

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM F-1  
REGISTRATION STATEMENT**

**UNDER  
THE SECURITIES ACT OF 1933**

**KASLION Acquisition B.V.**

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

**The Netherlands**  
(State or other jurisdiction of  
incorporation or organization)

**3674**  
(Primary Standard Industrial  
Classification Code Number)

**Not Applicable**  
(I.R.S. Employer  
Identification No.)

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(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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**Approximate date of commencement of proposed sale to the public:  
As soon as possible after this registration statement becomes effective**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

**CALCULATION OF REGISTRATION FEE**

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price <sup>(1)</sup>	Amount of registration fee
Shares of common stock, par value €0.01	—	—	\$1,150,000,000	\$81,995

(1) Estimated solely for purposes of determining the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this prospectus is not complete and may be changed. We may not sell the securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated , 2010.



# NXP Semiconductors N.V.

## Shares Common Stock

We are offering shares of our common stock in this initial public offering of our common stock. Prior to this offering, there has been no public market for our common stock. We currently expect the initial public offering price to be between \$ and \$ per share. We intend to apply to list the common stock on either the NASDAQ Global Market or the New York Stock Exchange under the symbol “ ”.

An investment in our common stock involves risks. See “[Risk Factors](#)” beginning on page 12 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per share	Total
Initial price to public	\$	\$
Underwriting discount and commissions	\$	\$
Proceeds, before expenses, to us	\$	\$

To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares from us at the initial offering price, less the underwriting discount, within 30 days of the date of this prospectus. See the section of this prospectus entitled “Underwriting”.

The underwriters expect to deliver the shares against payment on or about .

Bookrunners  
(in alphabetical order)

Credit Suisse

Goldman, Sachs & Co.

Morgan Stanley

BofA Merrill Lynch

Barclays Capital

Prospectus dated , 2010

Lighting



Automotive



Wireless Infrastructure



Identification



Consumer



Mobile



Computing



Industrial



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**You should rely only on the information contained in this prospectus or in any free writing prospectus that we authorize to be delivered to you. We and the underwriters have not authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We and the underwriters are not making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, prospects, financial condition and results of operations may have changed since that date.**

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*We obtained market data and certain industry data and forecasts included in this prospectus from internal company surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications and surveys. iSuppli, Gartner Dataquest, Strategy Analytics, Datapoint and ABI were the primary sources for third-party industry data and forecasts. Industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, internal surveys, industry forecasts and market research, which we believe to be reliable based upon our management's knowledge of the industry, have not been independently verified. Statements as to our market position are based on recently available data. While we are not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors" appearing elsewhere in this prospectus.*

## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus. The information set forth in this summary does not contain all the information you should consider before making your investment decision. You should carefully read the entire prospectus, including the section “Risk Factors” and our consolidated financial statements and related notes, before making your investment decision. This summary 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 “Risk Factors” and “Special Note Regarding Forward-Looking Statements”.*

*Unless the context otherwise requires, all references herein to “we”, “our”, “us”, “NXP” and “the Company” are to KASLION Acquisition B.V. and its consolidated subsidiaries prior to the Corporate Conversion (as defined below) described in this prospectus, and to NXP Semiconductors N.V. and its consolidated subsidiaries after the Corporate Conversion, including NXP B.V.*

*A glossary of abbreviations and technical terms used in this prospectus is set forth on page 149.*

### **Our Company**

We are a global semiconductor company and a large and long-standing supplier in the industry, with over 50 years of innovation and operating history. We provide leading High-Performance Mixed-Signal and Standard Products solutions that leverage our deep application insight and our technology and manufacturing expertise in radio frequency (“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 60% of our sales are derived from the Asia Pacific region. Since our separation from Koninklijke Philips Electronics N.V. (“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 world-class cost structure and processes. We have approximately 27,000 employees located in more than 25 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, 2009, we generated sales of \$3,843 million.

### **The NXP Solution**

We design and manufacture High-Performance Mixed-Signal semiconductor solutions to meet the challenging requirements of systems and sub-systems in our target markets. High-Performance Mixed-Signal solutions are an optimized mix of analog and digital functionality integrated into a system or sub-system. These solutions are fine-tuned to meet the specific performance, cost, power, size and quality requirements of applications. High-Performance Mixed-Signal solutions alleviate the need for OEMs to possess substantial system, sub-system and component-level design expertise required to integrate discrete components into an advanced fully functional system.

We leverage a rare combination of capabilities—our broad range of analog and digital technologies, application insights and world-class process technology and manufacturing capabilities—to provide our customers with differentiated solutions that serve their critical requirements. We develop products for new applications early in their development and focus on evolving the feature functionality and integration of our solutions, which positions us well to support our customers throughout their products’ lifecycles. As a consequence, customers often engage with us early, which allows us to hone our understanding of their application requirements and future product roadmaps and to become an integral partner in their system design process.

## Our Strengths

We believe we have a rare set of strengths and capabilities that allows us to be a true leader in our target markets.

- **Market-leading product franchises.** In 2009, approximately 69% of our High-Performance Mixed-Signal sales were generated by products for which we held the number one or number two market share position, and an additional 17% of our High-Performance Mixed-Signal sales were from product areas or businesses where we have strong positions or are an innovation leader in specific niche markets. In our Standard Products business, we generated 80% of our sales in 2009 from products for which we held the number one or number two market share position. Our products often represent critical components of our customers' end products, and in many cases enable our customers to differentiate themselves based on feature performance, functionality, cost or time-to-market.
- **Large base of experienced High-Performance Mixed-Signal engineers and strong intellectual property portfolio.** We are a technology leader in our industry with a strong innovation track record dating back more than 50 years. We have one of the industry's largest pools of experienced High-Performance Mixed-Signal engineers, with over 2,600 engineers with an average of 14 years of experience. Our technology leadership is supported by our focused investment of over \$600 million per year in research and development. We have an extensive intellectual property portfolio of approximately 14,000 issued and pending patents covering the key technologies used in our target application areas, including RF, analog, power management, interface, security and digital processing.
- **Deep applications expertise.** We have built, and continue to build, through our relationships with leading OEMs and through internal development efforts in our advanced systems lab, deep insight into the component requirements and architectural challenges of electronic system solutions in automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. This application insight enables us to engage with market-shaping OEMs in the preliminary stages of their product development process, thereby allowing us to be early to market with new and innovative products. In addition, because of the complex nature of our application system solutions and the continuity we provide between successive generations of our customers' products, once our products are designed into our customers' product platforms, referred to as "design wins", it is substantially more difficult for a competitor to displace us as a supplier.
- **Strong, well-established customer relationships.** We have strong, well-established relationships with almost every major automotive, identification, mobile handset, consumer electronics, mobile base station and lighting supplier in the world. We directly engage with over 1,000 customer design locations worldwide. Our top OEM customers, in terms of revenue, include Apple, Bosch, Continental Automotive, Delphi, Ericsson, Harman Becker, Huawei, Nokia, Nokia Siemens Networks, Oberthur, Panasonic, Philips, RIM, Samsung, Sony and Visteon. We also serve over 30,000 customers through our distribution partners. We have a powerful distribution channel and, based on 2009 data, believe we are the number two worldwide supplier of semiconductors (other than microprocessors) through distribution.
- **Differentiated process technologies and competitive manufacturing.** We focus our internal and joint venture wafer manufacturing operations on running a portfolio of proprietary specialty process technologies that enable us to differentiate our products on key performance features. We generally outsource wafer manufacturing in process technologies that are available at third-party wafer foundries when it is economical to do so. Given our scale and operational performance in assembly and test, we achieve a significant cost advantage over outsourcing options in most package types by maintaining such operations in-house. In addition, control over these processes enables us to deliver better supply chain performance to our customers than our competitors, who rely significantly on outsourcing partners. By concentrating our manufacturing activities in Asia and streamlining our operations through our Redesign Program, we believe we have a competitive manufacturing base.

- **Experienced management team with significant industry knowledge.** We have a highly experienced management team with deep industry knowledge and a strong execution track record. The 12 members of our executive management team have an average of 24 years of experience in the high-tech industry.

### **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 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 six of the twelve have been recruited from outside NXP.
- **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 business and pricing stability, and capital intensity. We have exited all of our system-on-chip businesses through the divestitures of our cordless phone, mobile handset and television and set-top box businesses in three separate transactions over the past three years. Over the same period, we significantly increased 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 significant additional resources in our sales and marketing organizations, including hiring over 100 field application engineers in the past year. We have also created “application marketing” teams that focus on delivering solutions and systems reference designs that leverage our broad portfolio of products, thereby increasing our revenue opportunities while accelerating our customers’ time to market.
- **New market-oriented segments.** On January 1, 2010, we reorganized our prior segments into two market-oriented business segments, High-Performance Mixed-Signal and Standard Products, and two other reportable segments, Manufacturing Operations, and Corporate and Other.

#### **Our Redesign Program**

- **Streamlined cost structure.** We currently expect to achieve over \$650 million in annual savings in the course of 2011, 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). We expect our annual savings to come from restructuring our manufacturing base, central research and development and support functions. We estimate the total costs of the accelerated and expanded Redesign Program to be no greater than \$750 million.
- **Lean manufacturing base.** As a part of our Redesign Program, we will have reduced the number of our front-end manufacturing facilities from 14 at the time of our separation from Philips in 2006 to six by the end of 2011. Our current manufacturing strategy focuses on capabilities and assets that help differentiate NXP’s offerings to customers in terms of product features, quality, cost and supply chain performance.

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.

## Our Strategy

Our strategy is to be the leading provider of High-Performance Mixed-Signal solutions supported by a strong Standard Products business, addressing eight priority application areas. Key elements of this strategy are:

- **Extend leadership in High-Performance Mixed-Signal markets.** We intend to extend our leadership positions in providing High-Performance Mixed-Signal solutions for automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications by leveraging our industry-leading RF, analog, power management, interface, security and digital processing technologies. We believe our scale and significant levels of research and development investments will enable us to outpace market growth across the majority of our segments and extend our leadership positions.
- **Focus on significant, fast growing opportunities.** 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 integrated circuits (“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, which represented 62% of our sales in 2009. In particular, Greater China represented 40% of our sales in 2009.

- **Deepen relationships with our key customers through our application marketing efforts.** We intend to increase our market share by focusing on and deepening our relationships with our top OEM customers, electronic manufacturing service customers and distribution partners. We seek to do so by further increasing the number of our field application engineers at our customers’ sites and by increasing product development work we conduct jointly with our lead customers.

Further, we intend to expand the number of applications addressed by our application marketing efforts which focus on developing reference designs, aligning long-term product roadmaps and allocating specific resources to provide customers with architecture level expertise and local application engineering support for those new applications. We believe that these teams will enable our customers to design leading-edge products by leveraging our deep application insight and the full breadth of our product portfolio.

- **Improve operational excellence and expand gross and operating margins.** We continue to implement our comprehensive, multi-year operational improvement program aimed at accelerating revenue growth, expanding gross margins and improving overall profitability through better operational execution and streamlining of our cost structure.

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## Recent Developments

**Forward Start Revolving Credit Facility.** On April 15, 2010, we entered into a commitment letter (the “Commitment Letter”) under which various lenders agreed, at our request, to enter into a “forward start” revolving credit facility (the “Forward Start Revolving Credit Facility”) to refinance our existing senior secured revolving credit facility (the “Secured Revolving Credit Facility”). 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 specified terms and conditions, and will mature on September 28, 2015. We expect between €400 million and €500 million of borrowing capacity to be available to us under the Forward Start Revolving Credit Facility.

**Tax Incentives for Research and Development in the Netherlands.** Effective January 1, 2007, as further amended on January 1, 2010, Dutch corporate tax legislation provides for a specific tax benefit for research and development activities, generally referred to as the “Innovation Box”. Under the current Dutch tax regime, income that is attributable to patented technology and gains on the sale of patented technology is subject to an effective tax rate of 5% (10% prior to 2010), in lieu of the Dutch statutory corporate income tax rate of 25.5%. Residual income derived from “contract research and development” that has been performed for the risk and account of the Dutch patent owner also qualifies for the tax benefit. As we own and manage a portfolio of a large number of patents and patent applications, most of which are legally and beneficially owned by our Dutch entities, a substantial portion of our income is allocable to the Netherlands and subject to this favorable tax regime.

We believe that our long-term effective cash tax rate (once our net operating losses have been utilized) will be in the range of 12% to 14% as a result of the combined effect of our operating model and the Dutch tax incentive for research and development activities. Our effective cash tax rate is subject to the uncertainties described under “Risk Factors—Risks Related to Our Business—We are exposed to a number of different tax uncertainties, which could have an impact on tax results” and the successful implementation of our Redesign Program.

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### Company Information

We were incorporated in the Netherlands as a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) 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 Kohlberg Kravis Roberts & Co. L.P., Bain Capital Partners, LLC, Silver Lake Management Company, L.L.C., Apax Partners LLP and AlpInvest Partners N.V. (collectively, the “Private Equity Consortium”).

We are a holding company whose only material assets are the direct ownership of 100% of the shares 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 website address is [www.nxp.com](http://www.nxp.com). The information contained on our website or that can be accessed through our website neither constitutes part of this prospectus nor is incorporated by reference herein.

### Corporate Conversion

In connection with this offering, our general meeting of stockholders will resolve (i) to convert the Company from a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) to a Dutch public company with limited liability (*naamloze vennootschap*) and to change our name from KASLION Acquisition B.V. to NXP Semiconductors N.V. and (ii) to amend our articles of association and to effect a 1-for-reverse stock split of our shares of common stock. These actions are referred to herein as the “Corporate Conversion”. We intend to finalize our Corporate Conversion, in one or more steps, before the consummation of this offering.

We have one class of shares of common stock and, in connection with the Corporate Conversion, our common stock will be converted into an aggregate of \_\_\_\_\_ shares of common stock. In addition, our board of directors will resolve to issue up to \_\_\_\_\_ new shares of common stock in this offering, including the underwriters’ option to purchase additional shares.

**THE OFFERING**

Common stock offered by us	shares
Common stock to be outstanding after this offering	shares
Option to purchase additional shares of common stock	The underwriters have the option to purchase a maximum of an additional            shares of common stock from us at the initial public offering price. The underwriters can exercise this option at any time within 30 days from the day of this prospectus.
Use of proceeds	<p>We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately \$            million, assuming the shares are offered at \$            per share, which is the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus.</p> <p>We currently intend to use the proceeds from the offering, net of underwriting fees and other offering expenses, to repay a portion of our long-term indebtedness, which consists of 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”), 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<sup>7</sup>/<sub>8</sub>% senior secured notes due October 15, 2014 (the “Dollar Fixed Rate Secured Notes” and together with the Euro Floating Rate Secured Notes and Dollar Floating Rate Secured Notes, the “Existing Secured Notes”), euro-denominated 8<sup>5</sup>/<sub>8</sub>% senior notes due October 15, 2015 (the “Euro Unsecured Notes”) and U.S. dollar-denominated 9<sup>1</sup>/<sub>2</sub>% senior notes due October 15, 2015 (the “Dollar Unsecured Notes” and, together with our Euro Unsecured Notes, the “Existing Unsecured Notes”). The selection of which series of notes, the amounts to be repaid within a particular series, the timing of repayment and the particular method by which we effect repayment, which could include redemption calls, open market purchases, privately negotiated transactions or tender offers, or some combination thereof, have not yet been determined and will depend, among other things, on market conditions.</p>
Dividend policy	Our ability to pay dividends on our common stock is limited by the covenants of our Secured Revolving Credit Facility, the Forward Start Revolving Credit Facility and the indentures governing the terms of our Super Priority Notes, Existing Secured Notes and Existing

Unsecured Notes (collectively, the “Indentures”) and may be further restricted 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. See “Dividend Policy” and “Description of Indebtedness”.

Proposed NASDAQ Global Market or New York Stock Exchange symbol

The number of shares of common stock that will be outstanding after this offering is calculated based on \_\_\_\_\_ million shares outstanding as of \_\_\_\_\_, 2010, and excludes:

- \_\_\_\_\_ shares of common stock issuable upon the exercise of options outstanding as of March 31, 2010, at a weighted average exercise price of € \_\_\_\_\_ per share (or \$ \_\_\_\_\_ per share, based on the exchange rate in effect on March 31, 2010); and
- \_\_\_\_\_ shares of common stock reserved for issuance under our management equity plan.

Unless we indicate otherwise or the context otherwise requires, all information in this prospectus:

- assumes (1) no exercise of the underwriters’ option to purchase additional shares of our common stock; and (2) an initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the initial public offering price range set forth on the cover of this prospectus;
- gives effect to the 1-for-\_\_\_\_\_ reverse stock split of our common stock, which will occur prior to the offering; and
- the filing of our amended and restated articles of association effecting the Corporate Conversion prior to closing of this offering.

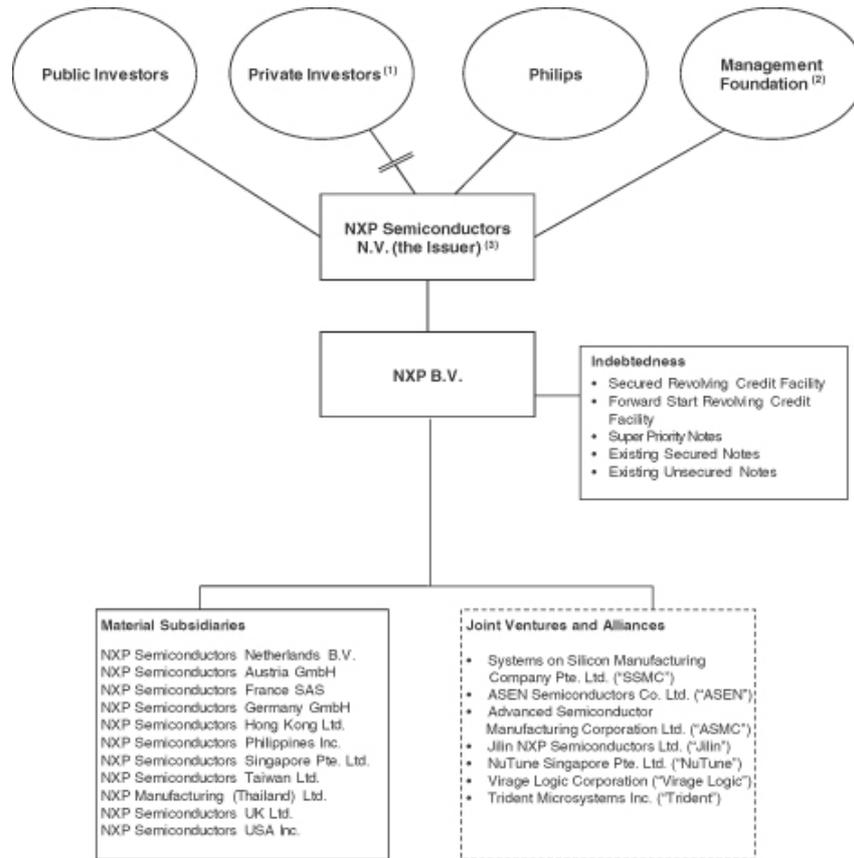
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### **RISK FACTORS**

Elsewhere in this prospectus, we have described several categories of risk that affect our business. These include risks specifically related to our business and industry, as well as a number of risks related to this offering that can affect your investment in our common stock. You should read the “Risk Factors” section of this prospectus for a more detailed explanation of these risks.

### CORPORATE STRUCTURE

The following chart reflects our corporate structure upon the consummation of this offering.



- (1) Includes the Private Equity Consortium, as well as certain co-investors.
- (2) Assuming no exercise of the underwriters' option to purchase additional shares of our common stock. Stichting Management Co-Investment NXP (the "Management Foundation") currently holds % of the shares of our common stock. As part of our Management Equity Plan, there is an option pool available representing up to million or % shares of our common stock. None of these options are exercisable currently or within 60 days from the date of this Prospectus. Upon the exercise of the stock options, as long as there is no sale of shares by the Private Equity Consortium or a change of control, shares will continue to be held by the Management Foundation and only a depository receipt, representing the economic rights of the underlying shares, will be transferred. If the entire option pool would have been exercised, the Management Foundation would hold % of the shares of our common stock.
- (3) To be converted from KASLION Acquisition B.V.

## SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table summarizes our historical consolidated financial data at the dates and for the periods indicated. The summary historical consolidated financial data as of and for the years ended December 31, 2007, 2008 and 2009, have been derived from our historical financial statements, included elsewhere in this prospectus, except for the 2007 consolidated balance sheet data, which has been derived from the audited consolidated financial statements of NXP B.V. and its consolidated subsidiaries, not included in this prospectus. We prepare our financial statements in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). The financial information presented below may not be indicative of our future performance. The summary historical consolidated financial data should be read in conjunction with “Selected Historical Combined and Consolidated Financial Data”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and the accompanying notes included elsewhere in this prospectus.

(\$ in millions, except share and per share data and unless otherwise indicated)	As of and for the year ended December 31,		
	2007	2008 (audited)	2009
<b>Consolidated Statements of Operations:</b>			
Sales	6,321	5,443	3,843
Cost of sales	(4,276)	(4,225)	(2,874)
<b>Gross profit</b>	<b>2,045</b>	<b>1,218</b>	<b>969</b>
Selling expenses	(425)	(400)	(277)
Impairment charges	—	(714)	(69)
Other general and administrative expenses	(1,189)	(1,161)	(734)
Research and development expenses	(1,328)	(1,199)	(777)
Write-off of acquired in-process research and development	(15)	(26)	—
Other income (expense)	134	(364)	(12)
<b>Income (loss) from operations</b>	<b>(778)</b>	<b>(2,646)</b>	<b>(900)</b>
Extinguishment of debt	—	—	1,020
Other financial income (expense)	(181)	(614)	(338)
<b>Income (loss) before taxes</b>	<b>(959)</b>	<b>(3,260)</b>	<b>(218)</b>
Income tax benefit (expense)	396	(46)	(17)
<b>Income (loss) after taxes</b>	<b>(563)</b>	<b>(3,306)</b>	<b>(235)</b>
Results relating to equity-accounted investees	(40)	(268)	74
<b>Net income (loss)</b>	<b>(603)</b>	<b>(3,574)</b>	<b>(161)</b>
<b>Other Operating Data:</b>			
Capital expenditures	(549)	(379)	(96)
Depreciation and amortization <sup>(1)</sup>	1,547	2,010	938
Comparable sales growth <sup>(2)</sup>	1.4%	(6.6)%	(21.1)%
Net restructuring charges <sup>(3)</sup>	(218)	(594)	(103)
Other incidental items <sup>(4)</sup>	(41)	(528)	(241)
<b>Consolidated Statements of Cash Flows Data:</b>			
Net cash provided by (used in):			
Operating activities	533	(622)	(745)
Investing activities	(678)	1,015	78
Financing activities	(22)	316	(80)
<b>Per Share Data:<sup>(5)</sup></b>			
Basic and diluted net income (loss) per share	(11.89)	(0.99)	(0.04)
Basic and diluted net income (loss) per share attributable to stockholders <sup>(6)</sup>	(12.36)	(1.00)	(0.04)
Basic and diluted weighted average number of shares of common stock outstanding during the year (in thousands) <sup>(7)</sup>	100,000	3,604,192	4,305,030
<b>Consolidated Balance Sheet Data:</b>			
Cash and cash equivalents	1,041	1,796	1,041
Total assets	13,816	10,685	9,192
Working capital <sup>(8)</sup>	1,081	1,337	825
Total debt <sup>(9)</sup>	6,078	6,367	5,283
Total stockholders’ equity	4,528	1,075	930

- (1) Depreciation and amortization include the cumulative net effect of purchase price adjustments related to a number of acquisitions and divestments, including the purchase by the Private Equity Consortium of an 80.1% interest in our business, described elsewhere in this prospectus as our “Formation”. The cumulative net effects of purchase price adjustments in depreciation and amortization aggregated to \$788 million in 2007, \$713 million in 2008 and \$391 million in 2009. In 2009, depreciation and amortization included \$46 million related to depreciation on property, plant and equipment from exited product lines (\$21 million), restructuring costs (\$4 million) and other incidental items (\$21 million). For a detailed list of the acquisitions and the effect of acquisition accounting, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability—Effect of Acquisition Accounting” contained elsewhere in this prospectus. 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.
- (2) Comparable sales growth is a non-GAAP financial measure that reflects the relative changes in sales 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 sales are translated from foreign currencies into our reporting currency, the U.S. dollar, at monthly exchange rates during the respective years. As such, sales as reported are impacted by significant foreign currency movements year over year. In addition, sales as reported are also impacted by material acquisitions and divestments. We believe that an understanding of our underlying sales performance on a comparable basis year over year is enhanced after these effects are excluded. The use of comparable sales growth has limitations and you should not consider this performance measure in isolation from or as an alternative to U.S. GAAP measures such as nominal sales growth. Calculating comparable sales growth involves a degree of management judgment and management estimates and you are encouraged to evaluate the adjustments we make to nominal sales growth and the reasons we consider them appropriate. Comparable sales growth may be defined and calculated differently by other companies, thereby limiting its comparability with comparable sales growth used by such other companies. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Use of Certain Non-U.S. GAAP Financial Measures” contained elsewhere in this prospectus for further information.

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

(in %)	For the year ended December 31,		
	2007	2008	2009
Nominal sales growth	1.3	(13.9)	(29.4)
Effects of foreign currency exchange rate changes	(2.2)	(1.7)	1.5
Consolidation changes	2.3	9.0	6.8
Comparable sales growth	<u>1.4</u>	<u>(6.6)</u>	<u>(21.1)</u>

- (3) The components of restructuring charges recorded in 2007, 2008 and 2009 are as follows:

(\$ in millions)	For the year ended December 31,		
	2007	2008	2009
Cost of sales	173	348	(5)
Selling expenses	15	19	11
General and administrative expenses	18	124	36
Research and development expenses	12	97	61
Other income and expenses	—	6	—
Net restructuring charges	<u>218</u>	<u>594</u>	<u>103</u>

- (4) Other incidental items consist of process and product transfer costs (which refer to the costs incurred in transferring a production process and products from one manufacturing site to another), costs related to our separation from Philips and gains and losses resulting from our divestment activities. We present other incidental items in our analysis of our results of operations because these costs, gains and losses, have affected the comparability of our results over the years.

In 2007, the other incidental items amounted to an aggregate cost of \$41 million and related to the following:

- gains related to the sale of our Cordless & VoIP terminal operations to DSP Group, Inc. (“DSPG”), amounting to \$119 million;
- IT system reorganization costs, consequent to our separation from Philips, aggregating to \$74 million;
- a write-down of assets as a result of the exit from the Crolles2 Alliance of \$48 million;

- costs relating to the exit of product lines aggregating to \$18 million;
- an aggregated cost of \$15 million related to the acquisition of the mobile communications business of Silicon Laboratories Inc. (“Silicon Labs”), establishment of an assembly and test joint venture with ASE, and divestment of our Cordless & VoIP terminal operations; and
- litigation related costs aggregating to \$5 million.

In 2008, the other incidental items amounted to an aggregate cost of \$528 million and related to the following:

- costs related to the divestment of our wireless business, which amounted to a loss of \$413 million;
- IT system reorganization costs, following our separation from Philips, aggregating to \$61 million;
- process and product transfer costs, amounting to \$31 million, related to the sale or closure of certain manufacturing facilities in connection with the Redesign Program and other restructuring activities;
- costs related to the exit of product lines aggregating to \$15 million;
- an aggregate cost of \$14 million related to the acquisition of the broadband media processing business of Conexant Systems, Inc. (“Conexant”), the acquisition of GloNav, Inc. (“GloNav”) and the divestment of our wireless operations to form a joint venture with STMicroelectronics N.V. (“STMicroelectronics”); and
- gains related to the establishment of the NuTune joint venture with Technicolor S.A., formerly known as Thomson S.A. (“Technicolor”), amounting to \$6 million.

In 2009, the other incidental items amounted to an aggregate cost of \$241 million and related to the following:

- process and product transfer costs amounting to \$102 million;
- costs related to the exit of product lines, amounting to \$64 million;
- IT system reorganization costs aggregating to \$35 million; and
- an aggregate cost of \$40 million related to the transaction with Trident Microsystems, Inc. (“Trident”) for divestment of our television systems and set-top box business lines, and formation of our strategic alliance with Virage Logic Corporation (“Virage Logic”).

- (5) On February 29, 2008, through a multi-step transaction, the nominal value of the common shares was decreased from €1.00 to €0.01 and all preference shares were converted into common shares, resulting in an increase of outstanding common shares from 100 million to 4.3 billion.
- (6) For purposes of calculating net income attributable to common stockholders, net income includes the undeclared accumulated dividend on preferred stock of \$586 million in 2007. This right was extinguished in 2008.
- (7) 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.
- (8) Working capital is calculated as current assets less current liabilities (excluding short-term debt).
- (9) As adjusted for our cash and cash equivalents as of December 31, 2007, 2008 and 2009, our net debt was \$5,037 million, \$4,571 million and \$4,242 million, respectively.

## RISK FACTORS

*An investment in our common stock involves a high degree of risk. You should carefully consider the risk factors described below and all other information contained in this prospectus, including the financial statements and related notes. These risks and uncertainties are not the only ones we face. We also face additional risks and uncertainties that are not currently known to us or that we currently consider immaterial. The occurrence of the risks described below or such additional risks could have a material adverse impact on our business, financial condition or results of operations. In any such case, the trading price of our common stock could decline and you may lose part or all of your investment. Various statements in this prospectus, including the following risk factors, contain forward-looking statements.*

### Risks Related to Our Business

#### ***The semiconductor industry is highly cyclical.***

Historically, the relationship between supply and demand in the semiconductor industry has caused a high degree of cyclicity 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 cyclicity, 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 this declining revenue. If any of these risks materialize, our business, financial condition and results of operations could be materially adversely affected.

***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 revenue. 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 materially adversely affect 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 sales. 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, our business, financial condition and results of operations could be materially adversely affected.

***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 materially adversely affect us by: making it more difficult for us to satisfy our payment obligations under our Secured Revolving Credit Facility and/or the Forward Start Revolving Credit Facility, the Super Priority Notes, the Existing Secured Notes and the Existing 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 had substantial negative cash flows from operations in the last two years. Our business may not generate sufficient cash flow from operations, or future borrowings under our Secured Revolving Credit Facility, from our Forward Start Revolving Credit Facility 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 and/or the Forward Start Revolving Credit Facility, the Super Priority Notes, the Existing Secured Notes or the Existing Unsecured Notes, or to fund our other liquidity needs, including our 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, 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 and/or the Forward Start Revolving Credit Facility, the Super Priority Notes, the Existing Secured Notes and the Existing 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 and/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

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- 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 “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability—Impairment of Goodwill and Other Intangibles”, 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.

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, including the threat of war, terrorist attacks, epidemic or civil unrest;
- pandemics, which may adversely affect our workforce, as well as our local suppliers and customers;
- adverse changes in governmental policies, especially those affecting trade and investment;
- import or export licensing requirements imposed by governments;
- foreign currency exchange and transfer restrictions; 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 worsen, our business, financial condition and results of operations could be materially adversely affected.

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### ***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, our business, financial condition and results of operations could be materially adversely affected.

### ***We are bound by the restrictions contained in the Secured Revolving Credit Facility and/or the Forward Start Revolving Credit Facility and the Indentures, which may restrict our ability to pursue our business strategies.***

Restrictive covenants in our Secured Revolving Credit Facility and/or the Forward Start Revolving Credit Facility and 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.

### ***Our failure to comply with the covenants contained in our Secured Revolving Credit Facility and/or the Forward Start Revolving Credit Facility 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 and/or the Forward Start Revolving Credit Facility and the Indentures require us to comply with various 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

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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 and/or the Forward Start Revolving Credit Facility, or if a default otherwise occurs, the lenders under our Secured Revolving Credit Facility and/or the Forward Start Revolving Credit Facility 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 and/or the Forward Start Revolving Credit Facility 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 and certain other nations since the laws governing such rights in those nations are relatively undeveloped compared to other jurisdictions where we operate, such as the United States, Germany and the Netherlands. Consequently, operating in the People's Republic of China or certain other 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 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 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. Philips granted us a non-exclusive license (1) to 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) to certain

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know-how that is available to us, where such patents and know-how relate (i) to our current products and technologies, as well as successor products and technologies, (ii) to technology that was developed for us prior to the separation and (iii) to technology developed pursuant to contract research 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 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 operate jointly 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"). Further, we formed NuTune Singapore Pte. Ltd ("NuTune") with Technicolor, formerly known as Thomson S.A. ("Technicolor"). Under our alliance with Virage Logic, we transferred our advanced CMOS semiconductor horizontal intellectual property technology and the related development team to Virage Logic. 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. We also engage in alliances with respect to other aspects of our business, such as product development.

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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, in which case our business, financial condition and results of operations could be materially adversely affected. We do not control some of these strategic partnerships, joint ventures and alliances in which we participate. Even though we own 60% of the outstanding stock of Trident, for instance, we only have a 30% voting interest in participatory rights and only have a 60% voting interest 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, our business, financial condition and results of operations could be materially adversely affected. Even if a divestment is successful, we may face indemnity and other liability claims by the acquirer or other parties.

***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. 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 our business, financial condition and results of operations could be materially adversely affected.

***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 materially adversely affect 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. Moreover, we rely on a single source of supply for certain equipment and materials, and a failure by such single-source suppliers to deliver our requirements could result in disruptions to our manufacturing operations and, in some circumstances, a shut-down of our operations at affected facilities. 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. The loss of any of key personnel, whether due to departures, death, ill health or otherwise, could materially adversely affect 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 sales is derived from our top customers, including our distributors. We cannot guarantee that we will be able to generate similar levels of sales from our largest customers in the future. Should one or more of these customers substantially reduce their purchases from us, our business, financial condition and results of operations could be materially adversely affected.

***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, our business, financial condition and results of operations could be materially adversely affected. 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 materially adversely affect 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 euros, 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 will have a negative effect on our results. We continue to hold or convert most of our cash in euros 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 euros.

***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 or banks may improve or further 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, our business, financial condition and results of operations could be materially adversely affected.

***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, 2009, we had recognized a net accrued benefit liability of \$179 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.***

There is political discussion in the Netherlands on limiting the deductibility of interest on excessive acquisition debt incurred by acquisition holding companies. The current outgoing government (the date for election of the new Dutch lower house has been set for June 9, 2010) announced to submit a legislative proposal to that effect in

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December 2009. On April 7, 2010, a committee appointed by the Dutch ministry of finance published its report. This report contains a general description of potential measures that may effectively limit deductibility of interest, including interest on acquisition debt. It is currently unclear whether a legislative proposal will actually be submitted to parliament. Also, it is unclear whether such legislative proposal will limit the tax deductibility of the interest payable by us under our indebtedness. 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 or audits 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, 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.

***In our internal control over financial reporting, we identified a material weakness. If we fail to remedy this weakness or otherwise fail to achieve and maintain effective internal controls on a timely basis, our internal controls would be considered ineffective for purposes of Section 404 of the Sarbanes-Oxley Act. Ineffective internal control also could have an adverse impact on our reputation and share price.***

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 relates 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.

We are actively remediating the identified material weakness, but no assurance can be given that such condition will be fully remedied in a timely fashion. If we fail to remedy this material weakness or otherwise fail to achieve and maintain effective internal control on a timely basis, our internal controls would be considered ineffective for purposes of Section 404 of the Sarbanes-Oxley Act.

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Despite the compliance procedures that we adopted, there may from time to time exist flaws 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 materially adversely affect 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 materially adversely affect 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

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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.

### **Risks Related to this Offering and Ownership of Our Common Stock**

***There is no existing market for our common stock, and we do not know if one will develop to provide you with adequate liquidity.***

Prior to this offering, there has been no public market for our common stock. We cannot predict the extent to which investor interest in our company will lead to the development of a trading market on the NASDAQ Global Market or the New York Stock Exchange, as the case may be, or otherwise or how liquid that market might become. The initial public offering price for the shares will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the open market following this offering.

***The Private Equity Consortium will continue to have control over us after this offering, and this control limits your ability to influence our significant corporate transactions. The Private Equity Consortium may have conflicts of interest with other stockholders in the future.***

The Private Equity Consortium controls us and, after this offering, will beneficially own % of our common stock, or % if the underwriters exercise their over-allotment option in full. As a result, the Private Equity Consortium will continue to be able to influence or control matters requiring approval by our stockholders, including 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 other holders of our common stock, particularly if we encounter financial difficulties or are unable to pay our debts when due. The concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their shares as part of a sale of us and might ultimately affect the market price of our common stock. See “Principal Stockholders”.

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

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market after this offer, 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.

Following this offering, there will be shares of our common stock outstanding ( shares if the underwriters exercise their over-allotment option in full). The shares of common stock sold in this offering ( shares if the underwriters exercise their over-allotment option in full) will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended, by persons other than our “affiliates” (within the meaning of Rule 144 under the Securities Act).

Following this offering, the Private Equity Consortium, Philips and certain other investors will own shares of our common stock. The Private Equity Consortium, Philips and certain other investors will be able to sell their shares in the public market from time to time, although such sales may be subject to certain limitations on the timing, amount and method of those sales imposed by Securities and Exchange Commission (“SEC”) regulations. The Private Equity Consortium, Philips and the underwriters have agreed to a “lock-up”

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period, meaning that the Private Equity Consortium and Philips may not sell any of their shares without the prior consent of \_\_\_\_\_ for \_\_\_\_\_ days after the date of this prospectus, subject to certain exceptions. The Private Equity Consortium and Philips have the right to cause us to register the sale of shares of common stock owned by them and to include their shares in future registration statements relating to our securities. If the Private Equity Consortium, Philips or certain other investors were to sell a large number of their shares, the market price of our stock could decline significantly. In addition, the perception in the public markets that sales by the Private Equity Consortium, Philips and/or certain other investors might occur could also adversely affect the market price of our common stock.

In addition to the lock-up period applicable to shares of our common stock held by the Private Equity Consortium and Philips, sales of our common stock held by our directors and officers are also restricted by the lock-up agreements that our directors and executive officers have entered into with the underwriters. The lock-up agreements restrict our directors and executive officers, subject to specified exceptions, from selling or otherwise disposing of any shares for a period of \_\_\_\_\_ days after the date of this prospectus without the prior consent of \_\_\_\_\_. Following this offering, our directors and executive officers will own approximately \_\_\_\_\_ shares of our common stock. \_\_\_\_\_ may, however, in its sole discretion and without notice, release all or any portion of the shares from the restrictions in the lock-up agreements.

We also have an aggregate of approximately \_\_\_\_\_ shares of common stock underlying stock options outstanding as of March 31, 2010, at a weighted average exercise price of € \_\_\_\_\_ per share (or \$ \_\_\_\_\_ per share, based on the average exchange rate in effect on March 31, 2010).

In the future, we may issue additional shares of common stock in connection with acquisitions and other investments. The amount of our common stock issued in connection with any such transaction could constitute a material portion of our then outstanding common stock.

### ***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, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. 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. federal securities 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, including judgments under the U.S. federal securities laws.

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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. federal securities laws brought in a court of competent jurisdiction in the Netherlands against us or such members, officers or experts, respectively.

***After the Corporate Conversion, we will be 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.***

After the Corporate Conversion, we will be 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 “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.

For example, our shares and rights to subscribe for our shares may only be issued pursuant to (i) a resolution of the general meeting of stockholders at the proposal of the board of directors or (ii) a resolution of the board of directors, if by a resolution of the general meeting the board of directors has been so authorized for a specific period not exceeding five years. Following the execution of the deed of amendment of our articles of association in connection with the completion of this offering, the board of directors will be empowered for a period of five years to issue preferred shares and shares of common stock.

Our amended articles of association will empower our board of directors to restrict or exclude pre-emptive rights on shares for a period of five years. Accordingly, an issue of new shares may make it more difficult for a shareholder 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 will be a foreign private issuer and, as a result, in accordance with the listing requirements of the NASDAQ Global Market or the New York Stock Exchange, as applicable, we will rely on certain home country governance practices rather than the corporate governance requirements of the NASDAQ Global Market or the New York Stock Exchange, as applicable.***

We are a foreign private issuer. As a result, in accordance with the listing requirements of the NASDAQ Global Market or the New York Stock Exchange, as applicable, we will rely on home country governance requirements and certain exemptions thereunder rather than relying on the corporate governance requirements of the NASDAQ Global Market or the New York Stock Exchange, as applicable. For an overview of our corporate governance principles, see “Management—Corporate Governance”. 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, which could cause the value of your investment to decline.***

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. You may be unable to resell your shares of our common stock at or above the initial public offering price.

***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.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. When used in this document, 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 “Risk Factors” and elsewhere in this prospectus, 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 prospectus, except as required by law.

In addition, this prospectus 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 prospectus. 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, our future results of operations and financial condition, and the trading price of our common stock, could be materially adversely affected.

## USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately \$            million from the sale of            shares of our common stock in this offering, assuming an initial public offering price of \$            per share, the mid-point of the estimated price range set forth on the cover page of this prospectus, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

We currently intend to use the proceeds from the offering, net of underwriting fees and other offering expenses, to repay a portion of our long-term indebtedness, which consists of our euro-denominated 10% super priority notes due July 15, 2013, U.S. dollar-denominated 10% super priority notes due July 15, 2013, euro-denominated floating rate senior secured notes due October 15, 2013 U.S. dollar-denominated floating rate senior secured notes due October 15, 2013, U.S. dollar-denominated 7 <sup>7</sup>/<sub>8</sub>% senior secured notes due October 15, 2014, euro-denominated 8 <sup>5</sup>/<sub>8</sub>% senior notes due October 15, 2015 and U.S. dollar-denominated 9 <sup>1</sup>/<sub>2</sub>% senior notes due October 15, 2015. The selection of which series of notes, the amounts to be repaid within a particular series, the timing of repayment and the particular method by which we effect repayment, which could include redemption calls, open market purchases, privately negotiated transactions or tender offers, or some combination thereof, have not yet been determined and will depend, among other things, on market conditions.

As of December 31, 2009, the weighted average yield to maturity of our euro-denominated floating rate senior secured notes due October 15, 2013, was 9.06%. As of December 31, 2009, the weighted average yield to maturity of our U.S. dollar-denominated floating rate senior secured notes due October 15, 2013 was 8.33%.

## DIVIDEND POLICY

Our ability to pay dividends on our common stock is limited by the covenants of our Secured Revolving Credit Facility, the Forward Start Revolving Credit Facility and the Indentures and may be limited by the terms of any future debt of 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.

## CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2009. Our cash and cash equivalents and capitalization is presented:

- on an actual basis; and
- on an adjusted basis to give effect to the sale of shares of common stock by us in this offering (at an assumed initial public offering price of \$ \_\_\_\_\_ per share, the mid-point of the range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and estimated offering expenses payable by us) and the use of proceeds therefrom.

You should read this table together with the sections of this prospectus entitled “Use of Proceeds,” “Selected Historical Combined and Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and with our consolidated financial statements and related notes beginning on page F-1.

(\$ in millions)	<u>Actual</u>	<u>As adjusted</u>
	<u>As of December 31, 2009</u>	<u>(unaudited)</u>
Cash and cash equivalents	1,041	
Total short-term debt	610	
Total long-term debt	4,673	
Total debt <sup>(1)</sup>	5,283	
Total stockholders’ equity	930	
Total capitalization	6,213	

(1) As adjusted for our cash and cash equivalents as of December 31, 2009, our net debt was \$4,242 million.

## EXCHANGE RATE INFORMATION

The majority of our expenses are incurred in euros, while most of our revenues are denominated in U.S. dollars. As used in this prospectus, “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 prospectus, 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, 2009 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.

<u>Year ended December 31,</u>	<u>Average</u> <u>(\$ per €)</u>
2005	1.2400
2006	1.2661
2007	1.3721
2008	1.4768
2009	1.3978

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 March 31, 2010 and for the period from April 1, 2010 through April 9, 2010:

<u>Month</u>	<u>High</u>	<u>Low</u>
	<u>(\$ per €)</u>	
<b>2009</b>		
October	1.5029	1.4532
November	1.5085	1.4658
December	1.5100	1.4243
<b>2010</b>		
January	1.4536	1.3870
February	1.3955	1.3476
March	1.3758	1.3344
April (through 9)	1.3569	1.3360

On April 9, 2010, the noon buying rate was \$1.3468 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 “Risk Factors—Risks Related to Our Business—Fluctuations in foreign exchange rates may have an adverse effect on our financial results” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Risks”.

## DILUTION

As of December 31, 2009, we had a net tangible book deficit of \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per share on an as adjusted basis. Net tangible book value per share on an as adjusted basis is equal to the total tangible assets (total assets less intangible assets) less total liabilities, divided by the number of shares of common stock on an as adjusted basis, reflecting the 1-for-\_\_\_\_\_ reverse stock split in connection with our Corporate Conversion. Without taking into account any adjustment in net tangible book value attributable to operations after December 31, 2009, after giving effect to the sale by us of shares in this offering at an assumed initial public offering price of \$ \_\_\_\_\_, the mid-point of the range set forth on the cover page of this prospectus, our as adjusted net tangible book deficit as of December 31, 2009, after deduction of the underwriting discount and estimated offering expenses and the application of the estimated net proceeds as described under “Use of Proceeds”, would have been approximately \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per share. This represents an immediate increase in net tangible book value of \$ \_\_\_\_\_ per share to stockholders.

The following table illustrates this per share dilution:

<b>Assumed initial public offering price per share</b>	<b>\$ _____</b>
As adjusted net tangible book value per share as of December 31, 2009, before giving effect to this offering	\$ _____
Increase in as adjusted net tangible book value per share attributable to new investors	\$ _____
<b>As adjusted net tangible book value per share after giving effect to this offering</b>	<b>\$ _____</b>
<b>Dilution per share to new investors in this offering</b>	<b>\$ _____</b>

Each \$1.00 increase or decrease in the assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the price range set forth on the cover of the prospectus, would increase or decrease the total consideration paid by new investors by \$ \_\_\_\_\_ million, and increase or decrease the percent of total consideration paid by new investors by percentage points, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same.

The following table summarizes as of December 31, 2010 the relative investments of all existing stockholders and new investors, giving effect to our sale of shares in this offering at an assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the price range set forth on the cover of this prospectus, after deduction of the underwriting discount and offering expenses payable by us:

	Shares purchased		Total consideration		Average price per share
	Number	Percent	Amount	Percent	
Existing stockholders		%	\$ _____	%	\$ _____
New investors					
<b>Total:</b>		%	\$ _____	%	\$ _____

The number of shares of common stock that will be outstanding after this offering is calculated based on \_\_\_\_\_ million shares outstanding as of March 31, 2010, and assuming the 1-for-\_\_\_\_\_ reverse stock split in connection with our Corporate Conversion, and excludes:

- \_\_\_\_\_ shares of common stock issuable upon the exercise of options outstanding as of March 31, 2010 at a weighted average exercise price of € \_\_\_\_\_ per share; and
- \_\_\_\_\_ shares of common stock reserved for issuance under our management equity plan.

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If the underwriters exercise their option to purchase additional shares in full, the number of shares of common stock beneficially owned by existing stockholders would decrease to approximately \_\_\_\_\_, or approximately \_\_\_\_\_ % of the total number of shares of common stock outstanding after this offering, and the number of shares of common stock held by new investors will be increased to \_\_\_\_\_ shares, or approximately \_\_\_\_\_ % of the total number of shares of common stock outstanding after this offering.

To the extent options are exercised and awards are granted under the management equity plan and co-investment program following this offering, there may be dilution to our stockholders. We may also choose to raise additional capital due to market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans. To the extent we raise additional capital through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

**SELECTED HISTORICAL COMBINED AND CONSOLIDATED FINANCIAL DATA**

The following table presents 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, 2007, 2008 and 2009 and the selected consolidated balance sheet data as of December 31, 2008 and 2009, from our audited consolidated financial statements, included elsewhere in this prospectus. 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 the audited consolidated financial statements of NXP B.V. and its consolidated subsidiaries, not included in this prospectus. We have derived the selected combined statement of operations and other financial data for the year ended December 31, 2005, and for the period from January 1, 2006 to September 28, 2006 and the balance sheet data as of December 31, 2005 and September 28, 2006, from the combined financial statements of the former semiconductor business of Philips and its consolidated subsidiaries, the “predecessor”, not included in this prospectus.

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The selected historical combined and consolidated financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and the accompanying notes included elsewhere in this prospectus.

(\$ in millions, except share and per share data and unless otherwise indicated)	Predecessor		KASLION Acquisition B.V.			
	As of and for the year ended December 31,	As of and for the period from January 1 to September 28	As of and for the period from September 29 to December 31,	As of and for the years ended December 31,		
	2005	2006	2006	2007	2008	2009
	(audited)		(audited)			
<b>Consolidated Statements of Operations:</b>						
Sales	5,918	4,705	1,533	6,321	5,443	3,843
Cost of sales	(3,642)	(2,909)	(1,181)	(4,276)	(4,225)	(2,874)
<b>Gross profit</b>	2,276	1,796	352	2,045	1,218	969
Selling expenses	(377)	(343)	(114)	(425)	(400)	(277)
Impairment charges	—	—	—	—	(714)	(69)
Other general and administrative expenses	(540)	(382)	(250)	(1,189)	(1,161)	(734)
Research and development expenses	(1,277)	(920)	(332)	(1,328)	(1,199)	(777)
Write-off of acquired in-process research and development	—	—	(664)	(15)	(26)	—
Other income (expense)	45	22	4	134	(364)	(12)
<b>Income (loss) from operations</b>	127	173	(1,004)	(778)	(2,646)	(900)
Extinguishment of debt	—	—	—	—	—	1,020
Other financial income (expense)	(78)	(27)	(94)	(181)	(614)	(338)
<b>Income (loss) before taxes</b>	49	146	(1,098)	(959)	(3,260)	(218)
Income tax benefit (expense)	(126)	(81)	312	396	(46)	(17)
<b>Income (loss) after taxes</b>	(77)	65	(786)	(563)	(3,306)	(235)
Results relating to equity-accounted investees	(6)	4	(3)	(40)	(268)	74
<b>Net income (loss)</b>	(83)	69	(789)	(603)	(3,574)	(161)
<b>Other Operating Data:</b>						
Capital expenditures	(459)	(580)	(143)	(549)	(379)	(96)
Depreciation and amortization <sup>(1)</sup>	1,016	588	1,044	1,547	2,010	938
<b>Consolidated Statements of Cash Flows Data:</b>						
Net cash provided by (used in):						
Operating activities	984	584	376	533	(622)	(745)
Investing activities	(445)	(570)	(237)	(678)	1,015	78
Financing activities	(507)	60	905	(22)	316	(80)
<b>Per Share Data:<sup>(2)</sup></b>						
Basic and diluted net income (loss) per share	N.A.	N.A.	(9.27)	(11.89)	(0.99)	(0.04)
Basic and diluted net income (loss) per share attributable to stockholders <sup>(3)</sup>	N.A.	N.A.	(9.32)	(12.36)	(1.00)	(0.04)
Basic and diluted weighted average number of shares of common stock outstanding during the year (in thousands) <sup>(4)</sup>	N.A.	N.A.	100,000	100,000	3,604,192	4,305,030
<b>Consolidated balance sheet data:</b>						
Cash and cash equivalents	131	204	1,232	1,041	1,796	1,041
Total assets	4,748	5,216	12,944	13,816	10,685	9,192
Working capital <sup>(5)</sup>	445	562	1,574	1,081	1,337	825
Total debt <sup>(6)</sup>	1,758	730	5,836	6,078	6,367	5,283
Total business/stockholders’ equity	1,335	2,532	4,834	4,528	1,075	930

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\* N.A. means not applicable.

- (1) 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 prospectus as our “Formation”. The cumulative net effects of purchase price adjustments in depreciation and amortization aggregated to \$850 million in the period September 29 to December 31, 2006, \$788 million in 2007, \$713 million in 2008 and \$391 million in 2009. In 2009, depreciation and amortization included \$46 million related to depreciation on property, plant and equipment from exited product lines (\$21 million), restructuring costs (\$4 million) and other incidental items (\$21 million). For a detailed list of the acquisitions and a discussion of the effect of acquisition accounting, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability—Effect of Acquisition Accounting” contained elsewhere in this prospectus. 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.
- (2) On February 29, 2008, through a multi-step transaction, the nominal value of the common shares was decreased from €1.00 to €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.
- (3) For purposes of calculating net income attributable to common stockholders, 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) 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) Total debt includes external debt and, for predecessor periods, amounts due to Philips. As adjusted for our cash and cash equivalents as of December 31, 2007, 2008 and 2009, our net debt was \$5,037 million, \$4,571 million and \$4,242 million, respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read together with our selected consolidated financial and operating data and the consolidated financial statements and notes included elsewhere in this prospectus. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this prospectus particularly in "Risk Factors" and "Special Note Regarding Forward-looking Statements".

### Overview

We are a global semiconductor company and a large and long-standing supplier in the industry, with over 50 years of innovation and operating history. We are a leading provider of High-Performance Mixed-Signal and Standard Products 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 OEMs worldwide and over 60% of our sales are derived from Asia Pacific. 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. We have approximately 27,000 employees located in more than 25 countries, with research and development activities in the Asia, Europe and United States, and manufacturing facilities in Asia and Europe.

### Our History

We were incorporated in the Netherlands as a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) on August 2, 2006, in connection with the sale by Philips of 80.1% of its semiconductor businesses to the Private Equity Consortium. Prior to the separation, we had over 50 years of innovation and operating history with Philips. 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 cost structure with our more focused business scope and to achieve a world-class cost structure and processes. In the first half of 2009, the Redesign Program was accelerated and expanded from its initial scope of reducing operating costs to being a fundamental aspect of our strategy of continuous improvement and renewal. 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 six of the twelve have been recruited from outside NXP. Our leadership team is comprised of experienced semiconductor and high-tech industry veterans with strong records of operational improvement.
- **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 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 to STMicroelectronics, 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 motivation for exiting the system-on-chip markets for mobile and consumer applications was the significant research and development investment requirements and high customer concentration

inherent in these markets, which make these businesses less profitable than our High-Performance Mixed-Signal and Standard Products businesses. Over the same period, we significantly increased 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 significant additional resources in our sales and marketing organizations. In spite of the recent economic downturn, we hired over 100 field application engineers in the past year in order to better serve our customers with High-Performance Mixed-Signal solutions. We have created “application marketing” teams that focus on delivering solutions and systems reference designs that leverage our broad portfolio of products, thereby increasing our revenue opportunities while accelerating our customers’ 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.
- **New market-oriented segments.** On January 1, 2010, we reorganized our prior segments into two market-oriented business segments, High-Performance Mixed-Signal and Standard Products, and two other reportable segments, Manufacturing Operations and Corporate and Other.

#### **Our Redesign Program**

- **Streamlined cost structure.** We currently expect to achieve over \$650 million in annual savings in the course of 2011, 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 (which ultimately became ST-Ericsson). We expect our annual savings to come from restructuring our manufacturing base, central research and development and support functions. We estimate the total costs of the accelerated and expanded Redesign Program to be no greater than \$750 million by the end of 2011. Since the beginning of the Redesign Program in September 2008 and through the end of 2009, \$433 million of cash restructuring costs related to the Redesign Program has been paid.
- **Lean 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 and assets that help differentiate NXP’s offerings to its customers in terms of product features, quality, cost and supply chain performance. Accordingly, our wafer factory in Caen, France was sold in June 2009, our production facility in Fishkill, New York was closed in July 2009, ahead of schedule, and in January 2010, we closed part of our front-end manufacturing facility in Hamburg, Germany. We have also initiated process and product transfer programs from our ICN5 and ICN6 facilities in Nijmegen, the Netherlands, which are scheduled to close in 2010 and 2011, respectively. As a result, we will have reduced the number of our front-end manufacturing facilities from 14 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.

#### **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 (formerly SFAS 131). 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-

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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, sales 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 joint venture NuTune and software solutions for mobile phones, our “NXP Software” business. 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.

### ***Significant Divestments***

On July 28, 2008, our 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. Until July 28, 2008, these operations remained consolidated in our consolidated accounts under a separate reporting segment named Divested Wireless Activities. The remaining business of the former Mobile & Personal segment has been regrouped into the segments High-Performance Mixed-Signal, Standard Products and Corporate and Other. All previously reported periods have been restated accordingly. Subsequently, effective February 2, 2009, STMicroelectronics purchased our remaining stake in the joint venture.

On February 8, 2010, we divested a major portion of our former Home segment to Trident Microsystems, Inc. For the years 2007, 2008 and 2009, the divested operations remained consolidated in our consolidated accounts under a separate reporting segment named Divested Home Activities. The remaining part of the former Home segment has been moved into the segments High-Performance Mixed-Signal and Corporate and Other. All previous periods have been restated accordingly.

In September 2007, we completed the divestment of the Cordless & VoIP terminal operations from our Corporate and Other segment to DSPG. We obtained cash, as well as a 13% interest in DSPG as consideration for this divestment. As of December 31, 2008, we held shares for an approximate 16% interest in DSPG. In March 2009, DSPG repurchased these shares.

### ***Non-controlling Interests***

The presentation of non-controlling interests has been brought in line with FASB ASC Topic 810 (formerly SFAS 160), effective as of January 1, 2009. Previous periods have been restated accordingly.

## **Recent Developments**

### ***Forward Start Revolving Credit Facility***

On April 15, 2010 we entered into a commitment letter (the “Commitment Letter”) under which various lenders agreed, at our request, to enter into a “forward start” revolving credit facility (the “Forward Start Revolving Credit Facility”) to refinance our existing senior secured revolving credit facility (the “Secured

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Revolving Credit Facility”). 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 specified terms and conditions, and will mature on September 28, 2015. We expect that between €400 million and €500 million of borrowing capacity will be available under the Forward Start Revolving Credit Facility. The amounts committed are subject to certain financial conditions described under “—Liquidity and Capital Resources—Debt Position”.

### ***Tax Incentives for Research and Development in the Netherlands***

Effective January 1, 2007, as further amended on January 1, 2010, Dutch corporate tax legislation provides for a specific tax benefit for research and development activities, generally referred to as the “Innovation Box”. Under the current Dutch tax regime, income that is attributable to patented technology and gains on the sale of patented technology is subject to an effective tax rate of 5% (10% prior to 2010), in lieu of the Dutch statutory corporate income tax rate of 25.5%. Residual income derived from “contract research and development” that has been performed for the risk and account of the Dutch patent owner also qualifies for the tax benefit.

Since expenses relating to research and development activities are deductible from income taxed at ordinary rates, the 5% effective rate for income from patents applies to the extent the research and development cost have been recaptured with income from technology.

We own and manage a portfolio of a large number of patents and patent applications, most of which are legally and beneficially owned by our Dutch entities. Research and development is conducted by us in our Dutch research and development centers and through contract research and development agreements between us, as principal, in the Netherlands and our research and development centers outside the Netherlands. Our operating model is such that the majority of our income is generated by our operations in the Netherlands. In the fourth quarter of 2009, we completed the transfer of most of our sales activities from our worldwide subsidiaries to the Dutch sales entity. As a result of this transfer, local in-house distributors have been transformed into local agents.

The better we perform, the greater the income allocable to the Netherlands will be and thus the more benefit we will be able to realize from the described Dutch tax regime. We believe that our long-term effective cash tax rate (once our net operating losses have been utilized) will be in the range of 12% to 14% as a result of the combined effect of our operating model and the Dutch tax incentive for research and development activities. Our effective cash tax rate is subject to the uncertainties described under “Risk Factors—Risks Related to Our Business—We are exposed to a number of different tax uncertainties, which could have an impact on tax results” and the successful implementation of our Redesign Program.

### ***Moversa Merger***

On February 23, 2010, we acquired the 50% stake owned by Sony Corporation (“Sony”) in Moversa GmbH (“Moversa”), and merged Moversa with our subsidiary NXP Semiconductors Austria GmbH. Moversa was established as a joint venture with Sony in November 2007 and provides secure chips for contactless services.

### ***Trident Transaction***

On February 8, 2010, Trident completed its acquisition of our television systems and set-top box business lines. As a result of the transaction, we now own 60% of the outstanding stock of Trident, with a 30% voting interest in participatory rights and a 60% voting interest for certain protective rights only. Considering the terms and conditions agreed between the parties, we will account for our investment in Trident under the equity method.

## **Factors Affecting Comparability**

### ***Economic and Financial Crisis***

During the course of 2008 and 2009, the economic and financial crisis had an impact on both our sales and profitability. Our comparable sales in 2009 declined by 21.1%, compared to 2008 and by 6.6% in 2008, compared to 2007, affecting all our business segments. The lower sales 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, however, our sales partly recovered due to replenishment of inventory at customers, market share gains driven by design wins across a wide range of our business lines, responsiveness of our manufacturing operations to meeting renewed demand and the economic recovery generally. This also improved our factory utilization level, which increased from 36% in the first quarter to 71% in the fourth quarter of 2009. Our average factory utilization level for the full year 2009 was 56%, compared to 72% in 2008 and 79% in 2007. The semiconductor industry has shown recovery in the past few quarters.

### ***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 following the contribution of our wireless operations to ST-NXP Wireless.

The Redesign Program initially targeted a reduction in annual operating costs of \$550 million by the end of 2010 on a run-rate basis, benchmarked against our third quarter results for 2008, which was the quarter during which we contributed our wireless operations to ST-NXP Wireless. These savings were to be delivered primarily through reducing our manufacturing footprint, particularly in high cost geographies, the refocusing and resizing of our central research and development and streamlining support functions. However, 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. Accordingly, our wafer factory in Caen, France was sold in June 2009, and our production facility in Fishkill, New York was closed in July 2009, ahead of schedule, and in January 2010, we closed parts of our front-end manufacturing facility in Hamburg, Germany. We have also initiated process and product transfer programs from our ICN5 and ICN6 facilities in Nijmegen, the Netherlands, which are scheduled to close in 2010 and 2011, respectively. The expanded Redesign Program now includes, among other projects, the employee termination costs related to the sale of our television systems and set-top box business lines to Trident, which was completed on February 8, 2010.

As a result of the expanded Redesign Program, we currently expect to achieve over \$650 million in annual savings in the course of 2011, 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 estimate the total costs of the accelerated and expanded Redesign Program to be no greater than \$750 million by the end of 2011, compared with the original total cost estimate for the initial program of \$700 million by the end of 2010.

Since the beginning of the Redesign Program in September 2008 and until the end of 2009, \$433 million of restructuring costs related to the Redesign Program has been paid. In 2009, a restructuring charge of \$112 million was recorded as a result of the new restructuring projects during the year, which included the closure of the additional wafer fab in Nijmegen scheduled for early 2011, and employee termination costs consequent to the transaction with Trident. This charge was offset by release of restructuring liabilities of \$92 million related to earlier announced restructuring projects. In addition, we incurred \$83 million of cash restructuring costs in 2009. In the aggregate, the net restructuring charges that affected our income from operations for 2009 amounted to \$103 million. In 2008, a charge of \$594 million was recorded for restructuring, of which \$443 million was

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related to employee termination costs from the Redesign Program, which was announced in September 2008. The remainder was largely related to the write downs of assets, costs related to the closure of businesses and various other restructuring charges.

The net restructuring costs recorded in the statement of operations are included in the following line items:

(\$ in millions)	2008	2009
Cost of sales	348	(5)
Selling expenses	19	11
General and administrative expenses	124	36
Research and development expenses	97	61
Other income and expenses	6	—
Net restructuring charges	594	103

As of December 31, 2009, the total restructuring liability was \$313 million, which consisted of \$257 million of short-term provisions and \$43 million of long-term provisions, both of which related to employee termination costs, and \$13 million of accrued liabilities. As of December 31, 2008, the total restructuring liability was \$498 million, which consisted of \$98 million of short-term provisions and \$322 million of long-term provisions, both of which related to employee termination costs, and \$78 million of accrued liabilities.

### **Capital Structure**

As of December 31, 2009, the book value of our total debt was \$5,283 million and included \$610 million of short-term debt and \$4,673 million of long-term debt. This is \$1,084 million lower than the book value of our total debt of \$6,367 million as of December 31, 2008.

In 2009, 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 \$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 addition to this, 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. See “—Liquidity and Capital Resources—Debt Position”.

As a result of the cash buy-backs, debt exchanges and favorable interest rates, our full year net interest expense was reduced from \$475 million in 2008 to \$359 million in 2009. The effect of the cash buy-backs and debt exchanges will be fully reflected in our 2010 results.

### **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. In 2009, we distinguished five segments as “reporting units”, as referred to in ASC 350, for the purpose of testing our goodwill for impairment. At the time of testing, we were structured in three market-oriented business segments: Automotive & Identification, Multi-Market Semiconductors and Home, each of which represented a reportable operating segment. We also had two other reportable segments: Manufacturing Operations and Corporate and Other.

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

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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 2009 through 2012 and which were extrapolated until 2020, (b) terminal values based on terminal growth rates not exceeding 4% and (c) discount rates based on the weighted average cost of capital ranging from 12.8% to 16.8%. An increase in the weighted average cost of capital of approximately 1.0% would have resulted in an impairment in both our former reporting units Automotive & Identification and Home and a decrease of 1% in the terminal growth rate would have resulted in an impairment in the former reporting unit Automotive & Identification. The assumptions for the former reporting unit Automotive & Identification were closely reviewed since the percentage of fair value exceeding the carrying value was the lowest among the reporting units. Sales and profitability in the fourth quarter of 2009 and the outlook for the Automotive & Identification businesses had improved significantly compared to the time the impairment analysis was executed. For the former reporting unit Home, following the announcement to sell the television and set-top box business lines to Trident, the assets and liabilities to be divested were reported as held for sale at fair value less cost to sell.

Based on the goodwill impairment analysis performed in 2009, management concluded that there is no additional impairment required.

The application of the impairment test resulted in the write-down of goodwill and intangibles of \$714 million in 2008 (\$340 million under the Divested Home Activities segment, \$218 million under the High-Performance Mixed Signal segment and \$156 million under the Corporate and Other segment). For the Divested Home Activities segment, the assets and liabilities to be divested were reported as held for sale at fair value less cost to sell, for which an impairment of \$69 million was recorded in 2009, which included \$33 million of goodwill impairment related to the Divested Home Activities.

### ***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. In 2009, we concluded that no additional impairment charge was necessary, other than the impairment charge recognized as a result of the transaction with Trident, amounting to \$33 million, which was included in the \$69 million of impairment of "assets held for sale". However, the goodwill impairment analysis in 2008 led to an impairment of \$430 million, of which \$381 million related to our former Home segment, which amount was subsequently re-allocated to our new segments as follows: \$144 million was transferred to the High-Performance Mixed-Signal segment, \$160 million was transferred to the Divested Home Activities and \$77 million was transferred to the Corporate and Other segment. The remaining goodwill impairment of \$49 million in 2008 related to the Corporate and Other segment. In 2007, there was no impairment charge.

*Other Significant Acquisitions and Divestments*

- **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 leading 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 will account for our investment in Virage at cost.
- **2008.** On September 1, 2008, we completed the combination of our CAN tuner modules operation with those of Technicolor (formerly Thomson S.A.), operating in a new joint venture named NuTune. We have a 55% ownership stake in NuTune, which is fully consolidated in our Corporate and Other segment. Technicolor holds the remaining 45%.

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

On July 28, 2008, we combined our key wireless operations with those of 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, 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.

- **2007.** In March 2007, we completed the acquisition of the mobile communications business of Silicon Labs, a leader in radio frequency technology for mobile phones. The business was initially consolidated within the former Mobile & Personal segment and subsequently transferred, on July 28, 2008, to ST-NXP Wireless.

In September 2007, we completed the divestment of the Cordless & VoIP terminal operations from our Corporate and Other segment to DSPG. We obtained \$200 million of cash, as well as a 13% interest in DSPG as consideration for this divestment. As of December 31, 2008, we held shares for an approximate 16% interest in DSPG. In March 2009, DSPG repurchased our shares in DSPG for cash consideration of \$20 million.

