A Preferred Stock ("Preferred Shares") issuable upon exercise of each Right from one one-hundredth to one one-thousandth; (iii) changed the purchase price (the "Purchase Price") of each Right to $38.00; and (iv) added a provision requiring periodic evaluation (at least every three years after July 23, 2008) of the Amended and Restated Rights Agreement by a committee of independent directors to determine if maintenance of the Amended and Restated Rights Agreement continues to be in the best interests of the Company and its stockholders. The Company subsequently amended the Amended and Restated Rights Agreement to provide that the issuance of shares of Trident common stock to Micronas and to NXP, respectively, does not trigger the Rights under the Amended and Restated Rights Agreement.

8. EMPLOYEE STOCK PLANS

Voluntary stock option exchange program

On February 10, 2010, the Company commenced a voluntary stock option exchange program, or Exchange Program, previously approved by stockholders at the Company's annual stockholder meeting on January 25, 2010. The Exchange Program offer period commenced on February 10, 2010 and concluded on March 10, 2010.

Under the Exchange Program, eligible employees were able to exchange certain outstanding options to purchase shares of the Company's common stock having a per share exercise price equal to or greater than $4.69 for a lesser number of shares of restricted stock or restricted stock units. Eligible employees participating in the offer who were subject to U.S. income taxation received shares of restricted stock, while all other eligible employees participating in the offer received restricted stock units. Members of the Company's Board of Directors and the Company's executive officers and "named executive officers," as identified in the Company's definitive proxy statement filed on December 18, 2009, were not eligible to participate in the Exchange Program.

Pursuant to the terms and conditions of the Exchange Program, the Company accepted for exchange eligible options to purchase 1,637,750 shares of the Company's common stock, representing 88.83% of the total number of options originally eligible for exchange. These surrendered options were cancelled on March 11, 2010 and in exchange therefore the Company granted a total of 120,001 new shares of restricted stock and a total of 198,577 new restricted stock units under the Trident Microsystems, Inc. 2010 Equity Incentive Plan, in accordance with the applicable Exchange Program conversion ratios. Under applicable accounting guidance, the exchange was accounted for as a modification and the incremental stock-based compensation expense recognized by the Company as a result of the Exchange Program was immaterial.

Equity Incentive Plans

The Company grants nonstatutory and incentive stock options, restricted stock awards, and restricted stock units to attract and retain officers, directors, employees and consultants. As of December 31, 2010, the Company made awards under two equity incentive plans: the 2006 Equity Incentive Plan (the "2006 Plan"), the 2002 Stock Option Plan (the "2002 Plan"). The Company has also adopted the 2001 Employee Stock Purchase Plan; however purchases under this plan have been suspended. Options to purchase Trident's common stock remain outstanding under three incentive plans which have expired or been terminated: the 1992 Stock Option Plan, the 1994 Outside Directors Stock Option Plan and the 1996 Nonstatutory Stock Option Plan. In addition, options to purchase Trident's common stock are outstanding as a result of the assumption by the Company of options granted to TTI's officers, employees and consultants under the TTI 2003 Employee Option Plan ("TTI Plan"). The options granted under the TTI Option Plan were assumed in connection with the acquisition of the minority interest in TTI on March 31, 2005 and converted into options to purchase Trident's common stock. Except for the 1996 Plan, all of the Company's equity incentive plans, as well as the assumption and conversion of options granted under the TTI Plan, have been approved by the Company's stockholders.

In May 2006, Trident's stockholders approved the 2006 Plan, which provides for the grant of equity incentive awards, including stock options, stock appreciation rights, restricted stock purchase rights, restricted stock bonuses, restricted stock units, performance shares, performance units, deferred compensation awards, cash-based and other stock-based awards and nonemployee director awards of up to 4,350,000 shares. On March 31, 2008, Trident's Board of Directors approved an amendment to the 2006 Plan to increase the number of shares available for issuance from 4,350,000 shares to 8,350,000 shares, which was subsequently approved in a special stockholders' meeting on May 16, 2008. For purposes of the total number of shares available for grant under the 2006 Plan, any shares that are subject to awards of stock options, stock appreciation rights, deferred compensation award or other award that requires the option holder to purchase shares for monetary consideration equal to their fair market value determined at the time of grant shall be counted against the available-for-grant limit as one share for every one share issued, and any shares issued in connection with awards other than stock options, stock appreciation rights, deferred compensation award or other award that requires the option holder to purchase shares for monetary consideration equal to their fair market value determined at the time of grant shall be counted against the available-for-grant limit as 1.38 shares for every one share issued. Stock options granted under the 2006 Plan must have an exercise price equal to the closing market price of the underlying stock on the grant date and generally expire no later than ten years from the grant date. Options generally become exercisable beginning one year after the date of grant and vest as to a percentage of shares annually over a period of three to four years following the date of grant. In February, 2010, the stockholders of the Company approved the adoption of the 2010 Equity Incentive Plan, which supersedes the 2006 Plan and the 2002 Plan. The 2006 Plan and 2002 Plan were terminated on January 26, 2010.

Stock options granted under the TTI Plan expire no later than ten years from the grant date. Options granted under the TTI Plan were generally exercisable one or two years after date of grant and vest over a requisite service period of generally two or four years following the date of grant. No further awards may be made under the TTI Plan.

In December 2002, Trident adopted the stockholder-approved 2002 Plan under which shares of common stock could be issued to officers, directors, employees and consultants. Stock options granted under the 2002 Plan must have an exercise price equal to at least 85% of the closing market price of the underlying stock on the grant date and expire no later than ten years from the grant date. Options granted under the 2002 Plan were generally exercisable in cumulative installments of one-third or one-fourth each year, commencing one year following the date of grant.

The Company accounts for share-based payments, including grants of stock options and awards to employees and directors, in accordance with applicable accounting guidance, which requires that share-based payments be recognized in its consolidated statements of operations based on their fair values and the estimated number of shares the Company ultimately expects will vest. Stock-based compensation expense recognized in the Consolidated Statements of Operations for the year ended December 31, 2010, six month period ended December 31, 2009 and the years ended June 30, 2009 and 2008 include compensation expense for stock-based payment awards granted prior to, but not yet vested as of, June 30, 2005 based on the grant date fair value estimated in accordance with the pro forma provisions of previous accounting guidance, and compensation expense for the stock-based payment awards granted subsequent to June 30, 2005 based on the grant date fair value estimated in accordance with the provisions accounting guidance applicable since then. In accordance with applicable accounting guidance, the Company recognizes stock-based compensation expense on a straight-line basis over the service period of all stock options and awards other than the performance-based restricted stock award with market conditions that was granted to its former Chief Executive Officer under the 2006 Plan. For purposes of expensing this single performance-based grant, the Company elected to use the accelerated method.

Valuation Assumptions

The Company values its stock-based payment awards granted using the Black-Scholes model, except for the performance-based restricted stock award with a market condition granted under the 2006 Plan during the year ended June 30, 2008, for which the Company elected to use a Monte Carlo simulation to value the award.

The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The Black-Scholes model requires the input of certain assumptions. The Company’s stock options have characteristics significantly different from those of traded options, and changes in the assumptions can materially affect the fair value estimates.

For the year ended December 31, 2010, six months ended December 31, 2009 and the years ended June 30, 2009 and 2008, respectively, the fair value of options granted were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions:

	Year Ended December 31, 2010	Six Months Ended December 31, 2009	Years Ended June 30, 2009	Years Ended June 30, 2008
Expected terms (in years)	4.78	4.74	3.94	4.20
Volatility	69.02%	68.58%	62.68%	52.25%
Risk-free interest rate	2.25%	2.41%	2.83%	3.97%
Expected dividend rate	—	—	—	—
Weighted average fair value	1.79	$ 1.13	$ 1.27	$ 5.04

The expected term of stock options represents the weighted average period the stock options are expected to remain outstanding. The expected term is based on the observed and expected time to exercise and post-vesting cancellations of options by employees. The Company uses historical volatility in deriving its expected volatility assumption as allowed under applicable accounting guidance because it believes that future volatility over the expected term of the stock options is not likely to differ from the past. The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected term of options to purchase Trident common stock. The expected dividend assumption is based on the Company’s history and expectation of dividend payouts.

As stock-based compensation expense recognized in the Consolidated Statements of Operations for the year ended December 31, 2010, six months ended December 31, 2009 and the years ended June 30, 2009 and 2008 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. Accounting guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience. The Company adjusts stock-based compensation expense based on its actual forfeitures on an annual basis, if necessary.

Stock-Based Compensation Expense

The following table summarizes the impact of recording stock-based compensation expense under applicable accounting guidance for the year ended December 31, 2010, six months ended December 31, 2009 and the years ended June 30, 2009 and 2008. The Company has not capitalized any stock-based compensation expense in inventory for the year ended December 31, 2010, six months ended December 31, 2009 or the years ended June 30, 2009 and 2008 as such amounts were immaterial.

	Year Ended, December 31, 2010	Six Months Ended December 31, 2009	Year Ended June 30, 2009	Year Ended June 30, 2008
	(Dollars in thousands)			
Cost of revenues	$ 372	$ 124	$ 587	$ 763
Research and development	3,550	1,665	7,539	12,418
Selling, general and administrative	2,981	1,666	4,547	15,424
Total stock-based compensation expense	$ 6,903	$ 3,455	$12,673	$28,605

$4.3 million of the $15.4 million in selling, general and administrative expenses for the year ended June 30, 2008 was related to the contingent liability and we reduced selling, general and administrative expense and the contingent liability by $1.5 million during the year ended December 31, 2010, due to a partial settlement with two former non-employee directors as discussed below in "Modification of Certain Options."

The following table summarizes the Company's stock option activities for the year ended December 31, 2010, six months ended December 31, 2009 and for the years ended June 30, 2009 and 2008:

	Shares Available for Grant	Options Outstanding	
		Number of Shares	Weighted Average Exercise Price
	(Shares in thousands, except per share amounts)		
Balance at June 30, 2007	3,584	9,802	$ 6.82
Options increase under 2006 Plan	4,000		
Plan shares expired	(594)	—	—
Restricted stock granted(1)	(1,273)	—	—
Restricted stock cancellation(1)	192	—	—
Options granted	(1,870)	1,870	10.60
Options exercised	—	(2,778)	2.01
Options cancelled, forfeited or expired	1,369	(1,369)	10.58
Balance at June 30, 2008	5,408	7,525	$ 8.94
Plan shares expired	(594)	—	—
Restricted stock granted(1)	(1,512)	—	—
Restricted stock cancellation(1)	424	—	—
Options granted	(1,859)	1,859	2.57
Options exercised	—	(1,062)	1.23
Options cancelled, forfeited or expired	1,454	(1,454)	9.90
Balance at June 30, 2009	3,321	6,868	$ 8.21
Plan shares expired	(314)	—	—
Restricted stock granted(1)	(1,486)	—	—
Restricted stock cancellation(1)	304	—	—
Options granted	(891)	891	1.98
Options exercised	—	(321)	1.18
Options cancelled, forfeited or expired	749	(749)	10.78
Balance at December 31, 2009	1,683	6,690	$ 7.48
Plan shares expired	(4,335)	—	—
Options increase under 2010 Plan	42,300		
Restricted stock granted(1)	(5,150)	—	—
Restricted stock cancellation(1)	790	—	—
Options granted	(794)	794	1.79
Options exercised	—	(159)	1.19
Options cancelled, forfeited or expired	2,298	(2,298)	13.01
Balance at December 31, 2010	36,792	5,027	$ 4.28

(1) Restricted stock is deducted from shares available for grant under the 2006 Plan at a 1 to 1.38 ratio and under the 2010 plan at a 1 to 1.20 ratio.

As of December 31, 2010 the total number of stock options exercisable was approximately 2,760,000 with a weighted average exercise price of $5.49. As of December 31, 2009 the total number of stock options exercisable was approximately 3,531,000 with a weighted average exercise price of $8.72. At June 30, 2009 and 2008, the total number of stock options exercisable was approximately 3,412,000 and 3,817,000, respectively. At June 30, 2009 and 2008, the aggregate outstanding exercisable stock options had a weighted average exercise price of $8.22 and $5.65, respectively.

During the year ended December 31, 2010, six months ended December 31, 2009, and the years ended June 30, 2009 and 2008, the total pre-tax intrinsic value of stock options exercised was $0.9 million, $0.3 million and $2.2 million, respectively.

The following table summarizes information about the Company's stock options outstanding and exercisable as of December 31, 2010 (in thousands except per share data):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Term (in Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$0.78 — $1.70	1,282	4.1	$ 1.30	1,082	$ 1.27
$1.73 — $2.02	1,412	9.0	$ 1.91	231	$ 2.01
$2.06 — $4.34	1,301	7.4	$ 2.93	580	$ 3.03
$4.69 — $24.40	1,032	5.9	$ 12.92	867	$ 13.32
Total	5,027	6.7	$ 4.28	2,760	$ 5.49

The aggregate intrinsic value of options outstanding as of December 31, 2010 was $0.6 million. The aggregate intrinsic value represents the total pre-tax intrinsic value, which is computed based on the difference between the exercise price and the $1.78 per share closing price of Trident's common stock on December 31, 2010, which would have been received by the option holders had all option holders exercised and sold their options on that date.

The aggregate intrinsic value and weighted average remaining contractual term of options vested and expected to vest at December 31, 2010 was $0.6 million and 6.6 years, respectively. The aggregate intrinsic value and weighted average remaining contractual term of options exercisable at December 31, 2010 was $0.6 million and 5.3 years, respectively. The aggregate intrinsic value is calculated based on the closing price of Trident's common stock for all in-the-money options on December 31, 2010.

As of December 31, 2010, there was $2.1 million of total unrecognized compensation cost related to stock options granted under all Employee Benefit Plans. This unrecognized compensation cost is expected to be recognized over a weighted average period of 2.0 years.

Restricted Stock Awards and Restricted Stock Units

The following table summarizes the activity for Trident's restricted stock awards, or RSAs, and restricted stock units, or RSUs, for the year ended December 31, 2010, six months ended December 31, 2009 and the years ended June 30, 2009 and 2008, respectively:

	Shares	Weighted Average Grant-Date Fair Value per Share
	(Shares in thousands, except per share amounts)	
Nonvested balance at June 30, 2007	275	$ 19.98
Granted	923	12.20
Vested	(50)	19.64
Forfeited	(140)	13.92
Nonvested balance at June 30, 2008	1,008	$ 13.71
Granted	1,096	3.33
Vested	(247)	3.85
Forfeited	(307)	10.86
Nonvested balance at June 30, 2009	1,551	$ 7.02
Granted	1,076	1.92
Vested	(379)	7.55
Forfeited	(220)	5.94
Nonvested balance at December 31, 2009	2,028	$ 4.44
Granted	4,292	1.75
Vested	(1,255)	1.55
Forfeited	(613)	2.46
Nonvested balance at December 31, 2010	4,452	$ 2.93

Both RSAs and RSUs typically vest over a three or four year period. The fair value of the RSAs and RSUs was based on the closing market price of the Company's common stock on the date of award. The table above includes an RSA of 110,000 performance-based shares issued to the Company's former Chief Executive Officer on October 23, 2007 as part of her initial new hire award. As part of the Resignation Agreement and Release of Claims between the Company and the former Chief Executive Officer, the 110,000 performance-based shares were accelerated and an insignificant amount of expense was recognized in January 2011.

The table above also includes performance-based RSU awards of 67,000 shares under the 2006 Plan, granted on October 4, 2009, to the Company's former Chief Executive Officer. The RSU award granted to the former Chief Executive Officer were cancelled during January 2011 and no expense was recognized in January 2011.

The table above also includes performance-based RSU awards of 35,000 shares under the 2006 Plan, granted on October 4, 2009, to the Senior Vice President of Engineering. The RSU award granted to the Vice President of Engineering was cancelled during January 2010 and an insignificant amount of expense was recognized for the year ended December 31, 2010.

The table above also includes awards of 650,000 performance-based shares with market conditions and service conditions that were granted to certain Company executives during the year ended December 31, 2010. These awards vest subject to achievement of a minimum price for the Company's stock for fiscal years 2011 through 2013.

The fair value of the performance share awards with market and service conditions was estimated at the grant date using a Monte Carlo simulation with the following weighted-average assumptions: volatility of Trident's common stock of 72%; and a risk-free interest rate of 1.83%. The weighted-average grant-date fair value of the performance share awards was $1.11. During the year ended December 31, 2010, stock-based compensation expense $0.3 million was recorded, respectively for these performance share awards based on service conditions having been met. As of December 31, 2010, none of these performance share awards had vested.