ASEN Semiconductors Co. Ltd. ("ASEN"), is an assembly and test joint venture, established in September 2007 by us and ASE, which is located, in Suzhou, China. We hold a 40% interest in ASEN, and ASE holds the remaining 60%.

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 2009 income from operations of \$391 million (compared to \$713 million in 2008 and \$791 million in 2007) due to additional amortization and depreciation charges. This was partly offset in our 2009 net income by the tax effect on the purchase price adjustments amounting to \$189 million (compared to \$349 million in 2008 and \$247 million in 2007).

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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 sales, which affect our gross profit and income from operations, and other PPA effects are recorded in our operating expenses, which only affect our income from operations.

### ***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 sales, which affect our gross profit and income from operations, while certain other restructuring and other incidental items are recorded in our operating expenses, which only affect our income from operations.

### ***Research and Development***

The divestment of our Divested Wireless Activities and Home Activities in 2008 and 2009 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) and \$239 million in 2009 (all 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.

### **Use of Certain Non-U.S. GAAP Financial Measures**

Comparable sales growth is a non-GAAP financial measure that reflects the relative changes in sales 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 sales are translated from foreign currencies into our reporting currency, the U.S. dollar, at monthly exchange rates during the respective years. As such, sales as reported are impacted by significant foreign currency movement year over year. In addition, sales as reported are also impacted by material acquisitions and divestments. We believe that an understanding of our underlying sales performance on a comparable basis year over year is enhanced after these effects are excluded.

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

For a reconciliation of comparable sales growth to the nearest U.S. GAAP financial measure, nominal sales growth, see footnote 2 to the Summary Historical Consolidated Financial Data contained elsewhere in this prospectus.

### **Statement of Operations Items**

#### ***Sales***

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.

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### ***Cost of Sales***

Our cost of sales consists primarily of the cost of semiconductor wafers and other materials, and the cost of assembly and test. Cost of sales 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 sales less our cost of sales, and gross margin is our gross profit as a percentage of our sales. 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 sales, 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 sales from these sources are expected to decline, and, therefore, the dilutive impact on gross profit is expected to decrease over time.

### ***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, sales 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.

### ***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.

### ***Other Income (Expense)***

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

### ***Income (Loss) from Operations***

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).

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### ***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), the sale of securities, gains and losses due to foreign exchange rates, other than those included in cost of sales, and certain other miscellaneous financing costs and income.

### ***Income Tax Benefit (Expense)***

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)***

Net income (loss) is the aggregate of income (loss) from operations, 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, 2009 Compared to Year Ended December 31, 2008 for the Group**

### ***Sales***

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

	2008			2009		
	<u>Sales</u>	<u>% nominal growth</u>	<u>% comparable growth</u>	<u>Sales</u>	<u>% nominal growth</u>	<u>% comparable growth</u>
(\$ in millions, unless otherwise stated)						
High-Performance Mixed-Signal	2,511	(4.3)	(7.4)	2,011	(19.9)	(18.2)
Standard Products	1,095	5.5	3.5	891	(18.6)	(17.1)
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	5,443	(13.9)	(6.6)	3,843	(29.4)	(21.1)

NM: Not meaningful

Sales were \$3,843 million in 2009 compared to \$5,443 million in 2008, a nominal decrease of 29.4%, and a comparable decrease of 21.1%. Of the \$1,600 million total decline in sales 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 sales was mainly attributable to the global economic and financial crisis and the weak economic environment, which affected all our business segments. Our sales were severely affected by the crisis, especially in the first and second quarters of 2009. Our sales in the third and fourth quarters of 2009 partly recovered due to replenishment of inventory at customers, market share gains driven by design wins across a wide range of our business lines, our responsive manufacturing operations and the economic recovery. However, our sales were still lower than in the pre-crisis period. Further, our 2009 sales were affected by unfavorable currency movements of \$66 million.

### ***Gross Profit***

Our gross profit was \$969 million, or 25.2% of our sales, in 2009, compared to \$1,218 million, or 22.4% of our sales, in 2008. Our gross profit as a percentage of sales 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 exiting product lines.

The decline in gross profit was largely due to the significantly lower sales during the first half of 2009 resulting from the economic downturn. This also reduced our factory utilization to an average of 56% in 2009, compared to 72% 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, our decline in 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 sales increased by 2.8% in 2009, compared to 2008, as a result of the cost reductions in connection with the ongoing Redesign Program.

### ***Selling Expenses***

Our selling expenses were \$277 million, or 7.2% of our sales, in 2009, compared to \$400 million, or 7.3% of our sales, 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 \$803 million, or 20.9% of sales, in 2009, compared to \$1,875 million, or 34.4% of sales, in 2008. The decline in general and administrative expenses resulted from the lower PPA amortization of \$322 million in 2009 compared to \$536 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).

#### ***Research and Development Expenses***

Our research and development expenses and write-off of acquired in-process research and development were \$777 million in 2009, compared to \$1,225 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 20.2% of sales in 2009, compared to 22.5% 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 sales in the third and fourth quarter partly recovered due to replenishment of inventory at 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.

#### ***Other Income (Expense)***

Other income and expense was a loss of \$12 million in 2009, compared to a loss of \$364 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 income from operations 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.

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The Redesign Program has been significantly accelerated and expanded since it was first launched in 2008.

### ***Income (Loss) from Operations***

The following tables present the aggregate income (loss) from operations 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:

(\$ in millions)	2009			
	<u>Income (Loss) from Operations</u>	<u>Effects of PPA</u>	<u>Restructuring and Other Incidental Items</u>	<u>Impairment Charges</u>
High-Performance Mixed-Signal	(193)	(224)	(84)	—
Standard Products	(83)	(75)	(15)	—
Manufacturing Operations	(175)	(83)	(101)	—
Corporate and Other	(188)	(2)	(127)	—
Divested Wireless Activities	—	—	—	—
Divested Home Activities	(261)	(7)	(17)	(69)
<b>Total</b>	<b>(900)</b>	<b>(391)</b>	<b>(344)</b>	<b>(69)</b>

(\$ in millions)	2008			
	<u>Income (Loss) from Operations</u>	<u>Effects of PPA</u>	<u>Restructuring and Other Incidental Items</u>	<u>Impairment Charges</u>
High-Performance Mixed-Signal	(236)	(265)	(45)	(218)
Standard Products	9	(79)	(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)
<b>Total</b>	<b>(2,646)</b>	<b>(713)</b>	<b>(1,122)</b>	<b>(714)</b>

### ***Financial Income (Expense)***

(\$ in millions)	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)
<b>Total</b>	<b>(614)</b>	<b>682</b>

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 Existing Secured Notes and Existing Unsecured Notes for the Super Priority Notes, (ii) a private tender offer to purchase our Existing Secured Notes and our Existing 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

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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.

### ***Income Tax Benefit (Expenses)***

Income tax expense for 2009 was \$17 million, compared to \$46 million in 2008, and our effective income tax expense rate was 7.8% in 2009, compared to 1.4% in 2008. The change in the effective tax rate was primarily attributable to the non-recognition of \$43 million of our 2009 net operating losses as a deferred tax asset, withholding tax expense of \$17 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 \$15 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.

### ***Net Income***

Net income for the year 2009 amounted to a loss of \$161 million compared to a loss of \$3,574 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 \$175 million in 2009, compared to \$3,600 million in 2008.

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

Sales growth composition 2009 versus 2008

(In %)	<u>Nominal Growth</u>	<u>Consolidation Changes<sup>(1)</sup></u>	<u>Currency Effects<sup>(2)</sup></u>	<u>Comparable Growth<sup>(3)</sup></u>
High-Performance Mixed-Signal	(19.9)	—	1.7	(18.2)
Standard Products	(18.6)	—	1.5	(17.1)
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	(29.4)	6.8	1.5	(21.1)

(1) Reflect the relative changes in sales 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 "—Factors affecting comparability—Effect of Acquisition Accounting".

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- (2) Reflects the currency effects that result from the translation of our sales from foreign currencies into our reporting currency, the U.S. dollar, at the monthly exchange rates during the respective years.
- (3) Comparable sales growth reflects the relative changes in sales between periods adjusted for the effects of foreign currency exchange rate changes, material acquisitions and divestments and reclassified product lines. Our sales 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 and comparable sales figures, we believe that an understanding of our sales performance is enhanced after these effects are excluded.

### ***High-Performance Mixed-Signal***

	<u>2008</u>	<u>2009</u>
(\$ in millions)		
Sales	2,511	2,011
% nominal growth	(4.3)	(19.9)
% comparable growth	(7.4)	(18.2)
Gross profit	1,065	785
Income (loss) from operations	(236)	(193)
Effects of PPA	(265)	(224)
Total restructuring charges	(8)	(53)
Total other incidental items	(37)	(31)
Impairment goodwill and other intangibles	(218)	—

#### *Sales*

Sales 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 sales over 2008 reflects the impact of the global recession on our industry, which led to a steep decline in sales across the entire High-Performance Mixed-Signal portfolio. However, our sales in the third and fourth quarters partly recovered due to replenishment of inventory at 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 sales 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 sales resulting from the economic crisis that particularly affected the sales 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 \$985 million in 2009, compared to \$1,309 million in 2008. Operating expenses included the PPA effects of \$222 million in 2009, compared to \$242 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.

#### *Income (Loss) from Operations*

We had a loss from operations of \$193 million in 2009, compared to a loss from operations of \$236 million in 2008. Included are the PPA effects of \$224 million in 2009 compared to \$265 million in 2008 and restructuring and other incidental items which amounted to an aggregate cost of \$84 million in 2009 compared to

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\$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 income from operations was mainly due to the lower sales 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*

(\$ in millions)	<u>2008</u>	<u>2009</u>
Sales	1,095	891
% nominal growth	5.5	(18.6)
% comparable growth	3.5	(17.1)
Gross profit	254	145
Income (loss) from operations	9	(83)
Effects of PPA	(79)	(75)
Total restructuring charges	(9)	(9)
Total other incidental items	6	(6)

### *Sales*

Sales in 2009 were \$891 million, compared to \$1,095 million in 2008, a nominal decrease of 18.6% and a comparable decrease of 17.1%. Sales, 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. However, our sales in the third and fourth quarters of 2009 partly recovered due to replenishment of inventory at customers, an increase in end-customer demand and the economic recovery. The sales in 2009 were also affected by unfavorable currency effects of \$18 million compared to 2008.

### *Gross Profit*

Gross profit in 2009 was \$145 million, compared to \$254 million in 2008. Included are the PPA effects of \$1 million 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 sales and the related lower factory utilization, partly compensated by the cost savings resulting from the ongoing Redesign Program.

### *Operating Expenses*

Operating expenses amounted to \$229 million in 2009, compared to \$245 million in 2008. Operating expenses included PPA effects of \$74 million in 2009, compared to \$67 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.

### *Income (Loss) from Operations*

We had a loss from operations of \$83 million in 2009, compared to a profit of \$9 million in 2008. Included are the PPA effects of \$75 million in 2009 compared to \$79 million in 2008. The decline in income from operations was mainly due to the lower gross profit resulting from lower sales. 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***

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 from sales from 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.

#### *Sales*

Sales 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 sales in 2009 declined due to the lower demand as a result of the economic downturn, which affected the semiconductor industry. The factory utilization rate for 2009 was reduced to 56% compared to 72% 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***

Our Corporate and Other segment includes our NuTune CAN tuner joint venture (which was reported under the former Home segment), NXP Software, Intellectual Property management, corporate research and development and corporate infrastructure.

#### *Sales*

Sales in 2009 were \$165 million, which primarily related to NuTune, compared to \$219 million in 2008. The decline in sales was primarily due to the overall weak market conditions and the associated decline in NuTune's business.

#### *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.

Sales in 2009 were \$452 million, compared to \$502 million in 2008, a nominal decrease of 10.0%. Sales during the first half year of 2009 were severely affected by the economic crisis. Sales 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 sales 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.

**Year Ended December 31, 2008 Compared to Year Ended December 31, 2007 for the Group**

**Sales**

The following table presents the aggregate sales by segment for the years ended December 31, 2008 and 2007.

(\$ in millions, unless otherwise stated)	2007			2008		
	Sales	% Nominal Growth	% Comparable Growth	Sales	% Nominal Growth	% Comparable Growth
High-Performance Mixed-Signal	2,625	31.0	28.4	2,511	(4.3)	(7.4)
Standard Products	1,038	(3.9)	(6.2)	1,095	5.5	3.5
Manufacturing Operations	214	1.4	(15.6)	324	51.4	10.7
Corporate and Other	405	(10.2)	6.4	219	(45.9)	(28.4)
Divested Wireless Activities	1,457	(32.9)	(33.4)	792	(45.6)	NM
Divested Home Activities	582	(10.3)	(9.5)	502	(13.7)	(25.0)
<b>Total</b>	<b>6,321</b>	<b>1.3</b>	<b>1.4</b>	<b>5,443</b>	<b>(13.9)</b>	<b>(6.6)</b>

NM: Not meaningful

Sales were \$5,443 million in 2008, compared to \$6,321 million in 2007, a nominal decrease of 13.9% and a comparable decrease of 6.6%. The change was primarily due to a decrease of \$665 million associated with the divestment of our wireless activities in 2008 and the full year impact of the sale of the Cordless & VoIP terminal operations in 2007. The remaining decline in sales reflected the weakening economic environment in the second half of the year, which impacted each of our segments in that period.

**Gross Profit**

Gross profit declined from \$2,045 million in 2007 to \$1,218 million in 2008, and decreased to 22.4% as a percentage of sales for 2008, compared to 32.4% in 2007. Our gross profit as a percentage of sales was impacted by the dilutive effect of our Manufacturing Operations and Corporate and Other segments. The gross profit declined by \$308 million, due to the impact of the divestment of the wireless activities in 2008 and by the full year impact of the sale of the Cordless & VoIP terminal activities in 2007. In addition, 2008 included restructuring and other incidental expenses of \$402 million primarily associated with the restructuring charge of \$348 million related to the Redesign Program and other costs associated with existing product lines, compared to restructuring and other incidental expenses of \$229 million in 2007 comprised of restructuring charges of \$178 million related to our exit from the Crolles2 Alliance in France, and the closure of our Boeblingen facility in Germany.

Approximately \$295 million of the decrease in gross profit was attributable to lower sales and related lower factory utilization, and the decrease was also caused by an unfavorable currency effect of \$40 million compared

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to 2007. Factory utilization decreased to 72% in 2008, compared to 79% in 2007. Approximately \$151 million of costs in 2008 was related to the depreciation of tangible fixed assets and the write-off of stepped-up inventories, compared to \$140 million in 2007.

### ***Selling Expenses***

Selling expenses were \$400 million in 2008, compared to \$425 million in 2007, and 7.3% of sales in 2008 compared to 6.7% in 2007. The increase in the percentage of sales was predominantly caused by the rapid decrease in sales in the second half of 2008. The wireless activities, which were contributed with effect from July 28, 2008, accounted for \$66 million selling expenses over the first seven months of 2008, compared to \$87 million in 2007. Savings from our Redesign Program and previous cost savings programs reduced selling expenses. The decrease was partly offset by the combined effect of \$6 million from our acquisition of the broadband media processing business of Conexant and our NuTune joint venture with Technicolor and unfavorable currency effects.

Selling expenses for 2008 included restructuring and other incidental charges of \$19 million related to restructuring, compared to \$16 million in 2007.

### ***General and Administrative Expenses***

General and administrative expenses were \$1,875 million in 2008, compared to \$1,189 million in 2007, and 34.4% of sales in 2008, compared to 18.8% in 2007. General and administrative expenses in 2008 included a write down of goodwill and intangibles of \$714 million related to the Divested Home Activities segment (\$340 million), the business segment High-Performance Mixed-Signal (\$218 million) and the segment Corporate and Other (\$156 million); restructuring and other incidental items of \$207 million, compared to \$98 million in 2007; acquisition effects of \$21 million related to our acquisition of the broadband media processing business of Conexant and the establishment of the NuTune joint venture; and unfavorable currency effects. Restructuring and other incidental items of \$207 million in 2008 included \$79 million of IT system reorganization costs and \$123 million of restructuring costs, of which \$83 million related to the Redesign Program. This increase was partly offset by a decrease in the effects from PPA of \$100 million, a positive effect from the sale of the wireless activities in 2008 (\$73 million) and Cordless and VoIP terminal operations in 2007 (\$6 million). The PPA effect related to the amortization of intangibles was \$536 million, compared to \$636 million in 2007.

General and administrative expenses included a non-cash charge for a share-based compensation program of \$31 million compared to \$26 million in 2007.

### ***Research and Development Expenses***

Research and development expenses and write-off of acquired in-process research and development were \$1,225 million in 2008, compared to \$1,343 million in 2007. The decrease was related to the impact of the sale of the wireless activities in 2008 (\$88 million), the full year impact of the sale of the Cordless and VoIP terminal operations in 2007 (\$25 million) and, generally, lower costs in the remaining Mobile & Personal activities (now included in the High-Performance Mixed-Signal and Standard Products segments). This reduction was partly offset by a restructuring charge of \$97 million primarily related to the Redesign Program, research and development investments of \$42 million related to the acquisition of Conexant's broadband media processing business activities and increased research and development investments in the High-Performance Mixed-Signal segment. Furthermore, research and development expenses were affected by an unfavorable currency effect of \$62 million. Research and development expenses and write-off of acquired in-process research and development were 22.5% of sales in 2008, compared to 21.2% in 2007.

### ***Other Income (Expense)***

Other income and expense was a loss of \$364 million in 2008, compared to a gain of \$134 million in 2007. The loss in 2008 was due to the loss of \$413 million related to the sale of our wireless activities, partly offset by gains from divestments of certain other activities and various tangible fixed assets.

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### **Restructuring Charges**

In 2008, a charge of \$594 million was recorded for restructuring, compared to \$218 million in 2007. \$443 million of this restructuring charge was related to the Redesign Program, which was announced in September 2008 and related to employee termination costs and plant closures. The remainder was largely related to the write downs of assets, costs related to the closure of businesses and various other restructuring charges. The personnel-related part of this restructuring charge reflects redundancy costs. The restructuring charge of \$443 million was primarily related to the planned closure or sale of certain facilities and refocusing and resizing central research and development and reductions in support functions. The non-personnel related part of the restructuring charge related to inventory write downs (\$36 million), process and product transfer costs following the closure of the facility in Boeblingen, Germany (\$27 million) and other costs. The Redesign Program superseded all previously announced programs, for which a restructuring charge was recorded in 2007 of \$218 million.

### **Income (Loss) from Operations**

The following tables present the aggregate by segment of income (loss) from operations for the years ended December 31, 2008 and 2007, which includes the effects of PPA, restructuring and other incidental items and impairment charges.

(\$ in millions)	2008			
	Income (Loss) from Operations	Effects of PPA	Restructuring and Other Incidental Items	Impairment Charges
High-Performance Mixed-Signal	(236)	(265)	(45)	(218)
Standard Products	9	(79)	(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)
<b>Total</b>	<b>(2,646)</b>	<b>(713)</b>	<b>(1,122)</b>	<b>(714)</b>

(\$ in millions)	2007			
	Income (Loss) from Operations	Effects of PPA	Restructuring and Other Incidental items	Impairment charges
High-Performance Mixed-Signal	63	(305)	(18)	—
Standard Products	(37)	(112)	(10)	—
Manufacturing Operations	(264)	(116)	(146)	—
Corporate and Other	(100)	(14)	(61)	—
Divested Wireless Activities	(201)	(181)	(10)	—
Divested Home Activities	(239)	(63)	(14)	—
<b>Total</b>	<b>(778)</b>	<b>(791)</b>	<b>(259)</b>	<b>—</b>

We had a loss from operations of \$2,646 million in 2008 compared to a loss from operations of \$778 million in 2007. Restructuring and other incidental items in 2008 amounted to an aggregate cost of \$1,122 million mainly caused by restructuring charges of \$594 million and the loss on the sale of the wireless activities of \$413 million.

The annual impairment test resulted in the write-down of goodwill and intangibles of \$714 million in 2008.

The decline of income from operations reflects the effects of the lower sales and related factory utilization on the margin, only partly offset by cost reductions.

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### **Financial Income (Expense)**

(\$ in millions)	2007	2008
Interest income	43	27
Interest expense	(495)	(502)
Impairment loss securities	(21)	(38)
Foreign exchange results	300	(87)
Extinguishment of debt	—	—
Other	(8)	(14)
Total	(181)	(614)

Financial income and expenses was a net expense of \$614 million in 2008, compared to an expense of \$181 million in 2007, largely as a result of foreign currency effects related to our U.S. dollar-denominated debt. Financial income and expenses include a net interest expense of \$475 million, compared to \$452 million in 2007, financing fees of \$14 million, compared to \$8 million in 2007, and the impact of foreign exchange rate changes. In 2008, a foreign exchange loss of \$87 million was recognized compared to a foreign currency gain of \$300 million in 2007 mainly related to our U.S. dollar-denominated notes and short-term loans. This was partly offset by exchange rate movements on foreign currency contracts and liquid assets.

### **Income Tax Benefit (Expenses)**

The income tax expense for 2008 was \$46 million, compared to a tax benefit in 2007 of \$396 million. In 2008, the PPA effects included in income tax expense amounted to a benefit of \$349 million, compared to a benefit in 2007 of \$247 million. Our effective income tax rate changed from a tax benefit of 41.3% in 2007 to a tax expense rate of 1.4% in 2008. The change in the effective tax rate was primarily attributable to an increase in the valuation allowance of \$496 million and a decrease in non-taxable income.

### **Results Relating to Equity-accounted Investees**

Results relating to the equity-accounted investees in 2008 resulted in a loss of \$268 million, compared to a loss of \$40 million in 2007. The loss in 2008 was largely related to the revaluation of the fair market value of our 20% share in ST-NXP Wireless.

The 2007 loss included an impairment charge for our participation in ASMC and T3G Technology Co., Ltd. ("T3G").

### **Net Income (Loss)**

Net loss increased from \$603 million in 2007 to a loss of \$3,574 million in 2008, as result of the items discussed above.

### **Non-controlling Interests**

The share of non-controlling interests in the 2008 results amounted to a profit of \$26 million, compared to \$47 million in 2007. As a result, the net loss attributable to our stockholders amounted to \$3,600 million, compared to \$650 million in 2007. Non-Controlling interests related to the third-party share in the results of consolidated companies, predominantly SSMC and NuTune.

[Table of Contents](#)**Year Ended December 31, 2008 Compared to Year Ended December 31, 2007 by Segment***High-Performance Mixed-Signal*

(\$ in millions)	2007	2008
Sales	2,625	2,511
% nominal growth	31.0	(4.3)
% comparable growth	28.4	(7.4)
Gross profit	1,317	1,065
Income (loss) from operations	63	(236)
Effects of PPA	(305)	(265)
Total restructuring charges	—	(8)
Total other incidental items	(18)	(37)
Impairment goodwill and other intangibles	—	(218)

*Sales*

Sales in 2008 were \$2,511 million compared to \$2,625 million in 2007, a nominal decrease of 4.3%, and a comparable decrease of 7.4%. The decline in sales was primarily due to the economic crisis which led to lower end user demand during the second half of the year 2008. Past overstocking in the market and competitive pricing also resulted in lower sales. The decline in sales in 2008 was partly offset by favorable currency effects of \$60 million compared to 2007.

*Gross Profit*

Gross profit in 2008 was \$1,065 million compared to \$1,317 million in 2007. The decline in gross profit was mainly due to the lower sales. PPA effects amounted to \$23 million in 2008 compared to \$17 million in 2007. The restructuring and other incidental items amounted to an aggregate cost of \$33 million in 2008 and were mainly related to process and product transfer costs and restructuring costs. In 2007, restructuring and other incidental items amounted to an aggregate cost of \$14 million and were mainly related to restructuring costs.

*Operating Expenses*

Operating expenses amounted to \$1,309 million in 2008, compared to \$1,260 million in 2007. The increase in operating expenses was due to the impairment charge of \$218 million related to goodwill and other intangibles recognized in 2008. However, there was a decline in PPA effects included in operating expenses, which amounted to \$242 million in 2008, compared to \$288 million in 2007. The remaining decline in operating expenses was largely due to the effects of the Redesign Program.

*Income (Loss) from Operations*

We had a loss from operations of \$236 million in 2008, compared to a profit of \$63 million in 2007. The decrease in income from operations was largely caused by a lower gross profit in line with lower sales, partly offset by reduced operating expenses in 2008 compared to 2007. Restructuring and other incidental items in 2008 amounted to \$45 million and were mainly related to process and product transfer costs and restructuring costs. Restructuring and other incidental items in 2007 amounted to an aggregate cost of \$18 million and were related to restructuring costs. Also, loss from operations was lower in 2008 due to an impairment charge of \$218 million.

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### **Standard Products**

(\$ in millions)	2007	2008
Sales	1,038	1,095
% nominal growth	(3.9)	5.5
% comparable growth	(6.2)	3.5
Gross profit	285	254
Income (loss) from operations	(37)	9
Effects of PPA	(112)	(79)
Total restructuring charges	(22)	(9)
Total other incidental items	12	6

#### *Sales*

Sales in 2008 were \$1,095 million compared to \$1,038 million in 2007, an increase of 5.5%, and a comparable increase of 3.5%. The increase was mainly in the mobile handset area which was partly offset by the decline in other products.

#### *Gross Profit*

Gross profit in 2008 was \$254 million, compared to \$285 million in 2007, a decline of 10.9%. The decline in gross profit was mainly due to the lower sales and related factory utilization, partly offset by the higher gross profit in the mobile handset business. The PPA effects included in 2008 and 2007 amounted to \$12 million. The restructuring and other incidental items amounted to an aggregate cost of \$3 million in 2008 and \$8 million in 2007 and were mainly related to restructuring costs.

#### *Operating Expenses*

Operating expenses amounted to \$245 million in 2008, compared to \$320 million in 2007. The decline in operating expenses was due to lower PPA effects of \$67 million in 2008, compared to \$100 million in 2007. Furthermore, the operating expenses were lower in 2008 compared to 2007 due to the effects of the Redesign Program.

#### *Income (Loss) from Operations*

Income from operations in 2008 was a profit of \$9 million, compared to a loss of \$37 million in 2007. The increase in income from operations was mainly driven by the reduced operating expenses in 2008 compared to 2007. Furthermore, income from operations in 2008 was favorably affected by lower PPA effects which amounted to \$79 million, compared to \$112 million in 2007. Restructuring and other incidental items amounted to an aggregate cost of \$3 million in 2008 and \$10 million in 2007 and were mainly related to restructuring costs.

### **Manufacturing Operations**

#### *Sales*

Sales to third parties in 2008 were \$324 million, compared to \$214 million in 2007, a nominal increase of 51.4% and a comparable increase of 10.7%. The increase of nominal sales was mainly caused by wafer sales to ST-NXP Wireless, which became a third party in 2008, and sales to DSPG, which became a third party in 2007 following the sale of our Cordless and VoIP terminal operations in the third quarter of 2007.

#### *Operating Expenses*

Operating expenses amounted to \$30 million in 2008, compared to \$16 million in 2007 and were mainly related to PPA effects in both periods.

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### **Corporate and Other**

#### *Sales*

Sales in 2008 were \$219 million, compared to \$405 million in 2007. In 2007, sales from the discontinued business from the former segment Mobile and Personal amounted to \$177 million compared to \$16 million in 2008. The remaining decline in sales was mainly due to declines in the NuTune business.

#### *Operating Expenses*

Operating expenses amounted to \$568 million in 2008, compared to \$294 million in 2007. The higher operating expenses in 2008 were mainly due to higher restructuring and other incidental costs and an impairment charge of \$156 million related to goodwill and other intangibles. Restructuring and other incidental items in 2008 amounted to an aggregate cost of \$287 million and were mainly related to restructuring costs and merger and acquisition related costs. In 2007, restructuring and other incidental items amounted to an aggregate cost of \$109 million and were mainly related to IT separation costs and restructuring charges for the exit from the Crolles2 Alliance and restructuring of our sales force.

#### **Divested Wireless Activities**

Sales in 2008 were \$792 million compared to \$1,457 million in 2007, a nominal decrease of 45.6%. The decrease of \$665 million was due to consolidation changes related to the divestment of the wireless activities in July 2008.

#### **Divested Home Activities**

Sales in 2008 were \$502 million compared to \$582 million in 2007, a nominal decrease of 13.7%. The decrease mainly caused by the decline in the CRT TV market and the weakness in the mainstream (retail) STB market and partly offset by improvements in the Digital TV business.

### **Quarterly Presentation of 2009 Results**

The following tables set forth unaudited quarterly consolidated statement of operations data for 2009 for KASLION Acquisition B.V. and our two market-oriented business segments, High-Performance Mixed-Signal and Standard Products. We have prepared the statement of operations for each of these quarters on the same basis as the audited consolidated financial statements included elsewhere in this prospectus and, in the opinion of our management, each statement of operations includes all adjustments, consisting solely of recurring adjustments, necessary for the fair statement of the results of operations for these periods. This information should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this prospectus. These quarterly operating results are not necessarily indicative of our operating results for any future period and were not subject to a SAS 100 review by our auditors.

#### **The Group**

(\$ in millions)	<u>Q1 2009</u>	<u>Q2 2009</u>	<u>Q3 2009</u>	<u>Q4 2009</u>
Sales	702	903	1,077	1,161
Gross profit	68	186	322	393
Operating expenses and other business income (expense)	(415)	(403)	(453)	(598)
Income (loss) from operations	(347)	(217)	(131)	(205)
Effects of PPA	(85)	(131)	(88)	(87)
Restructuring charges	(35)	(26)	2	(44)
Other incidental items	(30)	(36)	(94)	(81)
Impairment assets held for sale	—	—	—	(69)

[Table of Contents](#)**High-Performance Mixed-Signal**

	<u>Q1 2009</u>	<u>Q2 2009</u>	<u>Q3 2009</u>	<u>Q4 2009</u>
(\$ in millions)				
Sales	373	454	547	637
Gross profit	98	174	242	271
Income (loss) from operations	(133)	(43)	6	(23)
Effects of PPA	(55)	(55)	(58)	(56)
Total restructuring charges	(2)	(3)	(5)	(43)
Total other incidental items	(8)	(3)	(5)	(15)

**Standard Products**

	<u>Q1 2009</u>	<u>Q2 2009</u>	<u>Q3 2009</u>	<u>Q4 2009</u>
(\$ in millions)				
Sales	151	207	256	277
Gross profit	(11)	43	50	63
Income (loss) from operations	(62)	(12)	(5)	(4)
Effects of PPA	(19)	(19)	(20)	(17)
Total restructuring charges	—	(1)	(2)	(6)
Total other incidental items	(1)	(1)	(4)	—

**High-Performance Mixed-Signal**

Sales in the first half of 2009 were affected by the economic crisis. However, sales improved in the second half of 2009, driven by the economic recovery, including replenishment of inventory at customers, and by market share gains driven by design wins across a wide range of our business lines and our responsive manufacturing operations. Our gross margin also improved from 26.3% in first quarter of 2009 to 42.5% in the fourth quarter of 2009 due to improved sales volumes and cost savings achieved as a result of the ongoing Redesign Program. However, our gross profit for the full year 2009 was 39.0% of sales. Gross profit included PPA effects of \$0.5 million in each of the quarters and restructuring and other incidental items which amounted to an aggregate cost of \$8 million in the first and second quarters of 2009, \$9 million in the third quarter and \$37 million in the fourth quarter of 2009. The restructuring and other incidental items in the fourth quarter were mainly related to the Redesign Program which was expanded to include, among others, closure of an additional wafer fab in Nijmegen, scheduled for early 2011.

Our loss from operations improved from a loss of \$133 million in the first quarter of 2009 to a loss of \$23 million in the fourth quarter of 2009. The improvement in gross profit was partly offset by an increase in operating expenses, especially due to additional research and development expenses.

**Standard Products**

Sales in the first half 2009 were affected by the overall weak economic environment and lower end- customer demand. However, our sales began recovering starting from the second half of 2009, primarily driven by replenishment of inventory at customers, our responsive manufacturing and economic recovery. This also resulted in an increase in gross profit which improved from a loss of \$11 million in the first quarter of 2009 to a profit of \$63 million in the fourth quarter of 2009. The gross profit for the full year of 2009 was 16.3% of sales. Gross profit also included restructuring and other incidental items amounting to an aggregate cost of \$1 million in the first and second quarters of 2009, and \$6 million in the third and fourth quarters of 2009. These restructuring and other incidental items were mainly related to restructuring charges.

We had a loss from operations of \$62 million in the first quarter of 2009, which improved to a loss of \$4 million in the fourth quarter of 2009. The improvement in the gross profit was partly offset by the increase in operating expenses, mainly in selling and general and administrative expenses. The increase in operating expenses was mainly due to higher bonuses accrued for employees due to our performance.

## Liquidity and Capital Resources

At the end of 2009, our cash balance was \$1,041 million. Taking into account the available undrawn amount of the Secured Revolving Credit Facility, we had access to \$1,161 million of liquidity as of December 31, 2009. We started 2009 with a cash balance of \$1,796 million and, during the year our cash decreased by \$755 million. The Redesign Program and bond buy-backs resulted in a cash outflow of \$385 million and \$286 million, respectively.

Capital expenditures were lower in 2009 due to the closure and sale of factories, the relocation of equipment of the closed factories to our remaining factories and our prudence over investments in fixed assets. 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 expect our capital expenditures to be in the range of \$150 million to \$200 million for 2010. In addition, for the foreseeable future, we expect capital expenditures as a percent of sales from our business segments (High-Performance Mixed-Signal and Standard Products) to generally be consistent with our expected capital expenditures for 2010.

Since the beginning of 2009, the book value of our total debt has reduced from \$6,367 million to \$5,283 million. A combination of cash buy-backs and exchanges offers resulted in a total long-term debt reduction of \$1,331 million. The total amount of cash used for the debt buy-backs amounted to \$286 million. This was partially offset by the negative impact of foreign exchange of \$32 million and an \$8 million accrual of debt discount. In addition to this, 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. After the additional drawdown of \$200 million we had drawn \$600 million on the Secured Revolving Credit Facility at year-end 2009. At the end of the year 2009 we still had a remaining capacity of \$120 million left, after taking into account the outstanding bank guarantees, based on the end of year exchange rates. 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.

On December 31, 2009, total cash amounted to \$1,041 million of which \$236 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 any dividend would be paid to our joint venture partner. In 2009, SSMC distributed \$73 million of cash of which \$28 million was distributed to TSMC, our joint venture partner.

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 quarter ended December 31, 2009, 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, from our Forward Start Revolving Credit Facility 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 and/or the Forward Start Revolving Credit Facility, the Super Priority Notes, the Existing Secured Notes, the Existing Unsecured Notes, or to fund our other liquidity needs, including our Redesign Program and working capital and capital expenditure requirements, and, in that case, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness.

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### *Cash Flows*

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>
(\$ in millions)			
Cash flow from operating activities:			
Net income (loss)	(603)	(3,574)	(161)
Adjustments to reconcile net income (loss) to net cash provided by operating activities	<u>1,136</u>	<u>2,952</u>	<u>(584)</u>
Net cash provided by (used for) operating activities	533	(622)	(745)
Net cash (used for) provided by investing activities	(678)	1,015	78
Net cash (used for) provided by financing activities	<u>(22)</u>	<u>316</u>	<u>(80)</u>
Total change in cash and cash equivalents	<u>(167)</u>	<u>709</u>	<u>(747)</u>
Effect of changes in exchange rates on cash positions	(24)	46	(8)
Cash and cash equivalents at beginning of period	1,232	1,041	1,796
Cash and cash equivalents at end of period	1,041	1,796	1,041

#### *Cash Flow from Operating Activities*

We used \$745 million of cash to fund our operations for the year ended December 31, 2009, as compared to \$622 million for 2008, and we generated net cash of \$533 million from our operating activities for the year ended December 31, 2007.

The increase in net cash outflow from operating activities to \$745 million in 2009 primarily resulted from increased restructuring expenses (mainly redundancy expenses) of \$385 million, compared to \$48 million for 2008, partially offset by a reduction in cash interest expense to \$391 million in 2009, compared to \$483 million for 2008. Other significant factors driving the increase in net cash outflow from operating activities in 2009 included net tax payments of \$58 million, compared to \$84 million in 2008, and dividend payments to non-controlling interests of \$29 million, compared to \$19 million in 2008.

The net cash outflow from operating activities of \$622 million in 2008, compared to cash generated by operating activities of \$533 million in 2007, primarily resulted from lower cash receipts from customers of approximately \$800 million in 2008, mainly due to lower sales levels, and higher net payments for interest and taxes of \$567 million, compared to \$481 million in 2007. This was partly offset by lower cash payments to suppliers. Other significant factors driving the increase in net cash outflow in 2008 include increased restructuring expenses of \$48 million, and dividend payments to non-controlling interest of \$19 million.

#### *Cash Flow from Investing Activities*

Net cash provided by investing activities in 2009 was \$78 million, compared to \$1,015 million in 2008, and we used \$678 million of cash in our investing activities in 2007.

Net cash provided by investing activities in 2009 included gross capital expenditures of \$96 million, proceeds from disposals of property, plant and equipment of \$22 million, proceeds from the sale of DSPG securities of \$20 million, proceeds of \$92 million related to the sale of the 20% shareholding in ST-NXP Wireless, proceeds related to a cash settlement with Philips of \$21 million and proceeds of \$18 million related to the repayment of a loan to the T3G development joint venture that was subsequently contributed to ST-NXP Wireless. Our capital expenditures were relatively low in 2009 because we were able to shutdown or sell facilities or relocate equipment to other facilities.

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Net cash provided by investing activities in 2008 amounted to \$1,015 million. The cash generated in 2008 primarily related to the net proceeds from the sale of our wireless activities of \$1,433 million, partially offset by \$111 million cash paid for the acquisition of Conexant's broadband media processing business and \$87 million cash paid for the acquisition of GloNav. Other significant factors affecting our cash from investing activities included gross capital expenditures of \$379 million, proceeds from disposals of property, plant and equipment of \$61 million and proceeds from the disposal of certain assets held for sale of \$130 million.

In 2007, the net cash used for investing activities was \$678 million. This related to net capital expenditures of \$406 million, the acquisition of the Cellular Communications business of Silicon Labs for \$288 million and the final settlement with Philips for \$114 million relating to our separation from Philips in 2006. This was partly offset by proceeds of \$169 million from the divestment of our Cordless & VoIP Terminal operations in 2007.

### *Cash Flow from Financing Activities*

Net cash used for financing activities in 2009 amounted to \$80 million, compared to net cash provided by financing activities of \$316 million in 2008 and net cash used for financing activities in 2007 of \$22 million.

The net cash outflow from financing activities in 2009 mainly consisted of a \$286 million outflow related to a private tender offer and several privately negotiated transactions to purchase our Existing Secured Notes and our Existing Unsecured Notes for cash and/or Super Priority Notes, offset by an inflow of \$200 million from the additional drawing under the Secured Revolving Credit Facility.

The \$316 million net cash inflow from financing activities in 2008 mainly consisted of \$400 million from the drawing of the Secured Revolving Credit Facility. Further, SSMC (in which we have a 61.2% ownership share) repaid \$200 million of paid in capital to its stockholders. As a consequence, the \$78 million cash paid to TSMC (our joint venture partner in SSMC) reduced the consolidated cash position and was reflected in financing activities. Cash held by SSMC is consolidated, but, due to our ownership share in SSMC, we are only entitled to 61.2% of the dividends paid by SSMC.

The \$22 million net cash used for financing activities in 2007 entirely related to a reduction in short-term debt.

### **Debt Position**

#### *Short-term Debt*

	<u>2007</u>	<u>2008</u>	<u>2009</u>
(\$ in millions)			
Short-term bank borrowings	—	400	600
Other short-term loans	6	3	10
Current portion of long-term debt	—	—	—
Total	<u>6</u>	<u>403</u>	<u>610</u>

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 3.5% and 5.0% for the years ended December 31, 2009 and 2008, respectively. We had no borrowings under the Secured Revolving Credit Facility in 2007.

We have a Secured Revolving Credit Facility of €500 million (\$720 million at December 31, 2009 based on exchange rates on that date, \$703 million at December 31, 2008 based on exchange rates on that date and \$737 million at December 31, 2007 based on exchange rates on that date) that we entered into on September 29, 2006 in order to finance our working capital requirements and general corporate purposes. At December 31, 2009, we

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had remaining borrowing capacity of an additional \$120 million under that facility. The Secured Revolving Credit Facility expires in 2012. Although the Secured Revolving Credit Facility expires in 2012, because we have the flexibility of drawing and repaying under this facility, the amounts drawn are classified as short-term debt.

On April 15, 2010, we entered into a Commitment Letter under which various lenders agreed to enter into a 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 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 specified terms and conditions, and will mature on September 28, 2015. We expect that between €400 million and €500 million of borrowing capacity will be available to us under the Forward Start Revolving Credit Facility. The conditions to the use of the Forward Start Revolving Credit Facility include specified closing conditions, including (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 that matures before the maturity of the Forward Start Revolving Credit Facility.

### *Long-term Debt*

The euro-denominated notes and U.S. dollar-denominated notes represent 36% and 64%, respectively, of the total principal amount of the notes outstanding. The fixed rate notes and floating rate notes represent 49% and 51%, respectively, of the total principal amount of the notes outstanding at December 31, 2009.

(\$ in millions)	December 31, 2008	Currency Effects	Accrual of Debt Discount	Debt Exchanges and Repurchases	December 31, 2009
Euro-denominated 10% super priority notes due July 2013 <sup>(1) (2)</sup>	—	2	2	21	25
U.S. dollar-denominated 10% super priority notes due July 2013 <sup>(2)</sup>	—	—	6	160	166
Euro-denominated floating rate senior secured notes due October 2013 <sup>(1)(3)</sup>	1,406	25	—	(217)	1,214
U.S. dollar-denominated floating rate senior secured notes due October 2013 <sup>(3)</sup>	1,535	—	—	(334)	1,201
U.S. dollar-denominated 7 7/8% senior secured notes due October 2014	1,026	—	—	(181)	845
Euro-denominated 8 5/8% senior notes due October 2015 <sup>(1)</sup>	738	7	—	(318)	427
U.S. dollar-denominated 9 1/2% senior notes due October 2015	1,250	—	—	(462)	788
	5,955	34	8	(1,331)	4,666
Other long-term debt	9	(2)	—	—	7
<b>Total long-term debt</b>	<b>5,964</b>	<b>32</b>	<b>8</b>	<b>(1,331)</b>	<b>4,673</b>

(1) Converted into U.S. dollar at \$1.4402 per €1.00, the exchange rate in effect at December 31, 2009.

(2) Balance at December 31, 2009 is at the fair value of debt issued, which differs from the principal amount outstanding. The principal amounts outstanding at December 31, 2009 were \$41 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%.

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 Super Priority Notes. This transaction resulted in a reduction of \$595 million of our outstanding long-term existing debt, offset by the issuance of the Super Priority Notes of \$78 million 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 Super Priority Notes. We recognized a net gain on this

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transaction of \$507 million. The Super Priority Notes issued were recorded on 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 notes exchanged immediately prior to the launch of the debt exchange.

In the third quarter of 2009, our overall debt level further reduced by \$814 million as a 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 was combined with a purchase of unsecured notes against the issuance of Super Priority Notes. This transaction included a reduction of \$916 million of our outstanding long-term existing debt, offset by the issuance of Super Priority Notes of \$102 million, 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 Super Priority Notes. On these transactions, we recognized a net gain of \$513 million. The Super Priority Notes issued were 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 were 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.

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 Existing Secured Notes or the Existing 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.

The Super Priority Notes, the Existing Secured Notes and the Existing 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 and the Existing 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 Existing Secured Notes, shares of NXP B.V.).

### **Contractual Obligations**

Presented below is a summary of our contractual obligations as at December 31, 2009.<sup>(1)</sup>

(\$ in millions)	<u>Total</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 and thereafter</u>
Long-term debt	4,669	—	—	—	2,607	845	1,217
Capital lease obligations	4	—	1	1	—	1	1
Short-term debt <sup>(2)</sup>	610	610	—	—	—	—	—
Operating leases	195	33	29	28	26	25	54
Interest on the notes <sup>(3)</sup>	1,580	291	322	323	350	183	111
Total contractual cash obligations <sup>(3)(4)</sup>	7,058	934	352	352	2,983	1,054	1,383

(1) This table does not reflect uncertain tax positions, amounting to \$59 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.

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- (2) Short-term debt consists of outstanding borrowings and guarantees under our Secured Revolving Credit Facility as of December 31, 2009. 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.
- (3) 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, 2009. 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.
- (4) 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 \$1.3978 per €1.00, in effect at December 31, 2009. As a result, the actual payments will vary based on any change in exchange rate.

As of December 31, 2009, accrued interest on debt amounted to \$68 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 2010.

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 \$90 million in 2010, consisting of \$4 million in employer contributions to defined-benefit pension plans and \$86 million in employer contributions to defined-contribution pension plans and multi-employer plans. The expected cash outflows in 2010 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 cash payments to SSMC should we fail to utilize, and if TSMC does not utilize, an agreed upon percentage of the total available capacity at SSMC's fabrication facilities and overall SSMC utilization levels drop below a fixed proportion of the total available capacity.

### **Off-balance Sheet Arrangements**

As of December 31, 2009, we had no off-balance sheet arrangements.

### **Material Weakness**

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.

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The material weakness that we identified relates 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.

We are actively remediating the identified material weakness. Additional review was undertaken to ensure our financial statements were prepared in accordance with U.S. GAAP and, as a result, adjustments to deferred tax assets, income tax (benefit) and footnote disclosures were made in our financial statements for that period. We are also taking the following measures to address the material weakness identified and to improve our internal control over these reporting procedures:

- re-conducting a full review of the income taxes related to the acquisition accounting;
- re-evaluating the design of the income tax accounting controls;
- conducting training sessions for key financial and tax personnel regarding the acquisition accounting and related income tax accounting matters; and
- enhancing the resources in the field of tax accounting matters.

### **Legal Proceedings**

In accordance with ASC Topic 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 “Business—Legal Proceedings” contained elsewhere in this prospectus.

### **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.

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### **Interest Rate Risk**

Given the leveraged nature of our company, we have inherent exposure to changes in interest rates. We had \$2,415 million floating rate notes outstanding as of December 31, 2009. 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.

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, 2009, all other variables held constant, the annualized interest expense would increase/decrease by \$24 million. This impact is based on the outstanding net debt position as of December 31, 2009.

### **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 Ringgit, the Singapore Dollar, the Taiwan Dollar and the Thailand Baht.

It is our 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, 2009:

(\$ in millions)	<u>Aggregate Contract Amount buy/(sell)<sup>(1)</sup></u>	<u>Fair Value</u>
Foreign currency/ forward contracts <sup>(1)</sup>		
Euro (U.S. dollar)	154	(1.7)
U.S. dollar (Japanese Yen)	13	0.4
(Euro) Japanese Yen	8	(0.12)
Pound Sterling (U.S. dollar)	16	—
Euro (Pound Sterling)	5	—
(U.S. dollar) Singapore dollar	13	(0.5)
(U.S. dollar) Chinese yuan	5	—
U.S. dollar (Thailand baht)	6	—
(Euro) Singapore dollar	25	0.23

(1) USD equivalent

## 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 September 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 rate, 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"). 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.

In 2008, as a result of our goodwill impairment analysis, we were required to recognize a \$381 million impairment related to the former segment Home, which is now part of our segment High-Performance Mixed-Signal (\$144 million), Divested Home Activities (\$160 million) and Corporate and Other (\$77 million). In addition, \$49 million related to Corporate and Other. This impairment resulted from significantly reduced estimated fair values that were directly attributable to the significant economic downturn in 2008. The key assumptions used to determine the fair value of our "reporting units" included (a) cash flows based on financial projections for periods ranging from 2008 through 2011 and

which were extrapolated until 2020, (b) terminal values based on terminal growth rates not exceeding 3%, (c) discount rates, based on WACC, ranging from 12.5% to 15.0% in 2008 (WACC was business segment specific and was based on the WACC of peer companies in the relevant industries). A change in WACC of approximately 0.5% would have resulted in an impairment loss in both our former Multimedia semiconductors segment, which is now part of our Standard Products segment, and our segment Manufacturing Operations; and a decrease of more than 1% in the terminal growth rate would have resulted in an impairment in our former Multimedia semiconductors segment.

In 2009, no impairment resulted from the annual goodwill impairment test.

We cannot predict certain future events that might adversely affect the reported value of goodwill, which totaled \$2.6 billion at December 31, 2009.

- **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 12.8% and 16.8% in 2009. 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), no impairment losses were recorded in 2009. 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, 2009, we had \$2.0 billion of other intangible assets and \$1.4 billion of remaining long-lived tangible 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 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. A smaller portion of our revenues is derived from sales to distributors.

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We apply the guidance in SEC Staff Accounting Bulletin Topic 13 “Revenue Recognition” and recognize revenue 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 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 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 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 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 sales. Shipping and handling costs related to sales to third parties are reported as selling expenses.

Royalty income, which is generally earned based upon a percentage of sales 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 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 are often very complex. We employ internal and external tax professionals to minimize audit adjustment amounts where possible. We have applied the provisions of FASB ASC Topic 740 “Income Taxes” (formerly FIN 48 “Accounting for Uncertainty in 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%.

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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, 2009, tax loss carryforwards amounted to \$2,816 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.

During 2009, based on the scheduling of existing taxable temporary differences and our ability to realize our deferred tax assets, we recorded an additional valuation allowance of \$120 million against our deferred tax assets.

At December 31, 2009 we had \$531 million of deferred tax assets recognized in our balance sheets based on our determination that it is more likely than not that these assets will be realized. This determination is also taking into account the scheduling of existing taxable temporary differences. If the actual results differ from these estimates, or to the extent that these estimates are adjusted in the future, any changes to the valuation allowance could materially impact the Company's financial position and results.

### ***Benefit Accounting***

We account for the cost of pension plans and postretirement benefits other than pensions in accordance with FASB ASC Topic 715 "Compensation-Retirement Benefits" (formerly SFAS No. 87 "Employer's Accounting for Pensions" and SFAS No. 106 "Postretirement Benefits other than Pension", respectively).

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. We record the unfunded status associated with these plans in accordance with the requirements of Topic 715 "Compensation-Retirement Benefits" (formerly SFAS No. 158) measured as the difference between plan assets at fair value and the defined-benefit obligation as an assets or liability. The offset of the recognized funded states is recorded in accumulated other comprehensive income (within equity). 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***

Share-based compensation plans were introduced in 2007. Under these plans, certain members of our management have the right to purchase depository receipts of our shares of common stock 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 30% of our common stock). This offering does not trigger these acquisition rights. 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).

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The plans are accounted for in accordance with the provisions of FASB ASC Topic 718 “Compensation Stock Compensation” (formerly SFAS 123(R)). We use a binomial option-pricing model to determine the estimated fair value of the equity instruments.

Since neither our stock options nor our equity rights and shares of common stock were traded on any stock exchange, 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 can 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 are:

- 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 in 2009, an expected life of 3 years has been assumed;
- risk-free interest rate is 4.1% for 2007 awards, 3.8% for 2008 awards and 1.6% for 2009 awards;
- expected asset volatility is approximately 27% for 2007 and 2008 and approximately 38% in 2009;
- dividend pay-out ratio of nil; and
- lack of marketability discount is 35% for 2007 awards, 26% for 2008 awards and 28% for 2009 awards.

Because the stock options and equity 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 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.

During 2009, stock options granted in 2007 and 2008, which were deeply out of the money, were cancelled by us following consummation of an exchange offer we made to grantees of such options. Exchanging grantees received as consideration for the cancellation a lower number of new stock options with lowered exercise prices and—in certain cases—revised vesting schedules. 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 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 next 2.5 years.

Changes in the assumptions can materially affect the fair value estimate.

## BUSINESS

### Our Company

We are a global semiconductor company and a large and 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 OEMs worldwide and over 60% of our sales are derived from Asia Pacific. 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. We have approximately 27,000 employees located in more than 25 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, 2009, we generated sales of \$3,843 million.

### Industry Background

#### *Digital and Analog Semiconductors*

Digital and analog semiconductor integrated circuits, or ICs, form the core building blocks of most electronic devices and systems, including those used in automobiles, smart cards, mobile phones and base stations, personal computers, broadcast systems, lighting, industrial automation, and entertainment. They perform a variety of functions, such as converting real world inputs into electronic signals, processing data or electronic signals and storing information.

Digital semiconductors are primarily used for processing information and storing data. Their performance is generally measured in processing speed, processing power and storage capacity, where improvements and evolution have been defined by increasing transistor count while shrinking transistor size (a predictive industry measure known as “Moore’s Law”). Beyond improvements in speed and capacity, innovation in digital ICs has occurred over the years in terms of increasing integration of digital-oriented functions onto a single chip. For a number of very high volume applications like mobile phones and televisions, designers have integrated a significant share of the systems’ digital functions onto a single chip, creating so-called “system-on-chip” solutions.

Analog semiconductors convert real-world phenomena, such as radio frequency, temperature, light, sound, speed and motion, into and from digital electrical signals. Unlike digital devices, analog semiconductor performance is more driven by circuit design and specialty materials and process technologies utilized in manufacturing, and not as directly linked to an increase in transistor count and shrinkage of transistor size. In addition, the design of an analog semiconductor can be technically more challenging than with digital devices, generally involving greater variety and less repetition of circuit elements than digital semiconductor design. The interaction of analog circuit elements is complex, and their exact placement is critical to the accuracy and performance of the overall device. Innovation in analog ICs has generally occurred over the years in terms of precision, accuracy, bandwidth, efficiency and sensitivity.

Virtually every electronic system requires a combination of digital and analog components, linking the real analog world with the digital world. The analog components provide the fundamental inputs to be processed as well as translate the processed data to real world outputs, promoting greater functionality of electronic systems. In effect, the analog components act as the “eyes and ears” of the electronic systems, while the digital components process and store the data. Analog components thus determine, to a great extent, the nature, versatility and sensitivity of inputs, and the interaction between analog and digital components plays a major role in determining the overall systems’ key feature performance and cost.

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While innovation has increased the ability of semiconductor designers to integrate more functions onto a single chip, the fundamentally different properties between analog and digital semiconductors have made it such that both are typically required as separate components within electronic systems. Further, due to the different technologies, design expertise and manufacturing requirements inherent in their applications, digital and analog semiconductors are typically developed and manufactured by different companies. Consequently, traditional solutions for meeting the analog and digital requirements of a system have relied upon a combination of several discrete analog and digital components combined by original equipment manufacturers into electronic systems solutions for a given application. These OEMs therefore need to possess substantial system, sub-system and component-level design expertise to integrate discrete components into an advanced fully functional system and to drive their semiconductor suppliers' roadmaps for future application requirements. This expertise is difficult and expensive for OEMs to maintain in-house. As electronic systems become more connected, and focused on receiving and processing a broader array of inputs and content types, the number of semiconductor sub-systems incorporated into an application solution is increasing significantly, requiring OEMs and their partners to have even more sophisticated integration teams in-house to develop their application solutions. Increasingly fewer companies have such skills, or the full breadth of expertise required. In addition, this partitioning of a system into analog and digital domains forces a designer to make compromises that sacrifice performance and capability and can add unnecessary cost.

### ***The Need for High-Performance Mixed-Signal Solutions***

Semiconductor suppliers offering system and sub-system solutions that combine analog and digital functionality into integrated mixed-signal solutions seek to help their customers overcome these challenges. High-Performance Mixed-Signal solutions are an optimized mix of analog and digital functionality integrated into a system or sub-system. These solutions are fine-tuned for a specific application or application function in order to meet the specific performance, cost, power, size and quality requirements of that application. High-Performance Mixed-Signal Solutions are increasingly desired by customers serving a broad range of applications, including automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing. The trend in electronic systems toward greater connectivity and mobility is accelerating the need for High-Performance Mixed-Signal solutions that incorporate RF capability. Low power consumption and overall energy efficiency are important attributes of these solutions and security considerations are also critical, given the sensitive data often being transmitted.

The challenges inherent in delivering High-Performance Mixed-Signal solutions make it such that few semiconductor companies are able to provide these solutions. Designing High-Performance Mixed-Signal solutions requires deep application insight, systems design capabilities, architect level customer relationships, a broad portfolio of both analog and digital technologies and an ability to develop sophisticated analog and mixed-signal process technologies. This expertise has historically only been developed by the largest and most sophisticated semiconductor companies, who have a deep understanding of the challenges that accompany analog design, miniaturization, integration, digital processors and systems solutions, and in developing and running specialty manufacturing processes at high volumes and yields.

### **The NXP Solution**

We design and manufacture High-Performance Mixed-Signal semiconductor solutions to meet the challenging requirements of systems and sub systems in our target markets. We leverage a rare combination of capabilities—our broad range of analog and digital technologies, applications insights, and world-class process technology and manufacturing capabilities—to provide our customers with differentiated solutions that serve their critical requirements. Our solutions enable our customers to realize improved power efficiency, functional performance, miniaturization, quality, durability and adaptability in their electronic systems and application solutions.

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We deliver solutions to our customers in three primary ways, which enable us to support our customers throughout their products' lifecycles:

1. Early in an application systems' life cycle and for low volume applications, we develop and deliver High-Performance Mixed-Signal application reference designs with our own and third-party products, and engineering notes that help our customers design their specific systems. In addition, we help our customers implement those designs by providing application architecture expertise and local engineering design-in support.
2. As an application solution becomes more established and reaches sufficient sales volumes, we identify specific components that impede the achievement of leading-edge system performance and focus on designing application optimized High-Performance Mixed-Signal components to replace them.
3. Finally, for high volume applications, with established standards and features, or where the cost/performance considerations are compelling, we integrate mixed-signal functionality on the silicon level, providing the highest level of features and performance and a cost reduction roadmap for our customers.

With our three step approach, many of our customers benefit from selecting us as a supplier early on in their products' life cycles, as they avoid the need to fundamentally redesign their product platform between product generations. As a consequence, customers often engage with us early, which allows us to hone our understanding of their application requirements and future product roadmaps and become an integral component of their system design process.

### **Our Strengths**

We believe we have a rare set of strengths and capabilities that allows us to be a true leader in our target markets and applications. We believe that our key strengths include the following:

- **Market-leading product franchises.** In 2009, approximately 69% of our High-Performance Mixed-Signal sales were generated by products for which we held the number one or number two market share position, and an additional 17% of our High-Performance Mixed-Signal sales were from product areas or businesses where we have strong positions or are an innovation leader in specific niche markets like microcontrollers, power analog and interface. In 2009, we held the number one or number two positions in key High-Performance Mixed-Signal markets that included virtually all of our identification application businesses, our CAN/LIN/FlexRay in-vehicle networking, car passive keyless entry and immobilizer, car radio and car audio amplifier businesses in automotive applications and our high-performance RF and TV front-end products in wireless infrastructure and consumer applications. In our Standard Products business, we generated 80% of our sales in 2009 from products for which we held the number one or number two market share position, specifically in mobile speakers and receivers and small signal discrete products, including integrated discrettes. Our products often represent critical components of our customers' end products, and in many cases enable our customers to differentiate themselves based on feature performance, functionality, cost or time-to-market.
- **Large base of experienced High-Performance Mixed-Signal engineers and strong intellectual property portfolio.** We are a technology leader in our industry, with a strong innovation track record dating back more than 50 years. We have one of the industry's largest pools of experienced High-Performance Mixed-Signal engineers, with over 2,600 engineers with an average of 14 years of experience. Our technology leadership is supported by our focused investment of over \$600 million per year in research and development. We have an extensive intellectual property portfolio of approximately 14,000 issued and pending patents covering the key technologies used in our target application areas, including RF, analog, power management, interface, security and digital processing.

- **Deep applications expertise.** We have built, and continue to build, deep insight into the component requirements and architectural challenges of electronic system solutions in automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. We have achieved this insight through our relationships with leading OEMs, as a former supplier of system-on-chip ICs for mobile handsets, cordless phones and consumer audio/video equipment, and through internal development efforts in our advanced systems lab. This application insight enables us to engage with market-shaping OEMs in the preliminary stages of their product development process, thereby allowing us to be early to market with new and innovative products. In addition, because of the complex nature of our application system solutions and the continuity we provide between successive generations of our customers' products, once our products are designed into our customers' product platforms, referred to as "design wins", it is substantially more difficult for a competitor to displace us as a supplier; changing suppliers requires our customers to incur significant cost, time, effort and technology and product risk.
- **Strong, well-established customer relationships.** We have strong, well-established relationships with our customers, many of which are leaders in their respective industries. We directly engage with over 1,000 customer design locations worldwide, and our customers include almost every major automotive, identification, mobile handset, consumer electronics, mobile base station and lighting supplier in the world. For example, our top OEM customers, in terms of revenue, include Apple Inc. ("Apple"), Bosch Corporation ("Bosch"), Continental Automotive GmbH ("Continental"), Delphi Corporation ("Delphi"), Ericsson AB ("Ericsson"), Harman Becker Automotive Systems Inc. ("Harman Becker"), Huawei Technologies Co. Ltd ("Huawei"), Nokia Corporation ("Nokia"), Nokia Siemens Networks B.V. ("Nokia Siemens Networks"), Oberthur Technologies S.A. ("Oberthur"), Panasonic Corporation ("Panasonic"), Philips, Research In Motion Limited ("RIM"), Samsung Electronics Co. Ltd. ("Samsung"), Sony and Visteon Corporation ("Visteon"). A significant and increasing portion of our revenues are from products that are "designed-in" to our customers' end products, resulting in close relationships with our customers' design engineers. As part of the design-in process, we collaborate closely with our customers on product development, which we believe enhances our competitiveness by enabling us to anticipate our customers' requirements and industry trends. We also serve over 30,000 customers through our distribution partners, including Arrow Electronics Inc. ("Arrow"), Avnet, Inc. ("Avnet"), Future Electronic Inc. ("Future") and World Peace Industrial Co., Ltd. ("World Peace Group"). We have a powerful distribution channel and, based on 2009 data, believe we are the number two worldwide supplier of semiconductors (other than microprocessors) through distribution.
- **Differentiated process technologies and competitive manufacturing.** We focus our internal and joint venture wafer manufacturing operations on running a portfolio of proprietary specialty process technologies that enable us to differentiate our products on key performance features. 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. We have developed a leading-edge portfolio of specialty manufacturing process technologies that enable us to differentiate our RF products (LDMOS, SiGe and BiCMOS process families), high-voltage power analog products (EZ-HV and HVDMOS families), automotive products (BCD-SOI and MR sensors process families), and products that leverage our non-volatile memory options in CMOS identification applications and microcontrollers. Our Standard Products business delivers manufacturing scale advantages and drives innovation in packaging technologies that are implemented across our entire product portfolio. Given our scale and operational performance in assembly and test, we achieve a significant cost advantage over outsourcing options in most package types by maintaining such operations in-house. In addition, control over these processes enables us to deliver better supply chain performance to our customers than our competitors who rely significantly on outsourcing partners. By concentrating our manufacturing activities in Asia and streamlining our operations through our Redesign Program, we believe we have a competitive manufacturing base.

- **Experienced management team with significant industry knowledge.** We have a highly experienced management team with deep industry knowledge and a strong execution track record. The 12 members of our executive management team have an average of 24 years of experience in the high-tech industry. Since our separation from Philips, we strengthened our management team with six executives from outside our group who have strong change management track records in the industry.

## **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 six 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 Noonan, 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. 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, lightning, 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 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 mobile 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 than our High-Performance Mixed-Signal and Standard Products businesses. Over the same period, we significantly increased 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 over the past year 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 and systems reference designs that leverage our broad portfolio of products, thereby increasing our revenue opportunities

while accelerating our customers' 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.

- **New market-oriented segments.** On January 1, 2010, we reorganized our prior segments into two market-oriented business segments, High-Performance Mixed-Signal and Standard Products, and two other reportable segments, Manufacturing Operations, and Corporate and Other.

#### **Our Redesign Program**

- **Streamlined cost structure.** We currently expect to achieve over \$650 million in annual savings in the course of 2011, 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). We expect our annual savings to come from restructuring our manufacturing base, central research and development and support functions. We estimate the total costs of the accelerated and expanded Redesign Program to be no greater than \$750 million. Since the beginning of the Redesign Program in September 2008 and through the end of 2009, \$433 million of cash restructuring costs related to the Redesign Program has been paid.
- **Lean 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, our wafer factory in Caen, France was sold in June 2009, our production facility in Fishkill, New York was closed in July 2009, ahead of schedule, and in January 2010, we closed part of our front-end manufacturing in Hamburg, Germany. We have also initiated process and product transfer programs from our ICN5 and ICN6 facilities in Nijmegen, the Netherlands, which are scheduled to close in 2010 and 2011, respectively. As a result, we will have reduced the number of our front-end manufacturing facilities from 14 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.

#### **Our Strategy**

Our strategy is to be the leading provider of High-Performance Mixed-Signal solutions supported by a strong Standard Products business, addressing eight priority application areas. Key elements of this strategy are:

- **Extend leadership in High-Performance Mixed-Signal markets.** We intend to extend our leadership positions in providing High-Performance Mixed-Signal solutions for automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications by leveraging our industry-leading RF, analog, power management, interface, security and digital processing technologies. We believe our scale and significant level of research and development investments will enable us to outpace market growth across the majority of our segments and extend our leadership 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 will continue to invest to extend our market positions 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 to grow significantly faster than the market and

improve our relative market positions. In addition, we have targeted investments in several attractive, emerging applications that represent significant future growth potential. We also support our Standard Products business with investment levels required to sustain market share while expanding margin mix.

- **Focus on significant, fast growing opportunities.** 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 compact fluorescent light (“CFL”) and LED lighting products, “green chip” high-efficiency AC-DC power conversion ICs for notebook adaptors, and optimized reference designs for smart metering solutions. 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, which represented 62% of our sales in 2009. In particular, Greater China represented 40% of our sales in 2009.

- **Deepen relationships with our key customers through our application marketing efforts.** We intend to increase our market share by focusing on and deepening our relationships with our top OEM customers, electronic manufacturing service customers and distribution partners. We seek to do so by further increasing the number of our field application engineers at our customers’ sites and by increasing product development work we conduct jointly with our lead customers.

Further, we intend to expand the number of applications addressed by our application marketing efforts which focus on developing reference designs, aligning long-term product roadmaps and allocating specific resources to provide customers with architecture level expertise and local application engineering support for those new applications. We believe that these teams will enable our customers to design leading-edge products by leveraging our deep application insight and the full breadth of our product portfolio.

- **Improve operational excellence and expand gross and operating margins.** We continue to implement our comprehensive, multi-year operational improvement program aimed at accelerating revenue growth, expanding gross margin and improving overall profitability through better operational execution and streamlining our organizational cost structure. As a result of this program, we currently expect to achieve over \$650 million in annual savings in the course of 2011, 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 our annual savings to come from restructuring our manufacturing base, central research and development, and support functions. In addition, we continue to work on improving our manufacturing and supply chain performance, effectiveness in research and development, time-to-market of new products, product quality, customer service and working capital management.

## Markets, applications and products

We sell two categories of products. The first category, High-Performance Mixed-Signal product solutions, accounted for 66% of our total product sales in 2009, excluding the divestiture of our television systems and set-top box business to Trident, and consists of highly differentiated application-specific High-Performance Mixed-Signal semiconductors and system solutions. We believe that High-Performance Mixed-Signal is an attractive market in terms of growth, barriers to entry, relative business and pricing stability and capital intensity. The second of our product categories, Standard Products, accounted for 29% of our total product sales in 2009, excluding the divestiture of our television systems and set-top box business to Trident, 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

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continuous improvement of manufacturing processes drive the profitability of our Standard Products. The remaining 5% of total product sales was generated by our NuTune joint venture and our NXP Software business.

### **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.

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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.