The Company recognized expense for RSAs and RSUs, including performance share awards granted under the 2010 Plan, for the year ended December 31, 2010, of $5.7 million. A total of $7.1 million of unrecognized compensation cost is expected to be recognized over a weighted average period of 2.0 years.

Modification of Certain Options

Extended Exercise

Effective at the close of trading on September 25, 2006, the Company temporarily suspended the ability of optionees to exercise vested options to purchase shares of the Company's common stock until the Company became current in the filing of its periodic reports with the SEC and filed a Registration Statement on Form S-8 for the shares issuable under the 2006 Plan ("2006 Plan S-8"). This suspension continued in effect through August 22, 2007, the date of the filing of the registration statement on Form S-8 covering issuances under the 2006 Plan, which followed the Company's filing, on August 21, 2007, of its Quarterly Reports on Form 10-Q for the periods ended September 30, 2006, December 31, 2006, and March 31, 2007. As a result, the Company extended the exercise period of approximately 550,000 fully vested options held by 10 employees, who were terminated during the suspension period, giving them either 30 days or 90 days after the Company became current in the filings of its periodic reports with the SEC and filed the 2006 Plan S-8 in order to exercise their vested options. During the three months ended September 30, 2007, eight of these ten former employees stated above exercised all of their vested options. However, on September 21, 2007, the Special Litigation Committee of the Board of Directors ("SLC") decided that it was in the best interests of the Company's stockholders not to allow the remaining two former employees, as well as the Company's former CEO and two former non-employee directors, to exercise their vested options during the pendency of the SLC's proceedings, and extended, until March 31, 2008, the period during which these five former employees could exercise approximately 428,000 of their fully vested options. Moreover, the SLC allowed one former employee to exercise all of his fully vested stock options and another former employee agreed to cancel all of such individual's fully vested stock options during the second quarter of year ended June 30, 2008. On January 31, 2008, the SLC extended, until August 31, 2008, the period during which the two former non-employee directors could exercise their unexpired vested options. For the year ended June 30, 2008, the Company recorded aggregate incremental stock-based compensation expense totaling approximately $5.4 million related to the modifications of option exercise rights of the five former employees as described above, and the related expenses were included in "Selling, General and Administrative Expenses" in the Consolidated Statement of Operations as of that date.

Contingent Liabilities

As stated in the "Extended Exercise" section above, on September 21, 2007, the SLC decided not to allow the Company's former CEO and two former non-employee directors to exercise their vested options until March 31, 2008. Moreover, on January 30, 2008, the SLC extended, until August 1, 2008, the period during which the two former non-employee directors could exercise their vested options. On March 31, 2008, the SLC entered into an agreement with the Company's former CEO allowing him to exercise all of his fully vested stock options. Under this agreement, he agreed that any shares obtained through these exercises or net proceeds obtained through the sale of such shares would be placed in an identified securities brokerage account and not withdrawn, transferred or otherwise removed without either (i) a court order granting him permission to do so or (ii) the written permission of the Company. On May 29, 2008, the SLC permitted one of the Company's former non-employee directors to exercise his fully vested stock options without seeking the authorization of the SLC and entered into an agreement with the other former non-employee director on terms similar to the agreement entered into with the Company's former CEO, allowing him to exercise all of his fully vested stock options without seeking the authorization from the SLC.

Because Trident's stock price was lower than the prices at which the Company's former CEO and each of the two former directors had desired to exercise their options, as indicated in previous written notices to the SLC, the Company recorded a contingent liability totaling $4.3 million, which was included in "Accrued expenses and other current liabilities" in the Condensed Consolidated Balance Sheets. On March 26, 2010, the claims by these two former non-employee directors against the Company, valued at approximately $1.5 million in the aggregate, were waived as part of a comprehensive settlement with the Company. However, because the derivative litigation is still pending with respect to Mr. Lin, who may seek compensation from us relating to the exercise of his fully vested stock options in the event that the Proposed Settlement entered into during February 2011 is either not finally approved by the federal court or successfully appealed thereafter; a $2.8 million contingent liability remained in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheet as of December 31, 2010. See Note 6, "Shareholder Derivative Litigation" in "Commitment and Contingencies," of Notes to Consolidated Financial Statements.

As of December 31, 2010, there was $7.1 million of total unrecognized compensation cost related to RSAs and RSUs granted under the Employee Stock Plans. This unrecognized compensation cost is expected to be recognized over a weighted average period of 2.0 years.

9. INCOME TAXES

The Company is required to recognize and measure all uncertain tax positions taken that may not be sustained, or may only be partially sustained, upon examination by the relevant taxing authorities.

The Company's unrecognized tax benefits as of December 31, 2010 relate to various domestic and foreign jurisdictions. A reconciliation of the year ended December 31, 2010, six months ended December 31, 2009 and year ended June 30, 2009 reflects the amount of unrecognized tax benefits as follows:

	Year Ended December 31, 2010	Six Months Ended December 31, 2009	Year Ended June 30, 2009
Balance at beginning of period	$ 43,571	$ 42,366	$ 42,987
Increases related to current year tax positions	4,840	739	4,486
Increases (decreases) related to prior year tax positions	(12,543)	466	(4,767)
Expiration of the statute of limitations for the assessment of taxes	(952)	—	(340)
Balance at end of period	$ 34,916	$ 43,571	$ 42,366

Included in the unrecognized tax benefits of $34.9 million as of December 31, 2010 was $25.5 million of tax benefits that, if recognized, would reduce the Company's annual effective tax rate. In addition to the unrecognized tax benefits noted above, the Company accrued $0.2 million of interest expense and penalties for the year ended December 31, 2010. In addition, the amounts associated with the interest and penalties for six months ended December 31, 2009 and year ended June 30, 2009 are immaterial.

The Internal Revenue Service has initiated an examination of the Company's U.S. corporate income tax returns for the years ended December 31, 2009, June 30, 2009 and June 30, 2008. At this time, it is not possible to estimate the potential impact that the examination may have on income tax expense. Substantially all material foreign income tax matters have been concluded through calendar year 2003. Although timing of the resolution or closure on audits is highly uncertain, the Company believes it is reasonably possible that our unrecognized tax benefits could decrease between zero and $3 million within the next 12 months due to the outcome of certain tax audits or staute of limitations in foreign jurisdictions.

The Company has provided for U.S. federal and foreign withholding taxes on non-U.S. subsidiaries undistributed earnings of approximately $37 million as of December 31, 2010. No material provision has been made for taxes that might be payable upon remittance of the Company's non U.S. subsidiaries undistributed earnings due to the accumulated deficit as of December 31, 2010.

Income (loss) before provision for income taxes is as follows:

	Year Ended December 31, 2010	Six Months Ended December 31, 2009	Years Ended June 30, 2009	2008
	(Dollars in thousands)			
United States	$ 3,990	$ (11,316)	$(20,374)	$(34,419)
Foreign	(131,783)	(28,082)	(44,345)	53,370
	$ (127,793)	$ (39,398)	$(64,719)	$ 18,951

The provision (benefit) for income taxes is comprised of the following:

	Year Ended December 31, 2010	Six Months Ended December 31, 2009	Years Ended June 30, 2009	2008
	(Dollars in thousands)			
Current:				
Federal	$ (6)	$ (3)	$ 181	$ 311
State	12	1	1	1
Foreign	4,079	825	5,268	9,209
	$ 4,085	$ 823	$ 5,450	$ 9,521
Deferred:				
Federal	—	—	—	—
State	—	—	—	—
Foreign	(2,989)	306	63	(722)
	(2,989)	306	63	(722)
	$ 1,096	$ 1,129	$ 5,513	$ 8,799

The deferred tax assets (liabilities) are comprised of the following:

	Year Ended December 31, 2010	Six Months Ended December 31, 2009	Year Ended June 30, 2009
	(Dollars in thousands)		
Deferred income tax assets:			
Research and development credits	$ 8,317	$ 13,861	$ 13,557
Net operating losses	6,907	7,962	5,665
Capital loss	609	9,424	9,424
Reserves and accruals	2,436	865	733
Other	4,769	4,484	5,091
Deferred income tax assets	23,038	36,596	34,470
Valuation allowance	(15,275)	(32,443)	(30,010)
Deferred income tax assets, net	7,763	4,153	4,460
Total deferred income tax liabilities:			
Unremitted earnings of foreign subsidiaries	(3,806)	(3,981)	(3,981)
Total deferred income tax liabilities	(3,806)	(3,981)	(3,981)
Net deferred income tax assets	$ 3,957	$ 172	$ 479

As discussed in Note 13, on February 8, 2010, Trident issued 104,204,348 newly issued shares of Trident common stock to NXP, equal to 60% of the total outstanding shares of Trident common stock. The impact of this event reduced loss carry forwards from $142 million and $120 million for federal and state income tax purposes, respectively, to a range between $45 million and $18 million for each federal and state income tax purposes. Federal and state net operating losses will begin to expire in the year ending 2018 and 2012, respectively. Federal tax credit carry forwards were also reduced to $2.0 million. Federal tax credits will begin to expire in the year ending 2030. As of December 31, 2010, state tax credits of $12.1 million are available for carryforward indefinitely.

Recognition is prohibited of a deferred tax asset for excess tax benefits due to stock-based compensation deductions that have not yet been realized through a reduction in income taxes payable. As of December 31, 2010, the Company's non-recognized deferred tax asset and the offsetting valuation allowance relating to excess tax benefits for stock-based compensation deductions was reduced from $33 million to $7 million also due to the NXP transaction and resulted 382 limitation as discussed above. Such unrecognized deferred tax benefits would have been accounted for as a credit to additional paid-in capital, if and when realized, through a reduction in income taxes payable.

The reconciliation of the income tax provisions computed at the United States federal statutory rate to the effective tax rate for the recorded provision for income taxes is as follows:

	Year Ended December 31, 2010	Six Months Ended, December 31, 2009	Years Ended June 30, 2009	Years Ended June 30, 2008
Federal statutory rate	35.0%	35.0%	35.0%	35.0%
State taxes, net of federal tax benefit	5.4	5.7	7.0	11.7
Research and development credit	(4.3)	0.7	1.2	(3.5)
Foreign rate differential	(36.9)	(27.8)	(32.2)	(53.8)
Valuation allowance	(2.6)	(15.4)	(28.7)	19.7
Permanent differences	3.4	0.0	7.4	35.7
Other	(0.9)	(1.1)	1.8	1.6
Effective income tax rate	(0.9)%	(2.9)%	(8.5)%	46.4%

10. BASIC AND DILUTED NET INCOME (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted net income (loss) per share:

	Year Ended December 31, 2010	Six Months Ended December 31, 2009	Years Ended June 30, 2009	Years Ended June 30, 2008
	(Dollars in thousands, except per share data)			
Net income (loss)	$ (128,889)	$ (40,527)	$(70,232)	$10,152
Shares used in computing basic per share amounts	163,438	69,372	62,535	59,367
Dilutive potential common shares	—	—	—	3,384
Shares used in computing diluted per share amounts	163,438	69,372	62,535	62,751
Net income (loss) per share:				
Basic	$ (0.79)	$ (0.58)	$ (1.12)	$ 0.17
Diluted	$ (0.79)	$ (0.58)	$ (1.12)	$ 0.16
Potentially dilutive securities(1)	5,027	6,690	6,868	4,916

(1) Dilutive potential common shares consist of stock options. Warrants, restricted stock awards, and restricted stock units are excluded because their effect would have been anti-dilutive. The potentially dilutive common shares are excluded from the computation of diluted net income (loss) per share for the above periods because their effect would have been anti-dilutive.

11. FAIR VALUE MEASUREMENTS

Effective July 1, 2008, the Company adopted new fair value accounting guidance. The adoption of the guidance was limited to financial assets and liabilities and did not have a material effect on the Company's financial condition or results of operations.

The guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact business and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

The guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The guidance establishes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 — Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

All of the Company's available-for-sale investments and non-marketable equity securities are subject to a periodic impairment review. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. This determination requires significant judgment. For publicly traded investments, impairment is determined based upon the specific facts and circumstances present at the time, including a review of the closing price over the previous six months, general market conditions and the Company's intent and ability to hold the investment for a period of time sufficient to allow for recovery. For non-marketable equity securities, the impairment analysis requires the identification of events or circumstances that would likely have a significant adverse effect on the fair value of the investment, including revenue and earnings trends, overall business prospects and general market conditions in the investees' industry or geographic area. Investments identified as having an indicator of impairment are subject to further analysis to determine if the investment is other-than-temporarily impaired, in which case the investment is written down to its impaired value.

Cost-based investments are subject to periodic impairment review. In determining that a decline in value of one of our investments has occurred during the period ended December 31, 2009 and is other than temporary, an assessment was made by considering available evidence, including the general market conditions, the Company's financial condition, near-term prospects, market comparables and subsequent rounds of financing. The valuation also takes into account the capital structure, liquidation preferences for its capital and other economic variables. The valuation methodology for determining the decline in value of non-marketable equity securities is based on inputs that require management judgment.

Assets Measured at Fair Value on a Recurring Basis

The following table presents the Company's financial assets, measured at fair value, as of December 31, 2010:

	Fair Value Measurement at Reporting Date			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Money market funds invested in U.S. Treasuries(1)	$ 30,998	$ 30,998	$ —	$ —
Total	$ 30,998	$ 30,998	$ —	$ —

The following table presents the Company's financial assets, measured at fair value, as of December 31, 2009:

	Fair Value Measurement at Reporting Date			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Money market funds invested in U.S. Treasuries(1)	$ 61,613	$ 61,613	$ —	$ —
Total	$ 61,613	$ 61,613	$ —	$ —

(1) Included in Cash and cash equivalents on the Company's Consolidated Balance Sheets.

12. RESTRUCTURING

During the first quarter of 2010, the Company began procedures to streamline its operations. As a result of this decision, the Company recorded for the year ended December 31, 2010 $28.3 million of restructuring expenses related to severance, related employee benefits and closure of certain facilities. Included in restructuring expenses for the year ended December 31, 2010 is $6.5 million of costs related to the closure of the Company's Munich office. Current restructuring plans were substantially completed by the end of the year; however, some restructuring activity is likely to extend into 2011. Restructuring charges are recorded under "Restructuring charges" in the Company's Consolidated Statement of Operations.

Prior to the close of the Company's acquisition of selected assets and liabilities of NXP's television systems and set-top box business lines, NXP initiated a restructuring plan pursuant to which the employment of some NXP employees was terminated upon the close of the merger. The Company has determined that the restructuring plan was a separate plan from the business combination because the plan to terminate the employment of certain employees was made in contemplation of the acquisition. Therefore, a severance cost of $3.6 million was recognized by the Company as an expense on the acquisition date and is included in the total restructuring charge of $28.3 million for the year ended December 31, 2010. The $3.6 million of severance cost was paid by NXP after the close of the acquisition, effectively reducing the purchase consideration transferred. See Note 13, "Business Combinations," of Notes to Consolidated Financial Statements.

The following table presents the changes in the Company's restructuring accrual for the periods presented below:

	Year Ended December 31, 2010	Six Months Ended December 31, 2009	Years Ended June 30, 2010	Years Ended June 30, 2009
		(In thousands)		
Restructuring liabilities, beginning of period	$ —	$ —	$ —	$—
Severance and related charges	28,261	1,558	810	—
Net cash payments	(23,743)	(1,558)	(810)	—
Restructuring liabilities, end of period	$ 4,518	$ —	$ —	$—

13. BUSINESS COMBINATIONS

Acquisition of the television systems and set-top box business lines from NXP B.V.

On February 8, 2010, the Company and its wholly-owned subsidiary Trident Microsystems, (Far East), Ltd., or TMFE, a corporation organized under the laws of the Cayman Islands, completed the acquisition of the television systems and set-top box business lines from NXP B.V., a Dutch *besloten vennootschap*. As a result of the acquisition, the Company issued 104,204,348 shares of Trident common stock to NXP, equal to 60% of the Company's total outstanding shares of Common Stock, after giving effect to the share issuance to NXP, in exchange for the contribution of selected assets and liabilities of the television systems and set-top box business lines from NXP and cash proceeds in the amount of $44 million. In accordance with U.S. generally accepted accounting principles, the closing price on February 8, 2010, of $1.81 per share, was used to value Trident Microsystems common stock issued which is traded in an active market and considered a Level 1 input. In addition, the Company issued to NXP four shares of a newly created Series B Preferred Stock or the "Preferred Shares."