	<u>Automotive</u>	<u>Identification</u>	<u>Wireless infrastructure</u>	<u>Lighting</u>	<u>Industrial</u>	<u>Mobile</u>	<u>Consumer</u>	<u>Computing</u>
<b>Key applications</b>	<ul style="list-style-type: none"> <li>• Car access &amp; immobilizers</li> <li>• In vehicle networking</li> <li>• Car entertainment</li> <li>• Telematics</li> <li>• ABS</li> <li>• Transmission/ throttle control</li> <li>• Lighting</li> </ul>	<ul style="list-style-type: none"> <li>• Secure identity</li> <li>• Secure transactions</li> <li>• Tagging &amp; authentication</li> </ul>	<ul style="list-style-type: none"> <li>• Wireless base stations</li> <li>• Satellite</li> <li>• CATV infra</li> <li>• Radar</li> </ul>	<ul style="list-style-type: none"> <li>• CFL Lighting</li> <li>• LED Lighting</li> <li>• Back-lighting</li> </ul>	<ul style="list-style-type: none"> <li>• Smart metering</li> <li>• White goods &amp; home appliances</li> <li>• Pachinko machines</li> <li>• Medical</li> <li>• Industrial</li> <li>• ATE</li> </ul>	<ul style="list-style-type: none"> <li>• Mobile handset</li> <li>• Portable power supplies</li> <li>• Hearing aids</li> </ul>	<ul style="list-style-type: none"> <li>• TV</li> <li>• Satellite, Cable, Terrestrial and IP Set-top boxes</li> <li>• Satellite outdoor units</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor</li> <li>• Power supplies</li> <li>• Personal computer television</li> </ul>
<b>Selected market leading positions</b>	<ul style="list-style-type: none"> <li>• #1 CAN/LIN/FlexRay in-vehicle networking</li> <li>• #1 passive keyless entry and immobilizers</li> <li>• #1 car radio DSPs &amp; tuners</li> <li>• #2 in car audio amplifiers</li> <li>• #3 magnetic sensors</li> </ul>	<ul style="list-style-type: none"> <li>• #1 e-Government</li> <li>• #1 Transport &amp; Access management</li> <li>• #2 Banking</li> <li>• #1 NFC</li> <li>• #1 Radio frequency identification</li> </ul>	<ul style="list-style-type: none"> <li>• #2 in HP RF</li> </ul>	<ul style="list-style-type: none"> <li>• A niche leader in lighting ICs</li> </ul>	<ul style="list-style-type: none"> <li>• A leader in 32-bit ARM micro-controllers</li> </ul>	<ul style="list-style-type: none"> <li>• #1 mobile speakers &amp; receivers</li> <li>• A niche leader Interface Products</li> <li>• #2 GPL</li> </ul>	<ul style="list-style-type: none"> <li>• #1 in TV and STB</li> </ul>	<ul style="list-style-type: none"> <li>• Leader notebook AC-DC power adaptors</li> <li>• A niche leader Interface Products</li> </ul>
<b>Key customers</b>	<ul style="list-style-type: none"> <li>• Alpine</li> <li>• Bosch</li> <li>• Bose</li> <li>• Clarion</li> <li>• Continental</li> <li>• Delphi</li> <li>• Denso</li> <li>• Fujitsu-Ten</li> <li>• Harman/ Becker</li> <li>• Hella</li> <li>• Hyundai</li> <li>• Johnson Controls</li> <li>• JVC/Kenwood</li> <li>• Mitsubishi</li> <li>• Panasonic</li> <li>• Sony</li> <li>• TRW</li> <li>• Valeo</li> <li>• Visteon</li> </ul>	<ul style="list-style-type: none"> <li>• Assa Abloy</li> <li>• Bundesdruckerei</li> <li>• Comvison</li> <li>• Gemalto</li> <li>• Giesecke &amp; Devrient</li> <li>• Nokia</li> <li>• Oberthur</li> <li>• Sagem</li> <li>• SDU Identification</li> <li>• SPSL</li> <li>• Smartrac</li> <li>• Yuban</li> </ul>	<ul style="list-style-type: none"> <li>• Cisco</li> <li>• Ericsson</li> <li>• Huawei</li> <li>• LG</li> <li>• MITI</li> <li>• Motorola</li> <li>• Nokia Siemens Networks</li> <li>• PESI</li> <li>• Samsung</li> <li>• WNC</li> <li>• ZTE</li> </ul>	<ul style="list-style-type: none"> <li>• B&amp;S Baishi</li> <li>• NeonLiTe</li> <li>• Osram</li> <li>• Panasonic</li> <li>• Philips</li> <li>• Sharp</li> <li>• TCP</li> </ul>	<ul style="list-style-type: none"> <li>• Bosch</li> <li>• Emerson</li> <li>• Electrolux</li> <li>• FEIT</li> <li>• Haier</li> <li>• Indesit</li> <li>• ISKRAE- MECO</li> <li>• Landis Gyr</li> <li>• LGE</li> <li>• Panasonic</li> <li>• Philips</li> <li>• Samsung</li> <li>• Schneider Electric</li> <li>• Siemens</li> <li>• Whirlpool</li> </ul>	<ul style="list-style-type: none"> <li>• Apple</li> <li>• SEMC/Ericsson</li> <li>• HTC</li> <li>• Motorola</li> <li>• Nokia</li> <li>• RIM</li> </ul>	<ul style="list-style-type: none"> <li>• Cisco</li> <li>• DirecTV</li> <li>• Echostar</li> <li>• Humax</li> <li>• LGE</li> <li>• Motorola</li> <li>• Panasonic</li> <li>• Philips</li> <li>• Sagem</li> <li>• Samsung</li> <li>• Sharp</li> <li>• Sony</li> <li>• Technicolor</li> <li>• TPV</li> </ul>	<ul style="list-style-type: none"> <li>• Asustek</li> <li>• Chicony</li> <li>• Dell</li> <li>• Delta</li> <li>• Foxconn</li> <li>• HP</li> <li>• LGE</li> <li>• LiteOn</li> <li>• Sagem</li> <li>• Samsung</li> <li>• VICOR</li> </ul>

Key distributors across these applications are Arrow, Avnet, Digi-Key, Future, Mouser, Premier Farrell and World Peace Group.

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

In the CAN/LIN/FlexRay in-vehicle networking market, we are the clear 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

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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 clear market leader in DSP-based 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 an advantage in developing 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 with leading size and performance features. 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.

In 2009, we had High-Performance Mixed-Signal revenues of \$616 million in automotive applications. Strategy Analytics estimates that the market for automotive semiconductors will grow at a compounded annual growth rate of 16% between 2009 and 2012. Including Standard Products, we were the fifth largest supplier of automotive semiconductors worldwide in 2008, and we consistently won market share from 2005 through 2008 (Strategy Analytics).

**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, banking, public 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 over 70% of the public transport systems that have adopted electronic ticketing. We have led the development and standard setting of near field communications, 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.

In 2009, we had High-Performance Mixed-Signal revenues of \$381 million in identification applications. 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 compound annual rate of 11% to \$2.9 billion in 2012.

**Wireless infrastructure, lighting and industrial.** We have leading market positions in high-performance radio frequency solutions, 32-bit ARM microcontrollers and CFL, LED and HID lighting drivers, and an emerging business in high-speed data converters. Our overall revenues in these businesses were \$371 million in 2009.

Our high-performance radio frequency business is a leader in providing 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 military and aerospace. We have strong positions in Power Amplifiers, Small Signal RF discrettes and RF ICs for consumer electronics and cable television infrastructure,

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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 each of our key 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 the market to grow at a compounded annual growth rate of 11% to \$2.1 billion in 2012.

In lighting, we have a leading position in high-intensity discharge and compact fluorescent light (“CFL”) markets, and a strong 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 new features such as deep dimming. 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 (2008), the lighting control and power supply/output IC market (excluding microcontrollers) will grow from \$0.8 billion in 2009 to \$1.2 billion in 2012, which corresponds to an 18% 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, including in 2008. ARM-based 32-bit MCM grew 37% per year 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 MO-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 15% 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 uniquely able to present a complete product portfolio—from antenna to digital baseband processors – for applications in 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 14% between 2009 to 2012, from \$0.61 billion to \$0.74 billion.

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**Mobile, Consumer and Computing.** We are the market leader in silicon tuners and TV front-end solutions, have leadership positions in specific niches of the interface products, AC-DC power conversion, and personal healthcare markets, and are an overall leader in general purpose logic. 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 \$643 million in 2009.

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 compound annual rate of 10%, from \$0.45 billion in 2009 to \$0.61 billion in 2012.

Our silicon tuners and TV front-end products are used in the TV reception and tuning sub-systems of televisions and set-top boxes. We are the market leader in the growing silicon tuner market, which are replacing traditional CAN tuners, and 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.

The interface products market is highly fragmented with niche markets around each of the established interface standards. Our products address 11 of the 17 interface standards 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 strong market positions in five of our 11 addressed interfaces, UARTs and bridges, I<sup>2</sup>C 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 interface, 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 11% compound 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 sizeable 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 comprehensive product portfolio includes what we consider industry-leading HC/T and LVC families, our newest AUP family, and translator and bus switch functions. Our CMOS family has held the largest share of the logic market for years and we expect it to maintain this market leading position. 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 \$1.8 billion in 2012, which corresponds to a compounded annual growth rate of 10%.

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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 leading 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. In addition, our mobile audio business develops signal conditioning ICs for MEMS microphones and other sensor-based products supplied by our sound solutions business, which is part of our Standard Products business.

### Standard Products

Our Standard Products business supplies a broad range of standard semiconductor components, such as small signal discretes, power discretes and integrated discretes, and mobile device speakers and receivers, 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 sounds solutions and 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 sales and pricing than is typical for standard products. The products we “design-in” represented approximately 45% of our Standard Products business in 2009. Our key product applications, markets and customers are described in the table below.

	Sound Solutions	Integrated Discretes	Discretes
<b>Key applications</b>	<ul style="list-style-type: none"> <li>• Mobile device speakers and receivers</li> <li>• MEMS microphones</li> </ul>	<ul style="list-style-type: none"> <li>• ESD protection devices</li> </ul>	<ul style="list-style-type: none"> <li>• SS Transistors and Diodes</li> <li>• SS MOS</li> <li>• Power MOS</li> <li>• Bipolar Power Transistors</li> <li>• Thyristors</li> <li>• Rectifiers</li> </ul>
<b>Key product markets</b>	<ul style="list-style-type: none"> <li>• Mobile handsets</li> <li>• Notebooks and Netbooks</li> </ul>	<ul style="list-style-type: none"> <li>• Mobile handsets</li> <li>• Personal computers</li> <li>• Consumer electronics</li> </ul>	All applications
<b>Key OEM customers</b>	<ul style="list-style-type: none"> <li>• Apple</li> <li>• Dell</li> <li>• HTC</li> <li>• Nokia</li> <li>• RIM</li> <li>• Samsung</li> <li>• Sony Ericsson</li> </ul>	<ul style="list-style-type: none"> <li>• Apple</li> <li>• Dell</li> <li>• Hewlett Packard</li> <li>• Nokia</li> <li>• Samsung</li> <li>• Sony Ericsson</li> </ul>	<ul style="list-style-type: none"> <li>• Apple</li> <li>• Asus</li> <li>• Bosch</li> <li>• Continental</li> <li>• Foxconn</li> <li>• Samsung</li> </ul>

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Key distributors across these applications are Arrow, Avnet, Digi-Key, Future, Mouser, Premier Farnell and World Peace Group.

In 2009, our Standard Products business generated net sales of \$891 million. According to iSuppli in its February 5, 2010 update, the market for discretes, excluding RF & Microwave, is expected to grow at a compound annual rate of 13%, from \$13.4 billion in 2009 to \$19.1 billion in 2012. We estimate, based on internal company estimates, the market for our sound solutions business to be approximately \$1.4 billion in 2009, growing to \$2.0 billion in 2012, which corresponds to a compounded annual growth rate of 13%. The sound solutions market consists of a \$1.2 billion mobile and computing speakers and receivers market and a fast growing MEMS microphone market, which we estimate will grow from \$0.16 billion in 2009 to \$0.7 billion in 2012, which corresponds to a compounded annual growth rate of 64%.

**Sound Solutions.** Our deep acoustics know-how and miniaturization skills, developed over decades through our collaboration with our largest customers in designing mobile speakers and receiver solutions, enable us to be an innovation leader in this market. Our high-volume, reliable manufacturing operations deliver the cost leadership and supply chain performance we believe is required to make us the market leader in mobile sound solutions and we believe position us well to become a leading supplier in the notebook and emerging netbook market. In 2009, we were the global market leader in mobile phone handset speakers and receivers, and we are building a new business in MEMS microphones with the support of a large handset OEM. We are also further expanding our customer base in mobile handsets, and are starting to address the personal computer market with our products.

**Integrated Discretes.** We are a leading 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.

**Discretes.** We are the number two global supplier of small-signal discretes according to iSuppli, with one of the broadest product portfolios and a strong position in volume packages. 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 sales 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 sales have begun to rebound from the low levels experienced in the first half of 2009 due to the economic recovery. Finally, we have niche 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.

### **Other Products**

We also sell CAN tuners through our joint venture NuTune and software solutions for mobile phones through our “NXP Software” business.

Our NuTune joint venture with Technicolor was created in September 2008 and is headquartered in Singapore. NuTune produces CAN tuner modules for all segments related to broadcast transmission.

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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 650 million mobile devices produced by the world's leading mobile device manufacturers.

### **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.

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 complementary metal on silicon oxide semiconductor (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.

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

<u>Site</u>	<u>Ownership</u>	<u>Wafer sizes used</u>	<u>Linewidths used (vm)</u> (Microns)	<u>Technology</u>
<b>Front-end</b>				
Singapore <sup>(1)</sup>	61.2%	8"	0.14-0.25	CMOS
Jilin, China <sup>(2)</sup>	60%	5"	>4	Bipolar
Nijmegen, The Netherlands	100%	8"	0.14-0.80	CMOS, BiCMOS, LDMOS
Nijmegen, The Netherlands <sup>(3)</sup>	100%	6"	0.50-3.0	CMOS
Nijmegen, The Netherlands <sup>(4)</sup>	100%	5"	1.0-3.0	Bipolar, BCDMOS
Nijmegen, The Netherlands	100%	4"	0.5-3.0	RF processes
Hamburg, Germany	100%	6"/8"	0.5-3.0	Discretes, Bipolar
Manchester, United Kingdom	100%	6"	0.5	Power discretes
<b>Back-end<sup>(5)</sup></b>				
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 2011.

(4) Announced to close in the second half of 2010.

(5) 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 4 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

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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.

### **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 40 sales offices in 22 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, Ericsson, Nokia, Nokia Siemens Networks, Panasonic, Philips 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 third largest semiconductor supplier through distribution worldwide. Our key distribution partners are Arrow, Avnet, Digi-Key, Future, Mouser, Premier Farnell and World Peace Group.

Based on total sales during 2009, excluding the divestiture of our television systems and set-top box business lines to Trident, our top 40 direct customers accounted for 51% of our of our total sales, our ten largest direct customers accounted for approximately 31% of our total sales and no customer represented more than 10% of our total sales. We generated approximately 18% of our total sales through our four largest distribution partners, and another 10% with our other distributors.

Our sales and marketing activities are affected by certain laws and government regulations, including legislation governing our customers' privacy and regulations prohibiting or restricting the export of certain electronic components that may have a military application. 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.

### **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

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design engineers with expertise in RF, analog, power management, interface, security and digital processing. As of March 31, 2010, we had approximately 3,200 employees in research and development, of which over 2,600 support our High-Performance Mixed-Signal businesses and approximately 300 support our Standard Products businesses. Our engineering design teams are located in India (Bangalore), China (Beijing, 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 expense was \$777 million in 2009, 53% of which related to our High-Performance Mixed-Signal businesses, and we expect to incur approximately \$625 million of research and development expenses in 2010, 80% of which is expected to relate to our High-Performance Mixed-Signal businesses. Our research and development investments in High-Performance Mixed-Signal have more than doubled between 2006 and 2010.

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, hearing 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.

### **Alliances and Investments**

We participate in a number of strategic alliances with respect to technology development and manufacturing. These alliances are an important part of our manufacturing strategy, since they permit us to reduce fixed costs associated with manufacturing and development activities and to share research and development expenses with third parties. In addition, we leverage strategic partnerships to develop software for our products. Our major alliances are set out below:

#### ***Systems on Silicon Manufacturing Company Pte. Ltd.***

SSMC, based in Singapore, was established in 1998 as a joint venture among us, TSMC and EDB Investments Pte. Ltd. (“EDB”), an entity of the Economic Development Board of Singapore. We hold a 61.2% stake in SSMC. SSMC is a leading manufacturer of CMOS-based semiconductors, using process technologies to make wafers with line widths down to 140 nanometers. SSMC is one of the larger eight-inch CMOS wafer fabs in the industry.

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We use SSMC to augment our wholly owned eight-inch wafer CMOS capability. We presently make use of approximately 70% of our entitlement to 60% of the capacity of SSMC, with our joint venture partner TSMC taking the remainder. If we so require, we can increase our load and use all of the capacity to which we are entitled at any given time. This would provide us with substantial additional capacity. On the other hand, we have made certain commitments to SSMC, whereby we are obligated to make cash payments to SSMC should we fail to utilize, and if TSMC does not utilize, an agreed percentage of the total available capacity at SSMC's fabrication facilities and overall SSMC utilization levels drop below a fixed proportion of the total available capacity. No such payments have been made since 2002. In the event that our demand for production from SSMC falls in the future, we may be required to make such payment, which could be significant. We also use SSMC to jointly develop and share technological advances with TSMC. In November 2006, we purchased approximately 10.7% of the SSMC shares held by EDB for a purchase price of approximately \$118 million in cash with the balance of the SSMC shares held by EDB being acquired by TSMC.

The shareholders' agreement in respect of this joint venture requires that we and TSMC provide technology support to SSMC under certain technology cooperation agreements, in return for payment of reasonable costs associated with such transfer. We and TSMC are also required to make all reasonable efforts to include SSMC under our patent cross license agreements with third parties. Further, under the agreement, a non-selling shareholder has a right of first refusal in the event any shareholder wishes to transfer its shares to a third party. A third party purchaser must assume all the rights and obligations of the selling shareholder under this agreement. The agreement also contains certain customary representations and warranties.

### **Other Alliances and Investments**

- **ASEN.** ASEN Semiconductors Co. Ltd. ("ASEN"), is an assembly and test joint venture, established by us, together with Advanced Semiconductor Engineering Inc. ("ASE"), in Suzhou, China, in September 2007. We hold a 40% interest in ASEN, and ASE holds the remaining 60%.
- **Advanced Semiconductor Manufacturing Corporation Limited.** We established ASMC in Shanghai, China, in 1995 together with a number of Chinese joint venture partners. ASMC currently operates three wafer factories. We currently own approximately 27% of the outstanding shares of ASMC, which are listed on the Hong Kong Stock Exchange.
- **Jilin NXP Semiconductor Ltd.** Jilin NXP Semiconductor Ltd. ("JNS"), is a joint venture based in China, founded in 2003, which manufactures bipolar discrete power products. We currently hold a 60% ownership interest in JNS and we operate JNS jointly with Jilin Sino-Microelectronics Co. Ltd.
- **NuTune.** On September 1, 2008, we completed the combination of our CAN tuner modules operation with that of Technicolor (formerly Thomson S.A.), operating in a new venture named NuTune Singapore Pte Ltd. We have a 55% ownership stake in NuTune and Technicolor holds the remaining 45%. NuTune is part of our Corporate and Other business segment.
- **Virage Logic.** We established a strategic alliance with Virage Logic Corporation on November 16, 2009 and obtained approximately 9.8% of Virage Logic's outstanding common stock. Under this alliance, we transferred our advanced CMOS semiconductor horizontal IP technology and related development team to Virage Logic in exchange for the rights to use Virage Logic's IP rights and services.
- **Trident.** On February 8, 2010, Trident, a publicly listed company in the United States in the field of digital television, completed its acquisition of our television systems and set-top box business lines. As a result of the transaction, we now own 60% of the outstanding common stock of Trident, retain a 30% voting interest in participatory rights and a 60% voting interest for protective rights only. Based on the terms and conditions agreed between the parties, we will account for our investment in Trident under the equity method. By leveraging the significant investments made by NXP and Trident into advanced technologies and complex systems across a larger customer base, the combined business of NXP and

Trident is well positioned to become a leader in digital consumer system-on-chip products. The combined business will also benefit from use of our manufacturing facilities for production, packaging and test activities.

## **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 AAC Acoustic Technologies Holdings Inc., 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.

## **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 “Certain Relationships and Related Party Transactions—Philips—Intellectual Property Transfer and License Agreement” contained elsewhere in this prospectus.

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.

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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 (“IMEC”), 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.

### **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 “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Legal Proceedings” contained elsewhere in this prospectus.

### **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 some of our current and former properties resulting from historical, ongoing or third-party activities. As a result, we are currently in the process of remediating contamination at some of our current and former facilities. It is our belief that the risks of any such environmental issues, 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.

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### Employees

The following table provides an overview of the number of employees we had per segment at March 31, 2010:

	<u>Number of Full Time Employees</u>
High-Performance Mixed-Signal	2,653
Standard Products	2,297
Manufacturing Operations	14,792
Corporate:	
NuTune	3,233
Central research and development	829
Sales and marketing	825
Information technology	417
Other shared services	2,149
Other (including NXP Software)	344
Divested Home Activities	—
Total	<u>27,539</u>

The following table indicates the number of employees per geographic area at March 7, 2010:

	<u>Number of Full Time Employees</u>
Europe and Africa	8,185
Americas	518
Greater China	7,047
Asia Pacific	11,789
Total	<u>27,539</u>

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.

### Properties

We own approximately 6.23 million square feet of building space in nine countries, and lease approximately 1.83 million square feet of building space in 25 countries. The following table sets out our principal real property holdings:

<u>Location</u>	<u>Use</u>	<u>Owned/leased</u>	<u>Building space (square feet)</u>
Eindhoven, The Netherlands	Headquarters	Leased	105,727
Hamburg, Germany	Manufacturing	Owned	1,021,644
Nijmegen, The Netherlands	Manufacturing	Owned	2,199,623
Singapore <sup>(1)</sup>	Manufacturing	Leased	237,516
Bangkok, Thailand	Manufacturing	Owned	604,231
Cabuyao, Philippines	Manufacturing	Owned	523,981
Kaohsiung, Taiwan	Manufacturing	Leased	578,912
Manchester, United Kingdom	Manufacturing	Owned	221,787
Jilin, China <sup>(2)</sup>	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	Manufacturing	Leased	267,418

(1) Leased by the SSMC joint venture.

(2) Leased by the JNS joint venture.

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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 237,516 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, 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, Philips Semiconductors (Guangdong) Company 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 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 term of 5 years. The rent from September 15, 2009, to June 30, 2012, is RMB 99,375.64 per month, subject to certain conditions under the lease. On July 1, 2012, the rent shall increase to RMB 1,018,600.31 per month for the remainder of the lease term.

We lease 560,503 square feet of public land and manufacturing space through our subsidiary, NXP Semiconductors Taiwan Ltd., at 2/F Underground and 8/F Aboveground, 7 Jingsi Road, Nanzi Manufacturing and Export Zone, Taiwan, from Manufacturing and Export Zone Administration, Ministry of Economy. We lease the manufacturing space and its associated parcels of land in a series of leases, the earliest of which commenced on May 16, 2000 and the last of which expires on September 30, 2018. Our monthly rental rate on the combined leases is NT\$2,675,707 New Taiwan Dollars per month plus a 5% business tax applicable thereto as from July 1, 2008.

## MANAGEMENT

The following description sets forth certain information about management and management-related matters which we expect will be in place once the Corporate Conversion has taken place and the offering has been consummated.

### Directors, Executive Officers and Key Employees

#### Board of Directors

Set forth below are the names, ages as of March 1, 2010, and positions of the persons who will serve as members of our board of directors once the Corporate Conversion has taken place and the offering has been consummated.

Name*	Age	Position
Richard L. Clemmer	58	Executive director, president and chief executive officer
Sir Peter Bonfield	65	Non-executive director and chairman of the board
Johannes P. Huth	49	Non-executive director and vice-chairman of the board
Nicolas Cattelain	36	Non-executive director
Eric Coutinho	58	Non-executive director
Egon Durban	36	Non-executive director
Ian Loring	43	Non-executive director
Michel Plantevin	53	Non-executive director
Richard Wilson	44	Non-executive director

\* We expect to appoint two to three additional independent non-executive directors before the consummation of the offering. See “Management Structure—Board Committees—Audit Committee”.

- **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 Systems Inc., a spin-out from Lucent Technologies Inc. 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).** As of the date of our Corporate Conversion, Sir Peter will be non-executive director and 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).** As of the date of our Corporate Conversion, Mr. Huth will be a non-executive director and vice-chairman of our board of directors. Prior to that, Mr. Huth was a member and vice-chairman of NXP B.V.’s board of directors 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, BMG-Bertelsmann Music Group and Auto-Teile-Unger Handels GmbH & Co. KG. 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 became a member of the board of directors 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 became a member of the board of directors of NXP B.V. on September 29, 2006 and is chief legal officer 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 became a member of the board of directors of NXP B.V. on September 29, 2006, and is a managing director of Silver Lake Partners based in London where he is responsible for overseeing Silver Lake's European operations. Mr. Durban joined Silver Lake in 1999 as a founding principal and has worked in the firm's Menlo Park and New York offices. Mr. Durban serves on the Board of Directors of Skype Technologies S.A. and is the chairman of its operating committee, the board of directors of Intelsat, Ltd., the operating committee of SunGard Capital Corporation, and Silver Lake's Management, Investment and Operating and Valuation Committees. Prior to Silver Lake, Mr. Durban worked in Morgan Stanley's Investment Banking Division.
- **Ian Loring (1966, American).** Mr. Loring became a member of the board of directors 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 became a member of the board of directors 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. and Brakes Group.
- **Richard Wilson (1965, British).** Mr. Wilson became a member of the board of directors 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 and Weather Investments SpA, and is the current chairman of the European Private Equity and Venture Capital Association.

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### **Management Team**

Set forth below are the names, ages as of March 1, 2010, and positions of the executive officers who together with our chief executive officer, Mr. Clemmer, will constitute our management team, once the Corporate Conversion has taken place and the offering has been consummated.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Richard L. Clemmer	58	Executive director, president and chief executive officer
Chris Belden	49	Executive vice president and general manager of operations
Guido Dierick	50	Senior vice president and general counsel
Alexander Everke	46	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	42	Senior vice president, responsible for business development
Peter Kleij	49	Senior vice president, responsible for human resource management
Mike Noonan	46	Executive vice president, responsible for global sales
Rene Penning De Vries	55	Senior vice president and chief technology officer
Ruediger Stroh	47	Executive vice president and general manager of High-Performance Mixed-Signal businesses focused on identification applications
Frans Scheper	47	Senior vice president and general manager of the Standard Products applications
Kurt Sievers	40	Senior vice president and general manager of High-Performance Mixed-Signal businesses focused on automotive applications
Karl-Henrik Sundström	49	Executive vice president and chief financial officer

- **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.

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- **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 Noonan (1963, American).** Mr. Noonan 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, chief financial officer and member of the 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.

## **Management Structure**

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

### ***Powers, Composition and Function***

The number of executive and non-executive directors will be determined by the board of directors. The board of directors is expected to consist of one executive director and eight non-executive directors. The executive director will be appointed as our chief executive officer.

The appointment of the directors is expected to be made by our general meeting of stockholders upon a binding nomination of the board of directors. If so, 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

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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 will have the ability to elect our entire board, subject to any limitations in our shareholders agreement.

In addition, in connection with the Corporate Conversion and this offering, the Private Equity Consortium and Philips expect to enter 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”.

Upon our Corporate Conversion, 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 is expected to 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. Upon our Corporate Conversion, under our board regulation, 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.

Our non-executive directors are expected to supervise the executive director and our general affairs and to 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 is expected to be appointed as chairman of the board and another non-executive director is expected to be appointed as vice-chairman of the board of directors.

Each director will owe 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 expected to be appointed for one year and will be re-electable each year at the general meeting of stockholders. Upon the Corporate Conversion, 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. Executive directors may also be suspended by the board of directors once this is possible under Dutch law.

Upon our Corporate Conversion, 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

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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 will be required to adopt board regulations upon our Corporate Conversion 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. Such regulation is expected to be adopted by our board of directors on the date of our Corporate Conversion.

We expect that, in accordance with our board regulation, 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 is expected to have the right to cast one vote. In a tie vote, the proposal will be rejected.

### **Board Committees**

While retaining overall responsibility, we expect that our board of directors will be able to assign 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. At the time of this offering, our board of directors will have established an audit committee and a nominating and compensation committee, each of which will have the responsibilities and composition described below:

- **Audit Committee.** We expect that our audit committee will consist of two independent non-executive directors upon consummation of this offering, and we expect to appoint at least one additional independent non-executive director to the audit committee within 12 months following the consummation of this offering. We expect that at least one of our independent directors will qualify as an “audit committee financial expert” as such term is defined in Item 407(d)(5) of Regulation S-K and our board of directors will determine which member of our audit committee will so qualify prior to the consummation of this offering. Our audit committee is expected to 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 is expected to 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 is expected to 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 is generally expected to attend 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.
- **Nominating and Compensation Committee.** Our nominating and compensation committee, consisting of three non-executive directors is expected to 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 is further expected to 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. The members of the nominating and compensation committee will be appointed prior to or on the date of our Corporate Conversion.

### ***Limitation of Liability and Indemnification Matters***

Unless prohibited by law in a particular circumstance, upon our Corporate Conversion, our articles of association will 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 wilful (*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 proceeding 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.

### **Compensation**

Under Dutch law, the stockholders must adopt a compensation policy for the board of directors. Prior to the consummation of this offering, our stockholders will have adopted such policy. 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 expected to be our only executive director. The remuneration of the non-executive directors is resolved upon by our stockholder meeting. 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. We expect our stockholders to approve such proposal prior to the consummation of this offering.

### ***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 out 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.

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### **Base Salary**

We currently pay our chief executive officer an annual base salary of €                      and the chairman of our board of directors an annual base salary of €                      . None of our other directors currently receives any compensation. For the year ended December 31, 2009, the members of our management team as a group received a total aggregate compensation of €                      .

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 2009 no annual incentive bonuses were paid to our board members, management team or to the executives.

### **Management Equity Plan and Management Co-Investment Program**

The purpose of the management equity plan and management co-investment program 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 to share in the success of NXP.

The Management Foundation, a foundation incorporated under the laws of the Netherlands established to implement our management co-investment program holds                      million of our shares of common stock for the benefit of the designated participants in the program. Pursuant to this program, selected members of our management, including our chief executive officer, the members of our management team and the other NXP executives, have purchased depositary receipts for shares of common stock issued by the Management Foundation, each representing economic interests in one of our shares of common stock. These interests include any dividends and other proceeds or liquidation entitlements, but do not include any voting rights, which are retained by the Management Foundation in its capacity as stockholder. Participants in our management co-investment program are selected by the nominating and compensation committee, with respect to participants who are on the board of directors, and by the chief executive officer, with respect to other participants.

We granted stock options to the members of our management team and to approximately 100 of our other executives in 2007 and 2008. In May 2009, we executed a stock options 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 stock options (vested and unvested) owned by the eligible individual were cancelled. As of May 2009, stock options have been granted to eligible individuals under the revised stock options program. Under this stock option plan the participants acquire the right to purchase a certain number of depositary receipts for shares of common stock—issued by the Management Foundation—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. Depositary receipts represent economic interests over our shares of common stock. Participants may exercise stock options 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 30% of our common stock). This offering does not trigger the exercisability of these stock options.

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The option pool available for stock option grants, as determined by our stockholders, is for an amount of stock options representing, in the aggregate, up to million common shares in our share capital. As per December 31, 2009, a total of million stock options were granted under the management equity 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). These stock options can be exercised at strike prices which vary from €0.10 to €2.50 per stock option.

As of December 31, 2009, our chief executive officer held 1,522,500 depository receipts and had been granted the following stock options, which were outstanding:

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						
2009/2						
2009/3						
2009/4						
<b>Total:</b>						

The following stock option awards had been granted to the chairman of our board of directors and were outstanding as of December 31, 2009:

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					
2009/3					
<b>Total:</b>					

### ***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 defined-benefit (career average) and defined-contribution plan. The target retirement age under the plan is 62.5. The plan does not require employee contributions.

We paid our chief executive officer a total of \$ in pension retirement benefits in 2009. We also paid a total aggregate amount of \$ in pension retirement benefits 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, nor were such loans outstanding as of December 31, 2009.

Unless the law provides otherwise, the members of our board of directors, upon the Corporate Conversion, are expected to be reimbursed by us for various costs and expenses, like reasonable costs of defending claims, as

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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, 2009:

	<u>Salary and/ or fees</u>	<u>Performance related compensation</u>	<u>Number of stock or stock options granted</u>	<u>Non-equity incentive plan compensation or benefits in kind granted</u> (\$ in thousands)	<u>Contingent or deferred compensation</u>	<u>Pension, retirement or similar benefits</u>	<u>Other</u>
Richard L. Clemmer		—			—		—
Sir Peter Bonfield		—		—	—	—	—
Johannes P. Huth	—	—	—	—	—	—	—
Nicolas Cattelain	—	—	—	—	—	—	—
Eric Coutinho	—	—	—	—	—	—	—
Egon Durban	—	—	—	—	—	—	—
Ian Loring	—	—	—	—	—	—	—
Michel Plantevin	—	—	—	—	—	—	—
Richard Wilson	—	—	—	—	—	—	—
<b>Total:</b>		—			—		—

## **Corporate Governance**

### ***The NXP Business Code of Conduct***

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 SEC. Both the NXP Business Code of Conduct and our Financial Code of Ethics are available on our website at [www.nxp.com/investor/governance](http://www.nxp.com/investor/governance). The information contained on our website or that can be accessed through our website neither constitutes part of this prospectus nor is incorporated by reference herein.

### ***The Dutch Corporate Governance Code***

On admission, although we will not be listing our shares of common stock on Euronext Amsterdam by NYSE Euronext, we will be subjected 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 the general meeting of stockholders explicitly approves the corporate governance structure and policy and endorses the explanation for any deviation from the principles and best practice provisions, such company will be deemed to have applied the Dutch corporate governance code.

The following discussion summarizes the primary differences between our expected corporate governance structure following this offering and the principles and best practice provisions of the Dutch corporate governance code:

- 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 to four non-executive members 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.
- 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.

#### ***The NASDAQ Global Market or New York Stock Exchange Corporate Governance Rules***

We have not yet selected the exchange where we will list our shares of common stock. We intend to do so in due course and will complete this section, describing the differences between the corporate governance requirements applicable to common stock listed on the NASDAQ Global Market or the New York Stock Exchange, as applicable, and the home country corporate governance requirements we follow, as soon as an exchange is selected.

#### **General Meeting of Stockholders: Procedures, Admission and Voting Rights**

General meetings of stockholders will be held in the Netherlands in the municipalities of Amsterdam, Eindhoven, The Hague, Rotterdam, Utrecht or Haarlemmermeer. A general meeting of stockholders shall be held at least once per year within the period Dutch law requires us to convene a general meeting of stockholders, which is currently once per year, no later than six months after the end of our financial year. Our board of directors may decide whether electronic voting at the general meeting of stockholders is allowed and may subject electronic voting to certain conditions.

The agenda for the annual general meeting of stockholders shall contain, inter alia, items placed on the agenda in accordance with Dutch law and our articles of association, the consideration of the annual report, the adoption of our annual accounts, the proposal to pay a dividend (if applicable), proposals relating to the composition of the board of directors, including the filing of any vacancies in the board of directors, the proposals placed on the agenda by the board of directors, including, but not limited to, a proposal to grant discharge to the members of the board of directors for their management during the financial year, together with proposals made by stockholders in accordance with provisions of Dutch law and our articles of association.

Public notice of a general meeting of stockholders or an extraordinary meeting of stockholders shall be given by the board of directors, upon a term of at least such number of days prior to the day of the meeting as

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required by law, in accordance with the regulations of the stock exchange where our shares are officially listed at our request. This term is currently 15 days. Any matter, the consideration of which has been requested by one or more stockholders, representing solely or jointly at least such part of the issued share capital as required by Dutch law, which is currently set at one percent, will be placed in the notice convening the general meeting of stockholders or the extraordinary meeting of stockholders, but only if we received the request to consider such matter no later than on the 60<sup>th</sup> day prior to the day of the meeting.

Extraordinary general meetings of stockholders shall be held as frequently as they are called by the board of directors, or whenever one or more stockholders representing at least ten percent of our issued capital so request the board of directors in writing.

Without prejudice to the relevant provisions of law dealing with reduction of share capital and amendments to the articles of association, the public notice convening the meeting shall either mention the business on the agenda or state that the agenda is open to inspection by the stockholders at our offices.

All stockholders shall be entitled to attend the general meetings of stockholders, to address the general meeting of stockholders and to vote, either in person or by appointing a proxy to act for them. In order to exercise the right to attend the general meetings of stockholders, to address the general meeting of stockholders and/or to vote at the general meetings of stockholders, stockholders must notify the Company in writing of their intention to do so, no later than on the day and at the place mentioned in the notice convening the meeting.

Next to the stockholders, holders of depositary receipts of shares issued with the cooperation of the Company and holders of a right of usufruct or pledge with voting rights are entitled to request an item to be placed on the agenda of the general meeting of stockholders, to attend the general meeting of stockholders, to address the general meeting of stockholders and to vote.

Members of the board of directors are authorized to attend general meetings of stockholders. They have an advisory vote. The general meeting of stockholders shall be presided over by the chairman. In the absence of the chairman, one of the other non-executive directors shall preside over the meeting.

Each share of common stock is expected to confer the right to cast one vote at the general meeting of stockholders. Blank votes and invalid votes shall be regarded as not having been cast. Resolutions proposed to the general meeting of stockholders by the board of directors shall be adopted by a simple majority of votes cast, unless another majority of votes or quorum is required by virtue of 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 another majority of votes or quorum is required by virtue of Dutch law.

Meetings of holders of shares of a particular class or classes shall be held as frequently and whenever such meeting is required by virtue of any statutory regulation or any regulation in our articles of association. Such meeting may be convoked by the board of directors or one or more stockholders and/or holders of depositary receipts, who jointly represent at least one-tenth of the capital issued and outstanding in the shares of the class concerned.

### **Stockholder Vote on Certain Reorganizations**

Under Dutch law, the approval of our general meeting of stockholders is required for any significant change in the identity or nature of our company or business, including in the case of (i) a transfer of all or substantially all of our business to a third party, (ii) the entry into or termination by us or one of our subsidiaries of a significant long-term cooperation with another entity, or (iii) the acquisition or divestment by us or one of our subsidiaries of a participating interest in the capital of a company having a value of at least one-third of the amount of our assets, as stated in our consolidated balance sheet in our latest adopted annual accounts.

### **Amendment of the Articles of Association**

We expect that the general meeting of stockholders will only be able to amend the articles of association at the proposal of the board of directors. A proposal to amend the articles of association whereby any change would be made in the rights which vest in the holders of shares of a specific class in their capacity as such, shall require the prior approval of the meeting of holders of the shares of that specific class.

### **Dissolution, Merger/Demerger**

We expect that the general meeting of stockholders will only be able to dissolve the Company at the proposal of the board of directors.

The liquidation of the Company shall be carried out by the board of directors, if and to the extent the general meeting of stockholders has not appointed one or more other liquidators. The general meeting of stockholders shall determine the remuneration of the liquidators, if any.

Under Dutch law, a resolution to merge or demerge shall be adopted in the same manner as a resolution to amend the articles of association. The general meeting of stockholders may on proposal of the board of directors resolve to merge or demerge by a simple majority of votes cast, irrespective of the capital present or represented at the general meeting of stockholders.

### **Squeeze-out**

In accordance with Dutch law, a stockholder who for its own account holds at least 95% of a company's issued capital may institute proceedings against the company's other stockholders jointly for the transfer of their shares to the claimant. The proceedings are held before the Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority stockholders in accordance with the provisions of the Dutch Civil Code. The Enterprise Chamber may grant the claim for the squeeze-out in relation to all minority stockholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value of the shares. Once the order to transfer has become final, the acquirer must give written notice of the price, and the date on which and the place where the price is payable to the minority stockholders whose addresses are known to it. Unless all addresses are known to the acquirer, it shall also publish the same in a daily newspaper with nationwide distribution.

### **Dutch Market Abuse Regulation**

The Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*, the "FMSA") provides for specific rules intended to prevent market abuse, such as the prohibitions on insider trading, divulging inside information and tipping, and market manipulation. The Company is subject to the Dutch insider trading prohibition (in particular, if it trades in its own shares or in financial instruments the value of which is (co)determined by the value of the shares), the Dutch prohibition on divulging insider information and tipping and the Dutch prohibition on market manipulation. The Dutch prohibition on market manipulation may mean that certain restrictions apply to the ability of the Company to buy-back its shares. In certain circumstances, the Company's investors can also be subject to the Dutch market abuse rules.

Pursuant to the FMSA rules on market abuse, members of the board of directors and any other person who has (co)managerial responsibilities in respect of the Company or who has the authority to make decisions affecting the Company's future developments and business prospects and who may have regular access to inside information relating, directly or indirectly, to the Company, must notify the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the "AFM") of all transactions with respect to the shares or in financial instruments the value of which is (co)determined by the value of the shares, conducted for its own account.

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In addition, certain persons closely associated with members of the board of directors or any of the other persons as described above and designated by the FMSA Decree on Market Abuse (*Besluit Marktmissbruik Wft*) must also notify the AFM of any transactions conducted for their own account relating to the shares or in financial instruments the value of which is (co)determined by the value of the shares. The FMSA Decree on Market Abuse determines the following categories of persons: (i) the spouse or any partner considered by national law as equivalent to the spouse, (ii) dependent children, (iii) other relatives who have shared the same household for at least one year at the relevant transaction date, and (iv) any legal person, trust or partnership whose, among other things, managerial responsibilities are discharged by a person referred to under (i), (ii) or (iii) above or by the relevant member of the board of directors or other person with any authority in respect of the Company as described above.

These notifications must be made by means of a standard form and by no later than the fifth business day following the transaction date. The notification may be postponed until the moment that the value of the transactions performed for that person's own account, together with the transactions carried out by the persons closely associated with that person, reach or exceed an amount of €5,000 in the calendar year in question.

The AFM keeps a public register of all notification under the FMSA on its website ([www.afm.nl](http://www.afm.nl)). Third parties can request to be notified automatically by e-mail of changes to the public register.

Pursuant to the rules on market abuse, we will adopt prior to the consummation of this offering an internal insider trading regulation policy, which will be available on our website. This regulation provides for, among other things, rules on the possession of and transactions by members of the board of directors and employees in the shares or in financial instruments the value of which is (co)determined by the value of the shares.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Philips

Following consummation of this offering, Philips will continue to hold an indirect beneficial interest in us. In addition to the shareholders' agreement described below, we have entered into a number of other agreements with Philips. Most of these agreements are governed by and construed in accordance with the laws of the Netherlands. A number of these agreements contain change of control provisions allowing Philips to terminate them in case of a change of control, as defined in the relevant agreements. A listing of our company will not constitute a change of control, except if any other stockholder gains effective control of our company.

#### *Shareholders' Agreement*

On September 29, 2006, we, Philips, KASLION Holding B.V., the Management Foundation and NXP B.V. entered into a shareholders' agreement. For so long as Philips holds more than 10% of our equity, the shareholders' agreement includes, among other things, provisions regarding the composition of NXP B.V.'s supervisory board and provisions that subject certain of the activities of NXP B.V. to the approval of either a supervisory board member designated by Philips to NXP B.V.'s board or the chairman of NXP B.V.'s supervisory board, who in accordance with the terms of the agreement must be a person not affiliated with Philips or KASLION Holding B.V. The agreement also limits our ability, without the approval of the supervisory board member designated by Philips, to amend the organizational documents of NXP B.V. in a manner adverse to Philips' rights as a stockholder in NXP Semiconductors N.V. or its rights under the shareholders' agreement, engage in transactions with affiliated persons, modify or waive the pre-emptive rights attaching to NXP B.V.'s shares of common stock, engage in a legal merger, demerger or liquidation, repurchase or redeem equity securities other than on a pro-rata basis and sell all or substantially all of NXP B.V.'s assets in exchange for equity securities of a person not active in the semiconductor industry. In addition, the shareholders' agreement limits NXP B.V.'s ability without the approval of the chairman of NXP B.V.'s supervisory board to incur indebtedness or issue any debt securities or assume, guarantee or endorse any material obligation of any other person and to pay dividends or make other distributions, redeem or repurchase equity securities or make loans to NXP B.V. Philips may sell all or part of its stake in us at any time provided such sale is not to one of our competitors and Philips complies with rights of first offer granted to KASLION Holding B.V. The Shareholders' Agreement also provides for certain registration rights.

We expect to terminate the shareholders' agreement described above upon the consummation of this offering and to replace it by a new shareholders' agreement.

#### *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

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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 co funded 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 include 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 discrettes, 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 leadtimes 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.

### **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 SSMC.

**PRINCIPAL STOCKHOLDERS**

The following table shows the amount of our common stock beneficially owned as of March 1, 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 shares of our common stock outstanding as of March 1, 2010 and shares of common stock expected to be outstanding following the consummation of this offering, including the shares of our common stock offered by us hereby. As of March 1, 2010, there were three holders of record of our common stock.

Name of Beneficial Owner	Common Stock Beneficially Owned Prior to this Offering		Common stock Beneficially Owned After this Offering			
			Assuming the Underwriters' Option is Not Exercised		Assuming the Underwriters' Option is Exercised in Full	
	Number	%	Number	%	Number	%
KASLION Holding B.V. <sup>(1)</sup>		79.88				
Koninklijke Philips N.V. <sup>(2)</sup>		19.84				
Richard L. Clemmer						
Sir Peter Bonfield						
Johannes P. Huth						
Nicolas Cattelain						
Eric Coutinho						
Egon Durban						
Ian Loring						
Michel Plantevin						
Richard Wilson						
All directors and executive officers as a group <sup>(3)</sup>						

- (1) Several entities have an indirect interest in the shares held by KASLION Holding B.V. KASLION Holding B.V. is currently owned and controlled by the members of the Private Equity Consortium, Philips, the Management Foundation and a number of co-investors. Based on agreements in place as of the date of this registration statement, the members of the Private Equity Consortium may be deemed to share voting and dispositive power with respect to all shares beneficially owned by the Private Equity Consortium, but disclaim beneficial ownership of any shares held by any other member except to the extent of their pecuniary interest. However, as the ownership structure of, and the related rights and interests in, KASLION Holding B.V. are currently being revised and will be finalized prior to the communication of this offering, we expect to amend this Principal Stockholders table to reflect the revised structure as soon as possible after it becomes available.
- (2) The business address of Koninklijke Philips Electronics N.V. is Breitner Center, Amstelplein 2, 1096 BC Amsterdam, the Netherlands.
- (3) The Management Foundation currently beneficially owns 0.28% of the shares of common stock of KASLION Holding B.V. It should be noted that under our management equity plan, the Management Foundation can issue an amount of stock options representing up to million shares of common stock in KASLION Holding B.V. As of December 31, 2009, a total of million stock options had already been granted. Participants may exercise the stock options 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 30% of our common stock). If such sale or change of control were to happen, all directors and executive officers would beneficially own as a group million shares of common stock in KASLION Holding B.V. or % of the shares of common stock of KASLION Holding B.V.

## DESCRIPTION OF CAPITAL STOCK

The following discussion summarizes the material terms of our capital stock to be issued in connection with the public offering contemplated by this prospectus. This discussion does not purport to be complete and is qualified in its entirety by reference to our amended and restated articles of association that will be in effect as of the effective time of this offering. The forms of our amended and restated articles of association are expected to be filed as exhibits to the registration statement of which this prospectus forms a part. You will be able to obtain copies of those documents by following the instructions under “Where You Can Find More Information”.

### Share Capital

#### Authorized Share Capital

Our articles of association are expected to provide for up to three classes of shares; our shares of common stock and two separate series of preferred shares. No preferred shares have been issued as of the date of this prospectus.

The following table sets forth our authorized share capital as of the date of this prospectus. Our authorized capital amounts to €                      and is divided into:

	<u>Nominal value per share</u>	<u>Number of shares authorized</u>
Shares of common stock	€	
Preferred Shares PA	€	
Preferred Shares PB	€	

All of our authorized shares will, when issued and outstanding, be existing under Dutch law.

#### Issued Share Capital

After consummation of this offering (and assuming no exercise of the underwriters option to purchase additional shares of our common stock), we will have                      shares of common stock issued and outstanding, all of which will be fully paid-up. Each share (whether common or preferred) will confer the right to cast one vote.

#### Issue of Shares

The board of directors is expected to have the power to resolve to issue shares and to determine the price and further terms and conditions of such share issue, if and in so far as the board of directors has been designated by the general meeting of stockholders as the authorized corporate body for this purpose. A designation as referred to above shall only be valid for a specific period of no more than five years and may from time to time be extended with a period of no more than five years. We expect that our board of directors will be designated for a period of 5 years as of the date of our Corporate Conversion to issue shares and grant rights to subscribe for shares in the amount of our authorized share capital. The amendment to our articles of association is expected to be executed immediately prior to the consummation of this offering.

#### Pre-emptive Rights

Under our articles of association, existing holders of our shares of common stock will have pre-emptive rights in respect of future issuances of shares of common stock in proportion to the number of shares of common stock held by them, unless limited or excluded as described below. Holders of our shares of common stock shall not have pre-emptive rights in respect of future issuances of preferred shares. Holders of preferred shares shall not have pre-emptive rights in respect of any future issuances of share capital. Pre-emptive rights do not apply with respect to shares issued against contributions other than in cash or shares issued to our employees or to

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employees of one of our group companies. Under our articles of association, we expect that our board of directors will have the power to limit or exclude any pre-emptive rights to which stockholders may be entitled, provided that it has been authorized by the general meeting of stockholders to do so. The authority of the board of directors to limit or exclude pre-emptive rights can only be exercised if at that time the authority to issue shares is in full force and effect. The authority to limit or exclude pre-emptive rights may be extended in the same manner as the authority to issue shares. If there is no designation of the board of directors to limit or exclude pre-emptive rights in force, the general meeting of stockholders shall have authority to limit or exclude such pre-emptive rights.

According to Dutch law, resolutions of the general meeting of stockholders (i) to limit or exclude pre-emptive rights or (ii) to designate the board of directors as the corporate body that has authority to limit or exclude pre-emptive rights, require a majority of at least two-thirds of the votes cast in a meeting of stockholders, if less than 50% of the issued share capital is present or represented. For these purposes, issuances of shares include the granting of rights to subscribe for shares, such as options and warrants, but not the issue of shares upon exercise of such rights.

As described under “Share Capital—Issue of Shares” above, we expect that the authority to limit or exclude pre-emptive rights in connection with the issuance of shares will be delegated to the board of directors for a period of five years as of the date of our Corporate Conversion.

### **Form and Transfer of Shares**

We expect that our shares of common stock will be issued in registered form only. Shares of common stock must be fully paid upon issue. Our shares of common stock shall only be available without issue of a share certificate in the form of an entry in the share register. A register of stockholders will be maintained by us or by third parties upon our instruction.

### **Repurchase by the Company of its Shares**

Under Dutch law, a public company with limited liability (*naamloze vennootschap*) may acquire its own shares, subject to certain provisions of Dutch law and the articles of association, if (i) the company’s stockholders’ equity less the payment required to make the acquisition does not fall below the sum of paid-up and called up capital and any reserves required by Dutch law or the articles of association and (ii) the company and its subsidiaries would not thereafter hold shares or hold a pledge over shares with an aggregate par value exceeding 50% of its current issued share capital. Such company may only acquire its own shares if its general meeting of stockholders has granted the board of directors the authority to effect such acquisitions. Upon the Corporate Conversion, we will be a Dutch public company with limited liability (*naamloze vennootschap*). We expect that, prior to the consummation of this offering, our stockholders will authorize the board of directors to acquire our own shares up to the maximum number allowed under Dutch law.

If we would decide to repurchase any of our shares, no votes could be cast at a general meeting of stockholders on the shares held by us or our subsidiaries or on shares for which we or our subsidiaries hold depositary receipts. Nonetheless, the holders of a right of usufruct and the holders of a right of pledge in respect of shares held by us or our subsidiaries in our share capital are not excluded from the right to vote on such shares, if the right of usufruct or the right of pledge was granted prior to the time such shares were acquired by us or any of our subsidiaries. Neither we nor any of our subsidiaries may cast votes in respect of a share on which we or such subsidiary holds a right of usufruct or a right of pledge.

Currently none of our issued shares are held by us or any of our subsidiaries.

### **Capital Reduction**

Upon the Corporate Conversion, subject to Dutch law and the articles of association, the general meeting of stockholders may resolve to reduce the outstanding share capital by cancelling of shares or by reducing the nominal value of shares. This will require amendment to our articles of association.

## **Dividends and Other Distributions**

We do not anticipate paying any cash dividends for the foreseeable future, and instead intend to retain future earnings, if any, for use in the operation and expansion of our business and in the repayment of our debt.

Our ability to pay dividends on our common stock is limited by the covenants of our Secured Revolving Credit Facility, the Forward Start Revolving Credit Facility and the Indentures and may be further restricted 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 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. Subject to certain exceptions, dividends may only be paid out of profits as shown in our annual financial statements as adopted by the general meeting of stockholders. Distributions may not be made if the distribution would reduce stockholders' equity below the sum of the paid-up capital and any reserves required by Dutch law or our articles of association.

Out of profits, dividends must first be paid on outstanding preferred shares in the sum of the obligatory dividend applicable to such shares. Dividends are paid first on the preferred shares series PA and second on the preferred shares series PB. The dividends paid on the preferred shares shall be based on a percentage of the amount called up and paid-up on those shares. This percentage is equal to the average of the EURIBOR interest charged for cash loans with a term of twelve months as set by the European Central Bank during the financial year for which this distribution is made, increased by a maximum margin of three hundred (300) basis points to be fixed upon the issuance of such shares by the board of directors, which margin may vary for each individual series. If and to the extent that profits are not sufficient to pay the dividends on the preferred shares in full, the shortfall shall be paid out of the reserves, with the exception of any reserves that were formed as share premium reserves upon the issuance of such preferred shares. If in any fiscal year the profit is not sufficient to make the distributions referred to above and if no distribution or only a partial distribution is made from the reserves referred to above, such that the shortfall is not fully distributed, no further distributions will be made as described below until the shortfall has been recovered.

As determined by the board of directors, the profits remaining after payment of any dividends on the preferred shares may be distributed or allocated to the reserves. Insofar as the profits have not been distributed or allocated to the reserves, they are at the free disposal of the general meeting of stockholders provided that no further dividends may be distributed on the preferred shares. The general meeting of stockholders may resolve, on the proposal of the board of directors, to distribute dividends or reserves, wholly or partially, in the form of our shares of common stock.

Distributions are payable 30 days following the date of declaration.

Dutch law, by providing that the declaration of dividends out of freely disposable profits is the right of the general meeting of stockholders, is different from the corporate law of most jurisdictions in the United States, which permit a corporation's board of directors to declare dividends.

Distributions in cash that have not been collected within five years and one day after they have become due and payable shall revert to us.

## **Financial Year and Auditor**

Our financial year coincides with our calendar year. The general meeting of stockholders appoints an auditor to audit the financial statements and to issue a report thereon. Under our audit policy, our board of directors and our audit committee conduct a thorough assessment of the functioning of the external auditor once every three years and appoint a new external auditor once every three years, based on a competitive selection process.

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has not been a public market for our shares of common stock, and we cannot predict what effect, if any, market sales of our shares of common stock or the availability of shares of common stock for sale will have on the market price of our common stock prevailing from time to time. Nevertheless, sales of substantial amounts of common stock in the public market, or the perception that such sales could occur, could materially and adversely affect the market price of our shares of common stock and could impair our future ability to raise capital through the sale of our equity or equity-related securities at a time and price that we deem appropriate.

Upon the closing of this offering, we will have outstanding an aggregate of approximately \_\_\_\_\_ shares of common stock ( \_\_\_\_\_ shares of common stock if the underwriters exercise their option to purchase additional shares). Of the outstanding shares, the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except that any shares held by our affiliates, as that term is defined under Rule 144 of the Securities Act (“Rule 144”), may be sold only in compliance with the limitations described below. The remaining outstanding shares of common stock will be deemed restricted securities, as defined under Rule 144. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144, which we summarize below.

### **Rule 144**

In general, under Rule 144 as in effect on the date of this prospectus, a person who is not one of our affiliates at any time during the three months preceding a sale, and who has beneficially owned shares of our common stock for at least six months, would be entitled to sell an unlimited number of shares of our common stock provided current public information about us is available and, after owning such shares for at least one year, would be entitled to sell an unlimited number of shares of our common stock without restriction. Our affiliates who have beneficially owned shares of our common stock for at least six months are entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which, upon consummation of this offering will be equal to approximately \_\_\_\_\_ shares (assuming no exercise of the underwriters’ over-allotment option), and
- the average weekly trading volume of our common stock on the \_\_\_\_\_ during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 by our affiliates are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

### **Lock-up Agreements**

In connection with this offering, we, our executive officers and directors, the Private Equity Consortium and Philips have agreed with the underwriters, subject to certain exceptions, not to sell, dispose of or hedge any of our shares of common stock or securities convertible into or exchangeable for shares of common stock, during the period ending \_\_\_\_\_ days after the date of this prospectus, except with the prior written consent of the representatives of the underwriters.

The \_\_\_\_\_-day restricted period described in the preceding paragraph will be automatically extended if:

- during the last 17 days of the \_\_\_\_\_-day restricted period we issue an earnings release or announces material news or a material event relating to us occurs; or
- prior to the expiration of the \_\_\_\_\_-day restricted period, we announce that we will release earnings results during the 15-day period following the last day of the \_\_\_\_\_-day period,

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in which case the restrictions described in this paragraph will continue to apply until the expiration of the -day period beginning on the issuance of the earnings release or the announcement of the material news or material event. See “Underwriting”.

***Registration Rights***

We intend to enter into registration rights agreements with our stockholders prior to the consummation of this offering, the terms of which are yet to be decided.

## DESCRIPTION OF INDEBTEDNESS

*The following contains a summary of the material provisions of our Secured Revolving Credit Facility, the Forward Start Revolving Credit Facility, our Super Priority Notes, our Existing Secured Notes, our Existing Unsecured Notes and the Collateral Agency Agreement. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents.*

*Terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the Secured Revolving Credit Facility agreement, the indenture related to our Super Priority Notes, our Existing Secured Notes, our Existing Unsecured Notes or the Collateral Agency Agreement, as the case may be.*

### **Secured Revolving Credit Facility**

Pursuant to the Secured Revolving Credit Facility, which has been entered into by, among others, KASLION Acquisition B.V. (to be converted into 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 (collectively, the "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, up to €500 million is available to us. We entered into the Secured Revolving Credit Facility on September 29, 2006.

### **Repayment**

The Secured Revolving Credit Facility will terminate on September 28, 2012, and any amount still outstanding will be due in full immediately on that date.

The Secured Revolving Credit Facility may be prepaid at any time, in whole or in part, without premium or penalty, except that any prepayment of EURIBOR or LIBOR advances other than at the end of the applicable interest periods shall be made with reimbursement for any funding losses and redeployment costs of the senior lenders resulting therefrom. Any amount repaid or prepaid, whether voluntarily or otherwise, may be re-borrowed, subject to certain conditions precedent to borrowing as specified in the Secured Revolving Credit Facility. The unutilized portion of any commitment under the Secured Revolving Credit Facility may be reduced or terminated by NXP B.V. and NXP Funding LLC at any time without penalty.

### **Interest Rates**

Loans under the Secured Revolving Credit Facility denominated in euros bear interest at a rate per annum (calculated on a 360-day basis) equal to EURIBOR plus the applicable margin (as defined below). Loans under the Secured Revolving Credit Facility denominated in U.S. dollars bear interest at a rate per annum (calculated on a 360-day basis) equal to, at our option, either (i) LIBOR plus the applicable margin or (ii) the alternate base rate (defined as the higher of (x) the prime rate quoted by Deutsche Bank AG, New York Branch and (y) the federal funds rate plus 0.50%) plus the applicable margin.

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The applicable margin means (i) until the date which is six months after the entering into of the amendment to the Secured Revolving Credit Facility, 2.75% per annum for EURIBOR and LIBOR advances, and 1.75% per annum for alternate base rate advances, and (ii) thereafter, a percentage per annum to be determined in accordance with the following net leverage-based pricing grid (defined as the ratio of total indebtedness less unrestricted cash to EBITDA, as defined).

<u>Net Leverage Ratio</u>	<u>EURIBOR or LIBOR Applicable Margin</u>	<u>Alternate Base Rate Applicable Margin</u>
>3.25	2.75%	1.75%
2.75 – 3.25	2.50%	1.50%
2.25 – 2.74	2.25%	1.25%
<2.25	2.00%	1.00%

NXP B.V. and NXP Funding LLC may select interest periods of one, two, three or six months for EURIBOR or LIBOR advances. Interest is payable at the end of the selected interest period, but no less frequently than quarterly. The applicable margin on all overdue amounts owing under the loan documentation will increase by 1% per annum.

### **Guarantees**

The obligations of NXP B.V. and NXP Funding LLC pursuant to the Secured Revolving Credit Facility will be unconditionally guaranteed, jointly and severally, on a senior secured basis by each of the following guarantors (each individually, a “Guarantor”):

<u>Country of incorporation</u>	<u>Guarantor</u>
The Netherlands	KASLION Acquisition B.V. (to be converted into NXP Semiconductors N.V.)
The Netherlands	NXP Semiconductors Netherlands B.V.
Austria	NXP Semiconductors Austria GmbH
France	NXP Semiconductors France SAS
Germany	NXP Semiconductors Germany GmbH
Hong Kong	NXP Semiconductors Hong Kong Ltd.
The Philippines	NXP Semiconductors Philippines Inc.
Singapore	NXP Semiconductors Singapore Pte. Ltd.
Taiwan	NXP Semiconductors Taiwan Ltd.
Thailand	NXP Manufacturing (Thailand) Ltd.
U.K.	NXP Semiconductors UK Ltd.
U.S.A.	NXP Semiconductors USA, Inc.

If we cannot make payments on the Secured Revolving Credit Facility when they are due, certain Guarantors must make them instead. The laws of certain jurisdictions limit the enforceability or require the limitation of certain guarantees and of the rights to the collateral supporting such guarantees.

### **Security for the Secured Revolving Credit Facility**

KASLION Acquisition B.V. (to be converted into NXP Semiconductors N.V.), NXP B.V. and NXP Funding LLC and each of the Guarantors (except in the case of the Guarantor organized in the Philippines) have granted to the Collateral Agent, for the benefit of the senior lenders and letter of credit issuers, subject to agreed security principles, valid and perfected first priority liens and security interests in (i) all present and future shares of capital stock of (or other ownership or profit interests in) each of their present and future subsidiaries, other than SMST Unterstützungskasse GmbH, and material joint venture entities, including all of the equity interests in NXP B.V. and NXP Funding LLC; (ii) all present and future intercompany debt; (iii) all of their present and future property and assets, real and personal, including, but not limited to, machinery and equipment, inventory

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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 and tax refunds, but excluding cash and bank accounts; and (iv) all proceeds and products of the property and assets described in clauses (i), (ii) and (iii) above (collectively, the “Collateral”). The Philippines subsidiary has provided a conditional assignment of all of the above assets.

Such Collateral ratably secures the relevant party’s obligations in respect of the Secured Revolving Credit Facility, any interest rate swap or similar agreements with a senior lender under the Secured Revolving Credit Facility (or any of its affiliates), the Super Priority Notes and the Existing Secured Notes in accordance with the terms of the collateral agency agreement, as described below (the “Collateral Agency Agreement”). The Collateral Agency Agreement provides that the senior lenders under the Secured Revolving Credit Facility and certain other obligations, including those under the Super Priority Notes and the Existing Secured Notes, receive priority in right of payment in the event of a foreclosure on any of the Collateral or in insolvency proceeding to satisfy any obligations under the Secured Revolving Credit Facility, the Super Priority Notes or the Existing Secured Notes.

The agreed security principles limit the obligation to provide security and guarantees based on certain legal, commercial and practical difficulties in obtaining effective security or guarantees from relevant companies in jurisdictions in which the company operates, and include, among others:

- obstacles such as general statutory limitations, financial assistance, corporate benefit, fraudulent preference, “thin capitalization” rules, retention of title claims and similar matters;
- the lack of legal capacity of the relevant company, a conflict with the fiduciary duties of such company’s directors, the contravention of any legal prohibition or regulatory condition, or the material risk of personal or criminal liability for officers or directors;
- applicable costs of obtaining the security disproportionate to the benefit to the lenders;
- the impossibility or impracticability to create a security over certain categories of assets;
- the prohibition to charge certain assets because they are subject to contracts, leases, licenses or other arrangements with a third party that effectively prevent those assets from being charged;
- a material adverse effect on the ability of the relevant obligor to conduct its operations and business in the ordinary course as otherwise permitted;
- in the case of accounts receivable, a material adverse effect on either NXP B.V., NXP Funding LLC or a Guarantor’s relationship with or sales to the customer generating such receivables or material legal or commercial difficulties; and
- a limit on the aggregate amount of notarial costs and all registration and like taxes relating to the provision of security.

The above security principles are, where relevant, subject to customary exceptions and obligations of NXP B.V., NXP Funding LLC or the relevant Guarantor to use reasonable efforts to overcome such obstacles. A complete copy of the agreed security principles is available on request from us.

### ***Covenants***

The Secured Revolving Credit Facility contains customary negative covenants restricting, subject to certain exceptions and among other things, our ability to (i) incur additional indebtedness; (ii) create liens; (iii) pay dividends, redeem capital stock or make certain other restrictive payments or investments; (iv) enter into agreements that restrict dividends from restricted subsidiaries; (v) engage in transactions with affiliates; and (vi) effect a consolidation or merger. The Secured Revolving Credit Facility also requires us to deliver our financial statements to the administrative agent for distribution to each lender, and to observe (and to cause each

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of our restricted subsidiaries to observe), certain affirmative undertakings, subject to materiality and other customary and agreed exceptions. These affirmative undertakings include, but are not limited to, undertakings related to (i) payment of obligations, (ii) preservation of corporate existence and maintenance of assets (including intellectual property rights) and properties, (iii) maintenance of insurance, (iv) compliance with laws, (v) inspection rights, and (vi) use of proceeds. The Secured Revolving Credit Facility does not contain any financial maintenance covenants.

### ***Events of Default***

The Secured Revolving Credit Facility sets out certain customary events of default, including a cross-default provision, the occurrence of which would allow the lenders to accelerate all outstanding loans and terminate their commitments. A change of control also constitutes an event of default.

### **Forward Start Revolving Credit Facility**

As stated in “Prospectus Summary—Recent Developments”, on April 15, 2010, we entered into a Commitment Letter under which various lenders agreed to enter into a Forward Start Revolving Credit Facility, which becomes available, subject to certain conditions, on September 28, 2012, and matures on September 28, 2015, to replace our existing Secured Revolving Credit Facility. 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 specified terms and conditions, and will mature on September 28, 2015. We expect that between €400 million and €500 million of borrowing capacity will be available to us under the Forward Start Revolving Credit Facility. The conditions to the use of the Forward Start Revolving Credit Facility include specified closing conditions, and also (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 reduce by 50%), and (ii) that we issue on or before September 28, 2012, securities with gross proceeds of \$500 million, having a maturity 180 days after the maturity of the Forward Start Revolving Credit Facility, the proceeds of which are being used to refinance debt that matures before the maturity of the Forward Start Revolving Credit Facility.

Loans under the Forward Start Revolving Credit Facility denominated in euros bear interest at a rate per annum (calculated on a 360-day basis) equal to EURIBOR plus 5.5% and loans under the Forward Start Revolving Credit Facility denominated in U.S. dollars bear interest at a rate per annum (calculated on a 360-day basis) equal to LIBOR plus 5.5%, unless our consolidated net debt is below \$3,250 million on September 28, 2012, in which case the applicable margin is 4% over, respectively, LIBOR or EURIBOR.