The acquisition was accounted for using the purchase method of accounting, and the Company was deemed to be the acquirer in accordance with applicable accounting guidance. The determination that Trident was the accounting acquirer was based on a review of all pertinent facts and circumstances. The following key factors of the acquisition transaction were considered by the Company to conclude that Trident was the acquirer:

The composition of the governing body of the combined entity — Major decisions require the approval of at least two-thirds of the members of Trident's Board of Directors. Five of the nine members of the Board of Directors following the closing of the acquisition were legacy Trident directors.

The composition of senior management of the combined entity — The senior management of the Company following the acquisition was primarily composed of members of the Company's pre-acquisition senior management.

The relative voting rights in the combined entity after the business combination — NXP's voting rights are limited, such that if all outstanding shares of Common Stock of Trident not held by NXP (i.e., 40% of the Common Stock) vote all 40% in favor of a stockholder proposal, then NXP is limited to voting 30% of the outstanding shares against the proposal, and the remaining 30% of the Common Stock of Trident held by NXP must be voted either (a) in accordance with the non-NXP stockholders, in this case for such proposal, or (b) in accordance with the recommendation of the Board of Directors as approved by a majority of the non-NXP members of the Trident Board of Directors.

The existence of a large minority voting interest in the combined entity if no other owner or organized group of owners has a significant voting interest — NXP may vote 30% of the outstanding shares freely, with the remaining 30% of shares owned by NXP restricted to voting either (a) in accordance with the recommendation of the Board of Directors as approved by a majority of the non-NXP directors, or (b) in the same proportion as the votes cast by all other stockholders.

The terms of the exchange of equity interests — The acquisition represented the purchase of a relatively small portion of the total NXP business.

Based upon the analysis of all relevant facts and circumstances, most notably the factors described above, the Company determined that the preponderance of such factors indicated that Trident was the acquiring entity.

The following is the consideration transferred by the Company representing the total purchase price:

	Shares	Amount
	(In thousands)	
Issuance of Trident common shares to NXP	104,204,348	$188,610
Issuance of Trident preferred shares to NXP	4	—
Purchase of Trident common shares by NXP		(30,000)
Net cash payment by NXP		(14,235)
Contingent returnable consideration(a)		(3,588)
Acquisition date fair value of total consideration transferred		$140,787

The final purchase price of $140.8 million was allocated to the net tangible and intangible assets acquired and liabilities assumed as follows:

	Amount (In thousands)
Assets acquired:	
Cash	$ 2,145
Prepaid expenses and other current assets	14,375
Inventory notes receivable(b)	39,900
Fixed assets(c)	10,487
Non-current assets	4,500
Service agreements(d)	16,000
Acquired intangible assets(e)	117,000
Deferred tax asset(f)	796
Liabilities assumed:	
Accrued liabilities	(16,199)
Non-current liabilities	(4,815)
Fair market value of the net assets acquired	184,189
Gain on acquisition(g)	(43,402)
Total purchase price	$ 140,787

Under the purchase method of accounting, the total purchase price is allocated to the net tangible and identifiable intangible assets acquired and liabilities assumed in connection with the acquisition based on their fair value as of the closing of the acquisition. Total acquisition related expenses incurred through March 31, 2010, recorded as operating expenses, were approximately $11.7 million. Assets acquired in the acquisition as of February 8, 2010 were reviewed and adjusted, if required, to their fair value.

The Company utilized a methodology referred to as the income approach, which discounts expected future cash flows to present value. The discount rate used in the present value calculations was derived from a weighted-average cost of capital analysis, adjusted to reflect additional risks.

(a) Prior to the close of the Acquisition, NXP initiated a restructuring plan pursuant to which the employment of some NXP employees was terminated upon the close of the Acquisition. The Company has determined that the restructuring plan was a separate plan from the business combination because the plan to terminate the employment of certain employees was made in contemplation of the Acquisition. Therefore, the full severance cost of $3.6 million was recognized by the Company as an expense on the Acquisition close date. The entire severance cost was paid by NXP after the close of the Acquisition, was reflected under applicable accounting guidance as contingent returnable consideration, effectively reducing the purchase consideration transferred.

(b) As of the effective date of the asset acquisition, the Company acquired two inventory notes receivable (the "Note" or "Notes"). The first Note is for $19.1 million and allowed the Company to purchase finished goods inventory on March 22, 2010.

The second Note is for $20.8 million and allows the Company to purchase work-in-process inventory on the readiness of the Company's enterprise resource planning system which is projected to be implemented in fiscal 2012. For additional details related to notes receivable, see Note 15, "Related Party Transactions," of Notes to Consolidated Financial Statements.

(c) Fixed assets (property and equipment) were measured at fair value and could include assets that are not intended to be used in their highest and best use. The Company's fixed assets were reduced by $1.4 million, resulting from new information received by the Company subsequent to filing the Company's Form 10-Q for the three months ended March 31, 2010.

(d) Service agreements were measured at fair value and these acquired assets are amortized over the remaining life of the agreement or up to 33 months from the closing date of the transaction. These service agreements include manufacturing and distributor agreements and other services from NXP. The other services include payroll processing, benefits administration, accounting, information technology and real estate administration.

(e) Identifiable intangible assets were measured at fair value and could include assets that are not intended to be used in their highest and best use. Developed technology consisted of products which have reached technological feasibility. The value of the developed technology was determined by using the discounted income approach.

Customer relationships relate to the Company's ability to sell existing and future versions of products to existing NXP customers. The fair value of the customer relationships was determined by using the discounted income approach.

Patents represent various patents previously owned by NXP. The fair value of patents was determined by using the royalty relief method and estimating a benefit from owning the asset rather than paying a royalty to a third party for the use of the asset.

The backlog fair value represents the value of the standing orders for the products acquired in the acquisition as of the close of the acquisition.

The acquired intangible assets, their fair values and weighted average amortized lives, are as follows (dollars in thousands):

	Fair Value	Weighted Average Amortized Life
Backlog	$ 15,000	0.5 years
Customer relationships	23,000	2.24 years
Developed technology	48,000	3.0 years
Patents	13,000	4.5 years
In-process research and development	18,000	
	$117,000	

In-process research and development, or IPR&D, consisted of the in-process set-top box projects awaiting completion development at the time of the acquisition. The value assigned to IPR&D was determined by considering the importance of products under development to the overall development plan, estimating costs to develop the purchased IPR&D into commercially viable products, estimating the resulting net cash flows from the projects when completed and discounting the net cash flows to their present value. Acquired IPR&D assets were initially recognized at fair value and are classified as indefinite-lived assets until the successful completion or abandonment of the associated research and development efforts. Efforts necessary to complete the in-process research and development include additional design, testing and feasibility analyses.

The values assigned to IPR&D were based upon discounted cash flows related to the future products' projected income stream. The discount rate of 33.9% used in the present value calculations were derived from a weighted average cost of capital, adjusted upward to reflect the additional risks inherent in the development life cycle, including the useful life of the technology, profitability levels of the technology, and the uncertainty of technology advances that are known at the date of acquisition.

The following table summarizes the significant assumptions at the acquisition date underlying the valuations of IPR&D for the NXP acquisition completed on February 8, 2010:

		February 8, 2010	
Set-Top Box Development Projects	Fair Value	Estimated Cost to Complete	Expected Commencement Date of Significant Cash Flows
	(In thousands)		
Apollo/Shiner	$ 8,856	$ 1,400	Completed
Kronos	7,731	1,800	February 2012
Other	1,413	2,700	February 2013
Total	$ 18,000	$ 5,900	

The Company received and sampled first silicon on the Apollo/Shiner product and in November 2010 determined that the project is complete. Minor validation and testing work will continue prior to achieving high volume production which is anticipated to occur in 2011. The asset was re-designated a finite-lived intangible asset within the core technology category and amortization of the asset commenced in November 2010 over an expected useful live of 3 years. The Company continues to develop the Kronos and other product lines with the expectation the products will be fully developed in 2012 and 2013, respectively.

(f) The Company's deferred tax assets were reduced by $3.7 million, resulting from new information received by the Company subsequent to filing the Company's Form 10-Q for the three months ended March 31, 2010.

(g) The preliminary purchase price allocation, associated with the acquisition of the television systems and set-top box business lines from NXP, assigned $48.5 million to gain on acquisition. Subsequently, in accordance with applicable accounting guidance, the gain on acquisition was reduced by $5.1 million and the Company's deferred tax assets and fixed assets were reduced by $3.7 million and $1.4 million, respectively, resulting from new information received by the Company subsequent to filing the Company's Form 10-Q for the three months ended March 31, 2010.

The Company used the income approach to determine fair value of the assets. The key factor that led to the recognition of a gain on acquisition was a decline of $54.2 million in the fair value of Trident's common stock purchase consideration between the date that the definitive agreement was signed on October 4, 2009 (based on a closing price of $2.33 per share) and the acquisition date of February 8, 2010 (based on a closing price of $1.81 per share), as determined in accordance with applicable accounting guidance.

Frame Rate Converter, Demodulator and Audio Decoder product lines of the Consumer Division of Micronas Semiconductor Holding AG

On May 14, 2009, the Company completed its acquisition of the selected assets of the FRC, DRX, and audio product lines of Micronas (the "Micronas Assets"). In connection with the acquisition, the Company issued 7.0 million shares of its common stock, representing approximately 10% of its outstanding common stock, and warrants to acquire up to 3.0 million additional shares of its common stock, with a fair value of approximately $12.1 million and incurred approximately $5.2 million of acquisition-related costs and liabilities, for a total purchase price of approximately $17.3 million.

Micronas agreed to sublease 17,000 square feet of the office spaces located in Munich, Germany to the Company. The Company used the office spaces for general and administration, research and engineering services. The Munich office was closed during 2010 and the Company incurred a restructuring charge of $1.1 million representing the remaining lease payment obligation.

The acquisition was accounted for using the purchase method of accounting in accordance with applicable accounting guidance. Under the purchase method of accounting, the total purchase price, discussed below, is allocated to the net tangible and identifiable intangible assets of the Micronas Assets acquired in connection with the acquisition based on their fair value as of the closing of the acquisition.

The total purchase price for the acquisition is as follows (in thousands):

Fair value of common stock	$10,668
Acquisition-related costs	4,136
Fair value of common stock warrants	1,419
In-process research and development	697
Value added taxes	336
Cash paid in exchange for outstanding shares of Micronas Netherlands B.V	10
Total purchase price	$17,266

The fair value of common stock issued in the acquisition was valued at $1.524 per share using an average of Trident's closing share prices beginning two trading days before and ending two trading days after the acquisition was announced, which was March 31, 2009. The warrants were valued using the Black-Scholes option pricing model with the following inputs: volatility factor 68%, expected life of 5 years, risk-free interest rate of 1.98%, and a market value for Trident common stock of $1.43 per share at the acquisition date, May 14, 2009.

Purchase Price Allocation

The allocation of the purchase price of the tangible and identifiable intangible assets acquired and liabilities assumed in the acquisition was based on their fair values. The excess of the purchase price over the tangible and identifiable intangible assets acquired and liabilities assumed has been allocated to goodwill. Under the purchase method of accounting, the total purchase price was allocated to net tangible and identifiable intangible assets acquired based on their fair values as of the date of the completion of the acquisition as follows (in thousands):

Tangible assets acquired:		
Cash and cash equivalents		$ 142
Accounts receivable		259
Other current assets		97
Property and equipment		4,818
Deferred tax assets		175
Liabilities assumed:		
Accounts payable		(133)
Accrued liabilities		(366)
Above market lease liability		(356)
Net tangible assets acquired		4,636
Amortizable intangible assets acquired:	Useful life	
Core technology	3 years	4,059
Backlog	13 months	166
Goodwill	Indefinite	7,708
In-process research and development		697
Total purchase price allocation		$17,266

Assets acquired and liabilities assumed in the acquisition as of May 14, 2009 were reviewed and adjusted, if required, to their fair value. Existing technology consists of products that have reached technological feasibility. The Company valued the core technology utilizing a discounted cash flow ("DCF") model, which uses forecasts of future revenues and expenses related to the products that use the technology. Backlog valued at $0.2 million represented the value of the standing orders for the products acquired in the acquisition as of the close of the acquisition. Backlog was valued using a DCF model. Of the total purchase price, $0.7 million has been allocated to in-process research and development ("IPR&D") and was expensed during the year ended June 30, 2009. IPR&D relates to expense spent on masks and tools, which has no alternative future use and was completed after the announcement date but prior to the closing date.

Of the total purchase price, $7.7 million has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the underlying net tangible and identifiable intangible assets acquired and is not deductible for tax purposes. The technology acquired in the acquisition will provide a greater diversity of products and enhanced research and development capabilities, which will allow the Company to pursue expanded market opportunities. These opportunities, along with the ability to leverage the existing workforce acquired in the acquisition, were the significant contributing factors to the establishment of the purchase price, resulting in the recognition of a significant amount of goodwill. In accordance with applicable guidance, goodwill is not amortized but will be reviewed at least annually for impairment or more frequently if certain triggering events occur. In the event that management determines the value of goodwill has become impaired, the Company will incur an expense in the amount of the impairment during the quarter in which the determination is made. See Note 4, "Goodwill and Intangible Assets," Notes to Consolidated Financial Statements of Notes to Consolidated Financial Statements for additional details. The Company performed its annual goodwill impairment analysis in the quarter ended June 30, 2010 and recorded an impairment charge of $7.9 million, due to the excess of the carrying value over the estimated market value for the television systems operating segment.

Goodwill and amortization of intangibles are not tax deductible. The estimated future amortization expense of the Company's purchased finite-lived intangible assets acquired is as follows (amounts in thousands):

	Amount
Year ended December 31, 2011	$1,353
Year ended December 31, 2012	$ 504
Total	$1,857

Unaudited Pro Forma Financial Information

The following table summarizes unaudited pro forma financial information for the years ended December 31, 2010 and 2009 assuming the business combinations had been consummated at the beginning of the periods presented. This pro forma financial information is for informational purposes only and does not reflect any operating efficiencies or inefficiencies which may result from the business combination and therefore is not necessarily indicative of results that would have been achieved had the businesses been combined during the periods presented (amounts in thousands, except per share date):

	Years Ended December 31,	
	2010	2009
	(Unaudited)	
Pro forma net revenues	$ 604,616	$ 579,959
Pro forma net loss	(126,813)	(278,860)
Pro forma net loss per share		
— basic and diluted	(0.73)	(1.63)

All of the Company's identifiable intangible assets from its acquisitions, including backlog, core and developed technology acquired and customer relationships are subject to amortization. The weighted average useful lives of acquired intangibles are approximately 4 to 5 years for core technology, 2-3 years for customer relationships, and approximately 1 year for backlog, 4 to 5 years for patents and the contractual term for service agreements. See Note 4, "Goodwill and Intangible Assets," of Notes to Consolidated Financial Statements for additional details.

14. GEOGRAPHIC INFORMATION AND MAJOR CUSTOMERS

The Company operates in one reportable segment called digital media solutions. The Company has two operating segments, television systems and set-top boxes, aggregated as one reportable segment. The digital media solutions business segment designs, develops and markets integrated circuits for digital media applications, such as digital television and liquid crystal display, or LCD, television. Generally accepted accounting principles in the United States of America establish standards for the way public business enterprises report information about operating segments in annual consolidated financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. The accounting guidance also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company's Chief Executive Officer, who is considered to be the chief operating decision maker, reviews financial information presented on an operating segment basis for purposes of making operating decisions and assessing financial performance.

Geographic Information

Revenues by region are classified based on the locations of the customer's principal offices even though customers' revenues are attributable to end customers that are located in a different location. The following is a summary of the Company's net revenues by geographic operations:

Revenues:	Year Ended December 31, 2010 (Dollars in thousands)	Six Months Ended December 31, 2009 (Dollars in thousands)	Years Ended June 30, 2009	2008
Japan	$ 69,941	$ 5,257	$41,615	$ 91,306
Europe	138,309	17,557	13,841	53,801
Asia Pacific	120,659	11,317	14,061	32,618
South Korea	188,365	28,353	5,819	79,608
Americas	39,924	527	425	605
Total revenues	$ 557,198	$ 63,011	$75,761	$257,938

The Company’s long-lived assets are located in the following countries:

	Year Ended December 31, 2010	Year Ended December 31, 2009
	(Dollars in thousands)	
China	$ 21,422	$ 21,277
Europe	3,076	3,361
Americas	5,068	1,050
Taiwan	760	465
Asia Pacific	1,240	15
Total	$ 31,566	$ 26,168

Major Customers

The following table shows the percentage of the Company’s revenues for the year ended December 31, 2010, the six months ended December 31, 2009 and the years ended June 30, 2009 and 2008 that was derived from customers who individually accounted for more than 10% of revenues in that period.