The Forward Start Revolving Credit Facility will have substantially the same covenants as our existing Secured Revolving Credit Facility.

### **Super Priority Notes**

#### ***Overview***

We initially issued the Super Priority Notes in private offers to exchange our Existing Secured Notes and Existing Unsecured Notes for such Super Priority Notes on April 2, 2009. As of December 31, 2009, we had an aggregate principal amount of \$29 million of Euro Super Priority Notes and an aggregate principal amount of \$221 million of Dollar Super Priority Notes outstanding.

#### ***Interest Rate***

The Super Priority Notes accrue interest at the rate of 10% per annum and mature on July 15, 2013. Interest on the Super Priority Notes is payable on January 15 and July 15 of each year, commencing on July 15, 2009. Interest accrued from the issue date of the Super Priority Notes.

### ***Prepayments and Redemptions***

We may redeem all or part of the Super Priority Notes at any time at established redemption prices.

We may also redeem a series of the New Super Priority Notes in whole, but not in part, at any time, upon giving proper notice, if changes in tax laws impose certain withholding taxes on amounts payable on that series of the Super Priority Notes. If we decide to do this, we must pay the holders a price equal to the principal amount of that series of the Super Priority Notes plus accrued interest and certain other amounts.

If we experience a change of control, we will be required to offer to repurchase the Super Priority Notes at 101% of their principal amount plus accrued and unpaid interest.

### ***Guarantee***

The Super Priority Notes are guaranteed, jointly and severally, on a senior secured basis by each of the Guarantors under the Secured Revolving Credit Facility, other than NXP Semiconductors N.V. and NXP Semiconductors France SAS. If we cannot make payments on the Super Priority Notes when they are due, certain Guarantors must make them instead. The laws of certain jurisdictions limit the enforceability or require the limitation of certain guarantees and of the rights to the collateral supporting such guarantees.

### ***Ranking***

The Super Priority Notes rank:

- equal in right of payment with all of our and the Guarantors' existing and future senior indebtedness, including indebtedness under our Secured Revolving Credit Facility, the Existing Secured Notes and any other secured obligations and effectively ahead of our existing and future unsecured obligations, including the Existing Unsecured Notes, to the extent of the value of the Collateral;
- senior in right of payment to our and the Guarantors' existing and future subordinated indebtedness; and
- effectively junior to all of the liabilities, including trade payables, of our subsidiaries that have not guaranteed the Super Priority Notes in respect of claims against the assets of such subsidiaries.

The indebtedness and obligations under our Secured Revolving Credit Facility, the Super Priority Notes, the Existing Secured Notes and certain other existing and future indebtedness and obligations permitted under the Secured Revolving Credit Facility and the respective Indentures all benefit from liens over the Collateral. Under the terms of the Collateral Agency Agreement, in the event of a foreclosure on the Collateral or of insolvency proceedings, the holders of the Super Priority Notes, together with the lenders under the Secured Revolving Credit Facility and any other permitted super priority debt will receive proceeds from the Collateral prior to the holders of the Existing Secured Notes.

### ***Certain Covenants and Events of Default***

The indenture governing our Super Priority Notes contains a number of covenants that, among other things, restricts, subject to certain exceptions, our ability to:

- incur additional indebtedness;
- create liens;
- pay dividends, redeem capital stock or make certain other restrictive payments or investments;
- enter into agreements that restrict dividends from restricted subsidiaries;
- engage in transactions with affiliates; and
- effect a consolidation or merger.

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These covenants are subject to a number of important qualifications and exceptions and will be suspended with respect to any series of Super Priority Notes if and when, and for so long as, such series is rated investment grade.

In addition, the indenture governing our Super Priority Notes imposes certain requirements as to future subsidiary guarantors. The indenture governing our Super Priority Notes also contains certain customary certain customary events of default.

### **Existing Secured Notes**

#### ***Overview***

On October 5, 2006, we issued the Existing Secured Notes, consisting of €1 billion of Euro Floating Rate Secured Notes, \$1.535 billion of Dollar Floating Rate Secured Notes and \$1.026 billion of Dollar Fixed Rate Secured Notes, the net proceeds of which, together with the net proceeds of the issuance of the Existing Unsecured Notes, were used to pay for the purchase price in relation to the Formation.

On April 23, 2007, we filed a registration statement to exchange the Existing Secured Notes for publicly tradable notes having substantially identical terms.

As of December 31, 2009, we had an aggregate principal amount of \$1,214 million of Euro Floating Rate Secured Notes, an aggregate principal amount of \$1,201 million of Dollar Floating Rate Secured Notes and an aggregate principal amount of \$845 million of Dollar Fixed Rate Secured Notes outstanding.

#### ***Interest Rate***

The Euro Floating Rate Secured Notes accrue interest at three-month EURIBOR plus 2.75% per annum and the Dollar Floating Rate Secured Notes accrue interest at three-month LIBOR plus 2.75% per annum. The Euro Floating Rate Secured Notes and the Dollar Floating Rate Secured Notes mature on October 15, 2013. Interest on the Euro Floating Rate Secured Notes and the Dollar Floating Rate Secured Notes is payable quarterly on January 15, April 15, July 15 and October 15 of each year, commencing January 15, 2007. Interest accrued from the issue date of the notes.

The Dollar Fixed Rate Secured Notes accrue interest at the rate of 7 <sup>7</sup>/<sub>8</sub>% per annum and mature on October 15, 2014. Interest on the Dollar Fixed Rate Secured Notes is payable semi-annually on April 15 and October 15 of each year, commencing April 15, 2007. Interest accrued from the issue date of the notes.

#### ***Prepayments and Redemptions***

We may redeem all or part of the Euro Floating Rate Secured Notes and the Dollar Floating Rate Secured Notes at any time at established redemption prices. We may redeem all or part of the Dollar Fixed Rate Secured Notes on or after October 15, 2010, at established redemption prices. Prior to October 15, 2010, we may redeem all or part of the Dollar Fixed Rate Secured Notes at a price equal to 100% of the principal amount of our Dollar Fixed Rate Secured Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium.

We may also redeem each series of the Existing Secured Notes in whole, but not in part, at any time, upon giving proper notice, if changes in tax laws impose certain withholding taxes on amounts payable on that series of the notes. If we decide to do this, we must pay holders of the Existing Secured Notes a price equal to the principal amount of the notes plus interest and certain other amounts.

If we experience a change of control, we will be required to offer to repurchase the Existing Secured Notes at 101% of their principal amount plus accrued and unpaid interest.

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### ***Guarantee***

The Existing Secured Notes are fully and unconditionally guaranteed, jointly and severally, on a senior secured basis by each of the Guarantors under the Secured Revolving Credit Facility, other than NXP Semiconductors N.V. and NXP Semiconductors France SAS. If we cannot make payments on the Existing Secured Notes when they are due, certain Guarantors must make them instead. The laws of certain jurisdictions may limit the enforceability of certain guarantees and of the rights to the collateral supporting such guarantees.

### ***Ranking***

The Existing Secured Notes rank:

- equal in right of payment with all of our and the Guarantors' existing and future senior indebtedness but, together with indebtedness under our Secured Revolving Credit Facility, the Super Priority Notes and any other first lien credit facilities and secured obligations, effectively senior in right of payment to our existing and future unsecured obligations, including the Existing Unsecured Notes, to the extent of the value of the Collateral;
- senior in right of payment to our and the Guarantors' existing and future subordinated indebtedness; and
- effectively junior in right of payment to all of the liabilities, including trade payables, of our subsidiaries that have not guaranteed the notes.

With respect to the Collateral, the indebtedness and obligations under the Existing Secured Notes, our Secured Revolving Credit Facility and Super Priority Notes have first priority liens. Under the terms of the Collateral Agency Agreement, however, in the event of a foreclosure on the Collateral or insolvency proceedings, the holders of the Existing Secured Notes will receive proceeds from the Collateral only after the lenders under the Secured Revolving Credit Facility and any hedging agreements provided by such lenders or their affiliates and the holders of the Super Priority Notes have been repaid.

### ***Certain Covenants and Events of Default***

The indenture governing our Existing Secured Notes contains a number of covenants that, among other things, restricts, subject to certain exceptions, our ability 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.

These covenants are subject to a number of important qualifications and exceptions and will be suspended with respect to any series of Existing Secured Notes if and when, and for so long as, such series is rated investment grade.

In addition, the indenture governing our Existing Secured Notes imposes certain requirements as to future subsidiary guarantors. The indenture governing our Existing Secured Notes also contains certain customary events of default.

## Existing Unsecured Notes

### Overview

On October 5, 2006, we issued the Existing Unsecured Notes, consisting of €525 million of Euro Unsecured Notes and \$1.250 billion of Dollar Unsecured Notes, the net proceeds of which, together with the net proceeds of the issuance of the Existing Secured Notes, were used to pay for the purchase price in relation to the Formation.

On April 23, 2007, we have filed a registration statement to exchange the Existing Unsecured Notes for publicly tradable notes having substantially identical terms.

As of December 31, 2009, we had an aggregate principal amount of \$427 million of Euro Unsecured Notes and an aggregate principal amount of \$788 million of Dollar Unsecured Notes outstanding.

### Interest Rate

The Euro Unsecured Notes accrue interest at the rate of 8<sup>5</sup>/<sub>8</sub>% per annum. The Dollar Unsecured Notes accrue interest at the rate of 9<sup>1</sup>/<sub>2</sub>% per annum. Both sets of the Existing Unsecured Notes mature on October 15, 2015. Interest on the Existing Unsecured Notes is payable semi-annually on April 15 and October 15 of each year, commencing April 15, 2007. Interest accrued from the issue date of the notes.

### Prepayments and Redemptions

We may redeem all or part of the Existing Unsecured Notes on or after October 15, 2011, at established redemption prices. Prior to October 15, 2011, we may redeem all or part of the Existing Unsecured Notes at a price equal to 100% of the principal amount of our Dollar Fixed Rate Secured Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium.

We may also redeem each series of the Existing Unsecured Notes in whole, but not in part, at any time, upon giving proper notice, if changes in tax laws impose certain withholding taxes on amounts payable on that series of the notes. If we decide to do this, we must pay you a price equal to the principal amount of the notes plus interest and certain other amounts.

If we experience a change of control, we will be required to offer to repurchase the Existing Unsecured Notes at 101% of their principal amount plus accrued and unpaid interest.

### Guarantee

The Existing Unsecured Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by each of the Guarantors under the Secured Revolving Credit Facility, other than NXP Semiconductors N.V. and NXP Semiconductors France SAS. If we cannot make payments on the Existing Unsecured Notes when they are due, the Guarantors must make them instead. The laws of certain jurisdictions may limit the enforceability of certain guarantees and of the rights to the collateral supporting such guarantees.

### Ranking

The Existing Unsecured Notes rank:

- equal in right of payment with all of our and the Guarantors' existing and future senior indebtedness but effectively junior in right of payment to all our secured debt, including the Secured Revolving Credit Facility, the Super Priority Notes and the Existing Secured Notes, to the extent of the value of the Collateral;
- senior in right of payment to our and the Guarantors' existing and future senior subordinated and subordinated indebtedness; and
- effectively junior in right of payment to all of the liabilities of our subsidiaries that have not guaranteed the senior notes.

### ***Certain Covenants and Events of Default***

The indenture governing our Existing Unsecured Notes contains a number of covenants that, among other things, restricts, subject to certain exceptions, our ability 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.

These covenants are subject to a number of important qualifications and exceptions and will be suspended with respect to any series of Existing Unsecured Notes if and when, and for so long as, such series is rated investment grade.

In addition, the indenture governing our Existing Unsecured Notes imposes certain requirements as to future subsidiary guarantors. The indenture governing our Existing Unsecured Notes also contains certain customary events of default.

### **Collateral Agency Agreement**

The various security documents entered into, and the Collateral granted in respect of, the Secured Revolving Credit Facility, the Indentures and the guarantees supporting the obligations thereunder (collectively, the “Secured Agreements”), are administered by the Collateral Agent for the benefit of all holders of secured obligations under such agreements. To establish the rights and responsibilities of the Collateral Agent, and to determine the order of priority for proceeds realized by the Collateral Agent from the Collateral and upon insolvency, NXP Semiconductors N.V., NXP B.V., NXP Funding LLC and each of the Guarantors have entered into the Collateral Agency Agreement with, among others, the Collateral Agent. Any subsidiaries of NXP B.V. and NXP Funding LLC that will become guarantors under any Secured Agreement are expected to accede to the Collateral Agency Agreement. The secured parties under the Collateral Agency Agreement are, among others, (i) the lenders and letter of credit issuers under the Secured Revolving Credit Facility and (ii) the holders of the Super Priority Notes and Existing Secured Notes. In certain circumstances holders of additional secured indebtedness of the NXP B.V. and NXP Funding LLC may accede to the Collateral Agency Agreement as secured parties.

Following the occurrence of an enforcement event under a secured agreement, the relevant secured party may deliver to the Collateral Agent an enforcement notice, instructing the Collateral Agent to take enforcement action under the Collateral Agency Agreement and the various security documents (as specified in the Collateral Agency Agreement). In such case, the Collateral Agent shall foreclose upon the Collateral, exercising any and all remedies available to it under the security documents, the Collateral Agency Agreement and at law. Proceeds realized by the Collateral Agent from the Collateral (and in insolvency proceedings) will be applied:

- *first*, to amounts owing to the Collateral Agent in its capacity as such and amounts owing to each facility agent in its capacity as such and the trustee in its capacity as such, in accordance with the terms of the applicable indenture and amounts owing as fees payable to letters of credit issuers under the senior secured revolving credit facility;
- *second*, to amounts owing to the holders of obligations under the Secured Revolving Credit Facility and the holders of the Super Priority Notes secured by the Collateral (including hedging agreements)

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with lenders thereunder or their affiliates), in accordance with the terms of the Secured Revolving Credit Facility (including hedging agreements with lenders thereunder or their affiliates) and the terms of the indenture for the Super Priority Notes, and any other super priority debt;

- *third*, ratably to amounts owing to the holders of the Existing Secured Notes, in accordance with the terms of the Existing Secured Notes Indenture; and
- *fourth*, to the company and/or other persons entitled thereto.

All liens granted by the lien grantors under the security documents will terminate upon receipt by the Collateral Agent of a written confirmation from the required secured parties that the applicable secured obligations have been paid and performed in full and all commitments under the applicable secured agreements have been terminated.

## CERTAIN TAX CONSIDERATIONS

### Summary of Dutch Tax Considerations

The following description of the material Dutch tax consequences of the ownership and disposition of our shares of common stock 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 shares of common stock in the Company. 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.

Prospective stockholders should consult their tax adviser regarding the tax consequences of any purchase, ownership or disposal of shares.

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 or on behalf of the Netherlands or any of its subdivisions or taxing authorities. 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, 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

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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

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- 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:

- (ii) the stockholder is, or is deemed to be, resident in the Netherlands for Dutch (corporate) income tax purposes;
- (iii) the stockholder is an individual and the stockholder has opted to be treated as resident in the Netherlands for purposes of Dutch income tax;
- (iv) 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;
- (v) 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;
- (vi) 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
- (vii) 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

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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.

### **United States Federal Income Tax Consequences**

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.

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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 pay Dutch withholding taxes) 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) will be includable in your gross income as ordinary income on the day actually or constructively received by you. 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, 2011 from a qualified foreign corporation may be subject to reduced rates of taxation. Although no assurance can be given in this regard, we believe we are a qualified foreign corporation for this purpose.

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However, 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. 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, Dutch withholding taxes on dividends will be treated as foreign taxes eligible for credit against your United States federal income tax liability. However, Dutch dividend withholding tax will likely 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—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***

In general, a foreign corporation will be treated as a passive foreign investment company (a “PFIC”) for any taxable year in which (i) at least 75% of its gross income is passive, or (ii) 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. Based on the projected composition of our income and valuation of our assets, including goodwill, we do not expect to be 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. If, however, we are or become a PFIC, you could be subject to additional United States federal income taxes on gain recognized with respect to the shares and on certain distributions, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules. 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, 2011, if we are a PFIC in the taxable year in which such dividends are paid or in the preceding 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. Such gain or loss will generally be capital gain or loss. Capital gains of individuals derived

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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.

## UNDERWRITING

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the number of shares of common stock indicated below:

<u>Name</u>	<u>Number of Shares of Common Stock</u>
Credit Suisse Securities (USA) LLC	
Goldman, Sachs & Co.	
Morgan Stanley & Co. Incorporated	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Barclays Capital Inc.	
	Total: _____

The underwriters and the representatives are collectively referred to as the “underwriters” and the “representatives,” respectively. The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares of common stock covered by the underwriters’ over-allotment option described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers (which may include the underwriters, at such offering price less a selling concession not in excess of \$ \_\_\_\_\_ per share of common stock). After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives. The offering of the shares of common stock by the underwriters is subject to receipt and acceptance and subject to the underwriters’ right to reject any order in whole or in part.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to \_\_\_\_\_ additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts, commissions and any dividends declared by the Company and payable on the shares of common stock offered as described above but not the additional shares of common stock. The representatives on behalf of the underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter’s name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

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The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional \_\_\_\_\_ shares of common stock.

	<u>Per Share of Common Stock</u>		<u>Total</u>	
	<u>No Exercise</u>	<u>Full Exercise</u>	<u>No Exercise</u>	<u>Full Exercise</u>
Public offering price				
Underwriting discounts and commissions to be paid by us				
Proceeds, before expenses, to be paid to us				

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately \$ \_\_\_\_\_, which includes legal, accounting, printing costs and various other fees associated with registering and listing our shares of common stock.

The underwriters have informed us that they do not intend to confirm sales to accounts over which they exercise discretionary authority in excess of 5% of the total number of shares of common stock offered by them.

Our shares of common stock have been approved for listing on the NASDAQ Global Market or the New York Stock Exchange under the trading symbol "\_\_\_\_\_".

We and certain of our directors, executive officers and stockholders have agreed that, without the prior written consent of \_\_\_\_\_, we and they will not, during the period ending \_\_\_\_\_ days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock;
- file any registration statement with the Securities and Exchange Commission relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock;

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. In addition, each such person agrees that, without the prior written consent of \_\_\_\_\_, it will not, during the period ending \_\_\_\_\_ days after the date of this prospectus, make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock. The restrictions described herein are subject to certain exceptions.

The \_\_\_\_\_ day restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the 180-day restricted period we issue an earnings release or a material news event relating to us occurs, or
- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16 day period beginning on the last day of the 180-day period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18 day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

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In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act or contribute to payments the underwriters may be required to make in respect thereof.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

From time to time, certain of the underwriters and their affiliates have performed, and may in the future perform, various financial advisory, commercial banking, investment banking and other services for us and our affiliates in the ordinary course of their business, for which they received or will receive customary fees and expenses.

With respect to the offerings by NXP B.V. of Dollar Floating Rate Secured Notes, Euro Floating Rate Secured Notes, Dollar Fixed Rate Secured Notes, Euro Unsecured Notes and Dollar Unsecured Notes due 2015, Morgan Stanley & Co. Incorporated, Merrill Lynch, Pierce, Fenner and Smith Incorporated and Banc of America Securities LLC, an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated served as initial purchasers and placement agents.

With respect to NXP B.V.'s Senior Secured Credit Facility, (1) Morgan Stanley Senior Funding, Inc., an affiliate of Morgan Stanley & Co. Incorporated, served as administrative agent, global collateral agent and lender, (2) Morgan Stanley Bank International Limited, an affiliate of Morgan Stanley & Co. Incorporated, served as joint lead arranger and joint lead bookrunner, (3) Merrill Lynch, Pierce, Fenner & Smith Incorporated served as joint lead arranger and joint lead bookrunner, (4) Merrill Lynch Capital Corporation, an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, served as documentation agent and lender and (5) Bank of America, N.A., an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, served as lender.

With respect to the 2009 exchange offer for certain of NXP B.V.'s outstanding notes, Morgan Stanley & Co. Incorporated and its affiliate, Morgan Stanley & Co. International plc, acted as dealer managers.

On April 15, 2010, Credit Suisse AG, Cayman Islands Branch, Goldman Sachs Lending Partners LLC, Morgan Stanley Senior Funding, Inc., Merrill Lynch International Bank Limited, London Branch and Barclays Bank PLC, affiliates of Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., Morgan Stanley & Co.

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Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Barclays Capital Inc., respectively, entered into the Commitment Letter with respect to the Forward Start Revolving Credit Facility to refinance our existing Secured Revolving Credit Facility. Under the proposed terms of the Forward Start Revolving Credit Facility, (i) Morgan Stanley Senior Funding, Inc, an affiliate of Morgan Stanley & Co. Incorporated, would act as administrative agent and global collateral agent; (ii) Credit Suisse Securities (USA) LLC, Goldman Sachs International, an affiliate of Goldman, Sachs & Co., Morgan Stanley Bank International Limited, an affiliate of Morgan Stanley & Co. Incorporated, Merrill Lynch International, an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Barclays Capital, an affiliate of Barclays Capital Inc., would act as joint lead arrangers and joint bookrunners; and (iii) Credit Suisse AG, Cayman Islands Branch, Goldman Sachs Lending Partners LLC, Morgan Stanley Bank International Limited, Merrill Lynch International Bank Limited, London Branch, and Barclays Bank PLC, affiliates of Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Barclays Capital Inc., respectively, would serve as initial lenders.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the underwriters and their respective affiliates have made or held, and may in the future make or hold, a broad array of investments and may have actively traded, and, in the future may actively trade, debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may have in the past and at any time in the future hold long and short positions in such securities and instruments. Such investment and securities activities may have involved, and in the future may involve, securities and instruments of the issuer.

Affiliates of several of the underwriters are lenders under our Secured Revolving Credit Facility and/or holders of our existing notes, some of which may be repaid with a portion of the net proceeds from this offering. As a result, some of the underwriters or their affiliates may receive part of the proceeds of this offering by reason of the repayment of our indebtedness. These underwriters, through their affiliates, may be deemed to receive financial benefits as a result of the consummation of this offering beyond the benefits customarily received by underwriters in similar offerings.

As a result of the Formation, we are a subsidiary of KASLION Holding B.V., a Dutch private company with limited liability in which an affiliate of Kohlberg Kravis Roberts & Co. (“KKR”) shares control. Affiliates of Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated have indirect interests in a portion of our capital stock through their investments in private equity funds controlled by KKR which in turn have an indirect interest in our capital stock through their investments in KASLION Holding B.V.

### **Pricing of the Offering**

Prior to this offering, there has been no public market for our common stock. The initial public offering price was determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price were our future prospects and those of our industry in general, our sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours.

### **Selling Restrictions**

No action has been taken in any jurisdiction (except in the United States) that would permit a public offering of the shares of common stock, or the possession, circulation or distribution of this prospectus or any other material relating to us or the shares of common stock in any jurisdiction where action for that purpose is required. Accordingly, the shares of common stock may not be offered or sold, directly or indirectly, and neither this

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prospectus nor any other offering material or advertisements in connection with the shares of common stock may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

### ***European Economic Area***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, an offer of shares of common stock to the public in that Member State may not be made other than an offer:

- at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or
- at any time in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive;

provided that no such offer of shares of common stock shall result in a requirement that we or any underwriter publish a prospectus under Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an “offer of shares of common stock to the public” in relation to any shares of common stock in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares of common stock to be offered so as to enable an investor to decide to purchase or subscribe the shares of common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in that Member State.

### ***United Kingdom***

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (Qualified Investors) that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

### ***Switzerland***

This document, as well as any other material relating to the shares of common stock which are the subject of the offering contemplated by this prospectus, do not constitute an issue prospectus pursuant to Article 652a and/or 1156 of the Swiss Code of Obligations. The shares of common stock will not be listed on the SIX Swiss Exchange and, therefore, the documents relating to the shares of common stock, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange. The shares of

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common stock are being offered in Switzerland by way of a private placement, i.e., to a small number of selected investors only, without any public offer and only to investors who do not purchase the shares of common stock with the intention to distribute them to the public. The investors will be individually approached by the issuer from time to time. This document, as well as any other material relating to the shares of common stock, is personal and confidential and do not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without express consent of the issuer. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

### ***Hong Kong***

The shares of common stock may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares of common stock may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares of common stock which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

### ***Singapore***

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares of common stock may not be circulated or distributed, nor may they be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares of common stock are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares of common stock under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

### ***Japan***

The shares of common stock have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any shares of common stock, directly or indirectly, in Japan or to, or for the benefit of, any

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resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

### ***Dubai International Financial Centre***

This document relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The shares of common stock which are the subject of the offering contemplated by this prospectus may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares of common stock offered should conduct their own due diligence on such shares. If you do not understand the contents of this document you should consult an authorized financial adviser.

## LEGAL MATTERS

The validity of our common stock offered hereby will be passed upon for us by Simpson Thacher & Bartlett LLP, as to matters of U.S. Federal and New York State law, and by De Brauw Blackstone Westbroek N.V., as to matters of Dutch law. Certain legal matters in connection with this offering will be passed upon for the underwriters by David Polk & Wardwell LLP, as to matters of U.S. Federal and New York State law, and by Stibbe N.V., as to matters of Dutch law. Certain partners of Simpson Thacher & Bartlett LLP, members of their respective families, related persons and others have an indirect interest, through limited partnerships that are investors in funds affiliated with Kohlberg Kravis Roberts & Co. and Silver Lake, in less than 1% of our common stock.

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## EXPERTS

The 2007 and 2008 consolidated financial statements of KASLION Acquisition B.V. included in this prospectus have been audited by Deloitte Accountants B.V., an independent registered public accounting firm, as stated in their report appearing herein. Such financial statements have been so included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of KASLION Acquisition B.V. as of December 31, 2009, and for the year then ended, have been included herein in reliance upon the report of KPMG Accountants N.V., independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

Deloitte Accountants B.V. and KPMG Accountants N.V. are governed by Dutch law in the Netherlands and are members of the Royal Dutch Institute of Registered Accountants (Royal NIVRA).

In accordance with the procedures laid down in the our policy on auditor independence and as mandatory required by Dutch law, our external auditor is appointed by the general meeting of stockholders on the proposal of the supervisory board, after the latter has been advised by NXP B.V.'s audit committee. Under our auditor policy, our supervisory board and NXP B.V.'s audit committee conduct a thorough assessment of the functioning of the external auditor once every three years and appoint a new external auditor once every three years, based on a competitive selection process. Following such process, upon the proposal of our supervisory board and NXP B.V.'s audit committee, our stockholders have engaged KPMG Accountants N.V. to serve as our new independent auditors for the reporting periods commencing January 1, 2009. The engagement of Deloitte Accountants B.V. was terminated on the same date. The change of external auditors was recommended by our supervisory board and NXP B.V.'s audit committee. Upon the Corporate Conversion, the responsibilities of our supervisory board and NXP B.V.'s audit committee will be taken over by our board of directors and NXP B.V.'s audit committee. During the fiscal years ended December 31, 2006, 2007 and 2008, and for the fiscal year ended December 31, 2009 or any period after that, there have been no disagreements, respectively, with Deloitte Accountants B.V. or KPMG Accountants N.V. on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure and, during such periods, none of the reports on our financial statements issued by either Deloitte Accountants B.V. or KPMG Accountants N.V. contained an adverse opinion or a disclaimer of opinion, or was qualified or modified as to uncertainty, audit scope, or accounting principles.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-1 under the Securities Act with respect to the shares of common stock offered in this prospectus. This prospectus is a part of the registration statement and does not contain all of the information set forth in the registration statement. The rules and regulations of the SEC allow us to omit from this prospectus certain information included in the registration statement. For further information about us and our common stock, you should refer to the registration statement. This prospectus summarizes material provisions of contracts and other documents. Since the prospectus may not contain all of the information that you may find important, you should review the full text of these contracts and other documents. We have included or incorporated by reference copies of these documents as exhibits to our registration statement.

For further information about us and our common stock, you may inspect a copy of the registration statement and the exhibits and schedules to the registration statement without charge at the offices of the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States. You may obtain copies of all or any part of the registration statement from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, United States, upon the payment of the prescribed fees. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Securities and Exchange Commission maintains a Web site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants like us that file electronically with the SEC. You can also inspect our registration statement on this website.

We also intend to provide our stockholders with annual reports containing financial statements audited by our independent auditors.

## GLOSSARY

<b>32 bit ARM microcontrollers</b>	Microcontroller based on a 32-bit processor core developed and licensed by ARM Technologies.
<b>AC-DC</b>	Conversion of alternating current to direct current.
<b>Analog</b>	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.
<b>ASIC</b>	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.
<b>AUP</b>	Advanced Ultra low Power, is the smallest, high-performance, low voltage logic available.
<b>Back-end</b>	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.
<b>BCD-SOI</b>	A mixed-signal silicon-on-insulator process technology combining Bipolar, CMOS and DMOS devices.
<b>BCDMOS</b>	Bipolar CMOS DMOS. A process technology that combines elements of bipolar, CMOS and DMOS technology and is capable of handling high voltages.
<b>BiCMOS</b>	A process technology that combines bipolar and CMOS processes, typically by combining digital CMOS circuitry with higher voltage or higher speed bipolar circuitry.
<b>Bipolar</b>	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.
<b>CAN tuner</b>	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.
<b>CAN</b>	Controller Area Network. A network technology used in automotive network architecture.
<b>CATV</b>	An abbreviation for cable television.
<b>Car access and immobilizers</b>	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.
<b>Chip</b>	Semiconductor device.
<b>CFL</b>	Compact Fluorescent Light. A type of fluorescent lamp designed to replace an incandescent lamp, while using less power and increasing rated life.

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<b>CMOS</b>	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.
<b>Coolflux DSP</b>	A low power digital signal processor designed for mobile audio applications.
<b>Cordless and VoIP</b>	Cordless and Voice Over Internet Protocol. A cordless and VoIP terminal operating on a wireless local area network allows cordless telephony on private networks.
<b>Digital</b>	A form of transmission where data is represented by a series of bits or discrete values such as 0 and 1.
<b>Diode</b>	A semiconductor that allows currents to flow in one direction only.
<b>Discrete semiconductors</b>	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.
<b>DMOS</b>	Diffused Metal on Silicon Oxide Semiconductor. A process technology used to manufacture integrated circuits that can operate at high voltage.
<b>DSP</b>	Digital signal processor. A specialized microprocessor optimized to process sequences of numbers or symbols which represent signals.
<b>DVB-T2</b>	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.
<b>e-Passport</b>	A passport with secure data source chip used in providing personalized information.
<b>ESD</b>	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.
<b>EURIBOR</b>	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.
<b>EZ-HV</b>	A silicon-on insulator process technology that allows high-voltage to be integrated alongside low-voltage analog and digital circuitry on commercial silicon chips more easily than in conventional silicon-on-insulator ICs.
<b>Fab (or wafer fab)</b>	A semiconductor fabrication facility in which front-end manufacturing processes take place.
<b>Fabless semiconductor company</b>	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.

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<b>FlexRay</b>	A new communications protocol designed for the high data transmission rates required by advanced automotive control systems.
<b>Foundry</b>	A semiconductor manufacturer that manufactures chips for third parties.
<b>Front-end</b>	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.
<b>GPS</b>	Global Positioning System.
<b>HC/T</b>	First-generation family of logic devices that combines high speed with low power dissipation and is compatible with older logic families.
<b>HDMI</b>	High-Definition Multimedia Interface. A compact audio/video interface for transmitting uncompressed digital data.
<b>HID</b>	High-Intensity Discharge. HID lighting is a generally brighter, more energy efficient alternative to fluorescent or incandescent lighting.
<b>HVDMOS</b>	High Voltage Diffused Metal on Silicon Oxide Semiconductor. A process technology used to manufacture integrated circuits that can operate at high voltage.
<b>I<sup>2</sup>C</b>	A multi-master serial single-ended computer bus that is used to attach low-speed peripherals to a motherboard, embedded system or mobile phone.
<b>IC</b>	Integrated Circuit. A miniaturized electronic circuit that has been manufactured in the surface of a thin substrate of semiconductor material.
<b>ICN5 and ICN6</b>	NXP wafer fab facilities located in Nijmegen, Netherlands, processing 5" and 6" diameter wafers.
<b>In-process research and development</b>	The value allocated to incomplete research and development projects in acquisitions treated as purchases.
<b>IPTV</b>	Internet Protocol Television. A system through which digital television service is delivered using the internet.
<b>Leadframe</b>	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.
<b>LD MOS</b>	Laterally Diffused Metal Oxide Semiconductor. A transistor used in RF/microwave power amplifiers.
<b>LED</b>	Light Emitting Diode. A semiconductor device which converts electricity into light.
<b>LIN</b>	Local Interconnect Network. A network technology used in automotive network architecture.
<b>LNA</b>	Low-Noise Amplifier. An electronic amplifier used to amplify very weak signals.
<b>LVC</b>	Second-generation family of logic devices, using CMOS technology, that combines high speed with low power dissipation and is compatible with older logic families.

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<b>MR</b>	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.
<b>Magneto-resistive device</b>	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).
<b>Memory</b>	Any device that can store data in machine readable format. Usually used synonymously with random access memory and read only memory.
<b>MEMS</b>	Micro Electro Mechanical Systems. Tiny mechanical devices that are built onto semiconductor chips and are measured in micrometers.
<b>Microcontroller</b>	A microprocessor combined with memory and interface integrated on a single circuit and intended to operate as an embedded system.
<b>Micron</b>	A metric unit of linear measure which equals one millionth of a meter. A human hair is about 100 microns in diameter.
<b>MIFARE</b>	Trademarked name, owned by NXP, for the most widely used contactless smart card, or proximity card, technology, for payment in transportation systems.
<b>Mixed-signal</b>	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
<b>MMIC</b>	Monolithic Microwave Integrated Circuit. A type of integrated circuit device that operates at microwave frequencies.
<b>MOS</b>	Metal Oxide Semiconductor. A metal insulator semiconductor structure in which the insulating layer is an oxide of the substrate material.
<b>MOSFET</b>	Metal Oxide Semiconductor Field Effect Transistor. A device used for amplifying or switching electronic signals.
<b>Nanometer (nm)</b>	A metric unit of linear measure which equals one billionth of a meter. There are 1,000 nanometers in 1 micron.
<b>Near Field Communication</b>	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.
<b>ODM</b>	Original Design Manufacturer. A company which manufactures a product which ultimately will be branded by another firm for sale.
<b>OEM</b>	Original Equipment Manufacturer. A manufacturer that designs and manufactures its products for the end consumer market.
<b>Power MOS</b>	A specific type of metal oxide semiconductor designed to handle large amounts of power.
<b>Power scaling</b>	Design technique used to increase output power without changing the geometry, shape, or principle of operation.

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<b>Process technologies</b>	The technologies used in front-end processes to convert raw silicon wafers into finished wafers containing hundreds or thousands of chips.
<b>Rectifier</b>	An electrical device that converts alternating current to direct current.
<b>RF</b>	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.
<b>RF IC</b>	Radio Frequency Integrated Circuit. An integrated circuit containing analog circuitry operating at a frequency in and above the ultra-high frequency band.
<b>Radio Frequency Identification</b>	An RF chip used for identification.
<b>Semiconductors</b>	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.
<b>SiGe</b>	Silicon Germanium. A semiconductor material made from a blend of silicon and germanium.
<b>Silicon</b>	A type of semiconducting material used to make wafers. Silicon is widely used in the semiconductor industry as a base material.
<b>Silicon tuners</b>	Semiconductor devices for receiving broadcast television signals. Silicon tuners are expected to displace mechanical CAN tuners as the dominant technology in television receivers.
<b>SIM</b>	Subscriber Identity Module. A smart card that stores the key identifying a cellular phone service subscriber and related information.
<b>Solid State Lighting</b>	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.
<b>SPI</b>	Serial Peripheral Interface Bus. A synchronous serial data link standard that operates in full duplex mode.
<b>SS MOS</b>	Small signal power discrete including a metal oxide semiconductor field effect transistor.
<b>SS Diode</b>	Small signal discrete that allows current to flow in one direction only.
<b>SS Transistor</b>	A small signal transistor.
<b>Substrate</b>	The base material made from silicon on which an integrated circuit is printed.
<b>Telematics</b>	The science of sending, receiving and storing information via telecommunication devices.
<b>Thyristor</b>	A four-layer semiconductor that is often used for handling large amounts of electrical power.
<b>UART</b>	Universal Asynchronous Receiver/Transmitter. An integrated circuit used for serial communications over a computer or peripheral device serial port.

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<b>USB</b>	Universal Serial Bus. A standard that provides a serial bus standard for connecting devices, usually to a computer.
<b>VoIP</b>	Voice over Internet Protocol. The routing of voice conversations over the internet or any other internet protocol based network.
<b>WACC</b>	Weighted Average Cost of Capital. A calculation of a company's cost of capital in which each category of capital is proportionally weighted.
<b>Wafer</b>	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.
<b>White goods</b>	A term which refers to large household appliances such as refrigerators, stoves, dishwashers and other similar items.
<b>Yield</b>	The ratio of the number of usable products to the total number of manufactured products.

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**Report of Independent Registered Public Accounting Firm**

The Board of Management and Stockholders of KASLION Acquisition B.V.:

We have audited the accompanying consolidated balance sheet of KASLION Acquisition B.V. and subsidiaries (“the Company”) as of December 31, 2009, and the related consolidated statements of operations and comprehensive income, cash flows, and changes in equity for the year then ended. 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. 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 audit provides 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 KASLION Acquisition B.V. and subsidiaries as of December 31, 2009, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ KPMG Accountants N.V.

Amstelveen, the Netherlands, April 16, 2010

**Report of Independent Registered Public Accounting Firm**

We have audited the accompanying consolidated balance sheet of Kaslion Acquisition B.V. and subsidiaries (the "Company") as of December 31, 2008, and the related consolidated statements of operations and comprehensive income, changes in equity and cash flows for the years ended December 31, 2008 and 2007. 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements, present fairly, in all material respects, the financial position of Kaslion Acquisition B.V. and subsidiaries as of December 31, 2008, and the results of their operations and their cash flows for the years ended December 31, 2008 and 2007, in conformity with accounting principles generally accepted in the United States of America.

Deloitte Accountants B.V.

/s/ M.J. van der Vegte

Amsterdam, April 16, 2010

**Consolidated statements of operations and comprehensive income of KASLION Acquisition B.V.**

(\$ in millions, unless otherwise stated)	For the years ended December 31,		
	2007	2008	2009
Sales	6,321	5,443	3,843
Cost of sales	(4,276)	(4,225)	(2,874)
<b>Gross profit</b>	<b>2,045</b>	<b>1,218</b>	<b>969</b>
Selling expenses	(425)	(400)	(277)
General and administrative expenses:			
Impairment goodwill	—	(430)	—
Impairment other intangibles	—	(284)	—
Impairment assets held for sale	—	—	(69)
Other general and administrative expenses	(1,189)	(1,161)	(734)
Research and development expenses	(1,328)	(1,199)	(777)
Write-off of acquired in-process research and development	(15)	(26)	—
Other income (expense)	134	(364)	(12)
5,6 <b>Income (loss) from operations</b>	<b>(778)</b>	<b>(2,646)</b>	<b>(900)</b>
7 Financial income (expense):			
Extinguishment of debt	—	—	1,020
Other financial income (expense)	(181)	(614)	(338)
<b>Income (loss) before taxes</b>	<b>(959)</b>	<b>(3,260)</b>	<b>(218)</b>
8 Income tax benefit (expense)	396	(46)	(17)
<b>Income (loss) after taxes</b>	<b>(563)</b>	<b>(3,306)</b>	<b>(235)</b>
9 Results relating to equity-accounted investees	(40)	(268)	74
Net income (loss)	(603)	(3,574)	(161)
<b>Attribution of net income (loss) for the period:</b>			
Net income (loss) attributable to stockholders	(650)	(3,600)	(175)
Net income (loss) attributable to non-controlling interests	47	26	14
Net income (loss)	(603)	(3,574)	(161)
38 <b>Basic and diluted earnings per common share in \$</b>			
Weighted average number of shares of common stock outstanding during the year (in thousands)	100,000	3,604,192	4,305,030
Net income (loss)	(11.89) <sup>(1)</sup>	(0.99)	(0.04)
Net income (loss) attributable to stockholders	(12.36) <sup>(1)</sup>	(1.00)	(0.04)
<b>Consolidated statements of comprehensive income:</b>			
<b>Net income (loss)</b>	<b>(603)</b>	<b>(3,574)</b>	<b>(161)</b>
Unrealized gain (loss) on available for sale securities	—	6	—
Recognition funded status pension benefit plan	48	(38)	19
Unrealized gain (loss) on cash flow hedge	7	—	—
Foreign currency translation adjustments	275	145	65
Reclassifications into income	(20)	—	(78)
Income tax on net current period changes	6	7	(4)
<b>Total comprehensive income (loss)</b>	<b>(287)</b>	<b>(3,454)</b>	<b>(159)</b>
<b>Attribution of comprehensive income (loss) for the period:</b>			
Income (loss) attributable to stockholder	(334)	(3,480)	(173)
10 Income (loss) attributable to non-controlling interests	47	26	14
<b>Total net comprehensive income (loss)</b>	<b>(287)</b>	<b>(3,454)</b>	<b>(159)</b>

(1) For purposes of calculating net income attributable to common stockholders, net income includes the undeclared accumulated dividend on preferred stock of \$586 million in 2007. This right was extinguished in 2008.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated balance sheets of KASLION Acquisition B.V.

(\$ in millions, unless otherwise stated)		As of December 31,	
		2008	2009
<b>Assets</b>			
<b>Current assets</b>			
	Cash and cash equivalents	1,796	1,041
11	Securities	33	—
12,32	Receivables:		
	Accounts receivable—net	459	455
	Other receivables	58	113
		517	568
13	Assets held for sale	—	144
14	Inventories	630	542
8,15	Other current assets	212	227
	Total current assets	3,188	2,522
<b>Non-current assets</b>			
9	Investments in equity-accounted investees	158	43
16	Other non-current financial assets	18	35
8,17	Other non-current assets	469	604
18,29	Property, plant and equipment:		
	At cost	3,594	2,468
	Less accumulated depreciation	(1,787)	(1,107)
		1,807	1,361
19	Intangible assets excluding goodwill:		
	At cost	3,674	3,387
	Less accumulated amortization	(1,290)	(1,381)
		2,384	2,006
20	Goodwill	2,661	2,621
	Total non-current assets	7,497	6,670
	<b>Total</b>	<b>10,685</b>	<b>9,192</b>
<b>Liability and equity</b>			
<b>Current liabilities</b>			
32	Accounts payable	619	582
13	Liabilities held for sale	—	2
21	Accrued liabilities	983	756
8,22,23,24,30	Short-term provisions	129	269
25	Other current liabilities	120	88
26	Short-term debt	403	610
	Total current liabilities	2,254	2,307
<b>Non-current liabilities</b>			
27,29	Long-term debt	5,964	4,673
8,22,23,24,30	Long-term provisions	1,072	925
28	Other non-current liabilities	107	159
	Total non-current liabilities	7,143	5,757
29,30	Contractual obligations and contingent liabilities	—	—
<b>Equity</b>			
10	Non-controlling interests	213	198
31	Stockholder's equity:		
	Common stock, par value €0.01 per share:		
	Authorized: 20,000,000,000 shares	—	—
	Issued: 4,305,030,000 shares	42	42
	Capital in excess of par value	5,527	5,555
	Accumulated deficit	(5,044)	(5,219)
	Accumulated other comprehensive income (loss)	550	552
	Total stockholder's equity	1,075	930
	Total equity	1,288	1,128
	<b>Total</b>	<b>10,685</b>	<b>9,192</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated statements of cash flows of KASLION Acquisition B.V.**

(\$ in millions, unless otherwise stated)	For the years ended December 31,		
	2007	2008	2009
<i>Cash flows from operating activities:</i>			
<b>Net income (loss)</b>	(603)	(3,574)	(161)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	1,532	1,270	869
Write-off of in-process research and development	15	26	—
Impairment goodwill and other intangibles	—	714	—
Impairment assets held for sale	—	—	69
Net (gain) loss on sale of assets	(114)	369	(58)
Gain on extinguishment of debt	—	—	(1,045)
Results relating to equity-accounted investees	40	268	—
Dividends paid to non-controlling interests	(3)	(19)	(29)
<i>Changes in operating assets and liabilities:</i>			
(Increase) decrease in receivables and other current assets	(38)	159	(59)
(Increase) decrease in inventories	(70)	122	50
Increase (decrease) in accounts payable, accrued and other liabilities	495	(356)	(264)
Decrease (increase) in other non-current assets	(237)	(67)	(85)
Increase (decrease) in provisions	(233)	346	(34)
Other items	(251)	120	2
<b>Net cash provided by (used for) operating activities</b>	<b>533</b>	<b>(622)</b>	<b>(745)</b>
<i>Cash flows from investing activities:</i>			
Purchase of intangible assets	(37)	(36)	(8)
Capital expenditures on property, plant and equipment	(549)	(379)	(96)
Proceeds from disposals of property, plant and equipment	180	61	22
Proceeds from disposals of assets held for sale	—	130	—
Proceeds from the sale of securities	—	—	20
Purchase of other non-current financial assets	(6)	(14)	(2)
Proceeds from the sale of other non-current financial assets	4	10	1
Purchase of interests in businesses	(328)	(206)	—
Proceeds from sale of interests in businesses	172	1,449	141
Cash settlement agreement with Philips	(114)	—	—
<b>Net cash (used for) provided by investing activities</b>	<b>(678)</b>	<b>1,015</b>	<b>78</b>
<i>Cash flows from financing activities:</i>			
Net (repayments) borrowings of short-term debt	(22)	(6)	7
Amounts drawn under the revolving credit facility	—	400	400
Repayments under the revolving credit facility	—	—	(200)
Repurchase of long-term debt	—	—	(286)
Principal payments on long-term debt	—	—	(1)
Capital repayments to non-controlling interests	—	(78)	—
<b>Net cash provided by (used for) financing activities</b>	<b>(22)</b>	<b>316</b>	<b>(80)</b>
Effect of changes in exchange rates on cash positions	(24)	46	(8)
Increase (decrease) in cash and cash equivalents	(191)	755	(755)
Cash and cash equivalents at beginning of period	1,232	1,041	1,796
<b>Cash and cash equivalents at end of period</b>	<b>1,041</b>	<b>1,796</b>	<b>1,041</b>

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 KASLION Acquisition B.V.—(Continued)

(\$ in millions, unless otherwise stated)	For the years ended December 31,		
	2007	2008	2009
<i>Supplemental disclosures to the consolidated statements of cash flows</i>			
<b>Net cash paid during the period for:</b>			
Interest	460	483	391
Income taxes	21	84	58
<b>Net gain (loss) on sale of assets:</b>			
Cash proceeds from the sale of assets	356	1,650	184
Book value of these assets	(280)	(2,172)	(178)
Non-cash gains (losses)	38	153	52
	114	(369)	58
<b>Non-cash investing information:</b>			
Assets received in lieu of cash from the sale of businesses:			
Virage Logic shares/options	—	—	15
ST-NXP Wireless JV	—	341	—
DSPG shares	72	—	—
Others	—	13	5
<b>Other items:</b>			
Other items consist of the following non-cash elements in income:			
Exchange differences	(300)	87	(39)
Share-based compensation	28	27	28
Value adjustments/impairment financial assets	21	38	—
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
Others	—	(3)	—
	(251)	120	2

Consolidated statements of changes in equity of KASLION Acquisition B.V. as of December 31

(\$ in millions, unless otherwise stated)	Accumulated other comprehensive income (loss)								Total stockholders equity	Non-controlling interests	Total equity
	Common Stock	Capital in excess of par value	Accumulated deficit	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, 2006	133	5,381	(794)	106	—	—	8	114	4,834	213	5,047
Net income (loss)			(650)						(650)	47	(603)
Components of other comprehensive income:											
Adoption of FASB ASC Topic 715 (formerly SFAS 158)						48		48	48		48
Unrealized gain (loss) on cash flow hedge							7	7	7		7
Foreign currency translation adjustments				275				275	275		275
Reclassifications into income				1				(21)	(20)		(20)
Income tax on current period changes								6	6		6
Share-based compensation plans		28							28		28
Dividends distributed										(3)	(3)
Balance as of December 31, 2007	133	5,409	(1,444)	382	—	48	—	430	4,528	257	4,785
Net income (loss)			(3,600)						(3,600)	26	(3,574)
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				145				145	145		145
Income tax on current period changes						7		7	7		7
Restructuring of share capital	(91)	91									
Share-based compensation plans		27 <sup>(1)</sup>							27		27
Dividends distributed										(19)	(19)
Capital repayment										(78)	(78)
Changes in participations										27	27
Balance as of December 31, 2008	42	5,527	(5,044)	527	6	17	—	550	1,075	213	1,288
Net income (loss)			(175)						(175)	14	(161)
Components of other comprehensive income:											
Recognition of funded status pension benefit plan						19		19	19		19
Unrealized gain (loss) on available for sale securities											
Foreign currency translation adjustments				65				65	65		65
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)
<b>Balance as of December 31, 2009</b>	<b>42</b>	<b>5,555</b>	<b>(5,219)</b>	<b>520</b>	<b>—</b>	<b>32</b>	<b>—</b>	<b>552</b>	<b>930</b>	<b>198</b>	<b>1,128</b>

(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

**Notes to the consolidated financial statements of KASLION Acquisition B.V.**  
**All amounts in millions of \$ unless otherwise stated.**

**1 Introduction**

The consolidated financial statements include the accounts of KASLION Acquisition B.V. (expected to be converted into a Dutch public company with limited liability (*naamloze vennootschap*) and will change its name to NXP Semiconductors N.V.) and its consolidated subsidiaries. Unless the context otherwise requires, all references herein to “NXP”, “the Company” and “we” are to KASLION Acquisition B.V. and its consolidated subsidiaries, including NXP B.V.

The Company is a holding company, whose only material assets are the direct ownership of 100% of the shares of NXP B.V. NXP B.V. is a foreign private issuer that files its Form 20-F with the SEC. NXP’s headquarters are in the Netherlands and, 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 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 on September 28, 2006. Subsequently, on September 29, 2006, all of the issued and outstanding shares of this separate legal entity were acquired by NXP. We refer to our acquisition by the Company as the “Acquisition”.

In compliance with FASB ASC Topic 280 “Segment Reporting” (formerly SFAS 131) five segments are distinguished as reportable segments. The Company is structured in three market-oriented business segments: Automotive & Identification, MultiMarket Semiconductors and Home, which each represent a reportable operating segment. The two other reportable segments are Manufacturing Operations and Corporate and Other.

As from January 1, 2010, four segments are distinguished as business segments. NXP 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. We refer to note 37, “Restated Segmentation” for reflecting the effects of the new segments.

**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, NXP 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, NXP has applied the process described in the accounting policies.

The functional currency of the Company and the various entities within the NXP group have not been changed.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**Acquisition accounting**

As a result of the acquisition accounting applied to the Acquisition, the assets and liabilities reported in the consolidated balance sheet have changed substantially, as compared with their carrying values prior to the Acquisition. The allocation of the purchase price paid by the Company to Philips has been based on estimated fair values and is discussed below.

On September 29, 2006, Philips' semiconductor business was acquired by the Company for a purchase price of \$10,457 million, composed of a payment of \$5,264 million to Philips and assumed debt of \$4,833 million. The purchase price, together with the acquisition costs and adjusted for settlements, resulted in a total purchase price consideration of \$10,622 million.

After the Acquisition, NXP obtained a bridge loan facility of \$5,670 million, net of issuance costs of \$129 million, which was repaid with the proceeds from the issuance of \$5,836 million of euro-denominated and U.S. dollar-denominated notes, as described in more detail in note 27. On June 19, 2007, NXP 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. This exchange offer did not affect NXP's capitalization or outstanding debt.

NXP allocated the total purchase price to the assets acquired and liabilities assumed based on estimated fair values. During 2007, within the time frames permitted by applicable accounting standards, revisions to the preliminary allocations of the purchase price were made, which affected the fair value initially assigned to the assets and liabilities. These adjustments mainly related to the deferred income tax balances, since NXP was able to clarify the tax treatment of certain intangible assets with tax authorities resulting in the recognition of additional deferred tax liabilities and in an offsetting increase in goodwill. Furthermore, in 2007, NXP agreed on a final settlement to adjust the Acquisition purchase price with Philips, resulting in an additional payment to NXP of \$110 million. In addition, in 2009, NXP received \$21 million resulting primarily from the settlement of a tax uncertainty. Accordingly, the total purchase price of \$10,601 million is comprised of the following major categories of net assets:

Cash & cash equivalents	204
Inventories	1,057
Property, plant and equipment	3,053
Intangible assets	4,066
In-process research and development	660
Goodwill	3,096
Other assets	1,347
Liabilities and debt	<u>(2,882)</u>
Net assets	10,601

For further information about other acquisitions refer to note 4 "Acquisitions and divestments".

**2 Significant accounting policies and new standards after 2009****Principles for consolidated financial statements**

The consolidated financial statements include the accounts of the Company and NXP B.V., its wholly-owned subsidiary, together with their subsidiaries and all entities in which a NXP group company holds a direct or indirect controlling interest, whether through voting rights or through qualifying variable interests, in such a way that the Company would be required to absorb a majority of such entity's expected losses, receive a majority of the entity's expected residual returns, or both.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

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 non-controlling 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. NXP'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 NXP 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, NXP'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 NXP 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 FASB ASC Topic 810, NXP 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. Statement 160 did not affect the recognition of dilution gains or losses related to entities in which NXP has a non-controlling interest. In accordance with FASB ASC Topic 323, Subtopic 10, paragraph 40-1 (formerly EITF 08-6, which became effective for NXP on January 1, 2009) any dilution gain or loss continues to be recognized in the statement of operations.

Prior to 2009, the dilution gains or losses were presented in the consolidated statement of operations in the line item "other income and expense," if they related to subsidiaries that are included in the consolidated financial statements. From 2009 going forward, following the adoption of SFAS 160, such dilution gains or losses are recognized in that line item only upon loss of control over the related subsidiary. Dilution gains and losses related to equity-accounted investees are presented in the line item results relating to equity-accounted investees.

***Accounting for alliance***

Since 2002, NXP has been a participant in a jointly funded-alliance (the "Alliance") with two other semiconductor manufacturers in Crolles, France. The activities of the Alliance are the joint development of advanced process and assembly/packaging technology and the joint operation of a fabrication plant for the manufacturing of 300-millimeter wafers. The Alliance has its own governance structure to decide on all material

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

decisions relating to the Alliance. Each of the three participants is equally represented in the governance structure. Upon its commencement, each party contributed assets to the Alliance. The initial term of the Alliance expired December 31, 2007, and because NXP withdrew from the “Crolles2 Alliance,” effective December 31, 2007, the automatic extension until December 31, 2010 has been cancelled.

At the termination of the Alliance, NXP would retain title to the capital assets that it contributed to the Alliance unless another participant of the Alliance exercises its option to purchase those assets. Capital assets contributed by NXP include primarily machinery.

Under the Alliance arrangement, each participant is responsible for funding specific allocations of operations, research and development expenses, as well as related capital expenditures and output from the facility. Funding requirements are divided among NXP (31%) and the two other participants (31% and 38%), and are accounted for to ensure all expenses and capital expenditures are recorded in relation to the funding percentage.

NXP’s interest in the Alliance, which was an unincorporated entity, is accounted for in the consolidated financial statements as a contract or cost sharing arrangement.

Accordingly, NXP’s share in the results of operations of the Alliance are recorded in the cost and expense captions in the accompanying consolidated statement of operations, and primarily consists of NXP’s share of research and development expenses, pilot line manufacturing expenses and depreciation expense related to the Alliance’s capital assets.

Following the withdrawal from the Alliance, NXP sold its assets. Approximately half of NXP’s investment was sold in 2007 and the remaining portion was sold in 2008.

#### **Foreign currencies**

As described in note 1, NXP uses the U.S. dollar as its reporting currency. For consolidation purposes, the financial statements of the entities within the NXP group, including 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 the Company’s financial statements for the periods specified.

	\$ per EUR			
	period end	average <sup>(1)</sup>	high	low
2007	1.4742	1.3721	1.3033	1.4810
2008	1.4061	1.4768	1.2749	1.5801
2009	1.4402	1.3978	1.2683	1.4916

(1) The average rates are the accumulated average rates based on monthly quotations.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

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***

NXP uses derivative financial instruments principally in the management of its foreign currency risks and to a more limited extent for commodity price risks.

NXP 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 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.

NXP 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, NXP 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, NXP 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, NXP 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 NXP. 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 uncollectible because of bankruptcy or other forms of receivership of the debtors.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

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.

NXP 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 going through 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, NXP uses other observable inputs, such as quoted market prices for similar assets.

Lacking also that information, NXP 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. NXP 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 losses 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.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

***Property, plant and equipment***

Property, plant and equipment are stated at cost, less accumulated depreciation. Assets constructed by NXP 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 another than the straight-line method represents better 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.

NXP 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***

NXP 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 NXP 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 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***

NXP accounts for goodwill in accordance with the provisions of FASB ASC Topic 805, Subtopic 30. (Formerly SFAS 141 until 2009 and upon adoption in 2009 as of January 1, 2009 SFAS 141(R), and SFAS No. 142). Accordingly, goodwill is not amortized but tested for impairment annually in the third quarter or whenever impairment indicators require so.

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 operating segment level, which is for NXP the reporting unit level in accordance with FASB ASC Topic 805, and consists of two steps. First, NXP determines the carrying value of each reporting unit by assigning the assets and liabilities, including the goodwill and intangible assets, to those reporting units. Furthermore, NXP 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, NXP performs the second step of the impairment test. In the second step, NXP 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

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
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(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. NXP 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. NXP considers renewal and extension options in determining the useful life. However, based on experience NXP 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 is now codified in FASB ASC Topic 350, subtopic 30, in-process research and development is capitalized and indefinitely lived until completion or abandonment of the associated research and development efforts. Those assets are not amortized but tested annually for impairment until the completion or abandonment, upon which the assets are amortized over their 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 FASB ASC Topic 350, subtopic 40 (Formerly Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use").

***Impairment or disposal of intangible assets other than goodwill and tangible fixed assets***

NXP accounts for intangible and tangible fixed assets in accordance with the provisions of FASB ASC Topic 360 (Formerly SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"). 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. NXP 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

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
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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. NXP 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 NXP 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 NXP 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 segment. Discontinued operations are carried at the lower of carrying amount and fair value less cost to sell. NXP 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 combination, which are capitalized and after completion are amortized over their useful lives.

***Advertising***

Advertising costs are expensed when incurred.

***Provisions and accruals***

NXP 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.

NXP accrues for losses associated with environmental obligations when such losses are probable and reasonably estimable. Additionally, NXP 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

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

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 FASB ASC Topic 420-10-25 (formerly SFAS No. 146 “Accounting for Costs Associated with Exit or Disposal Activities”). The liability is initially measured at fair value. NXP 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 NXP, 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 FASB ASC Topic 712-10-15 (formerly SFAS No. 88 and SFAS No. 112) when it is probable that the employees will be entitled to the benefits and the amounts can be reasonably estimated.

***Guarantees***

NXP complies with FASB ASC Topic 460-10-55 (Formerly FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others). In accordance with this Topic “Guarantees”, NXP 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. NXP determines the fair value either based on 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 FASB ASC Topic 470, subtopic 50 “Modifications and Extinguishments” (Formerly EITF 96-19 “Debtor’s Accounting for a Modification or Exchange of Debt Instruments”). 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)”. NXP 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 NXP determines the fair value based on discounted projected cash flows.

Loans that are hedged under a fair value hedge are re-measured for the changes in the fair value that are attributable to the risk that is being hedged.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

***Revenue recognition***

NXP's revenues are primarily derived from made-to-order sales to Original Equipment Manufacturers ("OEMs") and similar customers. NXP's revenues are also derived from sales to distributors.

NXP applies the guidance in SEC Staff Accounting Bulletin (SAB) Topic 13 "Revenue Recognition" and recognizes revenue 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 cycle, when certain distributors are permitted to return products purchased during a pre-defined period after NXP 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 NXP.

For sales where return rights exist, NXP has determined, based on historical data, that only an insignificant 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 sales. Shipping and handling costs related to sales to third parties are reported as selling expenses.

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 NXP 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 occurs on a straight-line basis over the contract period.

Royalty income, which is generally earned based upon a percentage of sales or a fixed amount per product sold, is recognized on an accrual basis. Royalty income, other license income or other income related to research and development 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 FASB ASC Topic 985, subtopic 605, section 25 "Software Revenue Recognition" (formerly Statement of Position 97-2) when the 4 criteria of SAB Topic 13 are met.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

***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-year deferred taxes related to prior-year equity items, which arise from changes in tax rates or tax laws are included in income. 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***

NXP accounts for the cost of pension plans and postretirement benefits other than pensions in accordance with FASB ASC Topic 715 “Compensation—Retirement Benefits” (Formerly SFAS No. 87, “Employers” Accounting for Pensions”, SFAS No. 88, Employers’ Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, SFAS No. 106, “Postretirement Benefits other than Pensions” and SFAS No. 158, “Employers” Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans”).

NXP 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 NXP employees participating in defined-benefit plans have been allocated to NXP based upon actuarial valuations. Some of NXP’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 NXP has committed itself.

The net pension liability or asset recognized in the balance sheet in respect of defined pension plans is the present value of the projected defined-benefit obligation less the fair value of plan assets at the balance sheet date.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

Most of our plans result in a pension provision (no assets for the plan) or a net pension liability.

For material plans 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.

We record the unfunded status associated with these plans in accordance with the requirements of Topic 715 “Compensation—Retirement Benefits” (formerly SFAS No. 158) measured as the difference between plan assets at fair value and the defined-benefit obligation as an assets or liability. The offset of the recognized funded status is recorded in accumulated other comprehensive income (within equity). NXP 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.

NXP recognizes as a component of 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 Topic 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 Topic 715.

For all of NXP’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 introduced for NXP employees in 2007. The plans are accounted for in accordance with the provisions of FASB ASC Topic 718 “Compensation—Stock Compensation” (Formerly SFAS 123(R)) at the estimated fair value of the equity instruments measured at the grant date. NXP uses 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 NXP, using a discounted cash flow technique. 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.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

The share-based compensation plans that NXP's employees participate in contain contingent cash settlement features upon a sale of shares of common stock by the Private Equity Consortium or upon a change in control (in particular, the Private Equity Consortium no longer holding 30% of our common stock) in combination with a termination of employment. NXP has concluded that the likelihood of these events occurring is remote and therefore not probable. Also, upon death or disablement NXP may offer cash settlement, but the employee or his dependents must consent. Therefore, NXP has concluded that the requirement in Topic 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 NXP. 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 executed an option exchange program for options granted in 2007 and 2008, 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, options have been granted to eligible individuals under the revised stock option program. 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 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.

***Cash flow statements***

Cash flow statements have been prepared using the indirect method. Cash flows in foreign currencies have been translated into \$ 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***

NXP's sales are for a large part dependent on a limited number of customers, none of which individually exceeds 10% of total sales. Furthermore, NXP is using outside suppliers of foundries for a portion of its manufacturing capacity. For certain equipment and materials NXP relies on a single source of supply.

***Accounting standards adopted in 2009***

Following accounting pronouncements that are of relevance to NXP became effective in 2009 and were adopted by NXP:

- **SFAS No. 168 “The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles. A replacement of FAS Statement No. 162” (Currently, FASB ASC Topic 105 “Generally Accepted Accounting Principles”)**

On 28 June 2009 the FASB issued SFAS 168. This Statement codifies existing US GAAP authoritative literature into one source, the Codification. This includes some but not all SEC guidance. All other accounting literature is no longer a legitimate source of reference. The codification is the one and only

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

source of reference in all external publications and filings. The new codification has no effect on our accounting policies, as there are no changes in the accounting principles. For NXP the only effect is that references to SFAS, EITF, and other accounting pronouncements, except from the SEC, are no longer allowed, but are replaced by “FASB Accounting Standard Codification Topic”, or in short “FASB ASC Topic”. The Codification became effective as from September 15, 2009.

• **SFAS No. 157 “Fair Value Measurements” (Currently, FASB ASC Topic 820 “Fair Value Measurements and Disclosures”)**

Effective January 1, 2009, NXP adopted the provisions of FASB Statement No. 157 “Fair value measurements”, issued in September 2006, for measuring fair values of nonfinancial assets and liabilities and other assets and liabilities that are measured or disclosed at fair value on a nonrecurring basis. It applies only to fair-value measurements that are already required or permitted by other accounting pronouncements. The Statement became already effective prospectively for NXP from 2008 for financial instruments, and nonfinancial instruments that are recognized or disclosed at fair value on a recurring basis. Effectively, the Statement was only applicable for NXP in measuring the fair value of derivative instruments and available-for-sale equity securities in 2008. In 2009 when Statement 157 became fully effective, it is also applicable for fair value determination of nonfinancial assets and liabilities, the most important example of which is the annual goodwill impairment test and the impairment test of other long-lived assets. The method NXP uses for these measurements in 2009 has not significantly changed from prior years.

SFAS 157 established market and observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The valuation techniques required by SFAS 157 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect NXP’s market assumptions.

These two types of inputs create the following fair value hierarchy:

- Level 1— Quoted prices in active markets for identical asset or liabilities.
- Level 2— Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3— Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

FASB Staff Position (FSP) FAS 157-4 “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly” is effective from April, 2009 for NXP and requires us to analyze the nature of transactions on the stock exchange regarding our investment in equity securities in case of ongoing decline in the share price that would trigger us to recognize further impairment. It may become applicable to other investments in the future and it is applicable in case new debt is issued in a debt exchange. FSP FAS 157-4, issued April 9, 2009 provides guidance on (1) estimating the fair value of an asset or liability (financial and nonfinancial) when the volume and level of activity for the asset or liability have significantly decreased and (2) identifying transactions that are not orderly. The FSP does not change the objective of fair value measurements when market activity declines. To the contrary, the FSP emphasizes that “fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions”. The FSP did not affect NXP’s fair value measurements in 2009.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

• **SFAS No. 141(R) “Business Combinations (Revised 2007)” (Currently FASB ASC Topic 805 “Business Combinations”)**

In December 2007 the FASB issued FASB Statement No. 141(R), effective from 2009. The changes compared with the original Statement 141 that are significant for NXP are:

- Non-controlling interests acquired after the effective date of the Statement must be measured at their fair values at the acquisition date including a related portion of the goodwill, whereas previously these interests were recognized at predecessor carrying values;
- Acquisition-related costs may not be added to the fair values of the acquired assets and liabilities assumed but must be recognized separately, generally as an expense in the period in which they are incurred. Previously these transaction costs were added to the purchase price and included in goodwill. At December 31, 2008 NXP had not incurred significant amounts for acquisition related costs that subsequently in 2009 were charged to the statement of operations;
- Post closing restructuring costs for entities acquired after the effective date of the Statement may not be recognized in the purchase accounting for the business combination and thus may not be recognized as a liability, rather the cost must be charged to the statement of operations in accordance with the prevailing guidance of other pronouncements;
- Contingent consideration such as earn-out arrangements for entities acquired after the effective date of the Statement must initially be recognized at their acquisition date fair value. Subsequent changes in the fair value are recognized in earnings. Previously, contingent consideration was added to the purchase price when it became reliably measurable;
- The Statement requires recognition of the acquisition date fair value of research and development assets acquired in a business combination. Subsequently after completion or abandonment, these assets will be depreciated or amortized over their estimated useful lives. Previously such in-Process research and development was expensed in full immediately upon acquisition.
- Statement 141(R) changes the definition of a business, which affects the identification of reporting units to which goodwill must be allocated, both for previously completed business combinations as well as for future acquisitions. NXP has concluded that has no significant effects for impairment testing.

Statement 141(R) became effective as of January 1, 2009 for NXP without affecting our acquisition accounting due to lack of such transactions. It will significantly affect the accounting for future business combinations. It did not affect the assets and liabilities that were recognized in business combinations that closed before 2009.

On April 1, 2009, the FASB issued FSP FAS 141(R)-1 “Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies” Codified in FASB ASC Topic 805-20. Under the FSP, an acquirer is required to recognize at fair value an asset acquired or liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If the acquisition-date fair value cannot be determined, the acquirer applies the recognition criteria in FASB ASC Topic 450 “Contingencies” to determine whether the contingency should be recognized as of the acquisition date or after it. These recognition criteria are that a loss must be probable at the measurement date and reliably measurable.

The main difference with the previous guidance is that all contingencies under Statement 141(R) before the amendment were required to be recognized if they would more likely than not give rise to an asset or liability, whereas the FSP brings that down to recognition only if the value at the acquisition date can be determined during the measurement period of 1 year.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

The Statement became effective for NXP on January 1, 2009. Because there were no acquisitions in 2009, this amendment had no effect on NXP's financial statements. Future acquisitions may be affected.

- **SFAS No. 160 “Non-controlling Interests in Consolidated Financial Statements; and amendment of ARB No. 51” (Currently FASB ASC Topic 810 “Consolidation”)**

Simultaneously with Statement 141(R) the FASB issued Statement No. 160. This Statement amends ARB 51 to establish accounting and reporting standards for the non-controlling interests in a subsidiary and for the deconsolidation of a subsidiary. Statement 160 requires that a non-controlling interest be reported as equity in the consolidated financial statements, whereas previously this was reported in the mezzanine. It also requires that consolidated net income be reported at amounts that included the amounts attributable to both the parent and the non-controlling interest. As a result the income attributable to non-controlling interests may no longer be deducted as an expense in arriving at consolidated net income. Net income (loss) attributable to the parent and the non-controlling interests must be disclosed on the face of the statement of operations.

Statement 160 also requires that changes in the ownership of a subsidiary, not resulting in deconsolidation, shall be accounted for as equity transactions. Consequently, no dilution gains or losses can result from such transactions.

Upon deconsolidation of a subsidiary, any remaining non-controlling interest of the parent shall be re-measured at fair value and that fair value shall be taken into account in determining the gain or loss of the transaction.

Statement 160 became effective for NXP on January 1, 2009. It may not be applied retrospectively except for the presentation and disclosure requirements, which were applied to all periods presented. The Statement significantly affected NXP's presentation of net income or loss in the statement of operations and the equity in the balance sheet. It will significantly affect the accounting for transactions that change ownership in subsidiaries that are concluded from 2009 going forward. In 2009, no transactions occurred that were affected by this guidance. It has not affected the measurement of non-controlling interests existing before 2009 and that remained unchanged thereafter.

- **SFAS No. 161 “Disclosures about Derivative Instruments and Hedging Activities” (Currently FASB ASC Topic 815 “Derivatives and Hedging”)**

This Statement was issued in March 2008 and became effective for NXP on January 1, 2009. Comparable disclosures for prior years need only be given as from 2010 onwards but not for years before 2009.

The Statement requires quantitative and qualitative disclosures in a tabular format about fair values, objectives, type and nature of the hedging instruments in relation to the risk exposure and the line items in the balance sheet where derivative instruments are reported, For the gains and losses reported in the statement of operations or in other comprehensive income (OCI) a separate disclosure must be made for fair value hedges and for cash flow hedges. Also, the movements from OCI to the statement of operations must be disclosed. All this per type of contract and indicating in which line item of the statement of operations it is being reported.

The impact of the Statement for NXP was limited to the described additional disclosures.

- **FSP FAS 142-3 “Determination of the Useful Life of Intangible Assets” (Currently FAS ASC Topic 350 “Intangibles”)**

On April 25, 2008, the FASB issued FSP FAS 142-3, which amends the list of factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under Statement 142. The FSP became effective for NXP on January 1, 2009. NXP has concluded that this FSP is not expected to result in future changes to economic lives of acquired intangible assets because such assets have no extension or renewal possibilities.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

• **FSP FAS 132(R)-1 “Employers” Disclosures about Postretirement Benefit Plan assets” (Currently FASB ASC Topic 715 “Compensation—Retirement Benefits”)**

On December 30, 2008, the FASB issued FSP FAS 132 (R)-1, which became effective for NXP on January 1, 2009. The FSP amends statement No. 132 (R) to require additional disclosures about assets held in an employer’s defined benefit pension or other postretirement plans. The impact of this pronouncement is limited to additional disclosures.

• **SFAS 165 “Subsequent Events” (Currently FASB ASC Topic 855 “Subsequent Events”)**

SFAS 165 is effective on a prospective basis for interim or annual financial periods ending after 15 June 2009.

The FASB issued Statement 165 Subsequent Events on 28 May 2009. It provides authoritative guidance about the reporting and accounting for events subsequent to the reporting period.

The subsequent events guidance consists mainly of:

- 1) Naming the two types of subsequent events either as recognized subsequent events (currently referred to in practice as Type I subsequent events) or non-recognized subsequent events (currently referred to in practice as Type II subsequent events).
- 2) Defining subsequent events as events or transactions that occur after the balance sheet date, but before the financial statements are issued (for public entities) or available to be issued (for nonpublic entities that do not widely distribute their financial statements).
- 3) Requiring disclosing the date through which an entity has evaluated subsequent events and the basis for that date—that is, whether that date represents the date the financial statements were issued or were available to be issued.

• **Accounting Standards Update No. 2009-05 “Fair Value Measurements and Disclosures (Topic 820). Measuring Liabilities at Fair Value”**

ASU 2009-05, which was issued by the FASB in August 2009, requires that the fair value of a liability be measured using one of the following approaches, which should maximize the use of relevant observable inputs and minimize the use of unobservable inputs:

- The quoted price of the identical liability when traded as an asset;
- Quoted prices for similar liabilities or similar liabilities when traded as assets;
- Another valuation technique, such as a present value technique (i.e., an income approach) or a technique that considers the amount the reporting entity would pay to transfer the identical liability or receive to enter into the identical liability at the measurement date (i.e., a market approach).

The guidance provided in this ASU became applicable to NXP, starting October 2009, specifically regarding the disclosure about fair value of our bonds and in case of exchanges of existing bonds for new bonds. However, the immediate effect for NXP is negligible since we already applied the approach that is mandated by this ASU.

• **Accounting Standards Update No. 2009-12 “Fair Value Measurements and Disclosures (Topic 820). Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)”**

The FASB issued this ASU in September 2009. ASU 2009-12, although by itself not applicable to NXP, has defined major asset category with regard to disclosures about fair value. Major asset category is defined as major security type. This affects the disclosures about fair value of pension plan assets. The ASU became effective as per year-end 2009.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

***New standards after 2009***

In 2009, the FASB issued several pronouncements, of which the following are to various degrees of relevance to NXP and which were not yet effective in 2009.

- **SFAS 166 “Accounting for Transfers of Financial Assets. An amendment of FASB Statement No. 140” Currently FASB ASC Topic 860 “Transfers and Servicing”**

On 12 June 2009, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 166.

The most significant amendments resulting from Statement 166 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, Statement 166 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.

Statement 166 is effective as of 1 January 2010 for NXP.

NXP has evaluated the consequences of this Statement and concluded since it is currently not involved with any QSPE this element of the Statement does not affect NXP. With regard to the transfer of assets guidance, the Statement may affect future transactions, if any.

- **SFAS 167 “Amendments to FASB Interpretation No. 46(R)” (Currently FASB ASC Topic 810 “Consolidation”**

On 12 June 2009, the FASB issued Statement No. 167, 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)).

Statement 167 is effective for NXP as of 2010 and 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 in FIN 46(R) 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.

NXP is in the process of reconsidering its consolidation conclusions for all entities with which it is involved. Our preliminary conclusion is that the new guidance is likely not to result in the consolidation of new entities or deconsolidation of entities.

- **Accounting Standards Update No. 2009-13 “Revenue Recognition (Topic 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 revenue 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 NXP for arrangements entered into or materially modified after December 31, 2010.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**3 Information by segment and main country**

As from 2009, the following sectors are distinguished as reportable segments in compliance with FASB ASC 280 (formerly SFAS 131).

NXP is structured in three market-oriented business segments: Automotive & Identification, MultiMarket Semiconductors and Home.

- Automotive & Identification has leading positions in car audio/radio, in-vehicle networking (IVN), car access and immobilization, tire pressure monitoring and magnetic sensors; Identification has leading positions in the radio frequency identification (RFID), near field communication and eGovernment applications markets.
- MultiMarket Semiconductors provides a broad range of standard products (e.g., Bipolar, Power Discretes, Transistors & Diodes and Logic) and application specific standard products (e.g., Integrated Discretes, Interface Products and Microcontrollers).
- Home is a leading supplier of systems and components for the TV, PC TV and direct memory access segments of the consumer semiconductors market.

NXP operates as a shared manufacturing base, which is grouped in Manufacturing Operations (formerly named IC Manufacturing Operations), with the exception of manufacturing assets dedicated to MultiMarket Semiconductors products, which are reported as part of that segment.

Corporate and Other includes certain research and development activities, IP licensing, Emerging Products and special items not directly allocated to business segments and/or Manufacturing Operations. Furthermore, it includes NXP Software (formerly Philips Software), which specializes in innovative multimedia, security and connectivity solutions for manufacturers of mobile and portable equipment.

On July 28, 2008 the key wireless operations of NXP from the former segment Mobile & Personal were contributed to a new joint venture ST-NXP Wireless, and as such all assets and liabilities involved in this transaction have been deconsolidated from this segment. The operations until July 28, 2008 remained consolidated in the consolidated accounts under a new segment named “Divested Wireless activities”.

The former Mobile & Personal segment has been regrouped as from 2009. The remaining part of the business segment, after the contribution of activities into the joint venture ST-NXP Wireless and subsequent deconsolidation, has been moved into the segment Corporate and Other.

Furthermore, NXP has decided to enhance the assessment of the performance of its three business segments by allocating certain costs that were previously unallocated and were reported in the segments Corporate and Other and Manufacturing Operations, to these operating segments. This allocation better reflects the performance of the operating segments and enables among others a better assessment of the contribution of these segments to NXP’s cash flows. The allocated costs include, among others, costs related to corporate activities that are for the benefit of the business segments and the capacity costs of the segment Manufacturing Operations. Also, the elimination of unrealized results on intercompany transactions is allocated to the related operating segments.

The segment information for 2008 and 2007 has been restated to reflect the forgoing re-grouping and re-allocation.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

The reconciliation of the restated sales and income from operations for 2008 and 2007 with the historically reported figures is presented in the following tables:

	<b>Sales</b>			<b>Restated</b>
	<b>Historically reported</b>	<b>Re-grouping segments</b>	<b>Re-allocation costs between segments</b>	
<b>2008</b>				
Mobile & Personal	1,356	(1,356)		—
Automotive & Identification	1,285	—		1,285
MultiMarket Semiconductors	1,554	575		2,129
Home	836	—		836
Manufacturing Operations	324	—		324
Corporate and Other	88	(11)		77
Divested Wireless activities	—	792		792
	<u>5,443</u>	<u>—</u>	<u>—</u>	<u>5,443</u>
<b>2007</b>				
Mobile & Personal	2,135	(2,135)		—
Automotive & Identification	1,332	—		1,332
MultiMarket Semiconductors	1,619	516		2,135
Home	927	—		927
Manufacturing Operations	214	—		214
Corporate and Other	94	162		256
Divested Wireless activities	—	1,457		1,457
	<u>6,321</u>	<u>—</u>	<u>—</u>	<u>6,321</u>
			<b>Income from operations</b>	
	<b>Historically reported</b>	<b>Re-grouping segments</b>	<b>Re-allocation costs between segments</b>	<b>Restated</b>
<b>2008</b>				
Mobile & Personal	(665)	665	—	—
Automotive & Identification	73	—	(94)	(21)
MultiMarket Semiconductors	63	42	(81)	24
Home	(875)	—	(58)	(933)
Manufacturing Operations	(691)	—	147	(544)
Corporate and Other	(551)	(27)	191	(387)
Divested Wireless activities	—	(680)	(105)	(785)
	<u>(2,646)</u>	<u>—</u>	<u>—</u>	<u>(2,646)</u>
<b>2007</b>				
Mobile & Personal	(159)	159	—	—
Automotive & Identification	144	—	(47)	97
MultiMarket Semiconductors	164	(149)	(89)	(74)
Home	(234)	—	(21)	(255)
Manufacturing Operations	(210)	—	(53)	(263)
Corporate and Other	(483)	106	295	(82)
Divested Wireless activities	—	(116)	(85)	(201)
	<u>(778)</u>	<u>—</u>	<u>—</u>	<u>(778)</u>

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

Detailed information by segment for the year 2009 with comparable figures over 2008 and 2007 is presented in the following tables.

	Segments				
	Sales	Research and development expenses	Income (loss) from operations	Income (loss) from operations as a % of sales	Results relating to equity-accounted investees
<b>2009</b>					
Automotive & Identification	976	228	(149)	(15.3)	(2)
MultiMarket Semiconductors	1,749	192	(133)	(7.6)	—
Home	744	288	(276)	(37.1)	—
Manufacturing Operations	324	12	(171)	(52.8)	—
Corporate and Other	50	57	(171)	NM <sup>(1)</sup>	76
Divested Wireless activities	—	—	—	—	—
	<u>3,843</u>	<u>777</u>	<u>(900)</u>	<u>(23.4)</u>	<u>74</u>
<b>2008</b>					
Automotive & Identification	1,285	267	(21)	(1.6)	(2)
MultiMarket Semiconductors	2,129	201	24	1.1	—
Home	836	266	(933)	(111.6)	4
Manufacturing Operations	324	—	(544)	(167.9)	—
Corporate and Other	77	146	(387)	NM <sup>(1)</sup>	(270)
Divested Wireless activities	792	319	(785)	(99.1)	—
	<u>5,443</u>	<u>1,199</u>	<u>(2,646)</u>	<u>(48.6)</u>	<u>(268)</u>
<b>2007</b>					
Automotive & Identification	1,332	221	97	7.3	(5)
MultiMarket Semiconductors	2,135	350	(74)	(3.5)	—
Home	927	231	(255)	(27.5)	(3)
Manufacturing Operations <sup>(*)</sup>	214	—	(263)	(122.9)	—
Corporate and Other	256	118	(82)	NM <sup>(1)</sup>	(32)
Divested Wireless activities	1,457	408	(201)	(13.8)	—
	<u>6,321</u>	<u>1,328</u>	<u>(778)</u>	<u>(12.3)</u>	<u>(40)</u>

(\*) For the year ended December 31, 2009 Manufacturing Operations supplied \$1,087 million (2008: \$1,830 million; 2007: \$2,765 million to other segments, which have been eliminated in the above presentation.

(1) NM means not meaningful

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

Certain assets of NXP 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 <sup>(1)</sup>	Total liabilities excl. debt	Gross capital expenditures	Depreciation property, plant and equipment
<b>2009</b>					
Automotive & Identification	99	1,914	124	4	10
MultiMarket Semiconductors	240	2,491	406	53	103
Home	22	135	144	4	12
Manufacturing Operations	181	1,045	766	28	321
Corporate and Other	—	403	1,341	7	75
Divested Wireless activities	—	—	—	—	—
	<u>542</u>	<u>5,988</u>	<u>2,781</u>	<u>96</u>	<u>521</u>
<b>2008</b>					
Automotive & Identification	110	2,034	54	8	16
MultiMarket Semiconductors	277	2,696	90	124	149
Home	84	310	81	6	20
Manufacturing Operations	147	1,507	650	207	449
Corporate and Other	12	305	2,155	18	46
Divested Wireless activities	—	—	—	16	13
	<u>630</u>	<u>6,852</u>	<u>3,030</u>	<u>379</u>	<u>693</u>
<b>2007</b>					
Automotive & Identification	114	2,273	80	6	12
MultiMarket Semiconductors	306	2,984	302	142	143
Home	81	996	239	5	17
Manufacturing Operations	280	2,142	1,120	326	524
Corporate and Other	15	356	1,029	64	161
Divested Wireless activities	162	1,309	183	6	14
	<u>958</u>	<u>10,060</u>	<u>2,953</u>	<u>549</u>	<u>871</u>

(1) Long-lived assets include property, plant and equipment, goodwill and other intangible fixed assets.

	Goodwill assigned to segments					
	Carrying value at January 1, 2009	Acquisitions	Divestments	Impairment	Translation differences and other changes <sup>(*)</sup>	Carrying value at December 31, 2009
Automotive & Identification	1,245				14	1,259
MultiMarket Semiconductors	936				13	949
Home	159				(71)	88
Manufacturing Operations	320				4	324
Corporate and Other	1				—	1
	<u>2,661</u>	—	—	—	<u>(40)</u>	<u>2,621</u>

(\*) Included are transfers to assets held for sale related to Trident.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

	Main countries			
	Total sales <sup>(1)</sup>	Long-lived assets	Gross capital expenditures	Depreciation property, plant and equipment
<b>2009</b>				
China	1,213	113	7	37
Netherlands	108	5,089	21	144
Taiwan	120	70	5	20
United States	261	25	1	32
Singapore	411	186	9	82
Germany	303	166	18	80
South Korea	182	—	—	—
Other countries	<u>1,245</u>	<u>339</u>	<u>35</u>	<u>126</u>
	3,843	5,988	96	521
<b>2008</b>				
China	1,748	144	51	40
Netherlands	195	5,607	63	250
Taiwan	93	63	12	32
United States	354	66	11	22
Singapore	465	261	20	117
Germany	474	250	39	68
South Korea	490	—	—	—
Other countries	<u>1,624</u>	<u>461</u>	<u>183</u>	<u>164</u>
	5,443	6,852	379	693
<b>2007</b>				
China	2,287	135	47	50
Netherlands	119	8,371	77	235
Taiwan	134	131	38	47
United States	451	81	13	23
Singapore	455	358	97	142
Germany	555	317	57	78
South Korea	644	1	—	—
Other countries	<u>1,676</u>	<u>666</u>	<u>220</u>	<u>296</u>
	6,321	10,060	549	871

(1) As from 2009 the allocation is changed from invoicing organization to customer allocation. Previous periods have been restated accordingly.

As from January 1, 2010, four segments are distinguished as business segments. NXP 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. We refer to note 37, “Restated Segmentation” for reflecting the effects of the new segments.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**4 Acquisitions and divestments**

**2009**

On October 5, 2009 NXP announced that they had signed an agreement to sell the digital television and set-top box business to Trident Microsystems, Inc., a publicly listed US Company. The transaction closed at February 8, 2010. 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 are measured at fair value less cost to sell and resulted in an impairment loss of \$69 million. After closing the transaction NXP will own approximately 60% of the outstanding common stock of Trident (refer to note 13). As a result of retaining the 60% interest in Trident this transaction does not result in reporting the asset group as discontinued operations.

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 in the United States.

In 2009 no acquisition transactions occurred.

**2008**

During 2008, NXP entered into a number of acquisitions. All business combinations have been accounted for using the purchase method of accounting. The more important business combinations in 2008 were the acquisitions of GloNav, Conexant’s Broadband Media Processing business, and 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 revenue 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 revenue milestones over the period from closing through 2009.

On September 1, 2008, NXP and Technicolor S.A. (formerly known as Thomson S.A.) combined their CAN tuner module operations in a joint venture, named NuTune. NXP has a 55% ownership and Technicolor the remaining 45%.

The net assets acquired amounted to \$20 million and resulted in a goodwill allocation of \$16 million. The revenue in the year of acquisition since the date of acquisition was \$31 million.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

The most significant divestment in 2008 was the major part of NXP’s Mobile & Personal business segment.

On July 28, 2008, NXP and STMicroelectronics (STM) combined their wireless operations to form a new joint-venture company at that time named “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 owned a majority stake (80%) and NXP had a 20% ownership while receiving \$1.55 billion from STM. The 20% investment in the combined wireless operations was accounted for by the equity method because NXP had significant influence. As a result of retaining this 20% investment and the ongoing significant cash flows, the divestment was 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.

**2007**

On March 23, 2007, NXP completed its acquisition of the Cellular Communication business of Silicon Labs, a leader in Radio Frequency (RF) technology for mobile phones. NXP acquired the Cellular Communication business for \$288 million in cash. The business has been consolidated within the former segment Mobile & Personal as from the acquisition date. Contingent upon the achievement of certain milestones in the next three years, an additional \$65 million may be paid up for the acquisition. Related to this earn-out, an amount of \$4 million has been included in the purchase price accounting. The purchase price for the acquisition was allocated to Property, plant and equipment (\$9 million), Other intangible assets (\$104 million), Assets and liabilities (\$22 million) and Goodwill (\$153 million).

On September 5, 2007, NXP completed the divestment of its Cordless and VoIP Terminal operations to DSP Group Inc. (“DSPG”) for an initial payment of \$200 million in cash and 4,186,603 newly issued shares of DSPG’s common stock. As a result of the transaction, NXP owned approximately 16% of DSPG’s outstanding common stock, which was subsequently sold back to DSPG in the first quarter of 2009. The net assets divested amounted to \$90 million. Furthermore, liabilities for future payments and various expenses were taken into consideration resulting in a gain on this transaction of \$119 million, which has been reported under Other business income.

**5 Income from operations**

For information related to sales and income from operations on a business and geographical basis, see “Information by segment and main country” that begins on page F-26 of this report.

	Sales composition		
	2007	2008	2009
Goods	6,291	5,420	3,837
Licenses	30	23	6
	6,321	5,443	3,843
	Salaries and wages		
	2007	2008	2009
Salaries and wages	1,969	2,210	1,315
Pension and other postemployment costs	46	130	80
Other social security and similar charges:			
Required by law	256	224	146
Voluntary	15	13	14
	2,286	2,577	1,555

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

Salaries and wages in 2009 include \$101 million (2008: \$449 million; 2007: \$178 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:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Depreciation of property, plant and equipment	871	693	516
Write-down assets held for sale	—	—	5
Impairment assets held for sale	—	—	69
Amortization of internal use software	31	40	26
Amortization of goodwill and other intangibles:			
Amortization of other intangible assets	630	537	322
Impairment of goodwill	—	430	—
Impairment of other intangible assets	—	284	—
Write-off of in-process research and development	15	26	—
	<u>1,547</u>	<u>2,010</u>	<u>938</u>

Depreciation of property, plant and equipment in 2009 includes an additional write-off in connection with the retirement of property, plant and equipment amounting to \$25 million (2008: \$4 million; 2007: \$3 million).

Also included is the additional depreciation of property, plant and equipment resulting from the acquisition accounting amounting to \$69 million (2008: \$151 million; 2007: \$137 million).

Furthermore, depreciation of property, plant and equipment in 2009 includes \$67 million relating to write-downs and impairment charges (2008: \$6 million; 2007: \$20 million).

Included in the amortization of other intangible assets in 2009 is the additional amortization of other intangible assets resulting from acquisition accounting amounting to \$322 million (2008: \$537 million; 2007: \$636 million).

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 13.

Impairment charges for assets held for sale (\$69 million) in 2009 are related to the Trident assets held for sale.

Depreciation of property, plant and equipment and amortization of software are primarily included in cost of sales. Amortization and impairment of intangible assets are reported in the General and Administrative expenses.

NXP periodically reviews the carrying value of its long-lived assets and reviews annually the carrying value of its recorded goodwill.

In 2009, no goodwill impairment was recorded.

Following the ongoing loss-making situation of NXP as a result of poor economic market circumstances, goodwill impairment tests were carried-out in the third quarter of 2008.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

As a result of these tests, an impairment was identified in our business 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 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 Home segment. Based on our assessment of the impact of the charges in the key assumptions subsequent to the third quarter, it was concluded that no additional impairment was required.

In 2007 and previous years, no goodwill impairments were recorded.

**Rent**

Rent expenses amounted to \$67 million in 2009 (2008: \$84 million; 2007: \$94 million).

**Selling expenses**

Selling expenses incurred in 2009 totaled \$277 million (2008: \$400 million; 2007: \$425 million). Included are shipping and handling costs of \$1 million (2008: \$25 million; 2007: \$29 million).

The selling expenses mainly relate to the cost of the sales 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 \$734 million in 2009 (2008: \$1,161 million; 2007: \$1,189 million).

**Research and development expenses**

Expenditures for research and development activities amounted to \$777 million in 2009 (2008: \$1,199 million; 2007: \$1,328 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.

In 2007, the write-off of acquired in-process research and development related to the acquisition of the Cellular Communications business of Silicon Labs amounted to \$15 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 and 2007 (refer to note 1 regarding acquisition accounting).

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**Other income and expense**

Other income and expense consists of the following:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Results on disposal of properties	1	5	9
Results on disposal of businesses	113	(374)	(23)
Remaining income (expense)	<u>20</u>	<u>5</u>	<u>2</u>
	134	(364)	(12)

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.

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 to \$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, NXP 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. (as it was named at that time), which was recorded under Results relating to equity-accounted investees. Reference is also made to note 9.

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 result on disposal of businesses in 2007 includes \$119 million related to the divestment of the Cordless and VoIP Terminal operations.

The remaining income consists of various smaller items for all periods reported.

**6 Restructuring charges*****The most significant projects for restructuring in 2009***

In 2009, the restructuring charges mainly related to the ongoing Redesign Program of NXP being:

- the closure of the “ICN 6” part of the facility in Nijmegen;
- effects of the transaction with Trident;
- the Fit for Future Program.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**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 NXP, resulting in the 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 NXP.

***The most significant projects for restructuring in 2007***

In 2007, the charges mainly related to the exit of the Crolles2 Alliance in France and subsequent sale of its equipment, relocation of activities in the Philippines and Germany, the discontinuation of power amplifier and front-end-module production in the Philippines, the reorganization to improve further efficiency in the Netherlands and some smaller projects, primarily related to lay-offs.

In 2009, a charge of \$112 million was recorded in income from operations resulting from new restructuring projects in 2009, (2008: \$610 million; 2007: \$222 million), offset by releases of restructuring liabilities of \$92 million (2008: \$16 million; 2007: \$4 million).

Included are asset write-downs of \$4 million in 2009 (2008: \$36 million; 2007: \$20 million). There were no inventory write-downs included in 2009 (2008: \$36 million; 2007: nil).

In 2009, a charge of \$100 million was related to employee termination costs in connection with the Redesign Program (2008: \$443 million; 2007: \$178 million). The remainder relates to various closure costs in (2008 \$41 million—mainly Boeblingen of \$27 million) and various other restructuring charges of \$7 million (2008: \$74 million; 2007: \$24 million).

The components of restructuring charges recorded in 2009, 2008 and 2007 are as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Personnel lay-off costs	178	449	101
Write-down of assets	20	36	4
Other restructuring costs	24	125	7
Release of excess provisions/accruals	<u>(4)</u>	<u>(16)</u>	<u>(92)</u>
Net restructuring charges	218	594	20

In addition, cash expensed restructuring costs amounting to \$83 million were directly charged to income in 2009.

On aggregate, the net restructuring charges recorded in the income statement for 2009 amounted to \$103 million (2008: \$594 million; 2007: \$218 million).

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

The restructuring liabilities recorded in the statement of operations are included in the following line items in the statement of operations:

	2007	2008	2009
Cost of sales	173	348	(46)
Selling expenses	15	19	11
General and administrative expenses	18	124	3
Research & development expenses	12	97	52
Other income and expenses	—	6	—
Net restructuring charges	218	594	20

The following tables present the changes in the position of restructuring liabilities in 2009 by segment:

	Balance January 1, 2009	Additions	Utilized	Released	Other changes <sup>(1)</sup> <sup>(2)</sup>	Balance December 31, 2009
Automotive & Identification	2	15	(4)	—	1	14
MultiMarket Semiconductors	—	36	(5)	—	3	34
Home	14	29	(16)	(2)	2	27
Manufacturing Operations	276	7	(109)	(78)	48	144
Corporate and Other	205	25	(76)	(12)	(48)	94
Divested Wireless activities	1	—	(1)	—	—	—
	498	112	(211)	(92)	6	313

(1) Other changes primarily related to translation differences

(2) The provision for restructuring for the “ICH 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.

The additions to the restructuring liabilities in 2009 amounting to \$112 million by segment were as follows:

	Personnel costs	Write-down of assets	Other costs	Total
Automotive & Identification	15	—	—	15
MultiMarket Semiconductors	36	—	—	36
Home	29	—	—	29
Manufacturing Operations	—	—	7	7
Corporate and Other	21	4	—	25
	101	4	7	112

Further to additions to the restructuring liability of \$112 million, a cash expense of \$83 million was also charged to income of 2009 for restructuring related charges.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

The details by segment were as follows:

Automotive & Identification	4
MultiMarket Semiconductors	4
Home	2
Manufacturing Operations	28
Corporate and Other	45
	<u>83</u>

These 2009 restructuring related charges of \$83 million are included in the following line items in the statement of operations:

Cost of sales	41
Selling expenses	—
General and administrative expenses	33
Research & Development expenses	9
	<u>83</u>

The following tables present the changes in the position of restructuring liabilities in 2008 by segment.

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Utilized</u>	<u>Released</u>	<u>Other changes<sup>(1)</sup></u>	<u>Balance December 31, 2008</u>
Automotive & Identification	—	8	(5)	—	(1)	2
MultiMarket Semiconductors	1	9	(7)	—	(3)	—
Home	9	30	(23)	(5)	3	14
Manufacturing Operations	98	364	(192)	(4)	10	276
Corporate and Other	3	180	(9)	(7)	38	205
Divested Wireless activities	1	19	(16)	—	(3)	1
	<u>112</u>	<u>610</u>	<u>(252)</u>	<u>(16)</u>	<u>44</u>	<u>498</u>

(1) Other changes primarily related to translation differences

The total restructuring liability as of December 31, 2008 of \$498 million is classified in the balance sheet under provisions for \$420 million and under accrued liabilities for \$78 million.

Additions in 2008 of \$610 million are presented by segment as follows:

	<u>Personnel costs</u>	<u>Write- down of assets</u>	<u>Other costs</u>	<u>Total</u>
Automotive & Identification	5	—	3	8
MultiMarket Semiconductors	5	—	4	9
Home	21	—	9	30
Manufacturing Operations	264	36	64	364
Corporate and Other	136	—	44	180
Divested Wireless activities	18	—	1	19
	<u>449</u>	<u>36</u>	<u>125</u>	<u>610</u>

The releases of surplus in 2009 and 2008 were primarily attributable to reduction in severance payments due to voluntary leavers and employees that were transferred to other positions in NXP, who were originally expected to be laid off.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**7 Financial income and expenses**

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Interest income	43	27	4
Interest expense	(495)	(502)	(363)
Total interest expense, net	(452)	(475)	(359)
Net gain on extinguishment of debt	—	—	1,020
Sale of securities	—	—	(4)
Foreign exchange rate results	300	(87)	39
Miscellaneous financing costs/income, net	(29)	(52)	(14)
Total other income and expense	271	(139)	1,041
Total	(181)	(614)	682

In 2009, net interest expense, of \$359 million (2008: \$475 million; 2007: \$452 million) was mainly related to the interest expense on the EUR and USD notes. The lower interest expense in 2009 resulted from the bond exchanges and repurchase completed in April 2009 and July/August 2009 and lower interest rates applicable to the Floating Rate Notes.

Furthermore, a gain of \$1,020 million, net of a write-down of \$25 million related to the capitalized initial bond issuing costs, was recorded in connection with the various bond exchange and repurchase offers in 2009. Refer to note 27.

In 2009, the sale of the DSPG shares resulted in a loss of \$4 million.

In 2009 foreign exchange results amounted to a gain of \$39 million (2008: a loss of \$87 million; 2007: a gain of \$300 million) and are composed of the following exchange rate fluctuations:

- related to the USD notes, a gain of \$38 million (2008: a loss of \$230 million; 2007: a gain of \$419 million);
- related to intercompany financing, a loss of \$5 million (2008: a loss of \$46 million; 2007: a loss of \$29 million);
- related to NXP's foreign currency cash and cash equivalents, a loss of \$2 million (2008: a gain of \$163 million; 2007: a loss of \$64 million);
- related to foreign currency contracts, a gain of \$2 million (2008: a gain of \$25 million; 2007: a loss of \$20 million);
- related to remaining items, a gain of \$6 million in 2009 (2008: a gain of \$1 million; 2007: a loss of \$6million).

Included in miscellaneous financing costs in 2009 is the amortization of capitalized fees (relating to the issuance of the EUR/USD notes) amounting to \$14 million (2008: \$14 million; 2007: \$8 million). Furthermore, in 2008, miscellaneous financing costs included an impairment charge of \$25 million (2007: \$21 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.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**8 Income taxes**

In 2009, NXP generated a loss before taxes of \$218 million of which a profit of \$81 million related to the Netherlands and a loss of \$299 million related to foreign entities.

The components of income tax benefit (expense) are as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Netherlands:</b>			
Current taxes	—	—	(18)
Deferred taxes	273	43	(58)
	<u>273</u>	<u>43</u>	<u>(76)</u>
<b>Foreign:</b>			
Current taxes	(9)	(124)	(24)
Deferred taxes	132	35	83
	<u>123</u>	<u>(89)</u>	<u>59</u>
<b>Income tax benefit (expense)</b>	<u>396</u>	<u>(46)</u>	<u>(17)</u>

A reconciliation of the statutory income tax rate in the Netherlands as a percentage of income (loss) before taxes and the effective income tax rate is as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Statutory income tax in the Netherlands	25.5	25.5	25.5
Rate differential local statutory rates versus statutory rates of the Netherlands	2.8	(3.3)	(1.1)
<b>Changes in the valuation allowance:</b>			
utilization of previously reserved loss carryforwards	0.5	—	—
new loss carryforwards not expected to be realized	—	(15.0)	(19.5)
release and other changes	(0.9)	—	—
Prior year adjustments	4.9	(0.8)	6.9 <sup>(1)</sup>
Non-taxable income	5.9	(6.1)	0.5
Non-tax-deductible expenses	(4.4)	(0.2)	(13.7) <sup>(2)</sup>
Other taxes and tax rate changes	1.5	—	(1.8)
Withholding taxes			(7.9)
Tax incentives and other	5.5	(1.5)	3.3
<b>Effective tax rate</b>	<u>41.3%</u>	<u>(1.4)%</u>	<u>(7.8)%</u>

(1) the prior year adjustment recognized in 2009 is determined after offsetting a corresponding valuation allowance amounting to \$76 million. These prior year adjustments result from tax filings and assessments in various jurisdictions.

(2) we have included the FIN 48 addition in non-tax deductible expenses.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**Deferred tax assets and liabilities**

The principal components of deferred tax assets and liabilities are presented below:

	2008		2009	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	75	(451)	57	(399)
Property, plant and equipment	26	(39)	38	(18)
Inventories	5	(3)	9	—
Receivables	5	(3)	3	(7)
Other assets	5	(6)	4	(6)
Provisions:				
—Pensions	33	(3)	47	(3)
—Restructuring	101	—	90	—
—Other	5	(6)	—	(16)
Long-term debt	28	(157)	24	(149)
Undistributed earnings of foreign subsidiaries	—	—	—	(23)
Other liabilities	17	—	14	(1)
Tax loss carryforwards (including tax credit carryforwards)	747	—	873	—
Total gross deferred tax assets (liabilities)	<u>1,047</u>	<u>(668)</u>	<u>1,159</u>	<u>(622)</u>
Net deferred tax position	379		537	
Valuation allowances	(508)		(628)	
Net deferred tax assets (liabilities)	<u>(129)</u>		<u>(91)</u>	

NXP has significant net 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. Our ability to realize 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 2007, 2008 and 2009 was \$12 million, \$496 million and \$120 million respectively. These were mainly related to establishing valuation allowances against our net deferred tax assets in the Netherlands, Germany, France, Malaysia and USA.

At the moment that the Company’s operating performance improves on a sustained basis, our conclusion regarding the need for such valuation allowance could change.

After the recognition of the valuation allowance against deferred tax assets, a net deferred tax liability remains of \$91 million at December 31, 2009 (2008: \$129 million). This is caused by the fact that certain taxable temporary differences reverse outside the tax loss carry forward periods.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

At December 31, 2009, tax loss carryforwards of \$2,816 million will expire as follows:

<u>Total</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015—2019</u>	<u>later</u>	<u>unlimited</u>
2,816	—	—	—	11	27	1,872	102	804

NXP also has tax credit carryforwards of \$69 million, which are available to offset future tax, if any, and which will expire as follows:

<u>Total</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015-2019</u>	<u>later</u>	<u>unlimited</u>
69	—	—	—	—	—	16	—	53

The classification of the deferred tax assets and liabilities in NXP's consolidated balance sheets is as follows:

	<u>2008</u>	<u>2009</u>
Deferred tax assets grouped under other current assets	39	22
Deferred tax assets grouped under other non-current assets	334	509
Deferred tax liabilities grouped under short-term provisions	(13)	(1)
Deferred tax liabilities grouped under long-term provisions	(489)	(621)
	<u>(129)</u>	<u>(91)</u>

The net income tax receivable (excluding the liability for unrecognized tax benefits) as of December 31, 2009 amounted to \$14 million and includes amounts directly payable to or receivable from tax authorities.

As of December 31, 2008, the Company had unrecognized deferred income tax liability related to the undistributed earnings of foreign subsidiaries, which were considered to be indefinitely reinvested. However, as from 2009 the Company intends to repatriate these undistributed earnings of subsidiaries. Therefore, these undistributed earnings are no longer indefinitely reinvested in the overseas jurisdictions. Consequently, the Company has recognized a deferred income tax liability of \$23 million for the additional taxes payable upon the future remittances of these earnings of foreign subsidiaries as of December 31, 2009.

Included in the balance of total unrecognized tax benefits at December 31, 2009, 2008 and 2007 are potential tax benefits of \$55 million, \$55 million and \$38 million respectively, that if recognized, would affect the effective tax rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Balance as of January 1,</b>	19	38	55
Increase from tax positions taken during prior periods		14	5
Decreases from tax positions taken during prior periods		—	(1)
Increase from tax positions taken during current period	19	3	11
Decreases from tax positions taken during current period		—	—
Increase relating to settlements with the tax authorities		—	—
Decreases relating to settlements with the tax authorities		—	(11)
Reductions as a result of lapse of statute of limitations		—	—
<b>Balance as of December 31,</b>	<u>38</u>	<u>55</u>	<u>59</u>

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 and 2009.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

NXP classifies interest related to unrecognized tax benefits as financial expense and penalties as income tax expense. The total related interest recorded during the year 2009 amounted to \$4 million (2008: \$7 million; 2007: \$3 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.

## 9 Investments equity-accounted investees

### Results relating to equity-accounted investees

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Company's participation in income (loss)	(11)	(4)	—
Results on sale of shares	—	—	74
Investment impairment charges	(29)	(268)	—
Incidental results	—	4	—
	<u>(40)</u>	<u>(268)</u>	<u>74</u>

### Company's participation in income (loss)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
ST-NXP wireless	—	—	—
ASMC	(3)	2	1
Moversa	(5)	(3)	(2)
Others	(3)	(3)	1
	<u>(11)</u>	<u>(4)</u>	<u>—</u>

The Company's share in income of equity accounted investees related to the various equity-accounted investees.

### Results on sale of shares

In 2009, NXP 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, NXP'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.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

Due to an other-than-temporary decline of the fair value of the shareholding in ASMC, NXP recorded impairment losses in 2008 and 2007 of \$19 million and \$29 million, respectively.

**Investments in and loans to equity-accounted investees**

The changes in 2009 are as follows:

	<u>Loans</u>	<u>Investments</u>	<u>Total</u>
Balance as of January 1	18	140	158
Changes:			
Sales/repayments/deductions	(18)	(97)	(115)
Share in income (loss)	—	—	—
Translation and exchange rate differences	—	—	—
Balance as of December 31	—	43	43

Sales/repayments/deductions relate to sale of the 20% shareholding in the ST-NXP Wireless joint-venture (\$92 million), a non-cash deduction due to the release of a contractual obligation for a capital contribution to Moversa (\$5 million) and the repayment of a loan to T3G (\$18 million).

The total carrying value of investments in equity-accounted investees is summarized as follows:

	<u>As of December 31, 2008</u>		<u>As of December 31, 2009</u>	
	<u>Shareholding</u>	<u>Amount</u>	<u>Shareholding</u>	<u>Amount</u>
	%		%	
ST-NXP wireless	20	92	—	—
ASMC	27	5	27	7
Moversa	50	7	50	—
ASEN	40	36	40	36
Others		18		—
		158		43

Investments in equity-accounted investees are included in the segments Automotive & Identification and Corporate and Other.

**10 Non-controlling interests**

The share of non-controlling interests in the results of NXP amounted to a profit of \$14 million in 2009 (2008: profit of \$26 million; 2007: profit of \$47 million).

As of December 31, 2009, non-controlling interests totaled \$198 million (2008: \$213 million).

Non-controlling interests predominantly relate to the shareholding in SSMC and NuTune.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**11 Securities**

The changes during 2009 are as follows:

Balance as of January 1	33
Sales	(24)
Fair value adjustments	(6)
Translation differences	(3)
Balance as of December 31	—

DSPG shares acquired as part of the divestment of NXP's Cordless and VoIP Terminals in 2007, were sold in the beginning of 2009 for an amount of \$20 million, resulting in a transaction loss of \$4 million. Refer to note 4.

**12 Receivables**

Accounts receivable are summarized as follows:

	<u>2008</u>	<u>2009</u>
Accounts receivable from third parties	460	459
Accounts receivable from equity-accounted investees	1	—
Less: allowance for doubtful accounts	(2)	(4)
	459	455

Income taxes receivable (current portion totaling \$80 million (2008: \$42 million) are included under other receivables.

The changes in allowances for doubtful accounts are as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Balance as of January 1,	4	3	2
Additions charged to income	—	—	6
Deductions from allowance <sup>(1)</sup>	(1)	(1)	(2)
Other movements <sup>(2)</sup>	—	—	(2)
Balance end of period	3	2	4

(1) Write-offs for which an allowance was previously provided

(2) Included the effect of translation differences and consolidation changes

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**13 Assets and liabilities held for sale**

The following table presents the major classes of assets and liabilities as part of the Home business segment (digital television and set-top boxes) that will be sold to Trident Microsystems Inc. effective the closing date of the transaction, February 8, 2010 onwards. In the consolidated balance sheet as at December 31, 2009, these assets and liabilities have been reclassified and presented separately as assets held for sale and liabilities held for sale (refer to note 4).

	<u>2009</u>
Accounts receivable	—
Inventories	42
Property, plant and equipment	11
Intangible assets including goodwill	149
Other assets	—
Impairment to fair value less cost to sell	(69)
Assets held for sale	133
Accounts payable	—
Provisions	—
Other liabilities	(2)
Liabilities held for sale	(2)

The assets held for sale are reported net of impairment charges of \$69 million (refer to note 5). The fair value, less cost to sell these assets, was a level 2 measurement based on the quoted market prices of the Trident cost as adjusted for cost to sell the assets.

In addition to these assets held for sale, other assets were classified as held for sale for an amount of \$11 million (net of a write-down of \$5 million included in cost of sales), resulting in total assets held for sale of \$144 million. This relates to real estate and other property that is held for sale following exits or planned exits as a result of the Redesign Program. Refer to note 5. 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.

**14 Inventories**

Inventories are summarized as follows:

	<u>2008</u>	<u>2009</u>
Raw materials and supplies	377	310
Work in process	107	142
Finished goods	146	90
	630	542

A portion of finished goods is stored at customer locations under consignment and amounted to \$23 million as of December 31, 2009 (2008: \$26 million).

The amounts recorded above are net of an allowance for obsolescence.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

The changes in the allowance for obsolescence are as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Balance as of January 1	77	86	83
Additions charged to income	23	76	67
Deductions from allowance	(49)	(48)	(33)
Other movements <sup>(1)</sup>	<u>35</u>	<u>(31)</u>	<u>(9)</u>
Balance as of December 31	86	83	108

(1) Included the effect of translation differences and consolidation changes

#### 15 Other current assets

Other current assets as of December 31, 2009, consist of a current deferred tax asset of \$22 million (2008: \$39 million), derivative instrument assets of \$2 million (2008: \$37 million), the current portion of capitalized unamortized fees related to the issuance of notes of \$9 million (2008: \$11 million), prepayments related to Electronics Design Applications (EDA) contracts of \$34 million and prepaid expenses of \$160 million (2008: \$125 million).

#### 16 Other non-current financial assets

The changes during 2009 are as follows:

	<u>Available for sale securities</u>	<u>Other</u>	<u>Total</u>
Balance as of January 1	—	18	18
Changes:			
Acquisitions/additions	—	18	18
Sales/repayments	—	(1)	(1)
Translation and exchange differences	<u>—</u>	<u>—</u>	<u>—</u>
Balance as of December 31	—	35	35

Acquisitions/additions include shares and options obtained in connection with the completion of the strategic alliance with Virage Logic Corporation (\$15 million).

#### 17 Other non-current assets

Other non-current assets as of December 31, 2009 include prepaid pension costs of \$28 million (2008: \$25 million), the non-current portion of deferred tax assets of \$509 million (2008: \$334 million) and the non-current portion of capitalized unamortized fees related to the issuance of EUR/USD notes of \$57 million (2008: \$78 million).

The term of amortization of capitalized fees related to the issuance cost of notes is on average 5 years.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**18 Property, plant and equipment**

Property, plant and equipment consisted of:

	<u>Total</u>	<u>Land and buildings</u>	<u>Machinery and installations</u>	<u>Other equipment</u>	<u>Prepayments and construction in progress</u>	<u>No longer productively employed</u>
<b>Balance as of January 1, 2009:</b>						
Cost	3,594	873	2,377	282	54	8
Accumulated depreciation	<u>(1,787)</u>	<u>(123)</u>	<u>(1,499)</u>	<u>(157)</u>	—	<u>(8)</u>
Book value	1,807	750	878	125	54	—
<b>Changes in book value:</b>						
Capital expenditures	96	—	—	—	96	—
Transfer assets put into use	—	6	126	7	(139)	—
Retirements and sales	(38)	(15)	(21)	(2)	—	—
Depreciation	(424)	(61)	(328)	(35)	—	—
Write-downs and impairments	(67)	(56)	(6)	(5)	—	—
Transfer to assets held for sale	(27)	(16)	(7)	(4)	—	—
Consolidation changes	(7)	—	(7)	—	—	—
Translation differences	<u>21</u>	<u>11</u>	<u>9</u>	<u>1</u>	—	—
Total changes	(446)	(131)	(234)	(38)	(43)	—
<b>Balance as of December 31, 2009:</b>						
Cost	2,468	708	1,528	216	11	5
Accumulated depreciation	<u>(1,107)</u>	<u>(89)</u>	<u>(884)</u>	<u>(129)</u>	—	<u>(5)</u>
Book value	1,361	619	644	87	11	—

Land with a book value of \$120 million (2008: \$122 million) is not depreciated.

The expected service lives as of December 31, 2009 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 capitalized interest related to the construction in progress in the years reported.

**19 Intangible assets excluding goodwill**

The changes in 2009 were as follows:

	<u>Total</u>	<u>Other Intangible Assets</u>	<u>Software</u>
<b>Balance as of January 1, 2009:</b>			
Cost	3,674	3,547	127
Accumulated amortization	<u>(1,290)</u>	<u>(1,221)</u>	<u>(69)</u>
Book value	2,384	2,326	58
<b>Changes in book value:</b>			
Acquisitions/additions	8	—	8
Divestments	—	—	—
Amortization	(348)	(322)	(26)
Transfer to assets held for sale	(79)	(79)	—
Consolidation changes	(1)	(1)	—
Translation differences and other	<u>42</u>	<u>41</u>	<u>1</u>
Total changes	(378)	(361)	(17)
<b>Balance as of December 31, 2009:</b>			
Cost	3,387	3,258	129
Accumulated amortization	<u>(1,381)</u>	<u>(1,293)</u>	<u>(88)</u>
Book value	2,006	1,965	41

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

Other intangible assets in 2009 consist of:

	January 1, 2009		December 31, 2009	
	Gross	Accumulated amortization	Gross	Accumulated amortization
Marketing-related	110	(65)	84	(58)
Customer-related	576	(168)	500	(138)
Technology-based	2,861	(988)	2,674	(1,097)
	3,547	(1,221)	3,258	(1,293)

The estimated amortization expense for these other intangible assets for each of the five succeeding years is:

2010	305
2011	301
2012	292
2013	266
2014	179

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, 2009.

The estimated amortization expense for software as of December 31, 2009 for each of the five succeeding years is:

2010	20
2011	15
2012	6
2013	—
2014	—

The expected weighted average remaining lifetime of software is 2 years as of December 31, 2009.

**20 Goodwill**

The changes in goodwill in 2008 and 2009 were as follows:

	2008	2009
Balances as of January 1,	3,716	2,661
Changes in book value:		
Adjustments	—	(31)
Additions	29	—
Acquisitions	68	—
Divestments	(660)	(4)
Impairment charges	(430)	—
Transfer to assets held for sale	—	(72)
Translation differences	(62)	67
Total changes	(1,055)	(40)
Balances as of December 31,	2,661	2,621

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

As a result of various additional settlements related to acquisitions from previous years, goodwill originally assigned from these acquisitions was adjusted in 2009 and is reflected under “adjustments”.

Acquisition in 2008 related to the following acquisitions:

- Broadband Media Processing business of Conexant Systems, Inc. for an amount of \$32 million.
- GloNav Inc. for an amount of \$20 million.
- NuTune for an amount of \$16 million.

As a result of the sale of the major part of the former “Mobile & Personal” business in 2008, the related goodwill was removed under divestments.

As a result of the yearly impairment test, the Company recorded an impairment charge in 2008 of \$430 million.

Additions in 2008 consist of a tax benefit of \$29 million resulting from the difference in tax base of goodwill in fiscal value against economic value.

Refer to note 4 for acquisitions and divestments. Refer to Information by segment and main country on page F-25 for a specification of goodwill by segment.

## 21 Accrued liabilities

Accrued liabilities are summarized as follows:

	<u>2008</u>	<u>2009</u>
Personnel-related costs:		
—Salaries and wages	128	175
—Accrued vacation entitlements	60	47
—Other personnel-related costs	42	20
Utilities, rent and other	21	24
Income tax payable	80	66
Communication & IT costs	51	78
Distribution costs	10	10
Sales-related costs	28	33
Purchase-related costs	53	36
Interest accruals	105	68
Derivative instruments – liabilities (refer to note 35)	55	9
Liabilities for restructuring costs (refer to note 6)	78	13
Liabilities from contractual obligations	24	18
Accrual for deferred income from divestments	139	92
Other accrued liabilities	109	67
	<u>983</u>	<u>756</u>

The accrual for deferred income from divestments in connection with the sale of the major part of the former Mobile & Personal business in 2008 amounted to \$65 million (2008: \$101 million).

Refer to note 8 for a specification of income tax payable.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**22 Provisions**

Provisions are summarized as follows:

	2008		2009	
	Long - term	Short - term	Long - term	Short - term
Pensions for defined-benefit plans (refer to note 23)	131	5	140	7
Other postretirement benefits (refer to note 24)	15	—	9	—
Postemployment benefits and obligatory severance payments (refer to note 6)	322	98	43	257
Deferred tax liabilities (refer to note 8)	489	13	621	1
Liability for unrecognized tax benefits (refer to note 8)	55	—	59	—
Product warranty	8	1	9	—
Loss contingencies	1	—	—	—
Other provisions	51	12	44	4
<b>Total</b>	<b>1,072</b>	<b>129</b>	<b>925</b>	<b>269</b>

The changes in total provisions excluding deferred tax liabilities and liabilities for uncertain tax positions liabilities are as follows:

	2007	2008	2009
Beginning balance	224	233	644
Changes:			
Additions	35	445	109
Utilizations	(41)	(35)	(167)
Releases	—	(19)	(76)
Translation differences	15	21	3
Changes in consolidation	—	(1)	—
Ending balance	233	644	513

**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 NXP'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 NXP pays a lump sum to the deceased employee's relatives.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**Product warranty**

The provision for product warranty reflects the estimated costs of replacement and free-of-charge services that will be incurred by NXP with respect to products sold. The changes in the provision for product warranty are as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Beginning balance	8	6	9
Changes:			
Additions	—	5	—
Utilizations	(3)	—	—
Releases	—	(1)	—
Translation differences	1	(1)	—
Changes in consolidation	—	—	—
Ending balance	<u>6</u>	<u>9</u>	<u>9</u>

**Loss contingencies (environmental remediation and product liability)**

This provision includes expected losses recorded with respect to environmental remediation and product liability obligations which are deemed probable and reasonably estimatable. The changes in this provision are as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Beginning balance	4	1	1
Changes:			
Additions	—	—	—
Utilizations	—	—	(1)
Releases	(3)	—	—
Translation differences	—	—	—
Ending balance	<u>1</u>	<u>1</u>	<u>—</u>

NXP has not incurred material environmental remediation obligations.

**Other provisions**

Other provisions include provisions for employee jubilee funds totaling \$28 million as of December 31, 2009 (2008: \$33 million).

**23 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 NXP, 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. NXP funds certain defined-benefit pension plans as claims are incurred.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

The amount included in the statement of operations for the year 2009 was \$79 million (2008: \$127 million; 2007: \$46 million) of which \$58 million (2008: \$111 million) represents defined-contribution plans and similar plans.

The total cost of defined-benefit plans amounted to \$21 million in 2009 (2008: \$16 million; 2007: income \$3 million) consisting of \$25 million ongoing cost (2008: \$24 million) and a profit of \$4 million, following from special events resulting from redesign, curtailments and settlements.

NXP currently expects contributions to pension plans, which are estimated to amount to \$98 million in 2010, consisting of \$4 million employer contributions to defined-benefit pension plans, \$86 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 2010 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.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**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 2009 and 2008, with respect to NXP's dedicated plans, and a reconciliation of the funded status of these plans to the amounts recognized in the consolidated balance sheets.

	<u>2008</u>	<u>2009</u>
<b>Projected benefit obligation</b>		
Projected benefit obligation at beginning of year	407	327
Additions	6	—
Service cost	20	15
Interest cost	19	15
Actuarial (gains) and losses	4	(8)
Curtailments and settlements	(94)	(5)
Plan amendments	—	—
Employee contributions	1	—
Benefits paid	(27)	(22)
Exchange rate differences	(9)	9
<b>Projected benefit obligation at end of year</b>	<b>327</b>	<b>331</b>
<b>Plan assets</b>		
Fair value of plan assets at beginning of year	226	137
Additions	3	—
Actual return on plan assets	(2)	11
Employer contributions	39	23
Employee contributions	1	—
Curtailments and settlements	(102)	(1)
Benefits paid	(27)	(22)
Exchange rate differences	(1)	4
<b>Fair value of plan assets at end of year</b>	<b>137</b>	<b>152</b>
Funded status	(190)	(179)
Unrecognized net transition obligation	—	—
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
<b>Net balance</b>	<b>(190)</b>	<b>(179)</b>
<b>Classification of the net balance is as follows</b>		
—Prepaid pension cost under other non-current assets	25	28
—Accrued pension cost under other non-current liabilities	(79)	(60)
—Provisions for pensions under provisions	(136)	(147)
Total	(190)	(179)
<b>Amounts recognized in accumulated other comprehensive income (before tax)</b>		
AOCI at beginning of year	(73)	(32)
—Net actuarial loss (gain)	37	(11)
—Prior service cost (credit)	3	—
—Exchange rate differences	1	(1)
AOCI at end of year	(32)	(44)

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

The weighted average assumptions used to calculate the projected benefit obligations were as follows:

	<u>2008</u>	<u>2009</u>
Discount rate	4.6%	4.8%
Rate of compensation increase	3.1%	3.0%

The weighted average assumptions used to calculate the net periodic pension cost were as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Discount rate	4.4%	5.0%	4.6%
Expected returns on plan assets	5.3%	4.7%	4.3%
Rate of compensation increase	3.1%	3.8%	3.1%

For NXP'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:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Service cost	73	20	15
Interest cost on the projected benefit obligation	49	19	15
Expected return on plan assets	(43)	(9)	(6)
Net amortization of unrecognized net assets/liabilities	—	—	—
Net actuarial loss recognized	—	(6)	(2)
Curtailements & settlements	(82)	(11)	(4)
Other	—	3	3
Net periodic cost	(3)	16	21

NXP expects to make cash contributions other than benefit payments in relation to defined-benefit plans amounting to \$4 million in 2010.

A sensitivity analysis shows that if the discount rate increases by 1% from the level of December 31, 2009, 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, 2009, with all other variables held constant, the net periodic pension cost would decrease by \$2 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 (2010) are \$1 million and nil, respectively.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**Estimated future pension benefit payments**

The following benefit payments are expected to be made (including those for funded plans):

2010	13
2011	13
2012	18
2013	15
2014	14
Years 2015-2019	82
	<u>2008</u> <u>2009</u>
Accumulated benefit obligation for all Company-dedicated benefit pension plans	275      288

**Plan assets**

The actual and targeted pension plan asset allocation at December 31, 2008 and 2009 is as follows:

	<u>2008</u>	<u>2009</u>
Asset category:		
Equity securities	9%	13%
Debt securities	60%	60%
Insurance contracts	12%	13%
Other	19%	14%
	<u>100%</u>	<u>100%</u>

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 \$152 million, the German and Swiss pension fund represent \$124 million. From this \$124 million 19% is categorized as a Level 1 measurement, 80% as a Level 2 measurement and 1% as a Level 3 measurement. From the remaining assets of \$28 million an amount of \$20 million relates to assets held by insurance companies.

**Introduction SFAS No. 158**

In September 2006, SFAS No. 158 was issued, which is now codified in FASB ASC Topic 715. NXP has adopted FAS 158 as of the end of 2007. This statement requires an employer to recognize the funded status of a benefit plan—measured as the difference between plan assets at fair value and the benefit obligation in the balance sheet. The offset of recognized funded status is recorded in accumulated other comprehensive income (within stockholder's equity).

The incremental effect of applying FASB Statement No. 158 on Accumulated other comprehensive income as of December 31, 2007, amounted to a decrease of \$51 million.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**24 Postretirement benefits other than pensions**

In addition to providing pension benefits, NXP provides other postretirement benefits, primarily retiree healthcare benefits in the USA. NXP funds these other postretirement benefit plans as claims are incurred.

The amounts included in the consolidated statements of operations for 2009 are an expense of \$1 million (2008: \$3 million; 2007: \$1 million).

The table below provides a summary of changes in the post-retirement plan benefit obligations for 2009 and 2008, with respect to NXP's dedicated plans, and a reconciliation of the funded status of these plans to the amounts recognized in the consolidated balance sheets.

	<u>2008</u>	<u>2009</u>
<b>Accumulated postretirement benefit obligation</b>		
Projected benefit obligation at beginning of year	14	15
Additions	1	—
Service cost	1	—
Interest cost	1	1
Actuarial (gains) and losses	(1)	—
Plan amendments	—	—
Curtailments and settlements	(1)	(7)
Benefits paid	—	—
Exchange rate differences	—	—
<b>Accumulated postretirement benefit obligation at end of year</b>	<u>15</u>	<u>9</u>
<b>Plan assets</b>		
Fair value of plan assets at beginning of year	—	—
Additions	—	—
Actual return on plan assets	—	—
Employer contributions	—	—
Benefits paid	—	—
Exchange rate differences	—	—
<b>Fair value of plan assets at end of year</b>	<u>—</u>	<u>—</u>
Funded status	(15)	(9)
Unrecognized net transition obligation	—	—
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
<b>Net balance</b>	<u>(15)</u>	<u>(9)</u>
<b>Classification of the net balances is as follows:</b>		
—Non-current provisions	(15)	(9)
—Current provisions	—	—
Total	<u>(15)</u>	<u>(9)</u>
<b>Amounts recognized in accumulated other comprehensive income (before tax):</b>		
AOCI at beginning of year	13	10
—Net actuarial loss (gain)	(1)	—
—Prior service cost (credit)	(2)	(7)
AOCI at end of year	<u>10</u>	<u>3</u>

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

The weighted average assumptions used to calculate the projected post-retirement plan benefit obligations were as follows:

	<u>2008</u>	<u>2009</u>
Discount rate	6.2%	5.5%

The weighted average assumptions used to calculate the net periodic post-retirement plan costs were as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Discount rate	6.1%	6.2%	6.2%

The components of net periodic post-retirement plan costs were as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Service cost	—	1	—
Interest cost on the accumulated postretirement benefit obligation	—	1	1
Expected return on plan assets	—	—	—
Net amortization of unrecognized net assets/liabilities	—	—	—
Net actuarial loss recognized	—	—	—
Amortization of unrecognized prior service cost	—	1	1
Curtailment & settlement	—	—	(1)
Other	1	—	—
Net periodic cost	1	3	1

Assumed healthcare cost trend rates were as follows:

	<u>2008</u>	<u>2009</u>
Healthcare cost trend rate assumed for next year	10%	9%
Rate that the cost trend rate will gradually reach	5%	5%
Year of reaching the rate at which it is assumed to remain	2012	2018

Assumed health cost trend rates can have an effect on the amounts reported for the healthcare plans. A one-percentage-point increase or decrease in assumed healthcare cost trend rates would have practically no effect on any component of this year's cost.

The estimated net actuarial loss (gain) and prior service cost for the post-retirement benefit plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year (2010) are nil and \$1 million, respectively.

***Estimated future pension benefit payments***

The following benefit payments are expected to be made:

2010	—
2011	—
2012	—
2013	1
2014	1
Years 2015-2019	4

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**25 Other current liabilities**

Other current liabilities are summarized as follows:

	2008	2009
Other taxes including social security premiums	50	26
Amounts payable under pension plans	54	33
Other short-term liabilities	16	29
<b>Total</b>	<b>120</b>	<b>88</b>

**26 Short-term debt**

	2008	2009
Short-term bank borrowings	402	610
Other short-term loans	1	—
Current portion of long-term debt	—	—
<b>Total</b>	<b>403</b>	<b>610</b>

As at the end of December 2009 and 2008 short-term bank borrowings mainly consisted of the revolving credit facility. Refer to note 27.

During 2009 the weighted average interest rate was 3.5% (2008: 5.0%).

**27 Long-term debt**

	Range of interest rates	Average rate of interest	Amount outstanding 2009	Due in 2010	Due after 2010	Due after 2014	Average remaining term (in years)	Amount outstanding December 31, 2008
Euro notes	3.5% — 10%	5.0%	1,666	—	1,666	427	4.3	2,144
USD notes	3.0% — 10%	6.5%	3,000	—	3,000	788	4.6	3,811
Liabilities arising from capital lease transactions	1.0%— 14.8%	6.7%	4	—	4	1	3.8	5
Other long-term debt	0.9%— 1.5%	1.2%	3	—	3	2	4.4	4
Corresponding data previous year		6.0%	4,673	—	4,673	1,218	4.5	5,964
		8.3%	5,964	—	5,964	3,018	5.6	

The following amounts of long-term debt at book value as of December 31, 2009 are due in the next 5 years:

2010	—
2011	1
2012	1
2013	2,607(*)
2014	846
Due after 5 years	1,218
	<b>4,673</b>
Corresponding amount previous year	5,964

(\*) the expected cash outflow in 2013 is \$2,677 million

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

Related to the Acquisition, NXP B.V. issued on October 12, 2006 several series of notes with maturities ranging from 7 to 9 years and 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 36% and 64% 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, NXP 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***

Since the beginning of 2009, the total long-term debt has been reduced from \$5,964 million to \$4,673 million at the end of the year.

The long-term debt level was reduced in 2009 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).

NXP 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.

Other effects on the total long-term debt position relate to the translation of EUR notes outstanding.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

***Euro notes***

The Euro notes outstanding per the end of December 2009 consist of the following three series:

- a €843 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 the interest rate was 6.214%; and
- a €297 million aggregate principal amount of 8.625% senior notes due 2015; and
- a €29 million aggregate principal amount of 10% super priority notes due 2013.

***USD notes***

The USD notes consist of the following four series:

- a \$1,201 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 the interest rate was 8.118%; and
- a \$845 million aggregate principal amount of 7.875% senior secured notes due 2014; and
- a \$788 million aggregate principal amount of 9.5% senior notes due 2015; and
- a \$221 million aggregate principal amount of 10% super priority notes due 2013.

***Certain terms and covenants of the euro and dollar notes***

NXP 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 NXP B.V.'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, 2009 in the amount of \$3,626 million (2008: \$4,373 million) have been secured by collateral on substantially all of NXP B.V.'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 NXP B.V.'s current and future material wholly owned subsidiaries ("Guarantors").

Pursuant to various security documents related to the above mentioned secured notes and the \$720 million (denominated €500 million) committed revolving credit facility, NXP B.V. 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;

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

- (b) all present and future intercompany debt of NXP B.V. and each Guarantor;
- (c) all of the present and future property and assets, real and personal, of NXP B.V. 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 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 NXP B.V. or a Guarantor that is not automatically subject to a perfected security interest under the security documents, then NXP B.V. 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.

***Credit facilities***

At December 31, 2009, NXP B.V. had a senior secured revolving credit facility of \$720 million (denominated: €500 million) (2008: \$703 million) entered into as from September 29, 2006, in order to finance the working capital requirements and general corporate purposes of which \$120 million (2008: \$298 million) was unused. This committed revolving credit facility has a tenor of 5 years and expires in 2012.

Although the revolving credit facility expires in 2012, NXP has the flexibility of drawing and repaying under this facility and therefore the amount drawn is classified under short-term debt.

All of the Guarantors of the secured notes described above are also guarantor of NXP B.V.’s obligations under this committed revolving credit facility and similar security (on a first priority basis) as granted under the secured notes has been granted for the benefit of the lenders under this facility.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**28 Other non-current liabilities**

Other non-current liabilities are summarized as follows:

	<u>2008</u>	<u>2009</u>
Accrued pension costs	79	60
Asset retirement obligations	12	12
Liabilities related to EDA contracts	—	34
Other	16	53
	<u>107</u>	<u>159</u>

**29 Contractual obligations**

For an explanation of long-term debt and other long-term liabilities, see note 27 and 28.

Property, plant and equipment includes \$4 million as of December 31, 2009 (2008: \$5 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 \$195 million as of December 31, 2009 (2008: \$240 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 2009 totaled \$37 million (2008: \$37 million; 2007: \$25 million).

The future payments that fall due in connection with these obligations are as follows:

2010	33
2011	29
2012	28
2013	26
2014	25
Later	54
Total	<u>195</u>

**30 Contingent liabilities****Guarantees**

At the end of 2009 there were no material guarantees recognized by the Company.

**Capital contributions**

NXP has a contractual agreement to contribute \$18 million in its ASEN venture if our venture partner also contributes its contractually agreed amounts; the contribution, which we expect may occur in 2010.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

***Other commitments***

NXP has made certain commitments to SSMC, whereby NXP 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***

NXP accrues for losses associated with environmental obligations when such losses are probable and reasonably estimable.

At the end of 2009 the Company has not incurred material environmental remediation obligations.

***Litigation***

NXP 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 NXP's management that the outcome of any such claims, either individually or on a combined basis, will not have a material adverse effect on NXP's consolidated financial position, but may be material to the consolidated statement of operations of NXP 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.

**31 Stockholder's equity**

On February 29, 2008, the share capital of the Company was changed through a multi-step amendment of the articles of association of the Company. As a result, the nominal value of the common shares of stock was decreased from €1 to €0.01, and all preference stock in the Company's stock capital were converted into shares of common stock. The final result is that the stock capital of the Company as of February 29, 2008, exists of 4,305,030,000 shares of common stock. The shares of common stock are owned by KASLION Holding B.V. (79.88%), Philips (19.85%) and Stichting Management Co-Investment NXP (0.27%). The ultimate owners of KASLION Holding B.V. are the Private Equity Consortium.

The Company has issued and paid up 4,305,030,000 ordinary shares of common stock at a par value of €0.01 each or a nominal stock capital of €43 million.

The Company has granted stock options and equity rights to employees of NXP B.V. and its subsidiaries to receive the Company shares or depository receipts in future (refer to note 33).