	Year Ended December 31, 2010	Six Months Ended December 31, 2009	Year Ended June 30, 2009	2008
Revenue:				
Samsung	21%	29%	*	29%
Philips	13%	10%	10%	19%
LG	*	15%	*	*
Midoriya (supplier to Sony)	*	*	38%	28%
Sharp	*	*	11%	*

* Less than 10% of net revenues

As of December 31, 2010, the Company had a high concentration of accounts receivable with Philips Group which accounted for 20% of gross accounts receivable.

15. RELATED PARTY TRANSACTIONS

NXP

In connection with the NXP acquisition, the Company acquired two inventory notes receivable. The first Note bears interest at an annual interest rate of 2.75%, and the second Note bears interest at a rate per annum of 250 basis points in excess of the 3-month LIBOR rate. The Company settled the first Note, totaling $19.0 million, during the three months ended June 30, 2010, of which $11.6 million was settled in finished goods inventory, and $7.4 million was settled in cash. The Company received the cash during the quarter ended September 30, 2010. The Company expects the second Note to be settled in 2011.

Total purchases from NXP for the year ended December 31, 2010 were $309.9 million. Total purchases for the year ended December 31, 2010 include approximately $25.7 million of transition services and approximately $284.2 million of primarily product purchases. As of December 31, 2010, the outstanding accounts payable to NXP was $25.8 million, the outstanding accounts receivable from NXP was $7.3 million and the outstanding long-term receivable from NXP was $1.5 million. At December 31, 2010, the Company had a note receivable from NXP of $20.9 million associated with inventory purchases from NXP, of which the entire balance was a current asset on the Company's Consolidated Balance Sheet. During the period from February 8, 2010 to March 22, 2010, the Company and NXP had a commissionaire's agreement whereby NXP acted on the Company's behalf for product sales. Total revenue during this period was $51.8 million, all of which was paid in the three months ended September 30, 2010. The accounts receivable from NXP of $7.3 million at December 31, 2010, was not related to the sales of product.

In connection with the Acquisition, the Company and NXP entered into the following agreements, each effective as of February 8, 2010:

- *Intellectual Property Transfer and License Agreement:* Under this agreement, between TMFE and NXP, NXP has transferred to a newly formed Dutch *besloten vennootschap* acquired by TMFE, or Dutch Newco, certain patents, software and technology, including those exclusively related to the acquired business lines. Pursuant to the terms of the agreement, NXP has granted a license to Dutch Newco to certain patents, software and technology used in other parts of NXP's business and Dutch Newco has granted a license back to NXP to certain of the patents, software and technology.
- *Stockholder Agreement:* This agreement, between the Company and NXP, sets forth the designation of nominees to the Trident Board, providing certain restrictions on the right of NXP to freely vote its shares of Trident common stock received pursuant to the Share Exchange Agreement, and providing a two year lock up during which NXP cannot transfer its shares of Trident common stock, subject to certain exceptions, including transfers to affiliates. In addition, under this agreement, NXP has agreed to standstill restrictions for nine years, including restrictions on the future acquisition of Trident securities, participation in a solicitation of proxies, and effecting or seeking to effect a change of control of Trident. The NXP Stockholder Agreement also sets forth certain major decisions that may only be taken by the Trident Board upon a supermajority vote of two-thirds of the directors present. The NXP Stockholder Agreement provides NXP with certain demand and piggy-back registration rights related to the Shares, and grants certain preemptive rights to NXP with respect to future issuances of Trident common stock.
- *Transition Services Agreement:* Under this agreement, NXP agrees to provide to Trident for a limited period of time specified transition services and support, including order fulfillment and delivery; accounting services and financial reporting services; human resources management (including compensation and benefit plan management, payroll services and training); pensions; office and infrastructure services (including access to certain facilities for a limited period of time); sales and marketing support; supply chain management (including logistics and warehousing); quality control; financial administration; ICT hardware and ICT software and infrastructure; general IT services; export, customs and licensing services; and telecommunications. Depending on the service provided, the term ranges from three to 18 months, provided that the services for IT and ITC could continue into the fourth quarter of 2011.
- *Manufacturing Services Agreement:* Under this agreement, contract manufacturing services are to be provided by NXP for a limited period of time for finished goods as well as certain front end, back end and other related manufacturing services for products acquired by Trident. The term of the agreement ends following the readiness of the Company's enterprise resource planning system, which is currently projected to be implemented in fiscal 2012.
- *Contract Services Agreement:* Under this agreement, certain employees of NXP are to provide contract services to Trident for a limited period of time for services including R&D, IP development, design in support and account management, as well as support for the transition of these activities to Trident personnel. Depending on the service provided, the term ranges from 2 to 12 months.

The total remaining payment obligation for services through the end of the terms of these agreements was approximately $0.6 million as of December 31, 2010.

Micronas

Total purchases from Micronas for the year ended December 31, 2010, were $28.0 million. As of December 31, 2010, the outstanding accounts payable to Micronas was $1.1 million. Total purchases from Micronas for the six months ended December 31, 2009, were $16.2 million. As of December 31, 2009, the outstanding accounts payable to Micronas was $2.4 million, and the outstanding accounts receivable from Micronas was $0.3 million.

See Note 13, "Business Combinations," of Notes to Condensed Consolidated Financial Statements, which provides a summary of the related party agreements entered into with Micronas due to the acquisition of the FRC, DRX, and Audio Decoder product lines from Micronas on May 14, 2009.

16. EMPLOYEE BENEFIT PLANS

Employee Benefit Plans

The Company's Israeli subsidiary has a pension and severance investment plan pursuant to which the Company is required to make pension and severance payments to its retired or former Israeli employees, and in certain circumstances, other Israeli employees whose employment is terminated. The Company's severance investment plan liability is calculated based on the salary of employees multiplied by years of service, and the resulting balance of $3.1 million is included in other non-current liabilities on the Company's Consolidated Balance Sheets. A corresponding asset of $3.1 million is included in other assets, on the Company's Consolidated Balance Sheets. The underfunded balance of this plan was $0.06 million as of December 31, 2010.

The Company's India subsidiary has a gratuity plan and a compensated absence plan pursuant to which the Company is required to make payments. The Company's liability for gratuity plan is calculated based on the salary of employees multiplied by years of service. The Company's liability for the compensated absence plan is calculated based on the daily salary of the employees multiplied by 30 days of compensated absence. The resulting balances of $0.6 million is included in other non-current liabilities on the Company's Consolidated Balance Sheets. A corresponding asset of $0.5 million is included in other assets, on the Company's Consolidated Balance Sheets. The underfunded balance of these plans was $0.1 million as of December 31, 2010.

Employee 401(k) Plan

The Company sponsors the Trident Microsystems, Inc. 401(k) Retirement Plan (the "Retirement Plan") — a defined contribution plan that is available to substantially all of its employees in the United States. Under Section 401(k) of the Internal Revenue Code, the Retirement Plan allows for tax-deferred salary contributions by eligible employees. Participants can contribute from 1% to 25% of their annual compensation to the Plan on a pretax and after-tax basis. Employee contributions are limited to a maximum annual amount as set periodically by the Internal Revenue Code. The Company matches eligible participant contributions at 25% of the first 5% of eligible base compensation (for those employees with one or more years of service with the Company). The Retirement Plan allows employees who meet the age requirements and reach the Plan contribution limits to make a catch-up contribution not exceed the lesser of 50% of their eligible compensation or the limit set forth in the Internal Revenue Code. The catch-up contributions are not eligible for matching contributions. All matching contributions vest immediately. The Company's matching contributions to the Plan totaled $0.3 million for the year ended December 31, 2010 and $0.05 million for the six months ended December 31, 2009 and each of the years ended June 30, 2009 and 2008. During January 2010, the Company changed the fiscal year of the Retirement Plan from June 30 to December 31.