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

**32 Related-party transactions**

The Company entered into related-party transactions with:

1. Philips, which was NXP B.V.'s parent before its current existence and continues to hold an indirect 19.9% beneficial interest.
2. Various related parties in which NXP typically holds a 50% or less equity interest and has significant influence (refer to note 9). The transactions in these related parties are generally conducted with terms comparable to transactions with third parties.
3. In 2008, NXP 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 electronics 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:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Sales	77	112	25
Purchase of goods and services	241	328	98

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

	<u>2008</u>	<u>2009</u>
Receivables	18	7
Payables	73	30

Since December 2006, selected members of our management purchased approximately 11 million depository receipts issued by the Stichting Management Co-Investment NXP, each of these receipts representing an economic interest in a common share of the Company. These depository receipts have been purchased at a price estimated to be their fair market value and, in the aggregate, represent a beneficial interest in the Company of 0.25%.

**33 Share-based compensation**

Share-based compensation plans were introduced in 2007. Under these plans management and certain other executives acquire the right to purchase depository receipts of our shares of common stock 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 30% of our common stock). The exercise prices of stock options granted in 2007 and 2008 range from €1.00 to €2.50.

Also starting 2007, the Company granted equity rights, referred to as restricted stock units, to certain non-executive employees of NXP 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). The purpose of these share-based compensation plans is to align the interests of management and other employees with those of the shareholders by providing additional incentives to improve NXP's medium and long term performance by offering the

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

participants to share in the success of NXP. In years subsequent to the initial grant in 2007, additional stock options and equity rights were granted to existing participants in the share-based payments plans and to new participants entering the plans.

In May 2009, the Company executed a stock option exchange program for stock options granted in 2007 and 2008, 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. As of 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 until €2.00.

No modifications occurred with respect to the equity rights of the non-executive employees.

The fair value of share-based payments is required to be based upon an option valuation model. Since neither the Company stock options nor its shares of common stock are traded on any exchange and exercise is dependent upon a sale of shares by the Private Equity Consortium or upon a change of control of the Company (in particular, the Private Equity Consortium no longer jointly holding 30% of our common stock), employees can receive no value nor derive any benefit from holding these stock options or rights without the fulfillment of these conditions for exercise. The Company has concluded that the fair value of the share-based payments can best be estimated by the use of a binomial option-pricing model because such models take into account the various conditions and subjective assumptions that determine the estimated value. The option-pricing model was an asset lattice using the Cox-Ross-Rubinstein methodology to model the potential paths of the assets and business enterprise value of the Company.

The assumptions used are:

- Expected life of the stock options and equity rights is calculated as the difference between the grant dates and an exercise triggering event not before the end of 2011; which resulted in expected lives of 4.25 and 3.25 years for options and rights granted in respectively 2007 and 2008. For the stock options granted in 2009 an expected life of 3 years has been assumed;
- Risk-free interest rate is 4.1% for 2007 awards, 3.8% for 2008 awards and 1.6% for 2009 awards;
- Expected asset volatility is approximately 38% in 2009 and approximately 27% for 2007 and 2008. The calculation is 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 discount is 35% for 2007 awards, 26% for 2008 awards and 28% for 2009 awards;
- The Business Economic Value of NXP based on projected discounted cash flows as derived from NXP's business plan for the next 3 years, extrapolated until 2020 and using terminal growth rates from 3-4%. The discount factor was based on a weighted average cost of capital of approximately 14%.

Because the stock options and equity 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 stock options and equity 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 to the period from valuation date to exit date.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
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The vesting date of most of the equity rights granted in 2007 is April 1, 2010. The options vest gradually in 4 equal annual portions until October 1, 2010. The first portion of the 2007 grant 25% vested on October 1, 2007, which was also the grant date. The vesting date of the stock options granted in 2008 is in 2012, 4 years after the date of grant. Also these stock options vest gradually over 4 years. For the new stock options granted in 2009 also a 4-year graded vesting period applies. For the stock options that were granted in exchange for the cancelled stock options of 2007 and 2008 a vesting period applies that is depending on specific arrangements made with the participants. Some kept their original vesting schemes, while others were granted a vesting scheme of 50% or 25% of the original vesting scheme.

The assumptions were used for these calculations only and do not represent an indication of management's expectations of future developments. Changes in the assumptions can materially affect the fair value estimate.

With regard to the modified stock options the unrecognized portion of the compensation costs of the cancelled stock options continues to be recognized over their remaining requisite vesting period. For the replacement stock options the incremental 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 compensation cost will be recognized in accordance with the vesting schedules.

A charge of \$28 million was recorded in 2009 (2008: \$35 million, 2007: \$28 million) for share-based compensation, of which \$2 million related to incremental compensation costs for the modified stock option scheme (2008 and 2007: nil).

The following table summarizes the information about outstanding the Company stock options and changes during 2009.

**Stock options**

	2009	Weighted average exercise price in EUR
Outstanding at January 1	653,616,140	1.61
Cancelled	(409,001,700)	1.62
Granted as replacement for cancelled option	149,321,385	1.04
Newly granted options	134,226,018	1.00
Exercised	—	—
Forfeited	(31,027,190)	1.52
Outstanding at December 31	497,134,653	1.27
Weighted average grant-date fair value in € of options granted during:		
2007		0.11
2008		0.08
2009		0.09

The number of vested stock options at December 31, 2009, was 157,291,668 with a weighted average exercise price of €1.36.

At December 31, 2009, there was a total of \$28 million of unrecognized compensation cost related to non-vested stock options. This cost is expected to be recognized over a weighted-average period of 1.4 years.

A summary of the status of NXP's equity rights granted in 2009 and changes during these years is presented below. All equity rights have an exercise price of nil euros.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
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**Equity rights**

	2009	
	Shares	Weighted average grant date fair value in EUR
Outstanding at January 1	14,678,870	0.42
Granted	110,775	0.26
Exercised	—	—
Forfeited	(2,724,001)	0.45
Outstanding at December 31	12,065,644	0.42

The weighted average grant date fair value of equity rights granted in 2008 and 2007 was respectively €0.26 and €0.65. The number of vested equity rights at December 31, 2009 was nil.

At December 31, 2009, there was a total of less than \$1 million of unrecognized compensation cost related to non-vested equity rights. This cost is expected to be recognized over a weighted-average period of 2.1 years.

None of the stock options and equity rights are currently exercisable. None of the stock options and equity rights will expire as a result of exceeding the maximum contractual term because such maximum term is not applicable to these instruments.

**34 Assets received in lieu of cash from the sale of businesses**

In 2009 shares and options were obtained upon completion of the strategic alliance with Virage Logic Corporation (\$15 million).

**35 Fair value of financial assets and liabilities**

The estimated fair value of financial instruments has been determined by NXP using available market information and appropriate valuation methods. The estimates presented are not necessarily indicative of the amounts that NXP could realize in a current market exchange or the value that will ultimately be realized by NXP 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 (formerly SFAS 157 “Fair Value Measurements”) requires making quantitative disclosures 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.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
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	Fair value hierarchy	December 31, 2008		December 31, 2009	
		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
<b>Assets:</b>					
Securities(*)	1	33	33	—	—
Other financial assets(*)	1	18	18	35	35
Derivative instruments—assets(*)	2	37	37	2	2
<b>Liabilities:</b>					
Short-term debt	2	(403)	(403)	(610)	(610)
Long-term debt (bonds)	1	(5,955)	(1,653)	(4,666)	(4,019)
Other long-term debt	2	(9)	(9)	(7)	(7)
Derivative instruments—liabilities(*)	2	(55)	(55)	(9)	(9)

(\*) 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 23.

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

**Cash and cash equivalents, accounts receivable and payable-current**

The carrying amounts approximate fair value because of the short maturity of these instruments.

**Other financial assets and derivative instruments**

For other financial assets, fair value is based upon the quoted market prices.

**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.

**36 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 15 and note 21. Currency fluctuations may impact NXP's financial results. NXP 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's while a higher proportion of its revenues is denominated in US dollars or US dollar-related currencies.

NXP's transactions are denominated in a variety of currencies. NXP uses financial instruments to reduce its exposure to the effects of currency fluctuations. NXP 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. NXP 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 sales.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
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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 NXP. 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 sales.

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 2009 amounted to \$2 million (2008: \$37 million) whereas derivative liabilities amounted to \$9 million (2008: \$55 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 income from operations of NXP.

It is NXP's policy that transaction exposures are hedged. Accordingly, NXP'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, 2009:

	Aggregate Contract amount buy/(sell) (1)	Weighted Average Tenor (in months)
<b>Foreign currency forward contracts<sup>(1)</sup></b>		
Euro (US dollar)	154	2
US dollar (Japanese Yen)	13	1
(Euro) Japanese Yen	8	1
Pound Sterling (US dollar)	16	1
Euro (Pound Sterling)	5	1
(US dollar) Singapore dollar	13	1
(US dollar) Chinese yuan	5	1
US dollar (Thailand baht)	6	1
(Euro) Singapore dollar	25	1

(1) U.S. dollar equivalent

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
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**Interest rate risk**

NXP has significant outstanding debt, which creates an inherent interest rate risk. On October 12, 2006, NXP issued several series of notes with maturities ranging from 7 to 9 years and a mix of floating and fixed rates. The euro and US dollar denominated notes represent 36% and 64% respectively of the total notes outstanding.

The following table summarizes the outstanding notes per December 31, 2009:

	Principal amount <sup>(*)</sup>	Fixed/ floating	Current Coupon rate	Maturity date
Senior Secured Notes	€ 843	Floating	3.4920	2013
Senior Secured Notes	\$ 1,201	Floating	3.0344	2013
Senior Secured Notes	\$ 845	Fixed	7.8750	2014
Senior Notes	€ 297	Fixed	8.6250	2015
Senior Notes	\$ 788	Fixed	9.5000	2015
Super Priority Notes	€ 29	Fixed	10.0000	2013
Super Priority Notes	\$ 221	Fixed	10.0000	2013

(\*) amount in millions

A sensitivity analysis shows that if interest rates were to increase/decrease instantaneously by 1% from the level of December 31, 2009 all other variables held constant, the annualized net interest expense would increase/decrease by \$24 million. This impact is based on the outstanding net debt position as per December 31, 2009.

**37 Restated segmentation****New Segments**

On January 1, 2010, NXP reorganized the current segments into four reportable segments in compliance with FASB ASC Topic 280 (formerly SFAS 131). NXP has now two market-oriented business segments, High-Performance Mixed-Signal 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. Next to that, it also sells products to external customers, mainly former NXP businesses. Our “Corporate and other” segment includes unallocated research expenses not related to any specific business segment, corporate restructuring charges and other expenses, as well as some 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 foregoing re-grouping.

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

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
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have been deconsolidated from the former Mobile & Personal segment. The operations, until July 28, 2008, remained consolidated in our consolidated accounts under a separate new reporting segment named “Divested Wireless Activities”. The remaining business of the former Mobile & Personal segment 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 2007, 2008 and 2009, the divested operations remained consolidated in our consolidated accounts under a separate new reporting segment named “Divested Home Activities”. The remaining part of the former Home segment has been moved into the segments High-Performance Mixed-Signal and Corporate and Other. All previous periods have been restated accordingly.

Detailed information by segment for the years 2009, 2008 and 2007 on a restated basis is presented in the following tables.

	Segments				
	Sales	Research and development expenses	Income (loss) from operations	Income (loss) from operations as a % of sales	Results relating to equity-accounted investees
<b>2009</b>					
HPMS	2,011	413	(193)	(9.6)	(2)
SP	891	48	(83)	(9.3)	—
Manufacturing Operations <sup>(*)</sup>	324	12	(175)	(54.0)	—
Corporate and Other	165	65	(188)	NM	76
Divested Wireless activities	—	—	—	—	—
Divested Home activities	452	239	(261)	(57.7)	—
	<u>3,843</u>	<u>777</u>	<u>(900)</u>	<u>(23.4)</u>	<u>74</u>
<b>2008</b>					
HPMS	2,511	453	(236)	(9.4)	(2)
SP	1,095	51	9	0.8	—
Manufacturing Operations <sup>(*)</sup>	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)	—
	<u>5,443</u>	<u>1,199</u>	<u>(2,646)</u>	<u>(48.6)</u>	<u>(268)</u>
<b>2007</b>					
HPMS	2,625	526	63	2.4	(5)
SP	1,038	64	(37)	(3.6)	—
Manufacturing Operations <sup>(*)</sup>	214	—	(264)	(123.4)	—
Corporate and Other	405	138	(100)	NM	(35)
Divested Wireless activities	1,457	408	(201)	(13.8)	—
Divested Home activities	582	192	(239)	(41.1)	—
	<u>6,321</u>	<u>1,328</u>	<u>(778)</u>	<u>(12.3)</u>	<u>(40)</u>

(\*) For the year ended December 31, 2009 Manufacturing Operations supplied \$1,087 million (2008: \$1,830 million; 2007: \$2,765 million to other segments, which have been eliminated in the above presentation.  
 NM: Not Meaningful.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
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Certain assets of NXP 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 (to follow)				
	Inventories	Long-lived <sup>(1)</sup> assets	Total liabilities excl. debt	Gross capital expenditures	Depreciation property, plant and equipment
<b>2009</b>					
HPMS	249	3,083	225	15	34
SP	111	1,290	206	22	80
Manufacturing Operations	181	1,161	920	49	321
Corporate and Other	1	454	1,428	9	81
Divested Wireless activities	—	—	—	—	—
Divested Home activities	—	—	2	1	5
	<u>542</u>	<u>5,988</u>	<u>2,781</u>	<u>96</u>	<u>521</u>
<b>2008</b>					
HPMS	244	3,276	60	13	60
SP	153	1,404	52	58	108
Manufacturing Operations	156	1,646	663	269	449
Corporate and Other	22	354	2,253	18	52
Divested Wireless activities	—	—	—	16	13
Divested Home activities	55	172	2	5	11
	<u>630</u>	<u>6,852</u>	<u>3,030</u>	<u>379</u>	<u>693</u>
<b>2007</b>					
HPMS	295	3,937	114	23	78
SP	138	1,576	182	85	79
Manufacturing Operations	285	2,220	1,209	369	524
Corporate and Other	14	490	1,264	64	167
Divested Wireless activities	162	1,309	183	6	14
Divested Home activities	64	528	1	2	9
	<u>958</u>	<u>10,060</u>	<u>2,953</u>	<u>549</u>	<u>871</u>

(1) Long-lived assets include property, plant and equipment, goodwill and other intangible fixed assets.

	Goodwill assigned to segments					
	Carrying value at January 1, 2009	Acquisitions	Divestments	Impairment	Translation differences and other changes	Carrying value at December 31, 2009
HPMS	1,729	—	—	—	17	1,746
SP	519	—	—	—	7	526
Manufacturing Operations	320	—	—	—	4	324
Corporate and Other	23	—	—	—	2	25
Divested Home activities	70	—	—	—	(70) <sup>(*)</sup>	—
	<u>2,661</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(40)</u>	<u>2,621</u>

(\*) Included are transfers to assets held for sale related to Trident.

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

The following tables present the changes in the position of restructuring liabilities in 2009 by segment:

	Balance January 1, 2009	Additions	Utilized	Released	Other changes <sup>(1)(2)</sup>	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
	<u>498</u>	<u>112</u>	<u>(211)</u>	<u>(92)</u>	<u>6</u>	<u>313</u>

- (1) Other changes are primarily related to translation differences and reclassifications between segments  
(2) The provision for restructuring for the “ICH 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.

The additions to the restructuring liabilities in 2009 amounting to \$112 million by segment were as follows:

	Personnel costs	Write-down of assets	Other costs	Total
HPMS	44	—	—	44
SP	7	—	—	7
Manufacturing Operations	15	—	7	22
Corporate and Other	16	4	—	20
Divested Wireless activities	—	—	—	—
Divested Home activities	19	—	—	19
	<u>101</u>	<u>4</u>	<u>7</u>	<u>112</u>

Further to additions to the restructuring liability of \$112 million, a cash expense of \$83 million was also charged to income of 2009 for restructuring related charges.

The details by segment were as follows:

HPMS	9
SP	2
Manufacturing Operations	13
Corporate and Other	57
Divested Home activities	<u>2</u>
	83

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
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The following tables present the changes in the position of restructuring liabilities in 2008 by segment.

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Utilized</u>	<u>Released</u>	<u>Other changes<sup>(1)</sup></u>	<u>Balance December 31, 2008</u>
HPMS	—	8	(5)	—	(1)	2
SP	1	9	(7)	—	(3)	—
Manufacturing Operations	98	364	(192)	(4)	10	276
Corporate and Other	3	180	(9)	(9)	43	208
Divested Wireless activities	1	19	(16)	—	(3)	1
Divested Home activities	9	30	(23)	(3)	(2)	11
	<u>112</u>	<u>610</u>	<u>(252)</u>	<u>(16)</u>	<u>44</u>	<u>498</u>

(1) Other changes primarily related to translation differences

The total restructuring liability as of December 31, 2008 of \$498 million is classified in the balance sheet under provisions for \$420 million and under accrued liabilities for \$78 million.

Additions in 2008 of \$610 million are presented by segment as follows:

	<u>Personnel costs</u>	<u>Write- down of assets</u>	<u>Other changes</u>	<u>Total</u>
HPMS	5	—	3	8
SP	5	—	4	9
Manufacturing Operations	264	36	64	364
Corporate and Other	136	—	44	180
Divested Wireless activities	18	—	1	19
Divested Home activities	21	—	9	30
	<u>449</u>	<u>36</u>	<u>125</u>	<u>610</u>

**38 Earnings per share**

The earnings per share (EPS) data have been calculated as follows:

	<u>2007<sup>(*)</sup></u>	<u>2008<sup>(*)</sup></u>	<u>2009</u>
<b>Net income (loss)</b>	(603)	(3,574)	(161)
Less: dividend liability on preferred stock	(586)	—	—
Net income (loss) adjusted	(1,189)	(3,574)	(161)
Net income (loss) attributable to stockholders	(1,236)	(3,600)	(175)
<b>Weighted average number of shares (in thousands)</b>	100,000	3,604,192	4,305,030
Plus incremental shares from assumed conversion of:			
Options <sup>(1)</sup>	—	—	—
Equity rights <sup>(2)</sup>	—	—	—
Dilutive potential common shares	—	—	—
Adjusted weighted average number of shares	100,000	3,604,192	4,305,030
<b>Basic/diluted earnings per share in \$</b>			
Net income (loss)	(11.89)	(0.99)	(0.04)
Net income (loss) attributable to stockholders	(12.36)	(1.00)	(0.04)

**Notes to the consolidated financial statements of KASLION Acquisition B.V.—(Continued)**  
**All amounts in millions of \$ unless otherwise stated.**

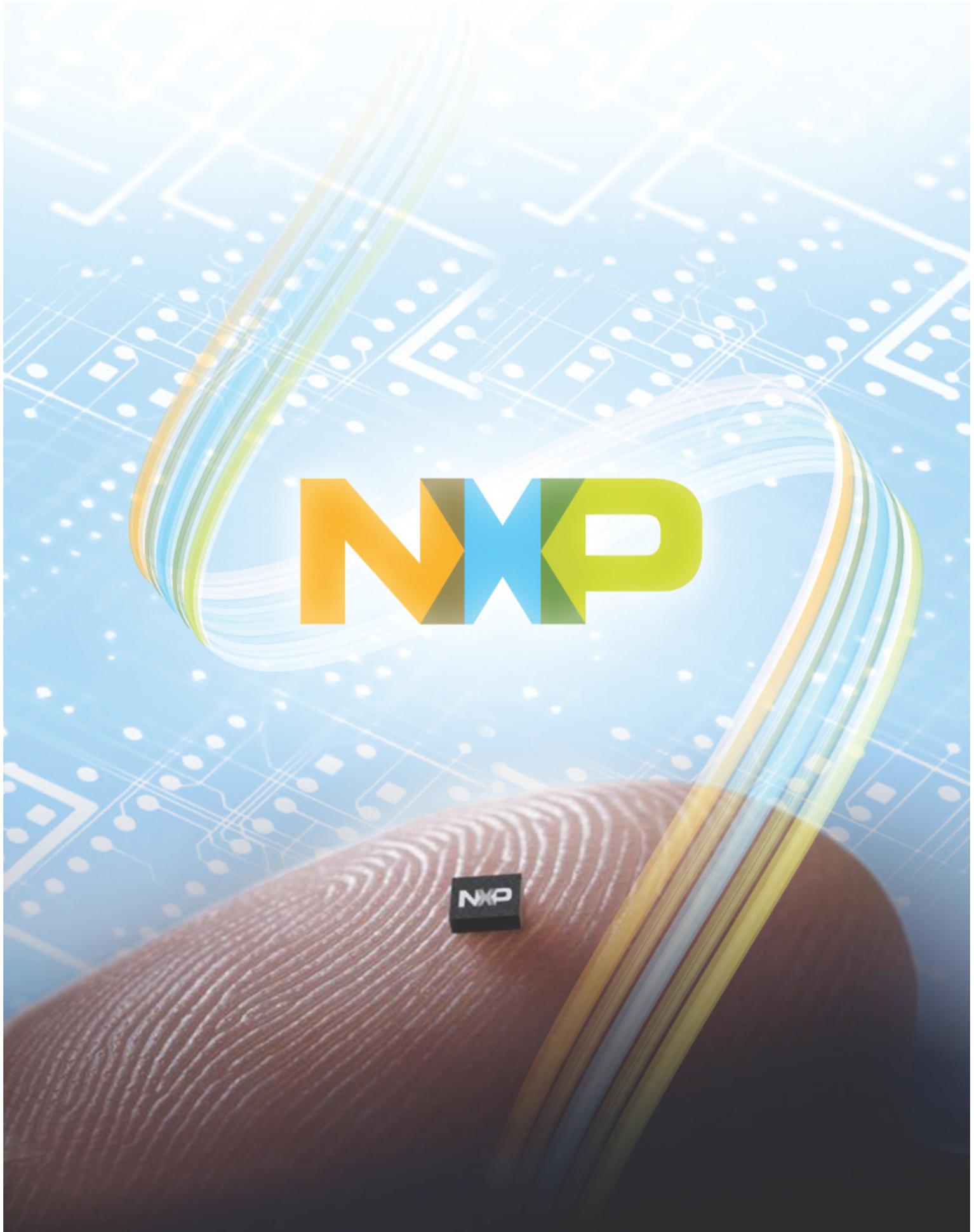
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- (\*) On February 29, 2008, through a multi-step transaction, the nominal value of the common shares was decreased from EUR 1 to EUR 0.01 and all preference shares were converted into common shares, resulting in an increase of outstanding common shares from 100 million into 4.3 billion.
- (1) In 2009, 24,555,617 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 2009, 12,060,369 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 and 2007, no stock options or equity rights could be considered as potential common shares for the calculation of diluted earnings per share, because they had an exercise price higher than the fair value.

**39 Subsequent events**

On February 8, 2010, we completed Trident's acquisition of NXP's television systems and set-top box business lines, a transaction first announced on October 5, 2009. Subsequent the closing of the acquisition, NXP owns approximately 60% of the outstanding stock of Trident. As a result of the terms and conditions agreed between the parties, primarily that NXP will only retain a 30% voting interest in participatory rights and 60% voting interest for protective rights only, NXP will account for its investment in Trident under the equity method.

In order to reduce our overall debt level and related interest expense, after the reporting date we purchased senior notes in an open market transaction for a nominal amount of approximately \$14.5 million. The payment of the notes was funded with available cash. We may from time to time continue to seek opportunities to retire or purchase our outstanding debt.

Per year-end, the activities of Moversa, our joint venture with Sony established in 2007, ended. As per February 23, 2010, NXP acquired Sony's 50% stake in Moversa, and merged Moversa with NXP Semiconductors Austria GmbH.



## Shares

### Common Stock



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## PROSPECTUS

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Until \_\_\_\_\_, all dealers that effect transactions in these securities, whether or not participating in this offer, may be required to deliver a prospectus. This is in addition to the dealers' obligations to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 6. Indemnification of Directors and Officers.**

Under Dutch law, indemnification provisions may be included in the articles of association and, accordingly, our amended articles of association that will be in effect upon the completion of this offering provide that we shall indemnify any of our directors against all adverse financial effects incurred by such person in connection with any action, suit or proceeding if such person acted in good faith and in a manner that could reasonably be believed to be in or not opposed to our best interests. In addition, upon completion of this offering, we may enter into indemnification agreements with our directors and officers.

**Item 7. Recent Sales of Unregistered Securities.**

The Management Foundation, a foundation organized under the laws of the Netherlands, established to implement our management co-investment program, holds 12 million of our shares of common stock for the benefit of the designated participants in the program. Pursuant to this program, selected members of our management, including our chief executive officer, the members of our management team and the other NXP executives, have purchased depositary receipts for shares of common stock issued by the Management Foundation, each representing economic interests in one share of our common stock. These interests include any dividends and other proceeds or liquidation entitlements, but do not include any voting rights, which are retained by the Management Foundation in its capacity as stockholder. Participants in our management co-investment program are selected by the nominating and compensation committee, with respect to participants who are on our board, and by the chief executive officer, with respect to other participants.

From November, 2007 to December, 2008, we granted approximately 135 members of management and executive officers, stock options under which, such members of management and executive officers, were given the right to purchase an aggregate of approximately 850 million depositary receipts representing an aggregate of approximately 850 million shares of our common stock upon exercise and payment of the exercise price, after these rights vested, and only upon a sale of shares by the Private Equity Consortium or upon a change of control (in particular, upon the Private Equity Consortium no longer holding 30% of our common stock). The exercise prices for these options ranged from €1.00 to €2.50 per stock option. As of December 31, 2008, rights to purchase depositary receipts representing an aggregate of approximately 654 million shares of common stock were outstanding. Most of these outstanding shares of common stock were cancelled under our new stock options exchange program of May 2009, which is described below. The remaining lapsed as a result of the holders of stock options having left our employment. Approximately 90 million stock options entitling to the right to purchase depositary receipts representing an aggregate of approximately 90 million shares of our common stock have not been exchanged and are still outstanding as per December 31, 2009.

From October, 2007 to March 31, 2010, 2008, we granted approximately 1,045 non-executive employees equity rights under which such non-executive employees were given the right to acquire an aggregate of approximately 10 million shares of common stock for no consideration after the rights vested and upon a change of control (in particular, upon the Private Equity Consortium no longer holding 30% of our common stock).

Since neither our stock options nor our equity rights and shares of common stock were traded on any stock exchange, 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 can 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. These assumptions are discussed in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Share-based Compensation”, included elsewhere in this registration statement.

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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 options exchange program, under which new stock options 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. Under this program, an aggregate number of approximately 475 million stock options, representing the right to purchase depositary receipts for approximately 475 million shares of common stock were exchanged into approximately 165 million stock options entitling to purchase depositary receipts for approximately 165 million shares of common stock. In addition, an average of approximately 125 million new stock options representing the right to purchase depositary receipts for approximately 125 million shares of common stock have been granted to new employees. The exercise prices for these new stock options ranged from €0.1 to €2.0 per stock option. In certain cases, the vesting schedules of the options were also revised.

The current option pool available for stock options grants, as determined by our stockholders, is for an amount of stock options representing, in the aggregate, up to 435 million common shares in our share capital. As of December 31, 2009, a total of approximately 380 million stock options were granted and were outstanding, under the management equity 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). These stock options can be exercised at strike prices which vary from €0.10 to €2.50 per stock option.

The issuances described above were effected without registration in reliance on (1) the exemptions afforded by Section 4(2) of the Securities Act, because the sales did not involve any public offering, (2) Rule 701 promulgated under the Securities Act for shares that were sold under a written compensatory benefit plan or contract for the participation of our employees, directors, officers, consultants and advisors, and (3) Regulation S promulgated under the Securities Act relating to offerings of securities outside of the United States.

### **Item 8. Exhibits and Financial Statement Schedules.**

#### *Exhibits*

See exhibit index which is incorporated herein by reference.

#### *Financial Statements Schedules*

All information for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission is either included in the financial statements or is not required under the related instructions or is inapplicable, and therefore has been omitted.

### **Item 9. Undertakings**

(a) The undersigned registrant hereby undertakes to provide to the several underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the several underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by

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a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.





**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description of Document</b>
1.1†	Form of Underwriting Agreement
3.1†	Certificate of incorporation
3.2†	Amended and Restated Articles of Association of NXP Semiconductors N.V., to become effective upon the conversion of KASLION Acquisition B.V. to NXP Semiconductors N.V.
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 Mizohu 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
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 KASLION Acquisition B.V., NXP B.V., Guarantors named therein, 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	Registration Rights Agreement dated as of October 12, 2006 among NXP B.V., NXP Funding LLC, Guarantors named therein and Morgan Stanley & Co. Incorporated, Deutsche Bank Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated as Placement Agents (incorporated by reference to Exhibit 4.4 of the Registration Statement on Form F-4 of NXP B.V., filed on April 23, 2007 (File No. 333-142287))
5.1†	Opinion of De Brauw Blackstone Westbroek N.V. regarding the validity of the shares of common stock being registered
10.1†	Form of amended and restated shareholders agreement between KASLION Acquisition B.V., Koninklijke Philips Electronics N.V., KASLION Holding B.V., Stichting Management Co Investment NXP and NXP B.V.
10.2†	Intellectual Property Transfer and License Agreement dated as of September 28, 2006 between Koninklijke Philips Electronics N.V. and NXP B.V.
10.3	Secured Revolving Credit Facility dated as of September 29, 2006 between 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))

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<u>Exhibit Number</u>	<u>Description of Document</u>
10.4	Shareholders' agreement dated as of March 30, 1999, by and among EBD Investments Pte. Ltd., Koninklijke Philips Electronics N.V. and Taiwan Semiconductor Manufacturing Company Ltd. (incorporated by reference to Exhibit 10.1 of the Taiwan Semiconductor Manufacturing Company Ltd. Annual Report on Form 20-F, filed on April 30, 1999 (File No. 001-14700))
10.5†	Forward Start Revolving Credit Facility between KASLION Acquisition B.V., NXP B.V., NXP Funding LLC and certain listed lenders
10.6†	Lease agreement, dated September 15, 2009, among 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
10.7†	Supplementary agreement, dated September 15, 2009 to the Lease agreement, dated September 15, 2009, among 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
10.8†	Lease agreement, dated December 23, 2004 among Jurong Town Corporation and Systems on Silicon Manufacturing Company Pte. Ltd. for the property at No. 70 Pasir Ris Drive 1, Singapore
10.9†	Lease agreement, dated September 26, 2003 among Huangjiang Investment Development Company and Philips Semiconductors (Guangdong) Company Ltd. for the property at Tian Mei High Tech Industrial Park, Huang, Jiang Town, Dongguan City, China
10.10†	Lease agreements for the real property and premises inside the Nantzu Industrial District, Kaohsiung, Taiwan
21.1	List of Subsidiaries of the Registrant
23.1	Consent of KPMG Accountants N.V.
23.2	Consent of Deloitte Accountants B.V.
23.3†	Consent of De Brauw Blackstone Westbroek N.V. (included in Exhibit 5.1)
24.1	Power of Attorney (included on signature page)

† To be filed by amendment

THE TAKING OF THIS DOCUMENT OR ANY CERTIFIED COPY OF IT OR ANY OTHER DOCUMENT WHICH CONSTITUTES SUBSTITUTE DOCUMENTATION FOR IT, OR ANY DOCUMENT WHICH INCLUDES WRITTEN CONFIRMATIONS OR REFERENCES TO IT, INTO AUSTRIA AS WELL AS PRINTING OUT ANY E-MAIL COMMUNICATION WHICH REFERS TO THIS DOCUMENT IN AUSTRIA OR SENDING ANY E-MAIL COMMUNICATION TO WHICH A PDF SCAN OF THIS DOCUMENT IS ATTACHED TO AN AUSTRIAN ADDRESSEE OR SENDING ANY E-MAIL COMMUNICATION CARRYING AN ELECTRONIC OR DIGITAL SIGNATURE WHICH REFERS TO THIS DOCUMENT TO AN AUSTRIAN ADDRESSEE MAY CAUSE THE IMPOSITION OF AUSTRIAN STAMP DUTY. ACCORDINGLY, KEEP THE ORIGINAL DOCUMENT AS WELL AS ALL CERTIFIED COPIES THEREOF AND WRITTEN AND SIGNED REFERENCES TO IT OUTSIDE OF AUSTRIA AND AVOID PRINTING OUT ANY E-MAIL COMMUNICATION WHICH REFERS TO THIS DOCUMENT IN AUSTRIA OR SENDING ANY E-MAIL COMMUNICATION TO WHICH A PDF SCAN OF THIS DOCUMENT IS ATTACHED TO AN AUSTRIAN ADDRESSEE OR SENDING ANY E-MAIL COMMUNICATION CARRYING AN ELECTRONIC OR DIGITAL SIGNATURE WHICH REFERS TO THIS DOCUMENT TO AN AUSTRIAN ADDRESSEE.

NXP B.V.  
NXP FUNDING LLC  
**Issuers**

EACH OF THE GUARANTORS PARTY HERETO  
LAW DEBENTURE TRUST COMPANY OF NEW YORK,  
as Trustee

DEUTSCHE BANK TRUST COMPANY AMERICAS,  
as Paying Agent, Transfer Agent and Registrar

DEUTSCHE BANK AG, LONDON BRANCH,  
as London Paying Agent

DEUTSCHE BANK LUXEMBOURG S.A.,  
as Registrar

MORGAN STANLEY SENIOR FUNDING, INC.,  
as Global Collateral Agent

and

MIZUHO CORPORATE BANK, LTD.,  
as Taiwan Collateral Agent

U.S. Dollar-Denominated 10% Super Priority Notes due 2013  
Euro-Denominated 10% Super Priority Notes due 2013

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SUPER PRIORITY INDENTURE  
Dated as of April 2, 2009

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**CROSS-REFERENCE TABLE\***

<u>TIA Sections</u>	<u>Indenture Sections</u>
§ 310(a)	7.09
(b)	7.07
§ 311	7.03
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INDENTURE dated as of April 2, 2009, among NXP B.V. (the “*Company*”), NXP Funding LLC (the “*Co-Issuer*” and, together with the Company, the “*Issuers*”), the Guarantors (as defined herein), Law Debenture Trust Company of New York, as trustee (the “*Trustee*”), Deutsche Bank Trust Company Americas, as Paying Agent, Registrar and Transfer Agent, Deutsche Bank AG, London Branch, as London Paying Agent, Morgan Stanley Senior Funding, Inc., as Global Collateral Agent, and Mizuho Corporate Bank, Ltd., as Taiwan Collateral Agent.

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of (a) the Issuers’ euro-denominated 10% Super Priority Notes due 2013 and dollar-denominated 10% Super Priority Notes due 2013 issued on the date hereof (collectively, the “*Original Notes*”) and (b) an unlimited principal amount of additional securities having identical terms and conditions, except as otherwise provided herein, as any series of the Original Notes (the “*Additional Notes*”) that subject to the conditions and in compliance with the covenants set forth herein may be issued on any later issue date. Unless the context otherwise requires, in this Indenture references to the “*Euro Notes*” include the euro-denominated Original Notes and any euro-denominated Additional Notes that are actually issued and references to the “*Dollar Notes*” include the U.S. dollar-denominated Original Notes and any U.S. dollar-denominated Additional Notes that are actually issued (the Euro Notes and Dollar Notes together, the “*Notes*”). Except as otherwise expressly provided herein, the obligations of each party are several and not joint.

This Indenture is subject to, and will be governed by, the provisions of the TIA that are required to be a part of and govern indentures qualified under the TIA.

## ARTICLE 1

### Definitions and Incorporation by Reference

#### Section 1.01. Definitions

“*Acquired Indebtedness*” means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) 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 (3) 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 (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

“*actual knowledge*” of any Trustee shall be construed to mean that such Trustee shall not be charged with knowledge (actual or otherwise) of the existence of facts that would impose an obligation on it to make any payment or prohibit it from making any payment unless a Responsible Officer of such Trustee has received written notice that such payments are required

or prohibited by this Indenture in which event the Trustee shall be deemed to have actual knowledge within one Business Day of receiving that notice.

“*Additional Assets*” means:

(1) 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);

(2) 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

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Company.

“*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 Philips 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.

“*Agreed Security Principles*” means the Agreed Security Principles as set out in Schedule 2.1, as applied reasonably and in good faith by the Company.

“*Applicable Premium*” means the greater of (A) 1% of the principal amount of the applicable Note and (B):

(1) with respect to any Dollar Note, on any redemption date, the excess (to the extent positive) of:

(a) the present value at such redemption date of (i) the aggregate principal amount at maturity of such Dollar Note (expressed in percentage of principal amount), plus (ii) all required interest payments due on such Dollar Note, to and including the maturity date (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Treasury Rate at such redemption date plus 50 basis points; over

(b) the outstanding principal amount of such Dollar Note; and

(2) with respect to any Euro Note, on any redemption date, the excess (to the extent positive) of:

(a) the present value at such redemption date of (i) the aggregate principal amount at maturity of such Euro Note (expressed in percentage of principal amount), plus (ii) all required interest payments due on such Euro Note, to and including the maturity date (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(b) the outstanding principal amount of such Euro Note;

in each case, as calculated by the Issuers or on behalf of the Issuers by such Person as the Issuers shall designate.

“*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:

(1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory or other assets in the ordinary course of business;

(4) 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;

(5) transactions permitted under Section 5.01 or a transaction that constitutes a Change of Control;

(6) 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;

(7) 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 million;

(8) any Restricted Payment that is permitted to be made, and is made, under Section 4.06 and the making of any Permitted Payment or Permitted Investment or, solely for purposes of Section 4.09(a)(3), 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;

(9) dispositions in connection with Permitted Liens;

(10) 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;

(11) 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;

(12) foreclosure, condemnation or any similar action with respect to any property or other assets;

(13) 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;

(14) 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 (15) of the definition of Permitted Investments);

(15) 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;

(16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(17) 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 (17), does not exceed €50 million; and

(18) 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 Indenture.

“*Associate*” means (i) 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 (ii) any joint venture entered into by the Company or any Restricted Subsidiary of the Company.

“*Board of Directors*” means (1) with respect to the Company or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) 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 (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. For the purposes of the definition of Change of Control only, Board of Directors of the Company or any Parent shall mean its supervisory board or its managing board. 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).

“*Bund Rate*” means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds or Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but no more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuers in good faith)) most nearly equal to the period from the redemption date to July 15, 2013; *provided, however*, that if the period from the redemption date to July 15, 2013 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to July 15, 2013 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

“*Business Day*” means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, or New York, New York, United States are authorized or required by law to close; *provided, however*, that for any payments to be made under this Indenture, such day shall also be a 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:

(1) 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;

(2) 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 party to the Senior Facilities Agreement or by any bank or trust company (a) 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 (b) (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 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) 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;

(5) 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;

(6) 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;

(7) 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);

(8) 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 (1) through (7) above; and

(9) for purposes of clause (2) of the definition of "Asset Disposition", the marketable securities portfolio owned by the Company and its Subsidiaries on the Original Issue Date.

"Change of Control" means:

(1) 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 Issue 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 Issue 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;

(2) 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

(3) 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.

“*Clearstream, Luxembourg*” means Clearstream Banking, a société anonyme as currently in effect or any successor securities clearing agency.

“*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 September 29, 2006 among the Collateral Agents, the Issuers, the Secured Parties and the Guarantors, as amended from time to time, and any additional agency agreement in respect of the Collateral that supplements or replaces such Collateral Agency Agreement, as amended from time to time.

“*Collateral Agent*” means the Global Collateral Agent or the Taiwan Collateral Agent or any additional or successor collateral agent or sub-agent.

“*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.

“*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:

- (1) Fixed Charges and items (w), (x) and (y) in clause (1) of the definition of Consolidated Interest Expense;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization expense;

(5) 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 Indenture (in each case whether or not successful) (including any such fees, expenses or charges related to the 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;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period;

(7) 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 4.10; and

(8) 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:

(1) 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 (a) amortization of original issue discount resulting from the issuance of Indebtedness at less than par, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (c) 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), (d) the interest component of Capitalized Lease Obligations, and (e) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness, and excluding (t) accretion or accrual of discounted liabilities other than Indebtedness, (u) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (v) any additional interest pursuant to a registration rights agreement with respect to any securities, (w) amortization of deferred financing fees, debt issuance costs, commissions, fees and expenses, (x) any expensing of bridge, commitment and other financing fees, and (y) 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

(2) consolidated capitalized interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued; less

(3) 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 4.05(g)(3)).

“*Consolidated Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) 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 Issuers are available; *provided, however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

(1) 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;

(2) 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

(3) 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 (1) or (2) 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:

(1) subject to the limitations contained in clause (3) 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 applying this exception only for the purpose of determining the amount available for Restricted Payments (other than Restricted Investments) under Section 4.06(a)(4)(z)(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 (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under Section 4.06(a)(4)(z)(i), 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 (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or this Indenture, and (c) restrictions specified in Section 4.08(b)(11)(a)(i)), 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);

(3) 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);

(4) 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 Transactions (including (i) in relation to expenses relating to consulting or operational improvement initiatives, (ii) expenses associated with the closing out of existing management equity programs and (iii) start-up and transaction costs);

(5) the cumulative effect of a change in accounting principles since the Original Issue Date;

(6) 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;

(7) 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;

(8) 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;

(9) 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;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuers or any Restricted Subsidiary owing to the Issuers or any Restricted Subsidiary;

(11) the 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 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);

(12) any goodwill or other intangible asset impairment charge or write-off;

(13) solely for the purpose of determining the amount available for Restricted Investments (but not other Restricted Payments) under Section 4.06(a)(4)(z)(i), (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

(14) 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 (x) calculated by excluding all Indebtedness other than Secured Indebtedness (except Secured Indebtedness Incurred pursuant to Section 4.05(b)(13) and secured only by assets in the applicable jurisdiction but, for the avoidance of doubt, including Indebtedness secured by Liens permitted under clause (21) of the definition of “Permitted Liens”) and (y) 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:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) 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

(3) 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 Facility*” means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Senior Facilities 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 the original Senior Facilities 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 collateral documents). Without limiting the generality of the foregoing, the term “*Credit Facility*” shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“*Crolles*” means the alliance previously 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 any Guarantor incorporated or organized in England or Wales, administration, administrative receivership, voluntary arrangement and schemes of arrangement).

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“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 so designated as Designated Non-Cash Consideration (or with respect to Asset Dispositions consummated on or after the Original Issue Date, was designated as “Designated Non-Cash Consideration” pursuant to the indentures governing the Existing Secured Notes or the Existing Unsecured Notes) 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 4.09.

“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” (or was so designated under the indenture governing the Existing Secured Notes) 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 4.06(a)(4)(z)(ii).

“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:

- (1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;
- (2) 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
- (3) 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 to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided, however*, that (i) 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 (ii) 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 4.06.

“*DTC*” means The Depository Trust Company or any successor securities clearing agency.

“*Enforcement Event*” means (a) the occurrence of a Default, Event of Default or termination event (however described) under any Note Document or any Senior Finance Document in respect of which notice of acceleration of amounts outstanding under such Note Document or such Senior Finance Document has been given by the relevant secured party or (b) amounts outstanding under such Note Document or such Senior Finance Document have otherwise become due and payable prior to the scheduled maturity thereof (but not, in the case of this clause (b), due to any optional redemption or to a Change of Control or Asset Disposition).

“*Equity Offering*” means (x) 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 (y) 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.

“*Euroclear*” means Euroclear Bank S.A./N.V., as operator of the Euroclear Clearance System as currently in effect or any successor securities clearing agency.

“*Euro Equivalent*” means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Company, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of 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.

“*European Government Obligations*” means any security that is (1) a direct obligation of Ireland, Belgium, The Netherlands, France, Germany or any country that is a member of the European Monetary Union on the date of this Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

“*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.

“*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 Original Issue 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.

“*Existing Secured Notes*” means the €1,000,000,000 Floating Rate Senior Secured Notes due 2013, \$1,535,000,000 Floating Rate Senior Secured Notes due 2013 and \$1,026,000,000 7<sup>7</sup>/<sub>8</sub>% Senior Secured Notes due 2014 issued by the Issuers on October 12, 2006 and any exchange notes issued in relation to such notes.

“*Existing Unsecured Notes*” means the €525,000,000 8<sup>5</sup>/<sub>8</sub>% Senior Notes due 2015 and \$1,250,000,000 9<sup>1</sup>/<sub>2</sub>% Senior Notes due 2015 issued by the Issuers on October 12, 2006 and any exchange notes issued in relation to such notes.

“*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.

“*Fixed Charge Coverage Ratio*” means, with respect to any Person on any determination date, the ratio of 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 the Fixed Charges of such Person for 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 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:

(1) Consolidated Interest Expense of such Person for such Period;

(2) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Preferred Stock during such period;

and

(3) all cash dividends or other distributions paid (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period.

“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 Indenture, all ratios and calculations based on GAAP contained in this Indenture shall be computed in accordance with GAAP. At any time after the Issue 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. At any time after the Issue 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 Indenture), including as to the ability of the Company to make election pursuant to the previous sentence; *provided* that any such election, once made, shall be irrevocable; *provided, further*, any calculation or determination in this Indenture that requires the application of GAAP for periods that include fiscal quarters ended prior to the Company’s election to apply IFRS shall remain as previously calculated or determined in accordance with GAAP. The Company shall give notice of any such election made in accordance with this definition to the Trustee and the Holders.

“Global Collateral Agent” means Morgan Stanley Senior Funding, Inc., or any successor acting in that role.

“Governmental Authority” means 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.

“Government Obligations” means European Government Obligations and/or U.S. Government Obligations, as appropriate.

“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:

(1) 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

(2) 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 any Restricted Subsidiary that Guarantees the Notes.

“*Hedging Obligations*” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement (each, a “*Hedging Agreement*”).

“*Holder*” means each Person in whose name the Notes are registered on the Registrar’s books, which shall initially be the respective nominee of DTC, Euroclear or Clearstream, Luxembourg, as applicable.

“*Holdings*” means KASLION Acquisition B.V. and its successors and assigns.

“*Immaterial Subsidiary*” means any Restricted Subsidiary that (i) has not guaranteed any other Indebtedness of either Issuer and (ii) has Total Assets (as determined in accordance with GAAP) and Consolidated EBITDA of less than 2.5% (in the case of any Subsidiary organized in France existing on the Original Issue Date, 3.5%) 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):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) 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);

(4) 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;

(5) Capitalized Lease Obligations of such Person;

(6) 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);

(7) 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 (a) the fair market value of such asset at such date of determination (as determined in good faith by the Company) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) 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 Issue 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 Issue 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. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in this Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) 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.

*"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:

(1) KKR European Fund II, Limited Partnership, Bain Capital Fund IX, L.P., Bain Capital Fund VIII-E, L.P., Silver Lake Partners II Cayman, L.P., Apax Europe V-A, L.P., Apax Europe VI-A, L.P., AlpInvest Partners CS Investments 2006 C.V. and funds or partnerships related, managed or advised by any of them or any Affiliate of them; and

(2) 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.

*"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 4.06:

(1) "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 (a) the Company's "Investment" in such Subsidiary at the time of such redesignation less (b) 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 redesignated a Restricted Subsidiary; and

(2) 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*" means (i) "BBB-" or higher by S&P; (ii) "Baa3" or higher by Moody's, or (iii) the equivalent of such ratings by S&P or Moody's, or of another Nationally Recognized Statistical Ratings Organization.

"*Investment Grade Securities*" means:

(1) 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);

(2) 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);

(3) 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

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

“*Investment Grade status*” shall occur in respect of a series of Notes when such series of the Notes receives both of the following:

(1) a rating of “BBB-” or higher from S&P; and

(2) a rating of “Baa3” or higher from Moody’s;

or the equivalent of such rating by either 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.

“*IPO Market Capitalization*” means an amount equal to (i) 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 (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

“*Issue Date*” means April 2, 2009.

“*Jilin*” means Jilin NXP Semiconductor Ltd. (formerly known as Philips Jilin Semiconductor Company) or any successor entity or business thereto.

“*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).

“*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:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) 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 (b)) the approval of the Board of Directors;

- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) not exceeding €5.0 million 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.

“*Market Capitalization*” means an amount equal to (i) 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 (ii) 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.

“*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:

- (1) 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;
- (2) 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;
- (3) 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

(4) 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).

“*Note Documents*” means the Notes (including Additional Notes), the Security Documents and this Indenture.

“*Note Guarantee*” has the meaning given to such term in Section 10.01.

“*Offering Memorandum*” means the offering memorandum of the Issuers dated as of March 3, 2009 in connection with the offering and sale of the Notes.

“*Officer*” means, with respect to any Person, (1) 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 the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an “Officer” for the purposes of this Indenture by the Board of Directors of such Person.

“*Officer’s Certificate*” means, with respect to any Person, a certificate signed by one Officer of such Person.

“*Opinion of Counsel*” means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

“*Original Issue Date*” means October 12, 2006.

“*Parallel Debt*” means, in relation to an Underlying Debt, an obligation to pay to the Global Collateral Agent an amount equal to (and in the same currency as) the amount of that Underlying Debt outstanding from time to time.

“*Parent*” means any Person of which the Company at any time is or becomes a Subsidiary after the Original Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

“*Parent Expenses*” means:

(1) 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, regulatory or self-regulatory body or stock exchange, this Indenture 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;

(2) 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;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;

(4) fees and expenses payable by any Parent in connection with the Transactions;

(5) general corporate overhead expenses, including (a) 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 (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Company and its Subsidiaries in an amount not to exceed €5 million in any fiscal year; and

(7) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness:

(x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary,

(y) 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

(z) 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 (other than Indebtedness under the Senior Facilities Agreement) or any Guarantor if such Guarantee ranks

equally in right of payment to the Guarantees of the Notes, which is secured by Liens on assets of the Company ranking at least equally with those in favor of the Notes.

“*Paying Agent*” means any Person authorized by the Issuers to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuers.

“*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 4.09.

“*Permitted Collateral Liens*” means (x) Liens on the Collateral (i) arising by operation of law that are described in one or more of clauses (3), (4) and (9) of the definition of “Permitted Liens” and that, in each case, would not materially interfere with the ability of the 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, (y) Liens on the Collateral to secure Indebtedness of the Company or a Restricted Subsidiary that is permitted to be Incurred under Sections 4.05(b)(1), 4.05(b)(2) (in the case of Section 4.05(b)(2), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), Section 4.05(b)(4)(a), (b)(4)(b) (in the case of the Existing Secured Notes), (b)(4)(c) (if the original Indebtedness was so secured) and (b)(4)(d), Section 4.05(b)(6), 4.05(b)(11) or 4.05(b)(13) (secured only by assets in the applicable jurisdiction) and any Refinancing Indebtedness in respect of such Indebtedness; *provided, however*, that such Lien ranks (a) 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 4.05(b)(1) and obligations under Hedging Agreements provided by the lenders under the Senior Facilities Agreement or their affiliates may have super priority not materially less favorable to the Holders than that accorded to the Senior Facilities Agreement on the Original Issue Date) and (z) Liens on the Collateral securing Indebtedness incurred under Sections 4.05(a) and 4.05(b)(12); *provided* that, in the case of this clause (z), after giving effect to such incurrence on that date, the Consolidated Secured Leverage Ratio is less than 3.25:1.

“*Permitted Holders*” means, collectively, (1) the Initial Investors and any one or more Persons whose beneficial ownership constitutes or results in a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of this Indenture, (2) Senior Management and (3) 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):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (b) 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;

(2) 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;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;

(5) 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;

(6) Management Advances;

(7) 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;

(8) 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 4.09;

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Original Issue Date and including the committed investment in PSSL (not exceeding €5 million);

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with Section 4.05;

(11) Investments, taken together with all other Investments made pursuant to this clause (11) (or such similar provision in the indenture governing the Existing Secured Notes) since the Original Issue Date and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed €300 million; *provided* that, if an Investment is made pursuant to this clause (11) 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 4.06, such Investment shall there-

after be deemed to have been made pursuant to clause (1) or (2) of the definition of “Permitted Investments” and not this clause (11);

(12) 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 Section 4.07;

(13) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock) or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of Section 4.10(b) (except those described in Section 4.10(b)(1), 4.10(b)(3), 4.10(b)(6), 4.10(b)(8), 4.10(b)(9) or 4.10(b)(12));

(15) 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 Indenture;

(16) Guarantees not prohibited by Section 4.05 and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(17) Investments (a) 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 4.05(a) or (b) 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 clause (b) not to exceed €300.0 million;

(18) Loans to Jilin on terms consistent with past practices between Jilin and Philips or Jilin and NXP, not to exceed €25 million at any one time outstanding; and

(19) 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 €190.0 million in the first two years after the Original Issue Date and €50 million per annum thereafter (with a carry over of unused amounts).

“*Permitted Liens*” means, with respect to any Person:

(1) 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;

(2) 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;

(3) 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;

(4) 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;

(5) 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;

(6) 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;

(7) Liens on assets or property of the Company or any Restricted Subsidiary securing Hedging Obligations permitted under this Indenture;

(8) 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;

(9) 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;

(10) 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; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under this Indenture and (b) 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;

(11) 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 depository or financial institution;

(12) 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;

(13) Liens existing on the Original Issue Date, excluding Liens securing the Senior Facilities Agreement and the Existing Secured Notes;

(14) 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); *provided, however*, 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); *provided, further*, 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;

(15) 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;

(16) 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 Indenture; *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;

- (17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;
- (18) (a) 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 (b) any condemnation or eminent domain proceedings affecting any real property;
- (19) 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;
- (20) 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;
- (21) Liens on cash accounts securing Indebtedness incurred under Section 4.05(a)(11) with local financial institutions;
- (22) 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;
- (23) 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;
- (24) 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;
- (25) Liens Incurred since the Original Issue Date in the ordinary course of business with respect to obligations (other than Indebtedness for borrowed money) which do not exceed €50 million at any one time outstanding;
- (26) Permitted Collateral Liens;
- (27) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary; and

(28) any security granted over the marketable securities portfolio described in clause (9) 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.

“*Philips*” means Koninklijke Philips Electronics N.V.

“*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.

“*PSSL*” means Philips Semiconductors (Suzhou) Co. Ltd.

“*Public Market*” means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million 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.

“*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 Indenture 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 Indenture or Incurred in compliance with this Indenture (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:

(1) 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, the Notes;

(2) 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);

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes, such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders 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.

“*Related Person*” with respect to any Permitted Holder means:

(1) any controlling equityholder or Subsidiary of such Person; or

(2) 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

(3) 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

(4) 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:

(1) 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:

(a) 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);

(b) issuing or holding Subordinated Shareholder Funding;

(c) being a holding company parent, directly or indirectly, of the Company or any of the Company’s Subsidiaries;

(d) 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

(e) 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 4.06; or

(2) 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.

“*Responsible Officer*” means, when used with respect to the Trustee, any officer within the Corporate Trust Administration of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee 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 such individual’s knowledge of and familiarity with the particular subject.

“*Restricted Investment*” means any Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“*Reversion Date*” means, after a series of Notes has achieved Investment Grade status, the date, if any, that such Notes shall cease to have such Investment Grade status.

“*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*” means the U.S. Securities and Exchange Commission or any successor thereto.

“*Secured Agreements*” shall have the meaning given such term in the definition of “*Underlying Debt*.”

“*Secured Indebtedness*” means any Indebtedness secured by a Lien.

“*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 set forth in Schedule 1.1, and (c) each other security agreement or other instrument or document executed and delivered pursuant to Section 4.20, 4.21, 4.22, Article 10 or Article 12 or pursuant to any of the Security Documents to secure any of the Notes.

“*Senior Facilities Agreement*” means the €500,000,000 senior secured revolving credit facility agreement dated September 29, 2006 between 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 Collateral Agent, as amended, supplemented or otherwise modified from time to time.

“*Senior Finance Documents*” means the Senior Facilities Agreement and such other documents identified as “Senior Finance Documents” pursuant to the Senior Facilities 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.

“*Significant Subsidiary*” means any Restricted Subsidiary that meets any of the following conditions:

(1) 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;

(2) 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

(3) 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.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Company or any of its Subsidiaries or any Associates on the Original Issue 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. or any successor entity or business thereto. For purposes of Section 4.06 and the definition of "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.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Original Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes 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, in each case issued to and held by Holdings, 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:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (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);

(2) does not require, prior to the first anniversary of the Stated Maturity of the applicable Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(3) 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 first anniversary of the Stated Maturity of the Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries; and

(5) pursuant to its terms is fully subordinated and junior in right of payment to the 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:

(1) 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

(2) any partnership, joint venture, limited liability company or similar entity of which:

(a) 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

(b) 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 Issue Date).

“*Taiwan Collateral Agent*” means Mizuho Corporate Bank, Ltd. or any successor acting in that role.

“*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 Indenture.

“*Temporary Cash Investments*” means any of the following:

(1) any investment in

(a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) Switzerland or Norway, (iv) 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 (v) any agency or instrumentality of any such country or member state, or

(b) 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);

(2) 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:

(a) any lender under the Senior Facilities Agreement,

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above, or

(c) 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 million (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;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) 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);

(5) 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);

(6) 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);

(7) 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 million (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;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) 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.

"TIA" means the Trust Indenture Act of 1939, 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.

“*Transactions*” means the acquisition by Holdings of the Company and its Subsidiaries and the related transactions (including disentanglement) pursuant to the Acquisition Agreement and the financing thereof and the subsequent issuance of additional financing.

“*Treasury Rate*” means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such statistical release is not so published or available, any publicly available source of similar market data selected by the Issuers in good faith)) most nearly equal to the period from the redemption date to July 15, 2013; *provided, however*, that if the period from the redemption date to the applicable date set forth above is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to such applicable date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

“*Underlying Debt*” means, in relation to each of the obligors and at any given time, each obligation (whether present or future, actual or contingent) owing by that obligor to a Secured Party under any of the Notes and/or this Indenture (the “*Secured Agreements*”) (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 any Note or this Indenture, in each case whether or not anticipated as of the date of this Indenture) excluding that obligor’s Parallel Debts; *provided* that only Notes and other obligations under this Indenture that are designated as “Additional Secured Obligations” under and in accordance with the Collateral Agency Agreement shall constitute Underlying Debt.

“*Uniform Commercial Code*” means the New York Uniform Commercial Code.

“*Unrestricted Subsidiary*” means SSMC and Jilin and:

(1) any Subsidiary of the Company (other than the Co-Issuer) 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

(2) 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:

(1) 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

(2) such designation and the Investment of the Company in such Subsidiary complies with Section 4.06.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee 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 (1) no Default or Event of Default would result therefrom and (2)(x) the Company could Incur at least €1.00 of additional Indebtedness under Section 4.05(a) or (y) 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 Trustee by promptly filing with the Trustee 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.

*"U.S. Government Obligations"* means securities that are (1) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or (2) 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 U.S. Government Obligations or a specific payment of principal of or interest on any such U.S. 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 U.S. Government Obligations or the specific payment of principal of or interest on the U.S. 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.

Section 1.02. Other Definitions

<u>Term</u>	<u>Defined in Section</u>
“Additional Amounts”	4.02(a)
“Additional Notes”	Preamble
“Affiliate Transaction”	4.10(a)
“Agent Members”	Appendix A
“Applicable Procedures”	Appendix A
“Asset Disposition Offer”	4.09(b)
“Asset Disposition Offer Amount”	4.09(e)
“Asset Disposition Offer Period”	4.09(e)
“Asset Disposition Purchase Date”	4.09(e)
“Authorized Agent”	13.09
“Change of Control Offer”	4.03(b)
“Change of Control Payment”	4.03(b)(1)
“Change of Control Payment Date”	4.03(b)(2)
“Co-Issuer”	Preamble
“Company”	Preamble
“covenant defeasance option”	8.01(b)
“defeasance trust”	8.02(a)(1)
“Definitive Note”	Appendix A
“Dollar Note”	Preamble
“Euro Note”	Preamble
“Event of Default”	6.01(a)
“Global Notes Legend”	Appendix A
“Guaranteed Obligations”	10.01(a)
“Initial Agreement”	4.08(b)(3)
“Issuers”	Preamble
“legal defeasance option”	8.01(b)
“London Paying Agent	2.04(a)
“New York Paying Agent”	2.04(a)
“Notes”	Preamble
“Notes Custodian”	Appendix A
“Original Notes”	Preamble
“Paying Agent”	2.04(a)
“Payor”	4.02(a)
“Permitted Payments”	4.06(c)
“protected purchaser”	2.08
“QIB”	Appendix A
“Qualified Institutional Buyer”	Appendix A
“Regulation S”	Appendix A
“Regulation S Notes”	Appendix A
“Relevant Taxing Jurisdiction”	4.02(a)(3)
“Registrar”	2.04(a)
“Restricted Payment”	4.06

<u>Term</u>	<u>Defined in Section</u>
“Restricted Period”	Appendix A
“Restricted Notes Legend”	Appendix A
“Rule 144A”	Appendix A
“Rule 144A Notes”	Appendix A
“Secured Party”	4.23
“Successor Company”	5.01(a)(1)
“Suspension Event”	4.13
“Transfer Agent”	2.04(a)
“Transfer Restricted Notes”	Appendix A
“Trustee”	Preamble

#### Section 1.03. Incorporation by Reference of TIA

The following TIA terms have the following meanings: “Commission” means the SEC.

“indenture securities” means the Notes and the Note Guarantees.

“indenture security holder” means a Holder.

“indenture to be qualified” means this Indenture.

“indenture trustee” or “institutional trustee” means the Trustee.

“obligor” on the indenture securities means the Company, the Guarantors and any other obligor on the indenture securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

#### Section 1.04. Rules of Construction

Unless the context otherwise requires:

- (a) a term has the meaning assigned to it;
- (b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;
- (c) “or” is not exclusive;
- (d) “including” means including without limitation;

- (e) words in the singular include the plural and words in the plural include the singular; and
- (f) unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness merely by virtue of its nature as unsecured Indebtedness.

## ARTICLE 2

### The Notes

#### Section 2.01. Issuable in Series

The Notes may be issued in one or more series. All Notes of any one series shall be substantially identical except as to denomination.

With respect to any Additional Notes issued after the Issue Date (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes pursuant to Section 2.07, 2.08, 2.09, 2.10 or 3.06 or Appendix A), there shall be (a) established in or pursuant to a resolution of the Board of Directors of the Company and (b)(i) set forth or determined in the manner provided in an Officer's Certificate of the Company or (ii) established in one or more indentures supplemental hereto, prior to the issuance of such Additional Notes:

(1) whether such Additional Notes shall be issued as part of a new or existing series of Notes and the title of such Additional Notes (which shall distinguish the Additional Notes of the series from Notes of any other series);

(2) the aggregate principal amount of such Additional Notes which may be authenticated and delivered under this Indenture (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes of the same series pursuant to Section 2.07, 2.08, 2.09, 2.10 or 3.06 or Appendix A and except for Notes which, pursuant to Section 2.03, are deemed never to have been authenticated and delivered hereunder);

(3) the date or dates on which the principal of any such Additional Notes is payable, or the method by which such date or dates shall be determined or extended;

(4) the issue price and issuance date of such Additional Notes, including the date from which interest on such Additional Notes shall accrue, the rate or rates at which such Additional Notes shall bear interest, if any, or the method by which such rate or rates shall be determined, the date or dates on which such interest shall be payable and the record date, if any, for the interest payable on any interest payment date; *provided, however*, that (to the extent such Additional Notes are to be part of the same series as other Notes) such Additional Notes will qualify to be treated as "part of the same issue" as the Original Notes pursuant to Treasury Regulations Section 1.1275-1(f) or 1.1275-2(k);

(5) the period or periods within or the date or dates on which, the price or prices at which and the term and conditions upon which any such Additional Notes may be redeemed, in whole or in part, at the option of the Issuers; and

(6) if applicable, that such Additional Notes shall be issuable in whole or in part in the form of one or more Global Notes and, in such case, the respective depositaries for such Global Notes, the form of any legend or legends which shall be borne by such Global Notes in addition to or in lieu of those set forth in Exhibit A hereto and any circumstances in addition to or in lieu of those set forth in Section 2.3 of Appendix A in which any such Global Note may be exchanged in whole or in part for Additional Notes registered, or any transfer of such Global Note in whole or in part may be registered, in the name or names of Persons other than the depositary for such Global Note or a nominee thereof.

If any of the terms of any Additional Notes are established by action taken pursuant to a resolution of the Board of Directors, a copy of an appropriate record of such action shall be certified by an Officer's Certificate and delivered to the Trustee at or prior to the delivery of the Officer's Certificate of the Issuers or the indenture supplemental hereto setting forth the terms of the Additional Notes.

Each of the Euro Notes and the Dollar Notes constitutes a separate series of Notes but will be treated as a single class of securities for all purposes under this Indenture, including for purposes of voting and taking all other actions by holders of the Notes, except as otherwise specified herein.

This Indenture is unlimited in aggregate principal amount. The Original Notes and, if issued, any Additional Notes will be treated as a single class for all purposes under this Indenture, including with respect to voting, waivers, amendments and offers to purchase, except as otherwise specified with respect to each series of Notes. The Trustee and the Issuers may set a special record date for the determination of the Euro Equivalent amount of Notes that vote as to any matter.

#### Section 2.02. Form and Dating

Provisions relating to the Notes are set forth in Appendix A, which is hereby incorporated in and expressly made a part of this Indenture. The (a) Original Notes and (b) any Additional Notes (if issued as Transfer Restricted Notes) shall each be substantially in the form of Exhibit A, which is hereby incorporated in and expressly made a part of this Indenture. Any Additional Notes issued other than as Transfer Restricted Notes shall each be substantially in the form of Exhibit A (without the Restricted Notes Legend), which is hereby incorporated in and expressly made part of this Indenture. The Notes may have notations, legends or endorsements required by law, stock exchange rule, agreements to which the Issuers are subject, if any, or usage, *provided* that any such notation, legend or endorsement is in a form acceptable to the Issuers and the Trustee. Each Note shall be dated the date of its authentication. The Notes shall be issuable only in registered form without interest coupons and only in minimum denominations of €50,000 or \$75,000, as applicable, and whole multiples of €1,000 or \$1,000, as applicable, in excess thereof. Notwithstanding anything herein to the contrary, for so long as there is a Global

Collateral Agent, the Issuers may issue to the Global Collateral Agent, and the Global Collateral Agent shall hold, \$1,000 aggregate principal amount of 10% Super Priority Notes due 2013, which shall for all purposes be considered a Note hereunder.

### Section 2.03. Execution and Authentication

One Officer shall sign the Notes for each Issuer by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time the Trustee authenticates the Note, the Note shall be valid nevertheless.

A Note shall not be valid until an authorized signatory of the Trustee or an authentication agent manually signs the certificate of authentication on the Note. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee or an authentication agent shall authenticate and make available for delivery Notes as set forth in Appendix A following receipt of an authentication order signed by an Officer of each Issuer directing the Trustee or an authentication agent to authenticate such Notes.

The Trustee may appoint an authentication agent reasonably acceptable to the Issuers to authenticate the Notes. Any such appointment shall be evidenced by an instrument signed by a Responsible Officer, a copy of which shall be furnished to the Issuers. Unless limited by the terms of such appointment, an authentication agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authentication agent has the same rights as any Registrar, Paying Agent or agent for service of notices and demands.

### Section 2.04. Registrar and Paying Agent

(a) The Issuers shall maintain one or more registrars with offices in Luxem-bourg where Notes may be presented for registration (the “*Registrar*”), and a transfer agent in each of (i) the City of London and (ii) the Borough of Manhattan, City of New York where Notes may be presented for transfer or exchange (the “*Transfer Agent*”) or for payment (the “*Paying Agent*”). The Registrar shall keep a register of the Notes of their transfer and exchange. The Issuers may have one or more co-registrars and one or more additional transfer and paying agents. The terms “*Paying Agent*” and “*Transfer Agent*” include any additional paying agent or transfer agent, as applicable, and the term “*Registrar*” includes any co-registrars. The Issuers initially appoint Deutsche Bank AG, London Branch, in the City of London and Deutsche Bank Trust Company Americas, in the Borough of Manhattan, City of New York, who each have accepted such appointment, as London Paying Agent for the Euro Notes (the “*London Paying Agent*”) and New York Paying Agent for the Dollar Notes (the “*New York Paying Agent*”), respectively. The Issuers initially appoint Deutsche Bank Luxembourg S.A. in Luxembourg, who accepts such appointment, as Registrar, Transfer Agent and Irish Listing Agent. In addition, the Issuers undertake to the extent possible, to use reasonable efforts to maintain a Paying Agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC regarding the taxation of savings income (the “*Directive*”).

Deutsche Bank Trust Company Americas will act as New York Registrar, Transfer Agent and New York Paying Agent in connection with the Global Notes with respect to the Dollar Notes settled through DTC. Deutsche Bank AG, London Branch will act as London Paying Agent in connection with the Global Notes with respect to the Euro Notes settled through Euroclear or Clearstream, Luxembourg. Each Agent will only be obliged to perform the duties set out in this agreement and the conditions of the Notes, and shall have no implied duties.

(b) [Reserved].

(c) The Issuers shall enter into an appropriate agency agreement with any Registrar or Paying Agent not a party to or appointed under this Indenture. Such agreement shall implement the provisions of this Indenture that relate to such agent, which shall incorporate the terms of the TIA. Any Registrar or Paying Agent appointed hereunder shall be entitled to the benefits of this Indenture as though a party hereto. The Issuers shall notify the Trustee of the name and address of any such agent. If the Issuers fail to maintain a Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.06. Either Issuer or any Subsidiary may act as Paying Agent or Registrar.

(d) The Issuers may change any Registrar, Paying Agent or Transfer Agent upon written notice to such Registrar, Paying Agent or Transfer Agent and to the Trustee, without prior notice to the Holders; *provided, however*, that no such removal shall become effective until (i) acceptance of an appointment by a successor as evidenced by an appropriate agreement entered into by the Issuers and such successor Registrar, Paying Agent, or Transfer Agent, as the case may be, and delivered to the Trustee or (ii) written notification to the Trustee that the Trustee shall, to the extent that it determines that it is able, serve as Registrar or Paying Agent or Transfer Agent until the appointment of a successor in accordance with clause (i) above; *provided, further*, that in no event may the Issuers appoint a Paying Agent in any member state of the European Union where the Paying Agent would be obliged to withhold or deduct tax in connection with any payment made by it in relation to the Notes unless the Paying Agent would be so obliged if it were located in all other member states. The Registrar, Paying Agent or Transfer Agent may resign by providing 30 days written notice to the Issuers and the Trustee.

#### Section 2.05. Paying Agent to Hold Money in Trust

No later than 10:00 a.m. London time in respect of payments to be made in London or 10:00 a.m. New York time in respect of payments to be made in New York on each due date of the principal of, interest and premium (if any) on any Note, the Issuers shall deposit with the Paying Agent (or if either Issuer or a Restricted Subsidiary of either Issuer is acting as Paying Agent, segregate and hold in trust for the benefit of the Persons entitled thereto) a sum sufficient to pay such principal, interest and premium (if any) when so becoming due and subject to receipt of such monies, the Paying Agent shall make payment on the Notes in accordance with this Indenture. The Issuers shall require each Paying Agent to agree in writing (and each Paying Agent party to this Indenture agrees) that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of, interest and premium (if any) on the Notes but such Paying Agent may use such monies as banker in the ordinary course of business without accounting for profits (other than in the case of Article 8), and shall notify the Trustee of any default by the Issuers in making any such payment. If either Issuer

or a Restricted Subsidiary acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund. The Issuers at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed by the Paying Agent. Upon complying with this Section, the Paying Agent shall have no further liability for the money delivered to the Trustee. For the avoidance of doubt, the Paying Agent and the Trustee shall be held harmless and have no liability with respect to payments or disbursements to be made by the Paying Agent and Trustee for which payment instructions are not made or that are not otherwise deposited by the respective times set forth in this Section 2.05.

#### Section 2.06. Holder Lists

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, the Issuers shall furnish, or cause the Registrar to furnish, to the Trustee, in writing at least five Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders.

#### Section 2.07. Transfer and Exchange

The Notes shall be issued in registered form and shall be transferable only upon the surrender of a Note for registration of transfer and in compliance with Appendix A. When a Note is presented to the Registrar with a request to register a transfer, the Registrar shall register the transfer as requested if its requirements therefor are met. When Notes are presented to the Registrar with a written request to exchange them for an equal principal amount of Notes of other denominations, the Registrar shall make the exchange as requested if the same requirements are met. To permit registration of transfers and exchanges, the Issuers shall execute and the Trustee or an authentication agent shall authenticate Notes at the Registrar's request. The Issuers may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges in connection with any transfer or exchange pursuant to this Section. The Issuers are not required to register the transfer or exchange of any Notes (i) for a period of 15 days prior to any date fixed for the redemption of any Notes, (ii) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part or (iii) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

Prior to the due presentation for registration of transfer of any Note, the Issuers, the Trustee, the Paying Agent, and the Registrar may deem and treat the Person in whose name a Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and (subject to Section 2 of the Notes) interest, if any, on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of either Issuer, the Trustee, the Paying Agent, or the Registrar shall be affected by notice to the contrary.

Any Holder of a Global Note shall, by acceptance of such Global Note, agree that transfers of beneficial interest in such Global Note may be effected only through a book-entry system maintained by (a) the Holder of such Global Note (or its agent) or (b) any Holder of a

beneficial interest in such Global Note, and that ownership of a beneficial interest in such Global Note shall be required to be reflected in a book entry.

All Notes issued upon any transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Notes surrendered upon such transfer or exchange.

#### Section 2.08. Replacement Notes

If a mutilated Note is surrendered to the Registrar or if the Holder of a Note claims that the Note has been lost, destroyed or wrongfully taken, the Issuers shall issue and the Trustee or an authentication agent shall authenticate a replacement Note if the requirements of Section 8-405 of the Uniform Commercial Code are met, such that the Holder (a) notifies the Issuers or the Trustee within a reasonable time after such Holder has notice of such loss, destruction or wrongful taking and the Registrar does not register a transfer prior to receiving such notification, (b) makes such request to the Issuers or the Trustee prior to the Note being acquired by a protected purchaser as defined in Section 8-303 of the Uniform Commercial Code (a "*protected purchaser*") and (c) satisfies any other reasonable requirements of the Trustee. If required by the Trustee or the Issuers, such Holder shall furnish an indemnity bond sufficient in the judgment of the Trustee and the Issuers to protect the Issuers, the Trustee, the Paying Agent and the Registrar from any loss that any of them may suffer if a Note is replaced. The Issuers and the Trustee may charge the Holder for their expenses in replacing a Note including reasonable fees and expenses of counsel. In the event any such mutilated, lost, destroyed or wrongfully taken Note has become or is about to become due and payable, the Issuers in their discretion may pay such Note instead of issuing a new Note in replacement thereof.

Every replacement Note is an additional obligation of the Issuers.

The provisions of this Section 2.08 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, lost, destroyed or wrongfully taken Notes.

#### Section 2.09. Outstanding Notes

Notes outstanding at any time are all Notes authenticated by the Trustee or an authentication agent except for those canceled by it, those delivered to it for cancellation and those described in this Section 2.09 as not outstanding. Subject to Section 13.05, a Note does not cease to be outstanding because the Issuers or an Affiliate of either Issuer holds the Note.

If a Note is replaced pursuant to Section 2.08, it ceases to be outstanding unless the Trustee and the Issuers receive proof satisfactory to them that the replaced Note is held by a protected purchaser.

If the Paying Agent receives (or if either Issuer or a Restricted Subsidiary of either Issuer is acting as Paying Agent and such Paying Agent segregates and holds in trust) in accordance with this Indenture, on a redemption date or maturity date money sufficient to pay all principal and interest and premium, if any, payable on that date with respect to the Notes (or portions

thereof) to be redeemed or maturing, as the case may be, and the Paying Agent is not prohibited from paying such amount to the Holders on that date pursuant to the terms of this Indenture, then on and after that date such Notes (or portions thereof) cease to be outstanding and interest on them ceases to accrue.

#### Section 2.10. Temporary Notes

In the event that Definitive Notes are to be issued under the terms of this Indenture, until such Definitive Notes are ready for delivery, the Issuers may prepare and the Trustee or an authentication agent shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of Definitive Notes but may have variations that the Issuers consider appropriate for temporary Notes. Without unreasonable delay, the Issuers shall prepare and the Trustee or an authentication agent shall authenticate Definitive Notes and deliver them in exchange for temporary Notes upon surrender of such temporary Notes at the office or agency of the Issuers, without charge to the Holder.

#### Section 2.11. Cancellation

The Issuers at any time may deliver Notes to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment or cancellation and shall dispose of canceled Notes in accordance with its customary procedures or deliver canceled Notes to the Issuers pursuant to written direction by an Officer of either Issuer. Certification of the destruction of all canceled Notes shall be delivered to the Issuers. The Issuers may not issue new Notes to replace Notes it has redeemed, paid or delivered to the Trustee for cancellation. Neither the Trustee nor an authentication agent shall authenticate Notes in place of canceled Notes other than pursuant to the terms of this Indenture.

#### Section 2.12. Common Codes, CUSIP and ISIN Numbers

The Issuers in issuing the Notes may use Common Codes, CUSIP and ISIN numbers (if then generally in use) and, if so, the Trustee shall use Common Codes, CUSIP and ISIN numbers in notices of redemption as a convenience to Holders; *provided, however*, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Issuers will promptly notify the Trustee and the Paying Agent of any change in the Common Codes, CUSIP or ISIN numbers.

#### Section 2.13. Currency

In the case of (1) the Euro Notes, the euro and (2) the Dollar Notes, the U.S. dollar, is the sole currency of account and payment for all sums payable by the Issuers under or in connection with the Euro Notes and the Dollar Notes, as the case may be, including damages. Any amount received or recovered in a currency other than euro (in the case of the Euro Notes)

or the U.S. dollar (in the case of the Dollar Notes), whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuers or otherwise by any Holder of a Euro Note or a Dollar Note, as the case may be, or by the Trustee, in respect of any sum expressed to be due to it from the Issuers will only constitute a discharge to the Issuers to the extent of the euro amount or the U.S. dollar amount, as the case may be, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the relevant Trustee under any Euro Note, or if that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient or the Trustee under any Dollar Note, the Issuers will indemnify them against any loss sustained by such recipient as a result. In any event, the Issuers will indemnify the recipient against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner satisfactory to the Issuers (indicating the sources of information used) the loss it incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuers' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred, paid or (if not calculated in connection with an Incurrence or payment) calculated, as the case may be.

The Company may elect irrevocably to convert all euro denominated restrictions into dollar denominated restrictions at the applicable spot rate of exchange prevailing on the date of such election, and all references in this Indenture to determining Euro Equivalents and euro amounts shall apply *mutatis mutandis* as though referring to U.S. dollars.

ARTICLE 3

Redemption

Section 3.01. Notices to Trustee

If the Issuers elect to redeem Notes of any series pursuant to Sections 5 or 6 of the Notes, they shall notify the Trustee, the Registrar and the relevant Paying Agent in writing of the redemption date and the principal amount of Notes to be redeemed and the section of the Note pursuant to which the redemption will occur.

The Issuers shall give each written notice to the Trustee, the Registrar and the relevant Paying Agent provided for in this Article 3 at least 30 days, but not more than 60 days, before the redemption date unless the Trustee, the Registrar or the relevant Paying Agent (as the case may be) consents to a shorter period. In the case of a redemption pursuant to Section 5 of the Notes, such notice shall be accompanied by an Officer's Certificate from the Issuers to the effect that such redemption will comply with the conditions herein.

In the case of a redemption provided for by Section 6 of the Notes, prior to the publication or mailing of any notice of redemption of any series of the Notes pursuant to the foregoing, the Issuers will deliver to the Trustee and the relevant Paying Agent (a) an Officer's Certificate stating that they are entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to their right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the circumstances referred to above exist. The Trustee will accept such Officer's Certificate and opinion as sufficient existence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the Holders. Any such notice may be canceled at any time prior to notice of such redemption being mailed to any Holder and shall thereby be void and of no effect.

#### Section 3.02. Selection of Notes To Be Redeemed or Repurchased

If less than all of any series of Notes is to be redeemed at any time, the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which that series of Notes is listed, and/or in compliance with the requirements of Euroclear, Clearstream, Luxembourg or DTC, as applicable, or if that series of Notes is not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear, Clearstream, Luxembourg or DTC, as applicable, or Euroclear, Clearstream, Luxembourg or DTC, as applicable, prescribes no method of selection, on a pro rata basis; *provided, however*, that no Note of €50,000 (in the case of Euro Notes) or \$75,000 (in the case of Dollar Notes) in aggregate principal amount or less shall be redeemed in part. Provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption. The Trustee shall notify the Issuers promptly of the Notes or portions of Notes to be redeemed.

#### Section 3.03. Notice of Redemption

(a) At least 30 days but not more than 60 days before a date for redemption of Notes, the Issuers shall transmit a notice of redemption in accordance with Section 13.02 and as provided below to each Holder of Notes to be redeemed at such Holder's registered address; *provided, however*, that any notice of a redemption provided for by Section 6 of the Notes shall not be given earlier than 90 days prior to the earliest date on which the Payor would be obligated to make a payment of Additional Amounts unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect. In addition, for so long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuers shall give notice of redemption to the Companies Announcement Office in Dublin.

The notice shall identify the Notes to be redeemed and shall state:

- (1) the redemption date;
- (2) the redemption price, and, if applicable, the appropriate calculation of such redemption price and the amount of accrued interest to the redemption date;
- (3) the name and address of the Paying Agent;
- (4) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;
- (5) if fewer than all the outstanding Notes are to be redeemed, the certificate numbers and principal amounts of the particular Notes to be redeemed;
- (6) that, unless the Issuers default in making such redemption payment or the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture, interest on Notes (or portion thereof) called for redemption;
- (7) the Common Codes, CUSIP or ISIN number, as applicable, if any, printed on the Notes being redeemed; and
- (8) that no representation is made as to the correctness or accuracy of the Common Codes, CUSIP or ISIN number, as applicable, if any, listed in such notice or printed on the Notes.

(b) At the Issuers' request, the Trustee shall give the notice of redemption in the Issuers' name and at the Issuers' expense. In such event, the Issuers shall provide the Trustee, the Registrar and the Paying Agent with the information required and within the time periods specified by this Section 3.03.

#### Section 3.04. Effect of Notice of Redemption

Once notice of redemption is delivered, Notes called for redemption cease to accrue interest, become due and payable on the redemption date and at the redemption price stated in the notice, *provided, however*, that any redemption notice given in respect of the redemption referred to in Section 5 of the Notes may, at the Issuers' discretion, be subject to the satisfaction of one or more conditions precedent. Upon surrender to the Paying Agent, the Notes shall be paid at the redemption price stated in the notice, plus accrued interest, if any, to the redemption date; *provided, however*, that if the redemption date is after a regular record date and on or prior to the interest payment date, the accrued interest shall be payable to the Holder of the redeemed Notes registered on the relevant record date. Failure to give notice or any defect in the notice to any Holder shall not affect the validity of the notice to any other Holder.

#### Section 3.05. Deposit of Redemption Price

No later than 10:00 a.m. London time in respect of payments to be made in London or 10:00 a.m. New York time in respect of payments to be made in New York on the redemption date, the Issuers shall deposit with the relevant Paying Agent (or, if either Issuer or a

Restricted Subsidiary of either Issuer is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the redemption price of and accrued interest on all Notes or portions thereof to be redeemed on that date other than Notes or portions of Notes called for redemption that have been delivered by the Issuers to the Trustee for cancellation. On and after the redemption date, interest shall cease to accrue on Notes or portions thereof called for redemption so long as the Issuers have deposited with the Paying Agent funds sufficient to pay the principal of, plus accrued and unpaid interest, if any, on, the Notes to be redeemed, unless the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture. For the avoidance of doubt, the Paying Agent and the Trustee shall be held harmless and have no liability with respect to payments or disbursements to be made by the Paying Agent and Trustee for which payment instructions are not made or that are not otherwise deposited by the respective times set forth in this Section 3.05.

Section 3.06. Notes Redeemed in Part

Subject to the terms hereof, upon surrender of a Note that is redeemed in part, the Issuers shall execute and the Trustee or an authentication agent shall authenticate for the Holder (at the Issuers' expense) a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

Section 3.07. Publication

Where any notice is required to be published pursuant to this Indenture, the Issuers must provide the form of such notice to the Trustee and the Paying Agents at least eight Business Days prior to the final date for publication unless the Trustee agrees to a shorter period.

ARTICLE 4

Covenants

Section 4.01. Payment of Notes

The Issuers shall promptly pay the principal of and interest on the Notes on the dates and in the manner provided in the Notes and in this Indenture. Principal and interest shall be considered paid on the date due if on such date the Trustee or the Paying Agent holds in accordance with this Indenture money sufficient to pay all principal and interest then due and the Trustee or the Paying Agent, as the case may be, is not prohibited from paying such money to the Holders on that date pursuant to the terms of this Indenture.

Section 4.02. Withholding Taxes

(a) All payments made by either Issuer, a Successor Company or Guarantor (a "Payor") on the Notes or the Note Guarantees will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) The Netherlands or any political subdivision or Governmental Authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on any such Note or Note Guarantee is made by the Issuers, Successor Company, Guarantor or their agents, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which the Payor is organized or otherwise considered to be a resident for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a “*Relevant Taxing Jurisdiction*”),

will at any time be required from any payments made with respect to any Note or Note Guarantee, including payments of principal, redemption price, premium, if any, interest or additional interest (the “*Additional Interest*”), if any, the Payor will pay (together with such payments) such additional amounts (the “*Additional Amounts*”) as may be necessary in order that the net amounts received in respect of such payments by the Holders or the Trustee, as the case may be, after such withholding or deduction (including any such deduction or withholding from such *Additional Amounts*), will not be less than the amounts which would have been received in respect of such payments on any such Note or Guarantee in the absence of such withholding or deduction; *provided, however*, that no such *Additional Amounts* will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment in respect thereof;

(2) any Taxes that are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder, after reasonable notice, to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such tax, assessment or other governmental charge;

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, interest, if any, or *Additional Interest*, if any, on the Notes;

(4) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;

(5) any Taxes that are required to be deducted or withheld on a payment to an individual and that are required to be made pursuant to the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to such directive;

(6) except in the case of the liquidation, dissolution or winding-up of the Payor, any Taxes imposed in connection with a Note presented for payment (where presentation is permitted or required for payment) by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another paying agent in a member state of the European Union; or

(7) any combination of the above.

Such Additional Amounts will also not be payable (x) if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is permitted or required for payment) within 15 days after the relevant payment was first made available for payment to the Holder or (y) where, had the beneficial owner of the Note been the Holder, such beneficial owner would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (7) inclusive above.

(a) The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Company and will provide such certified copies to the Trustee. Such copies shall be made available to the Holders upon request. The Payor will attach to each certified copy a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per €1,000 principal amount of the Euro Notes or per \$1,000 principal amount of the Dollar Notes, as the case may be.

(b) If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may

deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date).

(c) Wherever in this Indenture or the Note Guarantees there are mentioned, in any context:

- (1) the payment of principal,
- (2) purchase prices in connection with a purchase of Notes,
- (3) interest or Additional Interest, if any, or
- (4) any other amount payable on or with respect to any of the Notes,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Issuers will pay any present or future stamp, court or documentary taxes, or any other excise, property or similar taxes, charges or levies that arise in any jurisdiction from the execution, delivery, registration or enforcement of any Notes, this Indenture, the Security Documents or any other document or instrument in relation thereto (other than a transfer of the Notes) excluding any such taxes, charges or similar levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction, and the Issuers agree to indemnify the Holders for any such taxes paid by such Holders. The foregoing obligations of this paragraph will survive any termination, defeasance or discharge of this Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to either Issuer is organized or any political subdivision or taxing authority or agency thereof or therein.

#### Section 4.03. Change of Control

(a) If a Change of Control occurs, subject to this Section 4.03, each Holder will have the right to require the Issuers to repurchase all of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuers shall not be obliged to repurchase Notes of any series as described under this Section 4.03, in the event and to the extent that they have unconditionally exercised their right to redeem all of the Notes of such series as described under Section 5 of the Notes or all conditions to such redemption have been satisfied or waived.

(b) Unless the Issuers have unconditionally exercised their right to redeem all the Notes of a series as described under Section 5 of the Notes or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuers will mail a notice (the "*Change of Control Offer*") to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuers to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*");

(3) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(4) describing the procedures determined by the Issuers, consistent with this Indenture, that a Holder must follow in order to have its Notes repurchased; and

(5) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

(c) On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuers will, to the extent lawful:

(1) accept for payment all Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered; and

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the Notes or portions thereof being purchased by the Issuers in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the principal Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuers; and

(5) in the case of definitive registered notes (the "*Definitive Registered Notes*"), deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuers.

(d) If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €50,000 or \$75,000, as the case may be, and integral multiples of €1,000 or \$1,000, as the case may be, in excess thereof.

(e) For so long as the Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, the Company will give notice of the Change of Control offer to the Companies Announcement Office in Dublin.

(f) This Section 4.03 will be applicable whether or not any other provisions of this Indenture are applicable.

(g) The Issuers 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 this Indenture applicable to a Change of Control Offer made by the Issuers and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

(h) The Issuers will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to this Section 4.03. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of this Indenture, the Issuers will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached their obligations under the Change of Control provisions of this Indenture by virtue of the conflict.

Section 4.04. [Reserved]

Section 4.05. 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) The limitations of Section 4.05(a) will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred pursuant to any Credit Facility (including the Notes and also including in respect of letters of credit or bankers' acceptances issued or created under any Credit Facility), 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 (i) €750 million, plus (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) (i) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Guarantor and (ii) co-issuance by the Co-Issuer of any Indebtedness of the Company in each case so long as the Incurrence of such Indebtedness is permitted under the terms of this Indenture; or

(b) without limiting Section 4.07 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 the terms of this Indenture;

(3) 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:

(x) 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

(y) 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;

(4) Indebtedness represented by (a) any Indebtedness (other than Indebtedness described in Sections 4.05(b)(1) and 4.05(b)(3)) outstanding on the Original Issue Date, (b) Refinancing Indebtedness Incurred in respect of any Indebtedness described in Sections 4.05(b)(4), 4.05(b)(5), 4.05(b)(7) or 4.05(b)(11) or Incurred pursuant to Section 4.05(a), (c) Management Advances, (d) the Existing Secured Notes and (e) the Existing Unsecured Notes;

(5) 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 (i) 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 (ii) otherwise in connection with or contemplation of such acquisition); *provided, however*, with respect to this Section 4.05(b)(5), 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 Section 4.05(a) after giving effect to the Incurrence of such Indebtedness pursuant to this Section 4.05(b)(5) 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;

(6) 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);

(7) 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 clause (7) and then outstanding, will not exceed at any time outstanding the greater of (A) €100.0 million and (B) 1% of Total Assets;

(8) 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;

(9) 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;

(10) (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;

(11) 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 Section 4.05(b)(11) or pursuant to any similar provisions in the indenture governing the Existing Secured Notes prior to the Issue Date and then outstanding, will not exceed €450 million;

(12) 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 Section 4.05(b)(12) 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 Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under Sections 4.06(c)(1), 4.06(c)(6) and 4.06(c)(10) to the extent the Company and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (12) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under Section 4.06(a)(4)(z), 4.06(c)(1), 4.06(c)(6) or 4.06(c)(10) in reliance thereon;

(13) Indebtedness of Restricted Subsidiaries incurred as a result of (i) 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 (ii) 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 clause (13) and still outstanding shall not in the aggregate exceed €350.0 million; and

(14) 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 clause (14) on the date of such incurrence, not to exceed €15.0 million.

(c) [Reserved]

(d) For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this Section 4.05:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in Sections 4.05(a) and 4.05(b), 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 clauses of the second paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding on the Original Issue Date under the Senior Facilities Agreement and the Notes outstanding on the Issue Date shall be deemed initially Incurred on the Issue Date under Section 4.05(b)(1) and not Section 4.05(a) or Section 4.05(b)(4)(b), and may not be reclassified pursuant to Section 4.05(d)(1);

(3) 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;

(4) 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 Section 4.05(b)(1), 4.05(b)(7), 4.05(b)(11), 4.05(b)(12) or 4.05(b)(13) and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) 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;

(6) 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 Section 4.05 permitting such Indebtedness; and

(7) 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.

(e) 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 4.05. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) 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 4.05, the Company shall be in default of this Section 4.05).

(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 (1) 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; (2) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Original Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Original Issue Date, except to the extent the amount of such Indebtedness is incurred under a revolving credit facility; and (3) 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 Section 4.05, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may Incur pursuant to this Section 4.05 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.

#### Section 4.06. Limitation on Restricted Payments

(a) The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) 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:

(x) 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

(y) 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);

(2) 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));

(3) 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 4.05(b)(3)) or any Subordinated Shareholder Funding; or

(4) make any Restricted Investment in any Person;

(any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (4) made on or after the Original Issue Date are referred to herein as a “*Restricted Payment*”), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(x) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(y) the Company is not able to Incur an additional €1.00 of Indebtedness pursuant to Section 4.05(a) after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(z) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Original Issue Date (and not returned or rescinded) (including Permitted Payments permitted by Sections 4.06(c)(6), 4.06(c)(10), 4.06(c)(11) and 4.06(c)(12), but excluding all other Restricted Payments permitted by Section 4.06(c)) would exceed the sum of (without duplication):

(i) 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 Issue 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);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) 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 Issue 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 Issue 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 Section 4.06(c)(6) and (z) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with Section 4.06(b)) 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 Issue 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 Section 4.06(b)) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange);

(iv) the amount equal to the net reduction in Restricted Investments made by the Company or any of its Restricted Subsidiaries 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 Section 4.06(a)(4)(z)(iv), was included in the calculation of the amount of Restricted Payments referred to in the first sentence of this Section 4.06(a)(4)(z); *provided, however*, that no amount will be included in Consolidated Net Income for purposes of Section 4.06(a)(4)(z)(i) to the extent that it is (at the Company's option) included under this Section 4.06(a)(4)(z)(iv); and

(v) 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 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 Section 4.06(a)(4)(z)(i) to the extent that it is (at the Company's option) included under this Section 4.06(a)(4)(z)(v); *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 Section 4.06(a)(4)(z).

(b) The fair market value of property or assets other than cash covered by Section 4.06(a) shall be the fair market value thereof as determined in good faith by the Board of Directors.

(c) The provisions of this Section 4.06 will not prohibit any of the following (collectively, "*Permitted Payments*"):

(1) 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 Section 4.06(a)(4)(z)(ii);

(2) 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 4.05;

(3) 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 4.05, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) (i) from Net Available Cash to the extent permitted under Section 4.09, but only if the Company shall have first complied with Section 4.09 and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) 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 (i) if the Company shall have first complied with Section 4.03 and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) (i) consisting of Acquired Indebtedness (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) and (ii) 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;

(5) 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;

(6) 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 Issue Date do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €40 million plus (2) €20 million multiplied by the number of calendar years that have commenced since the Original Issue Date plus (3) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Original Issue 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 Section 4.06(c)(6)(3), 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 Section 4.06(a)(4)(z)(ii);

(7) 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 4.05;

(8) 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;

(9) 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 (i) in connection with, and of fees and expenses Incurred in connection with, the Transactions or (ii) to the extent specified in Sections 4.10(b)(2), 4.10(b)(3), 4.10(b)(5), 4.10(b)(7) and 4.10(b)(12);

(10) 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 (i) the greater of (A) 7% of the Market Capitalization and (B) 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 (ii) the greater of (A) 5% of the Market Capitalization and (B) 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;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments (including loans or advances) made pursuant to this Section 4.06(c)(11) or pursuant to such similar provision of this indenture governing the Existing Secured Notes prior to the Issue Date in an aggregate amount not to exceed €200.0 million;

(12) 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 4.06 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);

(13) Investments made since the Original Issue Date in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions made since the Original Issue Date, or Investments to the extent made in exchange for or using as consideration Investments previously made under this Section 4.06(c)(13);

(14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Original Issue Date; and (ii) 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 Issue Date; *provided, however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this Section 4.06(c) (14) 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; and

(15) 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 of such dividend or distribution).

(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 4.06 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 Sections 4.06(a)(1), 4.06(a)(2) and 4.06(a)(3), other than through distributions and dividends (x) to the Company and the making of such payments by the Company in a manner permitted by this Section 4.06 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 Philips, another operating subsidiary, engaged in an active business that owns Capital Stock of SSMC at such time.

#### Section 4.07. 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 Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien secures any Indebtedness.

#### Section 4.08. 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:

(1) 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;

(2) make any loans or advances to the Company or any Restricted Subsidiary; or

(3) 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) The provisions of this Section 4.08(a) will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Senior Finance Documents) or (b) any other agreement or instrument, in each case, in effect at or entered into on the Original Issue Date;

(2) 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 Section 4.08(b)(2), 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;

(3) 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 Section 4.08(b)(1), 4.08(b)(2) or 4.08(b)(3) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in Section 4.08(b)(1), 4.08(b)(2) or this Section 4.08(b)(3); *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 Holders 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);

(4) 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 Indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under this Indenture 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;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under this Indenture, 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;

(6) 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;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) 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;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the

Original Issue Date pursuant to Section 4.05 if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than (i) the encumbrances and restrictions contained in the Senior Facilities Agreement, together with the security documents associated therewith, as in effect on the Original Issue Date or (ii) in comparable financings (as determined in good faith by the Company) and where, in the case of this clause (ii), 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 Issuers' ability to make principal or interest payments on the Notes; or

(12) any encumbrance or restriction existing by reason of any Lien permitted under Section 4.07.

Section 4.09. 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:

(1) 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);

(2) 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

(3) 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), (i) 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 Senior Facilities Agreement (or any Refinancing Indebtedness in respect of either) within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided, however*, that, in connection with any prepayment, repayment or purchase of Indebtedness under the Senior Facilities Agreement, the Company will not be required to cause the related commitment to be permanently

reduced; or (ii) 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 clause (ii) only if the Company makes (at such time or subsequently in compliance with this Section 4.09) an offer to the Holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes 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 (i) the date of such Asset Disposition and (ii) 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, pending the final application of any such Net Available Cash in accordance with Section 4.09(a)(3)(A) or 4.09(a)(3)(B), the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by this Indenture.

(b) Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in Section 4.09(a) will be deemed to constitute “*Excess Proceeds*” under this Indenture. On the 366th day after an Asset Disposition, if the aggregate amount of Excess Proceeds under this Indenture exceeds €50 million, the Issuers will be required to make an offer (“*Asset Disposition Offer*”) to all holders of Notes and, to the extent the Issuers elect, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Notes 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 Notes in an amount equal to 100% of the principal amount thereof and at an offer price in respect of any such Pari Passu Indebtedness in an amount of no more than 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 in this Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and in case of the Euro Notes, in minimum denominations of €50,000 and in integral multiples of €1,000 in excess thereof or, in case of the Dollar Notes, in minimum denominations of \$75,000 and in integral multiples of \$1,000 in excess thereof.

(c) To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuers may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in this Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders 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 Notes and Pari Passu Indebtedness to be purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes 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 Issuers that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

(d) Any Net Available Cash payable in respect of the Notes pursuant to Section 4.09 will be apportioned between the Euro Notes and the Dollar Notes in proportion to the respective aggregate principal amounts of Euro Notes and Dollar Notes validly tendered and not withdrawn, based upon the Euro Equivalent of such principal amount of Dollar Notes determined as of a date selected by the Issuers that is within the Asset Disposition Offer Period. To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuers upon converting such portion into such currency.

(e) The Asset Disposition Offer, in so far as it relates to the Notes, 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 Issuers will purchase the principal amount of Notes and, to the extent they elect, Pari Passu Indebtedness required to be purchased pursuant to this Section 4.09 (the “*Asset Disposition Offer Amount*”) or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

(f) On or before the Asset Disposition Purchase Date, the Issuers will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes 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 Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Euro Notes, in minimum denominations of €50,000 and in integral multiples of €1,000 in excess thereof, or, in the case of the Dollar Notes, in minimum denominations of \$75,000 and in integral multiples of \$1,000 in excess thereof. The Company will deliver to the Trustee an Officer’s Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 4.09. The Company or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business

Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Company for purchase, and the Company will promptly issue a new Note (or amend the applicable Global Note), and the Trustee, upon delivery of an Officer's Certificate from the Company, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €50,000 in the case of the Euro Notes and \$75,000 in the case of the Dollar Notes. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Company to the Holder thereof.

(g) For the purposes of Section 4.09(a)(2), the following will be deemed to be cash:

(1) 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;

(2) 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;

(3) 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;

(4) consideration consisting of Indebtedness of the Company (other than Subordinated Indebtedness) received after the Original Issue Date from Persons who are not the Company or any Restricted Subsidiary; and

(5) 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 4.09 or in connection with Asset Dispositions consummated on or after the Original Issue Date that is at that time outstanding, not to exceed the greater of €100.0 million 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).

(h) The Issuers will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to this Indenture. To the extent that the provisions of any securities laws or regulations (or

exchange rules) conflict with provisions of this Section 4.09, the Company will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under this Indenture by virtue of any conflict.

Section 4.10. Limitation on Affiliate Transactions

(a) 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 million unless:

(1) 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

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €50 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors.

Any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in Section 4.10(a)(2) 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 4.10 if the Company or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee 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.

(b) The provisions of Section 4.10(a) will not apply to:

(1) any Restricted Payment permitted to be made pursuant to Section 4.06, any Permitted Payments (other than pursuant to Section 4.06(c)(9)(b)(ii)) or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2), (11) and (15) of the definition thereof);

(2) 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;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) 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;

(5) 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);

(6) 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 Issue 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 4.10 or to the extent not more disadvantageous to the Holders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(7) 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;

(8) 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;

(9) 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;

(10) (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 Indenture;

(11) without duplication in respect of payments made pursuant to Section 4.10(b)(12) hereof, (a) 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 (1) of the definition thereof and (b) 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 clause (b) are approved by a majority of the Board of Directors in good faith; and

(12) 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.

#### Section 4.11. Reports

(a) For so long as any Notes are outstanding, the Company will provide to the Trustee the following reports:

(1) within 120 days after the end of the Company's fiscal year beginning with the fiscal year ending December 31, 2009, annual reports containing, to the extent applicable, and in a level of detail that is comparable in all material respects to that included in the Offering Memorandum, the following information: (a) audited consolidated balance sheets of the Company or its predecessor as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company or its predecessor for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma* income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Company, and a discussion of material commitments and contingencies and critical accounting policies; (d) description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material

contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments;

(2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Company, all quarterly reports of the Company containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA and material changes in liquidity and capital resources of the Company, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring or any senior executive officer changes at the Company or change in auditors of the Company or any other material event that the Company or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

All financial statement and *pro forma* financial information shall be prepared in accordance with GAAP as in effect on the date of such report or financial statement (or otherwise on the basis of GAAP as then in effect) and on a consistent basis for the periods presented; *provided, however*, that the reports set forth in Sections 4.11(a)(1), 4.11(a)(2) and 4.11(a)(3) may, in the event of a change in applicable GAAP, present earlier periods on a basis that applied to such periods. Except as provided for above, no report need include separate financial statements for any Subsidiaries of the Company. The filing of an Annual Report on Form 20-F within the time period specified in (1) will satisfy such provision.

(b) 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 Sections 4.11(a)(1) and 4.11(a)(2) 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.

(c) Substantially concurrently with the issuance to the Trustee of the reports specified in Sections 4.11(a)(1), 4.11(a)(2) and 4.11(a)(3), the Company shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Company and its Subsidiaries or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by the Company in good faith) or (b) to the extent the Company determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon their request, prospective purchasers of the Notes.

(d) So long as the Notes remain outstanding and during any period during which the Company is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company shall furnish to the Holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

The Issuers will comply with Section 314(a) of the TIA.

#### Section 4.12. Guarantees by Restricted Subsidiaries

The following Subsidiaries will fully and unconditionally guarantee the Notes on the Issue Date in accordance with Article 10: NXP Manufacturing (Thailand) Ltd., NXP Semiconductors Austria GmbH, NXP Semiconductors Germany GmbH, NXP Semiconductors Hong Kong Limited, NXP Semiconductors Netherlands B.V., NXP Semiconductors Philippines Inc., NXP Semiconductors Singapore Pte. Ltd., NXP Semiconductors Taiwan Ltd., NXP Semiconductors UK Limited, NXP Semiconductors USA, Inc.; *provided* that if any such Subsidiary is unable to provide such Note Guarantee on the Issue Date, the Company shall (subject to the Agreed Security Principles) cause such Subsidiary to provide a Note Guarantee as soon as practicable, and in any event not later than 90 days after the Issue Date. If the Company or any of its Restricted Subsidiaries acquires or creates a Wholly Owned Subsidiary (other than an Immaterial Subsidiary) after the Issue 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 Trustee may agree) after becoming a Restricted Subsidiary, provide a Note Guarantee under this Indenture.

(a) A Restricted Subsidiary required to provide a Note Guarantee shall provide such Note Guarantee in accordance with the provisions of Section 10.07.

#### Section 4.13. Suspension of Covenants on Achievement of Investment Grade status

If on any date following the Issue Date, the Notes of any series 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 the Reversion Date, the following

provisions of this Indenture will not apply to such Notes: Sections 4.05, 4.06, 4.08, 4.09, 4.10, 4.14 and 5.01(a)(3) and, in each case, any related default provision of this Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries. Such Sections 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 Sections 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 4.06 will be interpreted as if it has been in effect since the date of this Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while Section 4.06 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 4.05(a) or 4.05(b) (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 4.05(a) or 4.05(b), such Indebtedness will be deemed to have been outstanding on the Original Issue Date, so that it is classified as permitted under Section 4.05(b)(4).

In addition, so long as each of Moody's and S&P (or another Nationally Recognized Statistical Ratings Organization which has provided a rating used to achieve Investment Grade status) has been notified in advance that such Investment Grade status will result in such release as set forth in Section 10.02(c) (5), all Liens securing such Notes will be released upon achievement of an Investment Grade rating, as shall any future obligation to grant further security or Note Guarantees. All such Liens, and such further obligation to grant Guarantees and security, shall be reinstated upon the Reversion Date.

#### Section 4.14. Impairment of Security Interest

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 security interest 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 security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Collateral Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, 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, transferred or released in accordance with the Indenture or the Security Documents.

#### Section 4.15. [Reserved]

#### Section 4.16. Compliance Certificate

The Company shall deliver to the Trustee within 120 days after the end of each fiscal year, an Officer's Certificate in substantially the form of Exhibit C hereto stating that a review of the activities of the Company during the preceding fiscal year has been made under the supervision of the signing Officer with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to

the Officer signing such Officer's Certificate, that to the best of his or her knowledge, the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Issuers are taking or propose to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest or Additional Amounts, if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Company is taking or propose to take with respect thereto, and (i) such action has been taken with respect to the recording, filing, re-recording and re-filing of this Indenture and the Security Documents (including financing statements or other instruments) as is necessary to maintain the security interest intended to be created thereby for the benefit of the Holders, and reciting the details of such action, or (ii) no such action is necessary to maintain such Lien. Within 30 days after the occurrence of a Default, the Company shall deliver to the Trustee a written notice of any events of which it is aware would constitute certain Defaults their status and what action the Company is taking or proposes to take with respect thereto.

The Trustee shall not be deemed to have knowledge of any Default or Event of Default except any Default or Event of Default of which its Responsible Officer shall have received written notification in accordance with Section 13.02 or obtained actual knowledge.

Section 4.17. Further Instruments and Acts

Upon request of the Trustee, the Issuers shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

Section 4.18. Listing

The Issuers will use their reasonable efforts to list, subject to notice of issuance, the Notes on the Irish Stock Exchange and to have the Notes admitted to trading on the Irish Stock Exchange as promptly as practicable after the date hereof. If the Notes cease to be listed on the Irish Stock Exchange, the Issuers shall use their reasonable best efforts to promptly list such Notes on a stock exchange to be agreed between the Issuers and J.P. Morgan Securities Inc.

Section 4.19. Limitation on Business Activities of the Co-Issuer

The Co-Issuer 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 or guarantor with respect to the Notes or any other Indebtedness issued by the Company or a Guarantor, and may engage in any activities directly related thereto or necessary in connection therewith. The Co-Issuer shall be a Wholly-Owned Subsidiary of the Company at all times.

#### Section 4.20. Collateral

The Company shall, and shall cause each Restricted Subsidiary (except for KASLION Acquisition, B.V.) to, take all actions and execute and deliver all documents or deliverables, including each Security Document, to secure the payment obligations of the Issuers and the Guarantors under the Notes and this Indenture (subject to the provisions of the Collateral Agency Agreement) by Liens on the Collateral in accordance with, within the time periods specified by, and subject to the limitations of, Section 12.01 (including the Agreed Security Principles).

#### Section 4.21. Equal and Ratable Security

In the event that assets of the Guarantor organized under the laws of the Philip-pines or the Capital Stock in such Guarantor are provided as security (other than through sharing the benefit of any conditional assignment granted by such Guarantor on the date hereof) for Indebtedness for borrowed money 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 Issuers and the Guarantors under this Indenture 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.

#### Section 4.22. Security Over Cash and Bank Accounts

(a) The Company has established bank accounts held, in each case, with the Global Collateral Agent in London and denominated in U.S. dollars, euros and U.K. pounds sterling (each an “*Initial Secured Account*” and together the “*Initial Secured Accounts*”) and deposited a nominal amount into each Initial Secured Account.

(b) Upon the occurrence 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 commingle the proceeds of Collateral with other cash of the Company or the relevant Restricted Subsidiary and (iii) pay the proceeds of Collateral denominated in U.S. dollars, U.K. pounds 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 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.

Section 4.23. Parallel Debt

(a) Each of the obligors 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 Trustee, the Paying Agent, the Registrar and Transfer Agent, the London Paying Agent, the Global Collateral Agent, the Taiwan Collateral Agent and/or the Holders (each a "Secured Party") (but always for the benefit of the Secured Parties in accordance with the provisions of the Secured Agreements).

(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 obligor pursuant to the Secured Agreements; and (ii) without prejudice to the other provisions of the Secured Agreements.

(c) Each Parallel Debt is a separate and independent obligation and shall not constitute the Global Collateral Agent and any Secured Party as joint and several creditors of any Underlying Debt.

Section 4.24. Payment

(a) No obligor may pay any Parallel Debt other than at the instruction of, and in the manner determined by, the Global Collateral Agent.

(b) Without prejudice to clause (a) above, no obligor shall be obliged to pay any Parallel Debt before the corresponding Underlying Debt has fallen due.

Section 4.25. Application

Any payment made, or amount recovered, in respect of an obligor's Parallel Debts shall reduce the Underlying Debts owed to any Secured Party by the amount which that Secured Party is entitled to receive out of that payment or recovery under the Secured Agreements and shall be applied in accordance with Article 4 of the Collateral Agency Agreement.

Section 4.26. Dutch Security Rights

For purposes of the Dutch Security Rights (as defined in the Collateral Agency Agreement), Article 11 of the Collateral Agency Agreement and the defined terms therein shall apply and shall remain unaffected by the provisions of Section 4.23 up to and including Section 4.25.

ARTICLE 5

Successor Company.

Section 5.01. Merger and Consolidation of 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:

(1) 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, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company under the Notes and this Indenture and (b) all obligations of the Company under the Security Documents;

(2) 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;

(3) immediately after giving effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to Section 4.05(a) or (b) the Fixed Charge Coverage Ratio would not be lower than it was immediately prior to giving effect to such transaction; and

(4) the Company shall have delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with this Indenture and an Opinion of Counsel to the effect that such supplemental indenture (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 Trustee), *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 Sections 5.01(a)(1), 5.01(a)(2) and 5.01(a)(3).

(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 Section 5.01(a), and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with Section 4.05.

(c) For purposes of this Section 5.01, 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 Indenture 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 Indenture or the Notes.

(e) Notwithstanding Sections 5.01(a)(2) and 5.01(a)(3) (which do not apply to transactions referred to in this Section 5.01(e)) and, other than with respect to Sections 5.01(c) and 5.01(a)(4), (a) 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 (b) 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 Sections 5.01(a)(2) and 5.01(a)(3) (which do not apply to the transactions referred to in Section 5.01(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) The provisions of this Section 5.01 (other than the requirements of Section 5.01(a)(2)) shall not apply to the creation of a new subsidiary as a Restricted Subsidiary of the Company.

#### Section 5.02. Merger and Consolidation of the Co-Issuer

(a) The Co-Issuer may not consolidate with, merge with or into any person or permit any person to merge with or into the Co-Issuer unless:

(1) 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-Issuer or the continuing person as a result of such transaction) expressly assumes all of the obligations of the Co-Issuer under the Notes, the Security Documents and this Indenture; or

(2) after giving effect to the transaction, at least one obligor on the 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 Section 5.02(a), the resulting, surviving or transferee Co-Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Co-Issuer under this Indenture and the Notes with the same effect as if such successor Person had been named as the Co-Issuer in this Indenture. Upon such substitution, the Co-Issuer will be released from its obligations under this Indenture and the Notes.

Section 5.03. Merger and Consolidation of a Guarantor

(a) No Guarantor may:

- (1) consolidate with or merge with or into any Person, or
- (2) 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
- (3) permit any Person to merge with or into the Guarantor

unless

(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 its Note Guarantee and the Security Documents; 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 Indenture.

ARTICLE 6

Defaults and Remedies

Section 6.01. Events of Default

(a) An “*Event of Default*” occurs if or upon:

- (1) default in any payment of interest or Additional Interest, if any, on any Note when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Note when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure to comply for 30 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% in principal amount of the outstanding Notes with any of the Issuers, obligations under Article 4 or 5 (in each case, other than a failure to purchase Notes which will constitute an Event of Default under Section 6.01(a)(2));

(4) failure to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% in principal amount of the outstanding Notes with the Issuers other agreements contained in this Indenture;

(5) 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 either Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by either Issuer any of its Restricted Subsidiaries) other than Indebtedness owed to either Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

(a) 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

(b) 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;

(6) either Issuer 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;

(7) failure by the Issuers or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuers and their Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €100 million (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;

(8) any security interest under the Security Documents 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 the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture or such Security Document or any such security interest created thereunder shall be declared

invalid or unenforceable or either Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days; and

(9) any Guarantee ceases to be in full force and effect, other than in accordance with the terms of this Indenture or a Guarantor denies or disaffirms its obligations under its Guarantee, other than in accordance with the terms thereof or upon release of the Guarantee in accordance with this Indenture.

(b) However, a default under Section 6.01(a)(3), 6.01(a)(4), 6.01(a)(5) or 6.01(a)(7) will not constitute an Event of Default until the Trustee or the Holders of 30% in principal amount of the outstanding Notes under this Indenture notify the Issuers of the default and the Issuers do not cure such default within the time specified in Section 6.01(a)(3), 6.01(a)(4), 6.01(a)(5) or 6.01(a)(7), as applicable, after receipt of such notice.

#### Section 6.02. Acceleration

(a) If an Event of Default (other than an Event of Default described in Section 6.01(a)(6) above) occurs and is continuing the Trustee by notice to the Issuers or the Holders of at least 30% in principal amount of the outstanding Notes under this Indenture by written notice to the Issuers and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Interest, if any, on all the Notes under this Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest, including Additional Interest, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in Section 6.01(a)(5) has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to Section 6.01(a)(5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, including Additional Interest, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

(b) If an Event of Default described in Section 6.01(a)(6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

#### Section 6.03. Other Remedies

Subject to the duties of the Trustee as provided for in Article 7, if an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of or interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative to the extent permitted by law.

To the extent permitted by the Collateral Agency Agreement the Trustee may direct the Collateral Agent to take enforcement action with respect to the Collateral if any amount is declared or becomes due and payable pursuant to Section 6.02 (but not otherwise).

Section 6.04. Waiver of Past Defaults

Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may, on behalf of the Holders of all the Notes, waive all past or existing Defaults or Events of Default except a continuing Default in the payment of the principal, premium or interest, and Additional Interest, if any, on the Notes and rescind any acceleration with respect to the Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction. When a Default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

Section 6.05. Control by Majority

The Holders of a majority in principal amount of the Notes then outstanding may direct in writing the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or, subject to Section 7.01, that the Trustee determines is unduly prejudicial to the rights of other Holders or would involve the Trustee in personal liability; *provided, however*, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to taking any action hereunder, the Trustee shall be entitled to indemnification or other security reasonably satisfactory to it against all losses, liabilities and expenses caused by taking or not taking such action.

Section 6.06. Limitation on Suits

(a) Except to enforce the right to receive payment of principal, premium (if any) or interest when due on the Notes, no Holder may pursue any remedy with respect to this Indenture or the Notes unless:

- (1) the Holder gives to the Trustee written notice stating that an Event of Default is continuing;
- (2) the Holders of at least 30% in principal amount of the Notes then outstanding make a request to the Trustee to pursue the remedy;

- (3) such Holder or Holders offer to the Trustee reasonable security or indemnity against any loss, liability or expense;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of security or indemnity; and
- (5) the Holders of a majority in principal amount of the Notes then outstanding do not give the Trustee a direction that, in the opinion of the Trustee is, inconsistent with the request during such 60-day period.

(b) A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

Section 6.07. Rights of Holders to Receive Payment

Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal of and interest on the Notes held by such Holder, on or after the respective due dates expressed or provided for in the Notes, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 6.08. Collection Suit by Trustee

If an Event of Default specified in Section 6.01(a)(1) or 6.01(a)(2) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Issuers or any other obligor on the Notes for the whole amount then due and owing (together with interest on any unpaid interest to the extent lawful) and the amounts provided for in Section 7.06.

Section 6.09. Trustee May File Proofs of Claim

The Trustee may file such proofs of claim and other papers or documents and take such actions as may be necessary or advisable in order to have the claims of the Trustee and the Holders allowed in any judicial proceedings relative to the Issuers, their creditors or their property and, unless prohibited by law or applicable regulations, may vote on behalf of the Holders in any election of a trustee in bankruptcy or other Person performing similar functions, and any Notes Custodian in any such judicial proceeding is hereby authorized by each Holder to make payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section 7.06.

Section 6.10. Priorities

If the Trustee collects any money or property pursuant to this Article 6, including upon enforcement of any Liens, it shall, subject to Section 4 of the Collateral Agency Agreement, pay out the money or property in the following order:

FIRST: to the Trustee for amounts due under Section 7.06;

SECOND: to Holders for amounts due and unpaid on the Notes for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest, respectively; and

THIRD: to the Issuers.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10. At least 15 days before such record date, the Trustee shall mail to each Holder and the Issuers a notice that states the record date, the payment date and amount to be paid.

The Collateral Agents shall apply the proceeds of the Collateral as directed by the Collateral Agency Agreement.

Section 6.11. Undertaking for Costs

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as the Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee or a Paying Agent, a suit by a Holder pursuant to Section 6.07 or a suit by Holders of more than 10% in principal amount of the Notes then outstanding.

Section 6.12. Waiver of Stay or Extension Laws

The Issuers (to the extent they may lawfully do so) shall not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Issuers (to the extent that they may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 7

Trustee

Section 7.01. Duties of Trustee

(a) The duties and responsibilities of the Trustee are as provided by the TIA and as set forth herein. If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and

skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine such certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this Section 7.01(c) does not limit the effect of Section 7.01(a);

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Sections 6.02 or 6.05;

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to Sections 7.01(a), 7.01(b) and 7.01(c) and the TIA.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur liability in the performance of any of its duties hereunder or under the Security Documents to take or omit to take any action under this Indenture or under the Security Documents or take any action at the request or direction of Holders including without limitation in relation to lender liability claims for restitution by creditors of any pledgor, in each case, arising in connection with any action or direction given in relation to the Security Documents if it has reasonable grounds for believing that repayment of such funds is not assured to it or it does not receive indemnity reasonably satisfactory to it in its discretion against any loss, liability or expense which might reasonably be incurred by it in compliance with such request or direction nor shall the Trustee be required to do anything which is illegal or contrary to applicable laws. The Trustee will not be liable to the Holders if prevented or delayed in performing any of its obligations or discretionary functions under this Indenture by reason of any present or future law applicable to it, by any governmental or regulatory authority or by any circumstances beyond its control. No provision of this Indenture or of the Security Document shall require the

Trustee to indemnify the Collateral Agents, and the Collateral Agents waive any claim they may otherwise have by operation of law in any jurisdiction to be indemnified by the Trustee acting as principal vis a vis its agent, the Collateral Agents (but this does not prejudice the Collateral Agents' rights to bring any claim or suit against the Trustee (including for damages in the case of the negligence or willful misconduct of the Trustee)).

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuers.

(g) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

#### Section 7.02. Rights of Trustee

Subject to TIA Sections 315(a) through (d):

(a) The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion, based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction or, to the extent applicable, the State of New York. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction, the State of New York or if, in its opinion based upon such legal advice, it would not have the power to do relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction, in the State of New York or if it is determined by any court or other competent authority in that jurisdiction, in the State of New York that it does not have such power.

(b) The Trustee may conclusively rely and shall be fully protected in relying on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(c) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel.

(d) The Trustee may act through attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(e) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers conferred upon it by this Indenture; *provided, however*, that the Trustee's conduct does not constitute willful misconduct or negligence.

(f) The Trustee may retain professional advisers to assist it in performing its duties under this Indenture. The Trustee may consult with counsel, and the advice or

opinion of counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(g) The Trustee shall not be bound to make any investigation into the facts or matters stated in any Officer's Certificate, Opinion of Counsel, or any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, personally or by agent or attorney at the sole cost of the Issuers.

(h) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee indemnity or other security reasonably satisfactory to the Trustee against the costs, expenses and liabilities which may be incurred by it in compliance with such request, order or direction.

In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of Holders, each representing less than the requisite majority in aggregate principal amount of the Notes then outstanding, pursuant to the provisions of this Indenture, the Trustee, in its sole discretion, may determine what action, if any, shall be taken and shall be held harmless and shall not incur any liability for its failure to act until such inconsistency or conflict is, in its reasonable opinion, resolved.

(i) Except with respect to Section 4.01, the Trustee shall have no duty to inquire as to the performance of the Issuers with respect to the covenants contained in Article 4. Delivery of reports, information and documents to the Trustee under Section 4.11 is for informational purposes only and the Trustee's receipt of the foregoing shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuers' compliance with any of their covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

(j) The Trustee shall not have any obligation or duty to monitor, determine or inquire as to compliance, and shall not be responsible or liable for compliance with restrictions on transfer, exchange, redemption, purchase or repurchase, as applicable, of minimum denominations imposed under this Indenture or under applicable law or regulation with respect to any transfer, exchange, redemption, purchase or repurchase, as applicable, of any interest in any Notes.

(k) If any Guarantor is substituted to make payments on behalf of the Issuers pursuant to Article 10, the Issuers shall promptly notify the Trustee of such substitution.

(l) The rights, privileges, protections, immunities and benefits given to the Trustee, including its right to be indemnified, are extended to, and shall be enforceable by the Trustee in its capacity hereunder and by each agent (including Deutsche Bank AG, London Branch, Deutsche Bank Trust Company Americas and Deutsche Bank Luxembourg S.A.), custodian and other Person employed with due care to act as agent hereunder (including without limitation each Transfer Agent and, Paying Agent). Each Paying Agent and Transfer Agent shall not be liable for acting in good faith on instructions believed by it to be genuine and from the proper party.

(m) The Trustee shall not be required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Indenture.

(n) At any time that the security granted pursuant to the Security Documents has become enforceable and the Holders have given a written direction to the Trustee to enforce such security, the Trustee is not required to give any direction to the Collateral Agents with respect thereto unless it has been indemnified in accordance with Section 7.01(e). In any event, in connection with any enforcement of such security, the Trustee is not responsible for:

(1) any failure of the Collateral Agents to enforce such security within a reasonable time or at all;

(2) any failure of the Collateral Agents to pay over the proceeds of enforcement of the security;

(3) any failure of the Collateral Agents to realize such security for the best price obtainable;

(4) monitoring the activities of the Collateral Agents in relation to such enforcement;

(5) taking any enforcement action itself in relation to such security;

(6) agreeing to any proposed course of action by the Collateral Agents which could result in the Trustee incurring any liability for its own account; or

(7) paying any fees, costs or expenses of the Collateral Agents.

(o) The permissive right of the Trustee to take the actions permitted by this Indenture will not be construed as an obligation or duty to do so.

(p) Anything in this Indenture to the contrary notwithstanding, in no event shall the Trustee be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(q) The Trustee may assume without inquiry in the absence of actual knowledge that the Issuers are each duly complying with their obligations contained in this Indenture required to be performed and observed by them, and that no Default or Event of Default or other event which would require repayment of the Notes has occurred.

#### Section 7.03. Individual Rights of Trustee

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuers or their Affiliates with the same rights it would have if it were not Trustee. For the avoidance of doubt, any Paying Agent, Transfer Agent or Registrar may do the same with like rights.

However, the Trustee is subject to TIA Sections 310(b) and 311. For purposes of TIA Section 311(b)(4) and (6):

(a) “*cash transaction*” means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; and

(b) “*self-liquidating paper*” means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, *provided* the security is received by the Trustee simultaneously with the creation of the creditor relationship arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

#### Section 7.04. Trustee’s Disclaimer

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Issuers’ use of the proceeds from the Notes or any money paid to the Issuers or upon the Issuers’ direction under any provision of this Indenture, and it shall not be responsible for any statement of the Issuers in this Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Trustee’s certificate of authentication. The Trustee shall not be charged with knowledge of the identity of any Significant Subsidiary unless either (a) a Responsible Officer shall have actual knowledge thereof or (b) the Trustee shall have received notice thereof in accordance with Section 13.02 hereof from the Issuers or any Holder.

#### Section 7.05. Notice of Defaults

If a Default or Event of Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuers or by any other person, the Trustee must give notice of the Default to the Holders within 90 days after the Trustee is informed of such occurrence.

Except in the case of a Default in payment of principal of or interest or premium, if any, on any Note, the Trustee may withhold the notice if and so long as a committee of its trust officers of the Trustee in good faith determines that withholding the notice is in the interests of Holders. Notice to Holders under this Section 7.05 will be given in the manner and to the extent provided in TIA Section 313(c).

Section 7.06. Compensation and Indemnity

The Issuers, or, upon the failure of the Issuers to pay, each Guarantor (if any), jointly and severally, shall pay to the Trustee from time to time such compensation as the Issuers and Trustee may from time to time agree for its acceptance of this Indenture and services hereunder and under the Notes. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust.

In the event of the occurrence of an Event of Default or the Trustee considering it expedient or necessary or being requested by the Issuers to undertake duties which the Trustee and the Issuers agree to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee, the Issuers shall pay to the Trustee such additional remuneration as shall be agreed between them. In the event of the Trustee and the Issuers failing to agree upon whether such duties shall be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee, or upon such additional remuneration, such matters shall be determined by an investment bank (acting as an expert and not as an arbitrator) selected by the Trustee and approved by the Issuers or, failing such approval, nominated (on the application of the Trustee) by the President of The Law Society of England and Wales (the expenses involved in such nomination and the fees of such investment bank being payable by the Issuers) and the determination of any such investment bank shall be final and binding upon the Trustee and the Issuers.

The Issuers and each Guarantor (if any), jointly and severally, shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it (as evidenced in an invoice from the Trustee), including costs of collection, in addition to the compensation for its services. Such expenses shall include the properly incurred compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts. The Issuers and each Guarantor (if any), jointly and severally shall indemnify the Trustee, the Collateral Agents and the Paying Agents and their respective officers, directors, agents and employers against any and all loss, liability, taxes or expenses (including reasonable attorneys' fees) incurred by or in connection with the acceptance or administration of its duties under this Indenture and the Notes including the costs and expenses of enforcing this Indenture against the Issuers (including this Section 7.06) and defending itself against any claim (whether asserted by the Issuers or any Holder or any other person) or liability in connection with the exercise or performance of any of its powers or duties hereunder or under the Security Documents, as the case may be.

The Trustee shall notify the Issuers of any claim for which it may seek indemnity promptly upon obtaining actual knowledge thereof; *provided, however*, that any failure so to notify the Issuers shall not relieve the Issuers or any Guarantor of its indemnity obligations hereunder, or under the Security Documents, as the case may be. Except in cases where the interests of the Issuers and the Trustee may be adverse, the Issuers shall defend the claim and the

indemnified party shall provide reasonable cooperation at the Issuers' and any Guarantor's expense in the defense. Notwithstanding the foregoing, such indemnified party may, in its sole discretion, assume the defense of the claim against it and the Issuers and any Guarantor shall, jointly and severally, pay the reasonable fees and expenses of the indemnified party's defense (as evidenced in an invoice from the Trustee). Such indemnified parties may have separate counsel of their choosing and the Issuers and any Guarantor, jointly and severally, shall pay the reasonable fees and expenses of such counsel (as evidenced in an invoice from the Trustee); *provided, however*, that the Issuers shall not be required to pay such fees and expenses if it assumes such indemnified parties' defense and, in such indemnified parties' reasonable judgment, there is no conflict of interest between the Issuers and any Guarantor, as applicable, and such parties in connection with such defense. The Issuers need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld. The Issuers need not reimburse any expense or indemnify against any loss, liability or expense incurred by an indemnified party through such party's own willful misconduct, negligence or bad faith.

To secure the Issuers' and any Guarantor's payment obligations in this Section 7.06, the Trustee and the Paying Agents have a lien prior to the Notes on all money or property held or collected by the Trustee other than money or property held in trust to pay principal of and interest on particular Notes.

The Issuers' and any Guarantor's payment obligations pursuant to this Section 7.06 and any lien arising thereunder shall survive the satisfaction or discharge of this Indenture, any rejection or termination of this Indenture under any Debtor Relief Law or the resignation or removal of the Trustee and the Paying Agents. Without prejudice to any other rights available to the Trustee and the Paying Agents under applicable law, when the Trustee and the Paying Agents incur expenses after the occurrence of a Default specified in Section 6.01(a)(6) with respect to the Issuers, the expenses are intended to constitute expenses of administration under Debtor Relief Laws.

For the avoidance of doubt, the rights, privileges, protections, immunities and benefits given to the Trustee in this Section 7.06, including its right to be indemnified, are extended to, and shall be enforceable by the Trustee in each of its capacities hereunder including, without limitation, as Registrar, Transfer Agent and Paying Agent, and by each agent (including Deutsche Bank AG, London Branch and Deutsche Bank Luxembourg S.A.), custodian and other Person employed with due care to act as agent hereunder.

#### Section 7.07. Replacement of Trustee

(a) The Trustee may resign at any time by so notifying the Issuers. If the Trustee is no longer eligible under Section 7.09 or in the circumstances described in TIA Section 310(b), any Holder that satisfies the requirements of TIA Section 310(b) may petition any court of competent jurisdiction for the removal of the Trustee in writing and the appointment of a successor Trustee. The Holders of a majority in principal amount of the Notes then outstanding may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee. The Issuers shall be entitled to remove the Trustee or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee, if:

- (i) the Trustee has or acquires a conflict of interest that is not eliminated;
- (ii) the Trustee is adjudged bankrupt or insolvent;
- (iii) a receiver or other public officer takes charge of the Trustee or its property; or
- (iv) the Trustee otherwise becomes incapable of acting as Trustee hereunder.

(b) If the Trustee resigns, is removed pursuant to Section 7.07(a) or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Issuers shall promptly appoint a successor Trustee.

(c) A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuers. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, *provided*, that all sums owing to the Trustee hereunder have been paid and subject to the lien provided for in Section 7.06.

(d) If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee or the Holders of 10% in principal amount of the Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee fails to comply with Section 7.09, unless the Trustee's duty to resign is stayed as provided in Section 310(b) of the TIA, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) Notwithstanding the replacement of the Trustee pursuant to this Section 7.07, the Issuers' obligations under Section 7.06 shall continue for the benefit of the retiring Trustee.

(g) For the avoidance of doubt, the rights, privileges, protections, immunities and benefits given to the Trustee in this Section 7.07, including its right to be indemnified, are extended to, and shall be enforceable by each Paying Agent, Transfer Agent and Registrar employed to act hereunder.

(h) The Trustee agrees to give the notices provided for in, and otherwise comply with, TIA Section 310(b).

#### Section 7.08. Successor Trustee by Merger

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association,

the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have.

Section 7.09. Eligibility

The Indenture must always have a Trustee that satisfies the requirements of TIA Section 310(a) and has a combined capital and surplus of at least \$25,000,000 as set forth in its most recent published annual report of condition.

Section 7.10. Certain Provisions

Each Holder by accepting a Note authorizes and directs on his or her behalf the Trustee to enter into and to take such actions and to make such acknowledgements as are set forth in this Indenture or other documents entered into in connection therewith. The Trustee shall not be responsible for the legality, validity, effectiveness, suitability, adequacy or enforceability of the Security Documents or any obligation or rights created or purported to be created thereby or pursuant thereto or any security or the priority thereof constituted or purported to be constituted thereby or pursuant thereto, nor shall it be responsible or liable to any person because of any invalidity of any provision of such documents or the unenforceability thereof, whether arising from statute, law or decision of any court. The Trustee shall be under no obligation to monitor or supervise the functions of the Collateral Agents under the Security Documents and shall be entitled to assume that the Collateral Agents are properly performing their functions and obligations thereunder and the Trustee shall not be responsible for any diminution in the value of or loss occasioned to the assets subject thereto by reason of the act or omission by the Collateral Agents in relation to its functions thereunder. The Trustee shall have no responsibility whatsoever to the Issuer, any Guarantor or any Holder as regards any deficiency which might arise because the Trustee is subject to any tax in respect of the Security Documents, the security created thereby or any part thereof or any income therefrom or any proceeds thereof.

Section 7.11. Preferential Collection of Claims Against Issuer

The Trustee shall comply with Section 311(a) of the TIA, excluding any creditor relationship listed in Section 311(b) of the TIA. A Trustee who has resigned or been removed shall be subject to Section 311(a) of the TIA to the extent indicated.

Discharge of Indenture; DefeasanceSection 8.01. Discharge of Liability on Notes; Defeasance

(a) Any Note Guarantees, this Indenture and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in this Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than lost, stolen or destroyed Notes which have been replaced pursuant to Section 2.08) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuers; (2) the Issuers have deposited or caused to be deposited with the Trustee money, European Government Obligations (in the case of euro-denominated Notes), U.S. Government Obligations (in the case of dollar-denominated Notes), or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuers have paid or caused to be paid all other sums payable under this Indenture; and (4) the Issuers have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under this Section 8.01 have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

(b) Subject to Sections 8.01(c) and 8.02, either Issuer at any time may terminate (i) all of its obligations and all obligations of each Guarantor (if any) under the Notes, any Note Guarantees and this Indenture ("*legal defeasance option*") or (ii) its obligations under Article 4 (other than Section 4.01) and under Article 5 (other than Sections 5.01(a)(1) and 5.01(a)(2)), and thereafter any omission to comply with such obligations shall not constitute a Default or an Event of Default with respect to the Notes, and the operation of Sections 6.01(a)(3) (other than with respect to Sections 5.01(a)(1) and 5.01(a)(2)), 6.01(a)(4), 6.01(a)(5), 6.01(a)(6) (with respect to the Issuers and Significant Subsidiaries), 6.01(a)(7), 6.01(a)(8) and 6.01(a)(9) ("*covenant defeasance option*"). The Issuers at their option at any time may exercise their legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. In the event that the Issuers terminate all of their obligations under the Notes and this Indenture by exercising its legal defeasance option, the obligations under any Note Guarantees shall each be terminated simultaneously with the termination of such obligations.

If the Issuers exercise their legal defeasance option or its covenant defeasance option, the Collateral will be released and each Guarantor (if any) will be released from all its obligations under its Note Guarantee.

Upon satisfaction of the conditions set forth herein and upon request of the Issuers, the Trustee shall acknowledge in writing the discharge of those obligations that the Issuers terminate.