17. SUBSEQUENT EVENTS

Executive Severance Agreements

On January 20, 2011, the Company and its former President, Christos Lagomichos, entered into a Confidential Retirement Agreement and Release of Claims. Under the terms of the agreement, the Company will pay Mr. Lagomichos a lump sum payment of approximately $1.3 million, subject to applicable withholding. In addition, the Company will pay certain premiums for coverage under COBRA. In consideration of these benefits, Mr. Lagomichos granted the Company a release of claims.

On February 10, 2011, the Company and its former Chief Executive Officer, Sylvia Summers, entered into a Resignation Agreement and Release of Claims. Under the terms of the agreement, the Company will pay Ms. Summers a lump sum payment of $1.3 million, subject to applicable withholding. In addition, the vesting of any equity awards that might vest within twelve months will be accelerated and the Company will pay certain premiums for coverage under COBRA. In consideration of these benefits, Ms. Summers granted the Company a release of claims.

Bank Line Of Credit

On February 9, 2011, the Company, TMFE and Trident Microsystems (HK) Ltd., or TMHK, entered into a $40 million revolving line of credit agreement with Bank of America, N.A., to finance working capital. Borrowings under the agreement will bear interest at the base rate, as defined in the agreement, plus a margin ranging from 1.50% to 3.00% per annum, or at the option of the Company, rates based on LIBOR plus a margin ranging from 2.25% to 3.75% per annum. Under the credit agreement, the Company may access credit based upon a certain percentage of its eligible accounts receivable outstanding, subject to eligibility requirements, limitations and covenants. The credit agreement contains both affirmative and negative covenants, including covenants that limit or restrict the Company's ability to, among other things, incur indebtedness, grant liens, make capital expenditures, merge or consolidate, dispose of assets, pay dividends or make distributions, change the method of accounting, make investments and enter into certain transactions with affiliates, in each case subject to materiality and other qualifications, baskets and exceptions customary for a credit agreement of this size and type. The credit agreement also contains a financial covenant that requires the Company to maintain a specified fixed charge coverage ratio if either the Company's liquidity or availability under the credit agreement drops below certain thresholds.

18. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the Company's quarterly consolidated results of operations (unaudited) for the year ended December 31, 2010 and 2009. The sum of quarterly net loss per share, basic and diluted, may not equal total net loss per share, basic and diluted, due to variation in shares outstanding.

TRIDENT MICROSYSTEMS, INC.

	Year Ended December 31, 2010				
	Quarter Ended March	Quarter Ended June	Quarter Ended September	Quarter Ended December	Total
	(Dollars in thousands, except per share amounts)				
Net revenues	$ 90,404	$ 171,648	$176,568	$118,578	$ 557,198
Gross profit	$ 13,786	$ 32,901	$ 48,170	$ 22,706	$ 117,563
Net loss	$ (8,779)	$ (48,817)	$ (17,514)	$ (53,779)	$(128,889)
Net loss per share — Basic:	$ (0.07)	$ (0.28)	$ (0.10)	$ (0.31)	$ (0.79)
Net loss per share — Diluted:	$ (0.07)	$ (0.28)	$ (0.10)	$ (0.31)	$ (0.79)
Shares used in computing net loss per share — Basic	129,969	174,018	174,553	174,772	163,438
Shares used in computing net loss per share — Diluted	129,969	174,018	174,553	174,772	163,438

On February 8, 2010, the Company and its wholly-owned subsidiary Trident Microsystems, (Far East), Ltd., or TMFE, a corporation organized under the laws of the Cayman Islands, completed the acquisition of the television systems and set-top box business lines from NXP B.V., a Dutch *besloten vennootschap*; or NXP. As a result of the acquisition, the Company issued 104,204,348 shares of Trident common stock to NXP, or Shares, equal to 60% of the Company's total outstanding shares of Common Stock, after giving effect to the share issuance to NXP, in exchange for the contribution of selected assets and liabilities of the television systems and set-top box business lines from NXP and cash proceeds in the amount of $44 million. In accordance with U.S. generally accepted accounting principles, the closing price on February 8, 2010 was used to value Trident Microsystems common stock. In addition, the Company issued to NXP four shares of a newly created Series B Preferred Stock or the "Preferred Shares." The purchase price and fair value of the consideration transferred by Trident was $140.8 million.

TRIDENT MICROSYSTEMS, INC.

	Year Ended December 31, 2009				
	Quarter Ended March	Quarter Ended June	Quarter Ended September	Quarter Ended December	Total
	(Dollars in thousands, except per share amounts)				
Net revenues	$ 6,852	$ 14,912	$ 31,093	$ 31,918	$ 84,775
Gross profit	$ 461	$ 4,622	$ 10,501	$ 5,245	$ 20,829
Net loss	$ (16,604)	$ (21,075)	$ (17,156)	$ (23,371)	$ (78,206)
Net loss per share — Basic and Diluted:	$ (0.27)	$ (0.32)	$ (0.25)	$ (0.34)	$ (0.48)
Shares used in computing net loss per share — Basic and Diluted a	61,829	65,565	69,237	69,506	163,438

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Trident Microsystems, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows and stockholders' equity and comprehensive income present fairly, in all material respects, the financial position of Trident Microsystems, Inc. and its subsidiaries at December 31, 2010 and December 31, 2009, and the results of their operations and their cash flows for the year ended December 31, 2010, the six months in the period ended December 31, 2009 and for each of the two years in the period ended June 30, 2009 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for business combinations in the six months ended December 31, 2009.

/s/ PricewaterhouseCoopers LLP

San Jose, California
March 4, 2011

Exhibit 21.1

List of direct and indirect subsidiaries as of December 31, 2010

Country of incorporation	Name legal entity
Austria	NXP Semiconductors Austria GmbH
Belgium	NXP Semiconductors Belgium N.V.
Brazil	NXP Semiconductors Brasil Ltda
Canada	NXP Semiconductors Canada Inc.
China	NXP Semiconductors Guangdong Ltd.
China	NXP Semiconductors (Beijing) Ltd.
China	NXP Semiconductors (Shanghai) Ltd.
China	Jilin NXP Semiconductors Ltd. (60%)*
Finland	NXP Semiconductors Finland Oy
France	NXP Semiconductors France SAS
Germany	SMST Unterstützungskasse GmbH
Germany	NXP Semiconductors Germany GmbH
Germany	NXP Semiconductors GA GmbH
Germany	NXP Stresemannallee 101 Dritte Verwaltungs GmbH
Hong Kong	NXP Semiconductors Hong Kong Ltd.
Hong Kong	Electronic Devices Ltd.
Hong Kong	Semiconductors NXP Ltd.
Hungary	NXP Semiconductors Hungary Ltd.
India	NXP Semiconductors India Pvt. Ltd.
Ireland	GloNav Ltd.
Italy	NXP Semiconductors Italy Spa i.l.
Japan	NXP Semiconductors Japan Ltd.
Korea	NXP Semiconductors Korea Ltd.
Malaysia	NXP Semiconductors Malaysia Sdn. Bhd.
Netherlands	NXP B.V.
Netherlands	NXP Semiconductors Netherlands B.V.
Netherlands	NXP Semiconductors International B.V.
Netherlands	NXP Software B.V.
Netherlands	NXP Holding B.V.
Philippines	NXP Semiconductors Philippines, Inc.
Philippines	NXP Semiconductors Cabuyao, Inc.
Poland	NXP Semiconductors Poland Sp.z.o.o.
Russia	NXP Semiconductors Russia O.O.O.
Singapore	NXP Semiconductors Singapore Pte. Ltd.
Singapore	Systems on Silicon Manufacturing Company Pte Ltd (61.2%)*
Sweden	NXP Semiconductors Sweden AB
Switzerland	NXP Semiconductors Switzerland AG
Taiwan	NXP Semiconductors Taiwan Ltd.
Thailand	NXP Manufacturing (Thailand) Co., Ltd.
Thailand	NXP Semiconductors (Thailand) Co., Ltd.
Turkey	NXP Semiconductors Elektonik Ticaret A.S.
United Kingdom	NXP Semiconductors UK Ltd.
United Kingdom	GloNav UK Ltd.
United Kingdom	NXP laboratories UK Holding Ltd.
United Kingdom	NXP Laboratories UK Ltd.
USA	NXP Semiconductors USA, Inc.
USA	NXP Funding LLC
USA	NXP Semiconductors (GPS) USA, Inc.
USA	Jennic America Inc.

***** = joint venture