(c) Notwithstanding Sections 8.01(a) and (b) above, the Issuers' and any Guarantors' obligations in Sections 2.04, 2.05, 2.06, 2.07, 2.08, 2.09, 2.10, 2.11, 7.01, 7.02, 7.03, 7.06, 7.07, this Article 8 and Section 12.06, as applicable, shall survive until the Notes have been paid in full. Thereafter, the Issuers' and any Guarantors' obligations in Sections 7.06, 8.05, 8.06 and 12.06, as applicable, shall survive.

Section 8.02. Conditions to Defeasance

The Issuers may exercise its legal defeasance option or its covenant defeasance option only if:

(1) an Issuer has irrevocably deposited in trust (the "*defeasance trust*") with the Trustee cash in euros or euro-denominated European Government Obligations or a combination thereof (in the case of the Euro Notes) or in dollars or U.S. Government Obligations or a combination thereof (in the case of the Dollar Notes) for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(A) an Opinion of Counsel in the United States to the effect that holders of the relevant Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(B) an Opinion of Counsel to the effect that, as of the date of such opinion and subject to customary assumptions and exclusions, following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, liquidation, reorganization, administration, moratorium, receivership or similar laws affecting creditors' rights generally under any applicable U.S. federal or state law and that the Trustee has a perfected security interest in such trust funds for the ratable benefit of the Holders;

(C) an Officer's Certificate stating that the deposit was not made by the Issuers with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuers or any Guarantors;

(D) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating

that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(E) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(F) the Issuers deliver to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

(2) Before or after a deposit, the Issuers may make arrangements satisfactory to the Trustee for the redemption of Notes at a future date in accordance with Article 3.

#### Section 8.03. Application of Trust Money

The Trustee shall hold in trust money or Government Obligations deposited with it pursuant to this Article 8. It shall apply the deposited money and the money from the Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Notes. Money and securities so held in trust are not subject to the Collateral Agency Agreement.

#### Section 8.04. Repayment to Issuers

The Trustee and the Paying Agent shall promptly turn over to the Issuers upon request any money or Government Obligations held by it as provided in this Article 8 which, in the written opinion of an internationally recognized firm of independent public accountants delivered to the Trustee (which delivery shall only be required if Government Obligations have been so deposited), are in excess of the amount thereof which would then be required to be deposited to effect an equivalent discharge or defeasance in accordance with this Article 8.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Issuers upon written request any money held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, Holders entitled to the money must look to the Issuers for payment as general creditors, and the Trustee and the Paying Agent shall have no further liability with respect to such monies.

#### Section 8.05. Indemnity for Government Obligations

The Issuers and any Guarantor, jointly and severally, shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against deposited Government Obligations or the principal and interest received on such Government Obligations.

#### Section 8.06. Reinstatement

If the Trustee or Paying Agent is unable to apply any money or Government Obligations in accordance with this Article 8 by reason of any legal proceeding or by reason of any

order or judgment of any court or Governmental Authority enjoining, restraining or otherwise prohibiting such application, the Issuers' obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to this Article 8 until such time as the Trustee or Paying Agent is permitted to apply all such money or Government Obligations in accordance with this Article 8; *provided, however*, that if the Issuers have made any payment of principal of or interest on any Notes because of the reinstatement of its obligations, the Issuers shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Obligations held by the Trustee or Paying Agent.

## ARTICLE 9

### Amendments

#### Section 9.01. Without Consent of Holders

The Issuers, the Trustee and the other parties thereto may amend or supplement any Note Documents without notice to or consent of any Holder to:

- (1) cure any ambiguity, omission, defect, error or inconsistency, conform any provision to the "Description of Notes" in the Offering Memorandum, or reduce the minimum denomination of any Note;
- (2) provide for the assumption by a successor Person of the obligations of the Issuers under any Note Document;
- (3) provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code);
- (4) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuers or any Restricted Subsidiary;
- (5) make any change that does not adversely affect the rights of any Holder in any material respect;
- (6) at the Issuers' election, comply with any requirement of the SEC in connection with the qualification of this Indenture under the TIA, if such qualification is required;
- (7) make such provisions as necessary (as determined in good faith by the Issuers) for the issuance of Additional Notes;
- (8) to provide for any Restricted Subsidiary to provide a Guarantee in accordance with Section 4.05, to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination,

discharge or retaking of any Guarantee or Lien (including the Collateral and the Security Documents) with respect to or securing the Notes when such release, termination, discharge or retaking is provided for under this Indenture or the Security Documents;

(9) to evidence and provide for the acceptance and appointment under this Indenture of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Note Document; or

(10) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Collateral Agents for the benefit of parties to the Senior Facilities Agreement, in any property which is required by the Senior Facilities Agreement (as in effect on the Original Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Collateral Agents, or to the extent necessary to grant a security interest for the benefit of any Person; *provided*, that the granting of such security interest is not prohibited by this Indenture and Section 4.14 is complied with.

#### Section 9.02. With Consent of Holders

(a) The Issuers, the Trustee and the other parties thereto, as applicable, may amend, supplement or otherwise modify the Note Documents with the consent of the holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes); *provided*, that if any amendment, waiver or other modification will only affect one series of the Notes, only the consent of a majority in principal amount of the then outstanding Notes of such series shall be required. However, without the consent of Holders holding not less than 100% (or, in the case of clauses (7), (8) and (10) below, 90% of the then outstanding principal amount of the Notes), an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

- (1) reduce the principal amount of Notes whose Holders must consent to an amendment;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any Note;
- (3) reduce the principal of or extend the Stated Maturity of any Note;
- (4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described in Section 5 of the Notes;
- (5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any Holder to receive payment of principal of and interest, including Additional Interest, on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(7) make any change to Section 4.02 that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release the security interest granted for the benefit of the Holders in the Collateral other than pursuant to the terms of the Security Document, the Collateral Agency Agreement or as otherwise permitted by this Indenture;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or

(10) make any change in this Section 9.02(a) which require the Holders' consent described in this sentence.

(b) The Issuers will, for so long as the Notes are listed on the Irish Stock Exchange, to the extent required by the rules of the Irish Stock Exchange, inform the Irish Stock Exchange of any of the foregoing amendments, supplements and waivers.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment of the Note Documents, but it shall be sufficient if such consent approves the substance thereof. A consent to any amendment or waiver under this Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

After an amendment under this Section 9.02 becomes effective, in case of Holders of Definitive Notes, the Issuers shall mail to the Holders a notice briefly describing such amendment. The failure to give such notice to all Holders, or any defect therein, shall not impair or affect the validity of an amendment under this Section 9.02.

The Notes issued on the Issue Date, and any Additional Notes part of the same series, will be treated as a single class for all purposes under this Indenture, including with respect to waivers and amendments, except as the relevant amendment, waiver, consent, modification or similar action affects the rights of the Holder of the different series of Notes dissimilarly. For the purposes of calculating the aggregate principal amount of Notes that have consented to or voted in favor of any amendment, waiver, consent, modifications or other similar action, the Issuers (acting reasonably and in good faith) shall be entitled to select a record date as of which the Euro Equivalent of the principal amount of any Notes shall be calculated in such consent or voting process.

#### Section 9.03. Revocation and Effect of Consents and Waivers

(a) A written consent to an amendment or a waiver by a Holder shall bind the Holder and every subsequent Holder of that Note or portion of the Notes that evidences the same debt as the consenting Holder's Note, even if notation of the consent or waiver is not made on the Note. However, any such Holder or subsequent Holder may revoke the written consent or waiver as to such Holder's Note or portion of the Note if the Trustee receives the notice of revocation before the date on which the Trustee receives an Officer's Certificate from the Issuers certifying that the requisite number of consents have been received. After an amendment or waiver becomes effective, it shall bind every Holder. An amendment or waiver becomes effective upon the (i) receipt by the Issuers or the Trustee of the requisite number of consents, (ii) satisfaction of conditions to effectiveness as set forth in this Indenture and any indenture supplemental hereto containing such amendment or waiver and (iii) execution of such amendment or waiver (or supplemental indenture) by the Issuers and the Trustee.

(b) The Issuers may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to give their written consent or take any other action described above or required or permitted to be taken pursuant to this Indenture. If a record date is fixed, then notwithstanding Section 9.03(a), those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 120 days after such record date.

#### Section 9.04. Notation on or Exchange of Notes

If an amendment changes the terms of a Note, the Trustee may require the Holder of the Note to deliver it to the Trustee. The Trustee may place an appropriate notation on the Note regarding the changed terms and return it to the Holder. Alternatively, if the Issuers or the Trustee so determine, the Issuers in exchange for the Note shall issue and the Trustee or an authentication agent shall authenticate a new Note that reflects the changed terms. Failure to make the appropriate notation or to issue a new Note shall not affect the validity of such amendment.

#### Section 9.05. Trustee and Collateral Agents to Sign Amendments

(a) The Trustee and the Collateral Agents shall sign any amendment authorized pursuant to this Article 9 if the amendment does not impose any personal obligations on the Trustee or the Collateral Agents or adversely affect the rights, duties, liabilities or immunities of the Trustee and the Collateral Agents under this Indenture. If it does, the Trustee or the Collateral Agents may, but need not sign it. In signing such amendment the Trustee and the Collateral Agents shall be entitled to receive indemnity reasonably satisfactory to it and to receive, and (subject to Section 7.01) shall be fully protected in relying upon, an Officer's Certificate and an Opinion of Counsel stating that such amendment complies with this Indenture and that such amendment has been duly authorized, executed and delivered and is the legal, valid and binding obligation of the Issuers and the Guarantors (if any) enforceable against them in accordance with its terms, subject to customary exceptions.

(b) Every amendment or supplemental indenture executed pursuant to this Article shall conform to the requirements of the TIA.

Section 9.06. Payment for Consent

Neither the Issuers nor any Affiliate of either Issuer shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Note Documents (or the appointment of any proxy in relation to any of the foregoing) unless such consideration is offered (subject to limitations of applicable law) to be paid to all Holders that so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement or proxies in relation thereto.

ARTICLE 10

Note Guarantees

Section 10.01. Note Guarantees

(a) Subject to the limitations set forth in Schedule 10.1, each Restricted Subsidiary that is required to become a Guarantor pursuant to Section 4.12 hereof hereby irrevocably Guarantees (collectively, the “*Note Guarantees*”), as primary obligor and not merely as surety (except for the Austrian Guarantor, see Schedule 10.2), on a senior basis to each Holder, the Collateral Agents (on behalf of and for the benefit of Holders, for the purpose of this Article 10, and not in their individual capacities, but solely in their roles as representatives of the Holders in holding and enforcing the Collateral and the Security Documents and pursuant to the provisions of the Collateral Agency Agreement), and to the Trustee and its successors and assigns (i) the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuers under this Indenture and the Notes, whether for payment of principal of, premium, or interest and all other monetary obligations of the Issuers under this Indenture or in respect of the Notes and (ii) the full and punctual performance within applicable grace periods of all other obligations of the Issuers whether for fees, expenses, indemnification or otherwise under this Indenture and the Notes (all the foregoing being hereinafter collectively called the “*Guaranteed Obligations*”). Any such Guarantor further agrees that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice or further assent from such Guarantor, and that such Guarantor shall remain bound under this Article 10 notwithstanding any extension or renewal of any Guaranteed Obligation.

(b) Each Guarantor waives presentation to, demand of payment from and protest to the Issuers of any of the Guaranteed Obligations and also waives notice of protest for nonpayment. Each Guarantor waives notice of any default under the Notes or the Guaranteed Obligations. The obligations of each Guarantor hereunder shall not be affected by (i) the failure of any Holder, the Collateral Agents on behalf of the Holders or the Trustee to assert any claim or demand or to enforce any right or remedy against the Issuers or any other Person under this Indenture, the Notes or any other agreement or otherwise; (ii) any extension or renewal of any thereof; (iii) any rescission, waiver, amendment or modification of any of the terms or provisions of this Indenture, the Notes or any other agreement; (iv) the release of any Notes held by any

Holder, the Collateral Agents or the Trustee for the Guaranteed Obligations or any of them; (v) the failure of any Holder, the Collateral Agents on behalf of the Holders or Trustee to exercise any right or remedy against any other guarantor of the Guaranteed Obligations; or (vi) any change in the ownership of such Guarantor, except as provided in Section 10.02(c).

(c) Each Guarantor hereby waives any right to which it may be entitled to have its obligations hereunder divided among the Guarantors, such that such Guarantor's obligations would be less than the full amount claimed. Each Guarantor hereby waives any right to which it may be entitled to have the assets of the Issuers first be used and depleted as payment of the Issuers' or such Guarantor's obligations hereunder prior to any amounts being claimed from or paid by such Guarantor hereunder. Each Guarantor hereby waives any right to which it may be entitled to require that the Issuers be sued prior to an action being initiated against such Guarantor.

(d) Each Guarantor further agrees that its Note Guarantee herein constitutes a guarantee of payment when due (and not a guarantee of collection) and waives any right to require that any resort be had by any Holder or the Trustee to any Note held for payment of the Guaranteed Obligations.

(e) If any Guarantor makes payments under its Note Guarantee, each Guarantor must contribute its share of such payments. Each Guarantor's share of such payment will be computed based on the proportion that the net worth of the relevant Guarantor represents relative to the aggregate net worth of all the Guarantors combined.

(f) [Reserved].

(g) Each Guarantor agrees that its Note Guarantee shall remain in full force and effect until payment in full of the Guaranteed Obligations. Except as expressly set forth in Sections 4.12, 4.13, 8.01(b), 10.02, Schedule 10.1, Schedule 10.2 and the terms of any Note Guarantee Supplement, the obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any Holder or the Trustee to assert any claim or demand or to enforce any remedy under this Indenture, the Notes or any other agreement, by any waiver or modification of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of such Guarantor or would otherwise operate as a discharge of such Guarantor as a matter of law or equity.

(h) Each Guarantor agrees that its Note Guarantee herein shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any Guaranteed Obligation is rescinded or must otherwise be restored by any Holder or the Trustee upon the bankruptcy or reorganization of the Issuers or otherwise unless such Note Guarantee has been released in accordance with this Indenture.

(i) Subject to the limitations set forth in Schedule 10.1 and Schedule 10.2, in furtherance of the foregoing and not in limitation of any other right which any Holder or the Trustee has at law or in equity against any Guarantor by virtue hereof, upon the failure of the Issuers to pay the principal of or interest on any Guaranteed Obligation when and as the same shall become due, whether at maturity, by acceleration, by redemption or otherwise, or to perform or comply with any other Guaranteed Obligation, each Guarantor hereby promises to and shall, upon receipt of written demand by the Trustee, forthwith pay, or cause to be paid, in cash, to the Holders or the Trustee an amount equal to the sum of (i) the unpaid principal amount of the Notes, (ii) accrued and unpaid interest on the Notes and (iii) all other monetary obligations of the Issuers to the Holders and the Trustee, including any other unpaid principal amount of such Guaranteed Obligations, accrued and unpaid interest on such Guaranteed Obligations (but only to the extent not prohibited by law) and any Additional Amounts.

(j) Each Guarantor agrees that it shall not be entitled to exercise any right of subrogation in relation to the Holders in respect of any Guaranteed Obligations guaranteed hereby until payment in full of all Guaranteed Obligations. Each Guarantor further agrees that, as between it, on the one hand, and the Holders and the Trustee, on the other hand, (i) the maturity of the Guaranteed Obligations guaranteed hereby may be accelerated as provided in Article 6 for the purposes of any Guarantee herein, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Guaranteed Obligations guaranteed hereby, and (ii) in the event of any declaration of acceleration of such Guaranteed Obligations as provided in Article 6, such Guaranteed Obligations (whether or not due and payable) shall forthwith become due and payable by such Guarantor for the purposes of this Section 10.01.

(k) Each Guarantor also agrees to pay any and all reasonable costs and expenses (including reasonable attorneys' fees and expenses) incurred by the Trustee or any Holder in enforcing any rights under this Section 10.01.

(l) Upon request of the Trustee, each Guarantor shall execute and deliver such further instruments and do such further acts as the Trustee may reasonably require to carry out more effectively the purpose of this Indenture.

(m) The Collateral Agents may only assert a claim or demand or enforce a right or remedy with respect to the Note Guarantees at the direction of the Trustee. The Trustee may direct the Collateral Agents to take enforcement action with respect to the Note Guarantees if any amount is declared or becomes due and payable pursuant to Section 6.02 (but not otherwise).

#### Section 10.02. Limitation on Liability

(a) Any term or provision of this Indenture to the contrary notwithstanding, the maximum aggregate amount of the Guaranteed Obligations guaranteed hereunder by any Guarantor shall not exceed the maximum amount that can be hereby guaranteed by the applicable Guarantor without rendering the Note Guarantee, as it relates to such Guarantor, voidable under applicable law relating to fraudulent conveyance, fraudulent transfer, corporate benefit, financial assistance or similar laws affecting the rights of creditors generally.

(b) For the avoidance of doubt and without prejudice to Section 10.02(a) above, in the case of a Guarantor incorporated in Singapore, the obligations or liabilities of such Guarantor under this Indenture shall exclude any obligation or liability, which, if it were so included, would result in this Indenture contravening Section 76 of the Companies Act, Chapter 50 of Singapore.

(c) A Note Guarantee as to any Guarantor shall terminate and be of no further force or effect and such Guarantor shall be deemed to be released from all obligations under this Article 10 upon:

- (1) 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) otherwise permitted by this Indenture,
- (2) the designation in accordance with this Indenture of the Guarantor as an Unrestricted Subsidiary,
- (3) defeasance or discharge of the Notes, as provided in Article 8,
- (4) to the extent that such Guarantor is not an Immaterial Subsidiary solely due to the operation of clause (1) of the definition of “Immaterial Subsidiary,” upon the release of the guarantee referred to in such clause, or
- (5) upon the achievement of Investment Grade status by the relevant series of Notes so long as each of Moody’s and S&P (or another Nationally Recognized Statistical Ratings Organization which has provided a rating used to achieve Investment Grade status) has been notified in advance that such Investment Grade status will result in the termination of such Note Guarantee; *provided* that such Note Guarantee shall, subject to the Agreed Security Principles, be reinstated upon the Reversion Date.

In all cases, the Issuers and such Guarantors that are to be released from their Note Guarantees shall deliver to the Trustee an Officer’s Certificate and an Opinion of Counsel certifying compliance with this Section 10.02(c). At the request of the Issuers, the Trustee shall execute and deliver an appropriate instrument evidencing such release (in the form provided by the Issuers).

#### Section 10.03. Successors and Assigns

This Article 10 shall be binding upon each Guarantor and its successors and assigns and shall inure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges conferred upon that party in this Indenture and in the Notes shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions of this Indenture.

Section 10.04. No Waiver

Neither a failure nor a delay on the part of the Trustee or the Holders in exercising any right, power or privilege under this Article 10 shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. The rights, remedies and benefits of the Collateral Agents, the Trustee and the Holders herein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which either may have under this Article 10 at law, in equity, by statute or otherwise.

Section 10.05. Modification

No modification, amendment or waiver of any provision of this Article 10, nor the consent to any departure by any Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Trustee, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Guarantor in any case shall entitle such Guarantor to any other or further notice or demand in the same, similar or other circumstances.

Section 10.06. [Reserved]

Section 10.07. Execution of Note Guarantee Supplement for Guarantors

Each Subsidiary which is required to become a Guarantor pursuant to this Indenture shall promptly execute and deliver to the Trustee a note guarantee supplement in the form of Exhibit D hereto pursuant to which such Subsidiary shall become a Guarantor under this Article 10 and shall guarantee the Guaranteed Obligations. Concurrently with the execution and delivery of such note guarantee supplement, the Issuers shall deliver to the Trustee an Opinion of Counsel and an Officer's Certificate to the effect that such note guarantee supplement complies with this Indenture and has been duly authorized, executed and delivered by such Subsidiary and that, subject to the application of bankruptcy, insolvency, moratorium, fraudulent conveyance or transfer and other similar laws relating to creditors' rights generally and to the principles of equity, whether considered in a proceeding at law or in equity, the Note Guarantee of such Guarantor is a legal, valid and binding obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms and to such other matters as the Trustee may reasonably request.

Section 10.08. Non-Impairment

The failure to endorse a Note Guarantee on any Note shall not affect or impair the validity thereof.

ARTICLE 11

[Reserved]

ARTICLE 12

Collateral, Security Documents and the Collateral Agents

Section 12.01. Collateral and Security Documents

(a) Subject to the Agreed Security Principles, the payment obligations of the Issuers and the Guarantors under the Notes and this Indenture will be secured by certain Liens on the Collateral. To the extent any Liens over the intended Collateral pursuant to any Security Document listed on Schedule 1.1 or any action or deliverable related to the creation or perfection of Liens over the intended Collateral (other than any Collateral the Liens over which may be perfected by the filing of a Uniform Commercial Code financing statement or, subject to the Agreed Security Principles, the delivery of stock certificates and the Security Document giving rise to the lien therein) or any Guarantee is not provided on the Issue Date after use by the Issuers and the Guarantors of commercially reasonable efforts to do so, the provision of any such Lien or deliverable or Guarantee shall be required to be delivered as soon as reasonably practicable, in any event not later than 90 days after the Issue Date (other than the completion of the “whitewash” procedure under Section 76 of the Companies Act (Chapter 50 of Singapore) in Singapore in relation to the Guarantee and the Security Document given by NXP Semiconductors Singapore Pte. Ltd. which shall be progressed as soon as reasonably practicable after the Issue Date or the provision of any such Lien or deliverable or Guarantee in the case of NXP Semiconductors Austria GmbH, which shall be provided as soon as reasonably practicable after the Issue Date).

(b) Each of the Issuers, the Trustee and the Holders agree that the Collateral Agents shall be the joint creditors (together with the Holders) of each and every obligation of the parties hereto under the Notes and this Indenture, and that accordingly each Collateral Agent will have its own independent right to demand performance by the Issuers of those obligations, except that such demand shall only be made with the prior written consent of the Trustee or as otherwise permitted under the Collateral Agency Agreement. However, any discharge of such obligation to the Collateral Agents, on the one hand, or to the Trustee or the Holders, as applicable, on the other hand, shall, to the same extent, discharge the corresponding obligation owing to the other.

(c) Each Collateral Agent agrees that it will hold the security interests in Collateral created under the Security Documents to which it is a party as contemplated by this Indenture and the Collateral Agency Agreement, and any and all proceeds thereof, for the benefit of, among others, the Trustee and the Holders, without limiting the Collateral Agents’ rights including under Section 12.02, to act in preservation of the security interest in the Collateral. The Collateral Agents will take action or refrain from taking action in connection therewith only as directed by the Trustee, subject to the terms of the Collateral Agency Agreement.

(d) Each Holder, by accepting a Note, shall be deemed to have agreed to all the terms and provisions of the Security Documents and the Collateral Agency Agreement. The

claims of Holders will be subject to the Collateral Agency Agreement (whether then entered into or entered into in the future pursuant to this Indenture). In the event of a conflict between this Indenture and the Collateral Agency Agreement, the Collateral Agency Agreement shall prevail.

(e) (1) Subject to the Agreed Security Principles, within 60 days (or such longer period as the Collateral Agents may agree in writing) after (i) any Restricted Subsidiary becomes a Guarantor in accordance with Section 4.12 or (ii) any Issuer or Guarantor acquires any material property that is not automatically subject to a perfected security interest under the Security Documents, the relevant Issuer or Guarantor shall, in each case at its sole cost and expense, duly execute and deliver to the Collateral Agents such mortgages, security agreement supplements and other security documents, as reasonably specified by and in form and substance reasonably satisfactory to the Collateral Agents (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 Issue Date), granting a security interest in favor of the secured parties under the Security Documents, 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 Collateral Agents) to perfect and protect such security interests of the secured parties under the Security Documents. Notwithstanding the foregoing, no Issuer or Guarantor shall be required to provide a security interest pursuant to this Section 12.01(e) (x) except as provided in Section 4.22, 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 specifically set forth on Schedule 1.1 (whether or not such Security Documents shall have been executed on the Issue Date) (as in effect on the date hereof) as a result of the application of the Agreed Security Principles. Any security interest provided pursuant to this Section 12.01(e) shall be accompanied with such opinions of counsel to the Company as customarily given by Company's counsel in the relevant jurisdiction, in form and substance customary for such jurisdiction. The Company will use reasonable endeavors to procure that its counsel in any relevant jurisdiction provides a legal opinion in respect of any such security interest.

(2) Subject to the Agreed Security Principles, promptly upon request by the Collateral Agents, the Issuers shall (a) correct any material defect or error that may be discovered in any Security Documents 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 Collateral Agents, may reasonably require from time to time in order to carry out more effectively the purposes of any Security Documents.

(3) The Company will provide to the Trustee any reports that it makes to the trustee of the Existing Secured Notes pursuant to Section 313(b) of the TIA.

#### Section 12.02. Suits To Protect the Collateral

Subject to the provisions of the Security Documents and the Collateral Agency Agreement, each Collateral Agent shall have power to institute and to maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Collateral by any acts which may be unlawful or in violation of any of the Security Documents or this Indenture, and

such suits and proceedings as the Collateral Agents, in their sole discretion, may deem expedient to preserve or protect the security interests in the Collateral created under the Security Documents (including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the Lien on the Collateral or be prejudicial to the interests of the Holders or the Trustee).

Section 12.03. Resignation and Replacement of the Collateral Agents

Any resignation or replacement of a Collateral Agent shall be made in accordance with the Collateral Agency Agreement.

Section 12.04. Amendments and Additional Agency Agreements

(a) At the request of the Issuers, in connection with the Incurrence or refinancing by the Company or its Restricted Subsidiaries of any Indebtedness secured or permitted to be secured on the Collateral, the Issuers, the relevant Restricted Subsidiaries and the Trustee shall enter into a collateral agency or similar agreement (an “*Additional Agency Agreement*”) with the holders of such Indebtedness (or their duly authorized representatives) on substantially the same terms as the Collateral Agency Agreement (or on terms not materially less favorable to the Holders), including containing substantially the same terms with respect to the application of the proceeds of the collateral held thereunder and the means of enforcement; *provided* that such Additional Agency Agreement will not impose any personal obligations on the Trustee or, in the opinion of the Trustee, adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture or the Collateral Agency Agreement. As used herein, the term “Collateral Agency Agreement” shall include references to any Additional Agency Agreement that supplements or replaces the Collateral Agency Agreement entered into prior to the Issue Date.

(b) At the written direction of the Issuers and without the consent of Holders, the Trustee shall from time to time enter into one or more amendments to any Collateral Agency Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuers that is subject to any such agreement (*provided* that such Indebtedness is Incurred in compliance with this Indenture), (3) add Restricted Subsidiaries to the Collateral Agency Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes or to implement any Permitted Collateral Liens or (6) make any other change to any such agreement that does not adversely affect the Holders of Notes in any material respect. The Issuers shall not otherwise direct the Trustee to enter into any amendment to any Collateral Agency Agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted under Article 9 or as permitted by the terms of such Collateral Agency Agreement, and the Issuers may only direct the Trustee to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or, in the opinion of the Trustee, adversely affect the rights, duties, liabilities or immunities of the Trustee under this Indenture or any Collateral Agency Agreement.

(c) Each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of any Collateral Agency Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein).

Section 12.05. Release of Liens

The Liens on the Collateral securing the Notes will be released:

- (a) upon payment in full of principal, interest and all other Obligations on the Notes or discharge or defeasance thereof;
- (b) upon release of a Note Guarantee (with respect to the Liens securing such Note Guarantee granted by such Guarantor);

(c) in connection with any disposition of Collateral to (1) any Person other than the Company or any of its Restricted Subsidiaries (but excluding any transaction subject to Section 5.01) that is permitted by the Indenture (with respect to the Lien on such Collateral) or (b) any Restricted Subsidiary that is not a Guarantor; *provided* that the net aggregate amount of Collateral that may be released pursuant to this clause (b) from and after the Issue Date, together with the aggregate amount of Collateral that has been released prior to the Issue Date pursuant to any similar provisions in the indenture governing the Existing Secured Notes, shall not exceed the greater of €200 million and 2% of Total Assets (measured at the time of a proposed transfer);

(d) upon the achievement of Investment Grade status by the Notes so long as each of Moody's and S&P (or another Nationally Recognized Statistical Ratings Organization which has provided a rating used to achieve Investment Grade status) has been notified in advance that such Investment Grade status will result in such release; *provided* that that such Liens shall, subject to the Agreed Security Principles, be reinstated upon the Reversion Date; and

(e) automatically without any action by the Trustee or the Collateral Agents, if the Lien granted in favor of the Senior Facilities Agreement is released (other than pursuant to the repayment and discharge thereof); *provided* that such release would otherwise be permitted by another clause above.

Each of these releases shall be effected by the Collateral Agents without the consent of the Holders or any action on the part of the Trustee (except for (e) as to which no action will be required of the Collateral Agents unless requested by the Company).

The Issuers and the Guarantors may, without any release or consent by the Trustee, release Liens on Collateral securing the Notes if permitted by Section 314(d) of the Trust Indenture Act and the SEC's guidance in relation thereto and/or conduct ordinary course activities with respect to Collateral, in particular (i) selling or otherwise disposing of, in any transaction or series of related transactions, any property subject to the Lien of the Security Documents which has become worn out, defective or obsolete or not used or useful in the

business; and (ii) selling, transferring or otherwise disposing of current assets in the ordinary course of business.

Section 12.06. Compensation and Indemnity

The compensation and indemnification of the Collateral Agents shall be as set forth in the Collateral Agency Agreement.

Section 12.07. Conflicts

Each of the Issuers, the Guarantors (if any), the Trustee and the Holders acknowledge and agree that the Collateral Agents are acting as collateral agents and trustee not just on their behalf but also on behalf of the Secured Parties named in the Collateral Agency Agreement and acknowledge and agree that pursuant to the terms of the Collateral Agency Agreement, the Collateral Agents may be required by the terms thereof to act in a manner which may conflict with the interests of the Issuers, the Guarantors, the Trustee and the Holders (including the Holders' interests in the Collateral and the Note Guarantees) and that it shall be entitled to do so in accordance with the terms of the Collateral Agency Agreement.

Section 12.08. Appointment and Authorization

The Issuers have, and by accepting a Note, each Holder will be deemed to have (a) irrevocably appointed each of Morgan Stanley Senior Funding, Inc. as Global Collateral Agent, and Mizuho Corporate Bank Ltd. as Taiwan Collateral Agent, to act as its agent and under the Collateral Agency Agreement and the other relevant documents to which it is a party (including, without limitation, the Security Documents); and (b) irrevocably authorized the Collateral Agents to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Collateral Agency Agreement or other documents to which it is a party, together with any other incidental rights, power and discretions; and (ii) execute each document expressed to be executed by the Collateral Agents on their behalf.

Section 12.09. Joint and Several Claims

The Issuers, the Guarantors, the Trustee (for itself and as trustee on behalf of the Holders) and the Collateral Agents hereby agree that the Trustee and each of the Holders (including the Taiwan Collateral Agent) shall be a creditor jointly and severally with each other with respect to the rights and claims against the Issuers and the Guarantors hereunder and under any of the other Note Documents pursuant to Article 283 of the Republic of China Civil Code and that the Taiwan Collateral Agent shall hold, and be entitled to enforce, the Collateral located in or related to the Republic of China as a joint and several creditor; *provided* that nothing in this Section 12.09 shall release the Taiwan Collateral Agent, the Trustee or any Holder from its obligations as to actions requiring authorization of the Required Secured Parties under Section 4 of the Collateral Agency Agreement.

ARTICLE 13

Miscellaneous

Section 13.01. Noteholder Communications; Noteholder Actions

(a) The rights of Holders to communicate with other Holders with respect to the Indenture or the Notes are as provided by the TIA, and the Company and the Trustee shall comply with the requirements of TIA Sections 312(a) and 312(b). Neither the Company nor the Trustee will be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the TIA.

(b) (1) Any request, demand, authorization, direction, notice, consent to amendment, supplement or waiver or other action provided by this Indenture to be given or taken by a Holder (an "act") may be evidenced by an instrument signed by the Holder delivered to the Trustee. The fact and date of the execution of the instrument, or the authority of the person executing it, may be proved in any manner that the Trustee deems sufficient.

(2) The Trustee may make reasonable rules for action by or at a meeting of Holders, which will be binding on all the Holders.

(c) Any act by the Holder of any Note binds that Holder and every subsequent Holder of a Note that evidences the same debt as the Note of the acting Holder, even if no notation thereof appears on the Note. Subject to paragraph (d), a Holder may revoke an act as to its Notes, but only if the Trustee receives the notice of revocation before the date the amendment or waiver or other consequence of the act becomes effective.

(d) The Company may, but is not obligated to, fix a record date (which need not be within the time limits otherwise prescribed by TIA Section 316(c)) for the purpose of determining the Holders entitled to act with respect to any amendment or waiver or in any other regard, except that during the continuance of an Event of Default, only the Trustee may set a record date as to notices of default, any declaration or acceleration or any other remedies or other consequences of the Event of Default. If a record date is fixed, those Persons that were Holders at such record date and only those Persons will be entitled to act, or to revoke any previous act, whether or not those Persons continue to be Holders after the record date. No act will be valid or effective for more than 90 days after the record date.

Section 13.02. Notices

Any notice or communication shall be in writing and delivered in person or mailed by first-class mail addressed as follows:

if to the Issuers:

NXP B.V.

High Tech Campus 60 5656 AG Eindhoven

The Netherlands  
Attention of: Guido Dierick  
Fax: (31) 40 272-4005

with a copy to:

KASLION Acquisition B.V.  
High Tech Campus  
60 5656 AG Eindhoven  
The Netherlands Attention of: Erik Thyssen  
Fax: (31) 20 5407500

if to the Trustee:

Law Debenture Trust Company of New York  
400 Madison Avenue New York, NY 10017  
Attention: James D. Heaney  
Fax: +1-212-750-1361

if to the New York Paying Agent, New York Registrar or Transfer Agent:

Deutsche Bank Trust Company Americas  
60 Wall Street 27th Floor  
New York, New York 10005 United States  
Attention of:  
Trust and Securities Services

with a copy to:

Deutsche Bank National Trust Company for Deutsche Bank Trust Company  
Americas  
25 DeForest Avenue  
2nd Floor  
Summit, New Jersey 07901  
United States

Attention of:  
Trust and Securities Services  
Fax: +1-732-578-4635

if to the Global Collateral Agent:

Morgan Stanley Senior Funding, Inc.  
20 Cabot Square  
Canary Wharf  
London E14 4QW  
England  
Attention of: David Hobbs  
Fax: +44 20 7056 3377

if to the Taiwan Collateral Agent:

Mizuho Corporate Bank, Ltd.  
Bracken House  
One Friday Street  
London EC4M 9JA  
England  
Attention of: Neil Rickard  
Fax: +44 20 7012 4304

if to the London Paying Agent:

Deutsche Bank AG, London Branch  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
Attention of:  
Trust and Securities Services  
Fax: +44 20 7547 6149

if to the Registrar, Transfer Agent and Irish Listing Agent:

Deutsche Bank Luxembourg SA  
2 Boulevard Konrad Adenauer  
L-115, Luxembourg  
Attention of:  
The Coupon Paying Department  
Fax: +352 473136

Each of the Issuers or the Trustee by notice to the others may designate additional or different addresses for subsequent notices or communications.

Any notice or communication sent to a Holder of Definitive Notes shall be in writing and shall be made by first-class mail, postage prepaid, or by hand delivery to the Holder at the Holder's address as it appears on the registration books of the Registrar, with a copy to the Trustee.

If and so long as any Notes are represented by one or more Global Notes and ownership of book-entry interests therein are shown on the records of DTC, Euroclear or Clear-

stream, Luxembourg or any successor securities clearing agency appointed by the Depository at the request of the Issuers, notices will be delivered to such securities clearing agency for communication to the owners of such book-entry interests, delivery of which shall be deemed to satisfy the notice requirements of this Section 13.02.

Notices given by first-class mail, postage prepaid, will be deemed given seven calendar days after mailing. Notices given by publication will be deemed given on the first date on which any of the required publications is made, or if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh calendar day after being so mailed. Failure to mail or send a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed or sent in the manner provided above, it is duly given, whether or not the addressee receives it.

#### Section 13.03. Certificate and Opinion as to Conditions Precedent

Upon any request or application by the Issuers to the Trustee to take or refrain from taking any action under this Indenture, the Issuers shall furnish to the Trustee:

(a) an Officer's Certificate in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and any other matters that the Trustee may reasonably request; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of such counsel, all such conditions precedent have been complied with and any other matters that the Trustee may reasonably request.

#### Section 13.04. Statements Required in Certificate or Opinion

Each certificate or opinion with respect to compliance with a covenant or condition provided for in this Indenture (other than pursuant to Section 4.16) shall include:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, such Person has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such Person, such covenant or condition has been complied with.

Section 13.05. When Notes Disregarded

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Issuers, any Guarantor or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuers or any Guarantor shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes which the Trustee knows are so owned shall be so disregarded. Subject to the foregoing, only Notes outstanding at the time shall be considered in any such determination.

Section 13.06. Rules by Trustee, Paying Agent and Registrar

The Trustee may make reasonable rules for action by or a meeting of Holders. The Registrar and the Paying Agent may make reasonable rules for their functions.

Section 13.07. Legal Holidays

If a payment date is not a Business Day, payment shall be made on the next succeeding day that is a Business Day, and no interest shall accrue for the intervening period. If a regular record date is not a Business Day, the record date shall not be affected.

Section 13.08. Governing Law

This Indenture and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 13.09. Consent to Jurisdiction and Service

The Issuers and each Guarantor (if any) irrevocably (i) agree that any legal suit, action or proceeding against the Issuers or any Guarantor arising out of or based upon this Indenture, the Notes or any Note Guarantee or the transactions contemplated hereby may be instituted in any U.S. Federal or state court in the Borough of Manhattan, The City of New York and (ii) waive, to the fullest extent they may effectively do so, any objection which they may now or hereafter have to the laying of venue of any such proceeding. The Company and each Guarantor have appointed (and any Subsidiary becoming a Guarantor shall appoint) NXP Funding LLC, as their authorized agent (the "*Authorized Agent*") upon whom process may be served in any such action arising out of or based on this Indenture, the Notes or the transactions contemplated hereby which may be instituted in any New York court, expressly consent to the jurisdiction of any such court in respect of any such action, and waive any other requirements of or objections to personal jurisdiction with respect thereto. Such appointment shall be irrevocable. The Issuers represent and warrant that the Authorized Agent has agreed to act as such agent for service of process and agrees to take any and all action, including the filing of any and all documents and instruments, that may be necessary to continue such appointment in full force and effect as aforesaid. Service of process upon the Authorized Agent and written notice of such service to the Issuers and each Guarantor shall be deemed, in every respect, effective service of process upon the Issuers and each Guarantor.

Section 13.10. No Recourse Against Others

No director, officer, employee, incorporator or shareholder of either Issuer or any of their respective Subsidiaries or Affiliates as such, will have any liability for any obligations of either Issuer under the Note Documents, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

Section 13.11. Successors

All agreements of the Issuers and each Guarantor in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

Section 13.12. Multiple Originals

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

Section 13.13. Table of Contents; Headings

The table of contents, cross-reference sheet and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

Section 13.14. USA Patriot Act

The Trustee hereby notifies the parties hereto 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 parties to this Indenture, which information includes the name and address of the parties hereto and other information that will allow the Trustee to identify the parties hereto in accordance with the Patriot Act.

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

NXP B.V.

By: /s/ Karl-Henrik Sundstrom  
Name: Karl-Henrik Sundstrom  
Title: CFO

By: /s/ Richard L Clemmer  
Name: Richard L Clemmer  
Title: CEO

NXP FUNDING LLC

By: /s/ Jean Schreurs  
Name: Jean Schreurs  
Title: Authorized Signatory

*Signature Page to Indenture*

LAW DEBENTURE TRUST COMPANY  
OF NEW YORK, as Trustee

By: /s/ James D. Heaney

Name: James D. Heaney

Title: Managing Director

By: /s/ Robert L. Bice II

Name: Robert L. Bice II

Title: Senior Vice President

*Signature Page to Indenture*

DEUTSCHE BANK TRUST COMPANY AMERICAS, as New  
York Paying Agent

By: /s/ Wanda Camacho

Name: Wanda Camacho

Title: Vice President

By: /s/ Annie Jaghatspanyan

Name: Annie Jaghatspanyan

Title: Vice President

*Signature Page to Indenture*

DEUTSCHE BANK AG, LONDON BRANCH,  
as London Paying Agent

By: /s/ K. Martin

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Name: K. Martin

Title: AVP

By: /s/ R Bebb

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Name: R Bebb

Title: VP

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DEUTSCHE BANK LUXEMBOURG, S.A.,  
as Registrar

By: /s/ K Martin

Name: K Martin

Title: Attorney

By: /s/ R Bebb

Name: R Bebb

Title: Attorney

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MORGAN STANLEY SENIOR FUNDING, INC.,  
as Global Collateral Agent

By: /s/ Matthew Ford

Name: Matthew Ford

Title:

MIZUHO CORPORATE BANK, LTD.,  
as Taiwan Collateral Agent

By: /s/ Liz Rosenfeld  
Name: Liz Rosenfeld  
Title: Director

By: /s/ Jean Schreurs

Name: Jean Schreurs

Title: Authorized Signatory

*Signature Page to Indenture*

NXP SEMICONDUCTORS GERMANY  
GmbH

By: /s/ Jean Schreurs

Name: Jean Schreurs

Title: Authorized Signatory

*Signature Page to Indenture*

By: /s/ Jean Schreurs

Name: Jean Schreurs

Title: Authorized Signatory

*Signature Page to Indenture*

NXP SEMICONDUCTORS PHILIPPINES  
INC.

By: /s/ Jean Schreurs

Name: Jean Schreurs

Title: Authorized Signatory

*Signature Page to Indenture*

By: /s/ Jean Schreurs

Name: Jean Schreurs

Title: Authorized Signatory

*Signature Page to Indenture*

By: /s/ Jean Schreurs

Name: Jean Schreurs

Title: Authorized Signatory

*Signature Page to Indenture*

NXP MANUFACTURING  
(THAILAND) LTD.

By: /s/ Jean Schreurs

Name: Jean Schreurs

Title: Authorized Signatory

*Signature Page to Indenture*

NXP SEMICONDUCTORS  
UK LIMITED

By: /s/ Jean Schreurs

Name: Jean Schreurs

Title: Authorized Signatory

*Signature Page to Indenture*

NXP SEMICONDUCTORS  
SINGAPORE PTE. LTD.

By: /s/ Jean Schreurs

Name: Jean Schreurs

Title: Authorized Signatory

*Signature Page to Indenture*

NXP SEMICONDUCTORS  
AUSTRIA GMBH

By: /s/ Jean Schreurs

Name: Jean Schreurs

Title: Authorized Signatory

*Signature Page to Indenture*

SCHEDULE 1.1

Security Documents

1. AUSTRIA

- (a) Share Pledge between NXP BV, as pledgor, and Morgan Stanley Senior Funding, Inc., as pledgee in relation to the shares in NXP Austria GmbH.
- (b) Pledge of Accounts Receivable by NXP Semiconductors Austria GmbH as pledgor in favor of Morgan Stanley Senior Funding, Inc. as pledge.

2. FRANCE

- (a) Acte de Nantissement de Creance entre NXP B.V (Constituant) et Morgan Stanley Senior Funding Inc (Agent de Sûretés).
- (b) Financial Instruments Account Pledge Agreement between NXP B.V. as pledgor, Morgan Stanley Senior Funding Inc. as Global Collateral Agent, Patios SAS as Financial Instruments Accounts Holder and the Secured Parties.
- (c) Intellectual Property Rights Pledge Agreement between NXP B.V. as pledgor, Morgan Stanley Senior Funding Inc. as Global Collateral Agent and the Secured Parties.
- (d) Amendment No.1 to the Intellectual Property Rights Pledge Agreement between NXP B.V. as pledgor, Morgan Stanley Senior Funding Inc. as Global Collateral Agent and the Secured Parties.

3. GERMANY

- (a) Pledge of Shares between Philips Semiconductors International B.V., as pledgor, and Morgan Stanley Senior Funding, Inc., as pledgee, in relation to the shares in Philips Semiconductors Germany GmbH.
- (b) Land Charge Deeds between Philips Semiconductors Germany GmbH and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.
- (c) Security Purpose Agreement relating to Land Charge between NXP Semiconductors Germany GmbH as Chargor and Morgan Stanley Senior Funding, Inc. as Global Collateral Agent.
- (d) Security Transfer of Moveable Assets between Philips Semiconductors Germany GmbH and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.
- (e) Global Assignment of Receivables between Philips Semiconductors Germany GmbH and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.
- (f) IP Security Agreement between NXP B.V. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent, relating to intellectual property in Germany.

- (g) Pledge of Shares between NXP B.V., as pledgor and Morgan Stanley Senior Funding, Inc., as pledgee in relation to the shares in NXP Semiconductors Germany GmbH;
- (h) Security Purpose Amendment Agreement between NXP Semiconductors Germany GmbH and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.

4. HONG KONG

- (a) Share and Receivables Charge over the shares and receivables in Philips Semiconductors Hong Kong Limited between NXP B.V. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.
- (b) Debenture between Philips Semiconductors Hong Kong Limited and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.
- (c) Share and Receivables Charge creating security over the shares and receivables in NXP Semiconductors Hong Kong Limited between NXP B.V. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.
- (d) Debenture creating security between NXP Semiconductors Hong Kong Limited and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.

5. NETHERLANDS

- (a) Pledge of Shares between NXP B.V., as pledgor, and Morgan Stanley Senior Funding, Inc., as pledgee, in relation to the shares in Philips Semiconductors B.V.
- (b) Pledge of Shares between NXP B.V., as pledgor, and Morgan Stanley Senior Funding, Inc., as pledgee, in relation to the shares in Philips Software B.V.
- (c) Disclosed Pledge of Insurance Receivables between NXP B.V. and Philips Semiconductors B.V., as pledgors, and Morgan Stanley Senior Funding, Inc., as pledgee.
- (d) Disclosed Pledge of Intercompany Receivables between KASLION Acquisition B.V., NXP B.V. and Philips Semiconductors B.V., as pledgors, and Morgan Stanley Senior Funding, Inc., as pledgee.
- (e) Undisclosed Pledge of Third Party Receivables between NXP B.V. and Philips Semiconductors B.V., as pledgors, and Morgan Stanley Senior Funding, Inc., as pledgee.
- (f) Non-Possessory Pledge of Moveable Assets between KASLION Acquisition B.V., NXP B.V. and Philips Semiconductors B.V., as pledgors, and Morgan Stanley Senior Funding, Inc., as pledgee.
- (g) Pledge of IP Rights between NXP B.V., as pledgor, and Morgan Stanley Senior Funding, Inc., as pledgee.
- (h) Deed of Mortgage between Philips Semiconductors B.V. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.

6. PHILIPPINES

- (a) Deed of Conditional Assignment to be entered into among Philips Semiconductors Philippines, Inc. and NXP B.V., as Assignors, and Hong Kong Shanghai Banking Corporation, Philippine Branch, as Assignee and Escrow Agent.

7. SINGAPORE

- (a) Charge over the shares in Philips Semiconductors Singapore Pte. Ltd. between NXP B.V. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.
- (b) Debenture between Philips Semiconductors Singapore Pte. Ltd. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.
- (c) Share Charge creating security over the shares in NXP Semiconductors Singapore Pte. Ltd. between NXP B.V. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.
- (d) Debenture creating security between NXP Semiconductors Singapore Pte. Ltd. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.

8. TAIWAN

- (a) Mortgage over the shares in Philips Electronics Building Elements Industries Taiwan Ltd. between Mizuho Corporate Bank, Ltd., as Taiwan Collateral Agent, and NXP B.V.
- (b) Mortgage of land and buildings between Mizuho Corporate Bank, Ltd., as Taiwan Collateral Agent, and Philips Electronics Building Elements Industries Taiwan Ltd.
- (c) Mortgage of equipment between Mizuho Corporate Bank, Ltd., as Taiwan Collateral Agent, and Kaslion Acquisition, B.V., NXP B.V., NXP Funding LLC and Philips Electronics Building Elements Industries Taiwan Ltd.
- (d) Assignment of accounts receivable between Mizuho Corporate Bank, Ltd., as Taiwan Collateral Agent, and Philips Electronics Building Elements Industries Taiwan Ltd.
- (e) Second Amendment to Share Pledge Agreement between NXP Semiconductors Taiwan Ltd., as pledgor, and Mizuho Corporate Bank, Ltd., as pledgee.
- (f) Amendment to Real Estate Mortgage Agreement between NXP Semiconductors Taiwan Ltd., as the mortgagor, Kaslion Acquisition B.V., as the obligator, NXP B.V., as the obligator, NXP Funding LLC, as the obligator, and Mizuho Corporate Bank, Ltd., as the mortgagee.
- (g) Second Amendment to Chattel Mortgage Agreement between NXP Semiconductors Taiwan Ltd., as mortgagor, and Mizuho Corporate Bank, Ltd., as mortgagee.
- (h) Amendment to Assignment Agreement between NXP Semiconductors Taiwan Ltd., as assignor, and Mizuho Corporate Bank, Ltd., as assignee.

9. THAILAND

- (a) Pledge of Shares between NXP B.V., as pledgor, and Morgan Stanley Senior Funding, Inc., as pledgee, in relation to the shares in Philips Semiconductors (Thailand) Co. Ltd.
- (b) Debenture Creating Fixed Security (Receivables) between Philips Semiconductors (Thailand) Co. Ltd. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.
- (c) Mortgage of Real Property between Philips Semiconductors (Thailand) Co. Ltd. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.
- (d) Mortgage of Machinery between Philips Semiconductors (Thailand) Co. Ltd. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.
- (e) Amendment to the Mortgage Agreement or Mortgage Agreement (as applicable) of Real Property between NXP Manufacturing (Thailand) Co. Ltd., as Mortgagor and Morgan Stanley Senior Funding, Inc., as Mortgagee.
- (f) Debenture Creating Fixed Security (Receivables) between NXP Manufacturing (Thailand) Co. Ltd. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.

10. UNITED KINGDOM

- (a) Debenture between NXP B.V. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent, in relation to security over shares, receivables, intellectual property rights and certain bank accounts.
- (b) Debenture between Philips Semiconductors UK Limited and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.
- (c) Debenture creating security between NXP B.V. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent, in relation to security over shares, receivables, intellectual property rights and certain bank accounts.
- (d) Debenture creating security between NXP Semiconductors UK Limited and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.

11. UNITED STATES

- (a) Security Agreement among Philips Semiconductors USA, Inc., NXP Funding LLC, and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.
- (b) Pledge of Shares between NXP B.V., as pledgor, and Morgan Stanley Senior Funding, Inc., as pledgee in relation to the shares in Philips Semiconductors USA Inc.
- (c) Deed of Trust between Philips Semiconductors USA, Inc. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.
- (d) Leasehold Mortgage between Philips Semiconductors USA, Inc. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent.

- (e) IP Security Agreement between NXP B.V. and Morgan Stanley Senior Funding, Inc., as Global Collateral Agent, relating to intellectual property in the United States and any short form version thereof to be filed with any relevant governmental authorities.
- (f) Pledge of Shares between NXP B.V., as pledgor, and Morgan Stanley Senior Funding, Inc., as pledgee in relation to the shares in non-Guarantor subsidiaries.

SCHEDULE 2.1

AGREED SECURITY PRINCIPLES

1. Agreed Security Principles

- 1.1 The Guarantees and Liens to be provided by the Issuers and the Guarantors will be given in accordance with certain agreed security principles (the “*Agreed Security Principles*”). This Schedule 2.1 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 Indenture.
- 1.2 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 Holders of obtaining such security;
  - (d) where there is material incremental cost involved in creating security over all assets owned by any of the Issuers 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 2.1 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 Uniform Commercial Code 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 either Collateral 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 Indenture, 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 Indenture;
  - (h) in the case of accounts receivable, a material adverse effect on either Issuer'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 Issuers 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 Issuers and the Guarantors excluded from Collateral by virtue of this clause (h) (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 Holders at their option; and

- (j) 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 Indenture 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:

- (a) 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 Note Documents or, if earlier or to the extent no such time period is specified in the Note Documents, within the time periods specified by applicable law in order to ensure due perfection;
- (b) the security will not be enforceable until an Event of Default has occurred and notice of acceleration of the Notes has been given by the Trustee or the Notes have otherwise become due and payable prior to the scheduled maturity thereof (an "Enforcement Event");
- (c) 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;
- (d) 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;
- (e) notification of any security interest over insurance policies will be served on any insurer of the Company's or any Restricted Subsidiaries' assets;
- (f) 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 Indenture or are necessary for the creation or perfection of the security;
- (g) 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 Holdings and its Subsidiaries to the extent not prohibited under this Indenture;

- (h) the Collateral Agents 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;
- (i) 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 Holders) or to remove any encumbrances on title (not created in contemplation of the Transactions (as defined in the Senior Facilities Agreement)) 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);
- (j) 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
- (k) 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 Collateral Agents' reasonable request.

GUARANTOR LIMITATIONS

1. The right to enforce the guarantee given by a Guarantor incorporated in Germany as a GmbH (a “*German Guarantor*”) shall be excluded if and to the extent that the Guaranty secures the obligations of an affiliated company (*verbundenes Unternehmen*) within the meaning of Section 15 of the German Stock Corporation Act (*Aktiengesetz*) of such German Guarantor (other than any of the German Guarantor’s direct or indirect subsidiaries), and if and to the extent that (a) the enforcement of the Guaranty would cause such German Guarantor’s assets (the calculation of which shall include all items set forth in section 266(2) A, B and C of the German Commercial Code (*Handelsgesetzbuch*)) less such German Guarantor’s liabilities (the calculation of which shall include all items set forth in section 266(3) B, C and D of the German Commercial Code) (the “*Net Assets*”) being less than its registered share capital (*Stammkapital*) (*Begründung einer Unterbilanz*) or (b) (if such German Guarantor’s Net Assets are already less than its registered share capital) causing such amount to be further reduced (*Vertiefung einer Unterbilanz*).

(c) For the purposes of such calculation the following balance sheet items shall be adjusted as follows:

(i) The amount of the increase of the relevant German Guarantor’s registered share capital out of retained earnings (*Kapitalerhöhung aus Gesellschaftsmitteln*) after the date of this Agreement that has been effected without the prior written consent of the Global Collateral Agent (acting on behalf of the Guaranteed Parties) shall be deducted from the registered share capital; and

(ii) Obligations arising out of loans made to the relevant German Guarantor and other liabilities shall be disregarded if and to the extent such loans and other liabilities are subordinated; and

(iii) Loans and other contractual liabilities incurred in violation of the provisions of the Indenture, the Security Documents or the Guaranty shall be disregarded; and

(iv) Claims of the relevant German Guarantor against its shareholders arising out of any upstream loans permitted under the Indenture, the Security Documents or the Guaranty shall only be taken into account (*aktiviert*) if and to the extent this is permitted pursuant to the jurisprudence of the German Federal High Court (*Bundesgerichtshof*) relating to the permissibility of loans to shareholders under Sections 30, 31 of the German Limited Liability Companies Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*).

(d) In addition, a German Guarantor shall realize, to the extent legally permitted, in a situation where after enforcement of the Guaranty such German Guarantor would not have Net Assets in excess of its registered share capital, any and all of its assets that are shown in

the balance sheet with a book value (*Buchwert*) that is significantly lower than the market value of the asset if such asset is not necessary for the German business (*betriebsnotwendig*).

(e) The limitations set out in sub-clause (i) above shall only apply (A) if and to the extent that within 5 Business Days following the demand against such German Guarantor under the Guaranty by the Global Collateral Agent (the "*Guaranty Demand*") the managing directors of the German Guarantor have confirmed in writing to the Global Collateral Agent (x) to what extent the Guaranty is an up-stream or cross-stream security and (y) the amount which cannot be enforced as causing the net assets of such German Guarantor, to fall below its stated share capital and such confirmation is supported by interim financial statements up to the end of the last completed calendar month (taking into account the adjustments set out in sub-clause (ii) above) and such confirmation is supported by evidence reasonably satisfactory to the Global Collateral Agent (the "*Management Determination*") and the Global Collateral Agent has not contested this and argued that no or a lesser amount would be necessary to maintain its stated share capital; or (B) within 20 Business Days from the date the Global Collateral Agent has contested the Management Determination the Global Collateral Agent receives a determination by auditors of international standard and reputation (the "*Auditor's Determination*") as appointed by such German Guarantor of the amount that would have been necessary on the date the Guaranty Demand was made to maintain the German Guarantor stated share capital based on an up to date balance sheet which shall be based on the same accounting principles that were applied when establishing the previous year's balance sheet and calculated and adjusted in accordance with sub-clauses (i) and (ii) above. If a German Guarantor fails to deliver an Auditor's Determination within 20 Business Days after the date the Global Collateral Agent has contested the Management Determination, the Global Collateral Agent shall be entitled to enforce the Guaranty without limitation or restriction.

(f) If the Global Collateral Agent disagrees with the Management Determination and/or the Auditor's Determination, the Guaranty shall be enforceable up to the amount which is undisputed between itself and the relevant German Guarantor. In relation to the amount which is disputed, the Global Collateral Agent shall be entitled to further pursue its claims and enforce the Guaranty always subject to sub-clauses (i) to (iv) (inclusive) above and sub-clause (h) below, if it determines in good faith that the financial condition of such German Guarantor as set forth in the Auditor's Determination and/or the Management Determination has substantially improved (in particular, if such German Guarantor has performed any actions in accordance with sub-clause (iii) above).

(g) Notwithstanding the above provisions of this clause (c), and subject to paragraph (h) below, the Guaranty shall not be enforced against a German Guarantor to the extent that such German Guarantor provides constructive evidence that such enforcement will deprive such German Guarantor of the liquidity necessary to fulfill its liabilities to its creditors or result in a breach of the duty of care owed by the relevant managing director to the respective company (*Verbot des existenzvernichtenden Eingriffs, Gebot der Rücksichtnahme auf die Eigenbelange der Gesellschaft*) and is reasonably likely to result in a personal civil or criminal liability of the relevant managing directors of such German Guarantor or the relevant managing directors of its shareholder.

(h) For the avoidance of doubt, nothing in this Schedule 10.1 shall be interpreted as a restriction or limitation of the enforcement of the Guaranty to the extent it guarantees the prompt and complete payment and discharge of any and all obligations of a German Guarantor itself or any of its subsidiaries including in each case their legal successors.

2. The liability of a Guarantor incorporated in Austria (an "Austrian Guarantor") under this Indenture shall at all times be limited so that the Indenture may be enforced against the Austrian Guarantor only to the extent that this does not violate mandatory Austrian capital maintenance rules (*Kapitalerhaltungsvorschriften*) pursuant to Austrian company law, in particular Sections 82 *et seq.* of the Austrian Act on Limited Liability Companies (*Gesetz über Gesellschaften mit beschränkter Haftung*). Should any obligation under the Indenture violate or contradict Austrian capital maintenance rules and should therefore be held invalid or unenforceable against the Austrian Guarantor, such obligation shall be deemed to be replaced by an obligation of a similar nature which is in compliance with Austrian capital maintenance rules and which results in a guarantee of the maximum amount permissible under Austrian capital maintenance rules in favor of the Holders. By way of example, should it be held that the liability of the Austrian Guarantor under this Indenture contravenes Austrian capital maintenance rules, the liability created under this Indenture shall be reduced to the maximum amount which is permitted pursuant to Austrian capital maintenance rules.

AUSTRIAN GUARANTEE, PLACE OF PERFORMANCE

Notwithstanding any other provision in this Indenture, in particular Section 10.1 and Schedule 10.01, the Austrian Guarantor shall guarantee the obligations of the Issuers under this Indenture and shall not be deemed a primary obligor and the guarantee of the Austrian Guarantor shall not be interpreted as a surety (the "Austrian Guarantee"). The Austrian Guarantee shall under all circumstances be interpreted as an abstract and no-fault guarantee (*abstrakter und verschuldensunabhängiger Garantievertrag*) pursuant to section 880a second case of the Austrian General Civil Code (*Allgemeines Bürgerliches Gesetzbuch*), and not as surety (*Bürgschaft*) or as a joint obligation (*Mitschuldner*) with the Issuers, and the Austrian Guarantor undertakes to pay the amounts due under or pursuant to the Austrian Guarantee unconditionally, irrevocably, upon first demand and without raising any defenses (*unbedingt, unwiderruflich, über erste Aufforderung und unter Verzicht auf alle Einwendungen*).

The exclusive place of performance (*Erfüllungsort*) for all rights and obligations under this Indenture shall be in any case a place outside the Republic of Austria, which means in particular that the payment of amounts under this Indenture or any payment for the account of the secured obligations thereunder shall be made to a bank account outside the Republic of Austria.

PROVISIONS RELATING  
TO THE NOTES

1. Definitions.

1.1 Definitions.

Capitalized terms used but not otherwise defined in this Appendix A shall have the meanings assigned to them in the Indenture. For the purposes of this Appendix A the following terms shall have the meanings indicated below:

“*Applicable Procedures*” means, with respect to any transfer or transaction involving a Regulation S Global Note or beneficial interest therein, the rules and procedures of the Depositary for such Global Note, DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable to such transaction and as in effect from time to time.

“*Clearstream, Luxembourg*” means Clearstream Banking, société anonyme, or any successor securities clearing agency.

“*Definitive Note*” means a certificated Note that does not include the Global Notes Legend.

“*Depositary*” means, with respect to Global Notes denominated in euros, a common depository of Euroclear and Clearstream, Luxembourg, their respective nominees and their respective successors and with respect to Global Notes denominated in U.S. dollars, DTC.

“*DTC*” means The Depository Trust Company, its nominees and their respective successors.

“*Euroclear*” means the Euroclear Bank S.A./N.V., as operator of the Euroclear system as currently in effect, or any successor securities clearing agency.

“*Global Notes Legend*” means the legend set forth under that caption in Exhibit A to the Indenture.

“*Notes Custodian*” means the custodian with respect to a Global Note (as appointed by the applicable Depositary) or any successor person thereto.

“*QIB*” means a “qualified institutional buyer” as defined in Rule 144A.

“*Regulation S*” means Regulation S under the Securities Act.

“*Regulation S Notes*” means all Notes offered and sold outside the United States in reliance on Regulation S.

“*Restricted Period*,” with respect to any Notes, means the period of 40 consecutive days beginning on and including the later of (a) the day on which such Notes are first offered to persons other than distributors (as defined in Regulation S under the Securities Act) in reliance on Regulation S, notice of which day shall be promptly given by the Issuers to the Trustee, and (b) the Issue Date with respect to such Notes.

“*Restricted Notes Legend*” means the legend set forth under that caption in Exhibit A to the Indenture.

“*Rule 144A*” means Rule 144A under the Securities Act.

“*Rule 144A Notes*” means all Notes offered and sold to QIBs in reliance on Rule 144A.

“*Securities Act*” means the Securities Act of 1933.

“*Transfer Restricted Notes*” means Definitive Notes and any other Notes that bear or are required to bear the Restricted Notes Legend.

2. The Notes.

2.1 Form and Dating.

(a) The Notes issued on the date hereof will be offered in exchange for Existing Secured Notes and the Existing Unsecured Notes pursuant to an exchange offer initially only to (1) QIBs in reliance on Rule 144A and (2) Persons other than U.S. Persons (as defined in Regulation S) in reliance on Regulation S. Such Notes may thereafter be transferred to, among others, QIBs and purchasers in reliance on Regulation S. Additional Notes offered after the date hereof may be offered and sold by the Issuers from time to time in accordance with applicable law.

(b) Notes issued in global form will be substantially in the form of Exhibit A-1 or A-2 to the Indenture (including the Global Note Legend thereon and the “Schedule of Increases or Decreases in Global Note” attached thereto). Notes issued in definitive form will be substantially in the form of Exhibit A-1 or A-2 to the Indenture (but without the Global Note Legend thereon and without the “Schedule of Increases or Decreases in Global Note” attached thereto). Each Global Note will represent such of the outstanding Notes as will be specified therein and each shall provide that it represents the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby will be made by the Trustee, or the Notes Custodian at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2 hereof.

(c) [Reserved.]

(d) Euroclear and Clearstream, Luxembourg Procedures Applicable. The provisions of the “Operating Procedures of the Euroclear System” and “Terms and Conditions Governing Use of Euroclear” and the “General Terms and Conditions of Clearstream, Luxembourg Banking” and “Customer Handbook” of Clearstream, Luxembourg will be applicable the Regulation S Global Note that are held by participants through Euroclear or Clearstream, Luxembourg.

(e) [Reserved.]

(f) Book-Entry Provisions. This Section 2.1(f) shall apply only to a Global Note deposited with or on behalf of the Depository.

The Issuers shall execute and the Trustee or an authentication agent shall, in accordance with this Section 2.1(f) and Section 2.2 and pursuant to an order of the Issuers signed by one Officer, authenticate and deliver initially one or more Global Notes that (i) shall be registered in the name of the Depository for such Global Note or Global Notes or the nominee of such Depository and (ii) shall be delivered by the Trustee to such Depository or pursuant to such Depository’s instructions or held by the Notes Custodian.

Members of, or participants in, DTC, Euroclear or Clearstream, Luxembourg (“*Agent Members*”) shall have no rights under the Indenture with respect to any Global Note held on their behalf by the Depository or by the Notes Custodian or under such Global Note, and the Depository may be treated by the Issuers, the Trustee and any agent of the Issuers or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuers, the Trustee or any agent of the Issuers or the Trustee from giving effect to any written certification, proxy or other authorization furnished by DTC, Euroclear or Clearstream, Luxembourg or impair, as between DTC, Euroclear or Clear-stream, Luxembourg and their respective Agent Members, the operation of customary practices thereof governing the exercise of the rights of a holder of a beneficial interest in any Global Note.

(g) Definitive Notes. Except as provided in Section 2.3 or 2.4, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes.

2.2 Authentication. The Trustee or an authentication agent shall authenticate and make available for delivery upon a written order of the Issuers signed by one of its Officers (a) Original Notes for original issue on the date hereof consisting of Euro Notes in an aggregate principal amount of €28,641,000, Dollar Notes in an aggregate principal amount of \$89,896,000, and a Dollar Note in an aggregate principal amount of \$1000 and (b) subject to the terms of the Indenture, Additional Notes. Such order shall (a) specify the amount of the Notes to be authenticated and the date on which the original issue of Notes is to be authenticated, (b) direct the Trustee or an authentication agent to authenticate such Notes and (c) certify that all conditions precedent to the issuance of such Notes have been complied with in accordance with the terms hereof.

2.3 (a) Transfer and Exchange of Global Notes. A Global Note may not be transferred except as a whole by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. All Global Notes will be exchanged by the Company for Definitive Notes if:

- (1) the Company delivers to the Trustee notice from the Depositary that it is unwilling or unable to continue to act as Depositary or that it is no longer a clearing agency registered under the Exchange Act and, in either case, a successor Depositary is not appointed by the Company within 120 days after the date of such notice from the Depositary;
- (2) the Company in its sole discretion determines that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee; or
- (3) there has occurred and is continuing a Default or Event of Default with respect to the Notes.

Upon the occurrence of any of the preceding events in (1), (2) or (3) above, Definitive Notes shall be issued in such names as the Depositary shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.08 and 2.10 of the Indenture. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.3 or Section 2.08 or 2.10 of the Indenture, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.3, however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.3(b), (c) or (f) hereof upon prior written notice given to the Trustee by or on behalf of the Depositary.

(b) Transfer and Exchange of Beneficial Interests in the Global Notes. The transfer and exchange of beneficial interests in the Global Notes will be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes will be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also will require compliance with either subparagraph (1) or (2) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

- (1) *Transfer of Beneficial Interests in the Same Global Note*. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend. Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.3.

(2) *All Other Transfers and Exchanges of Beneficial Interests in Global Notes.* In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.3(b)(1) above, the transferor of such beneficial interest must deliver to the Registrar either:

(A) both:

(i) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase; or

(B) both:

(i) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given by the Depository to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (1) above.

Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.3(h) hereof.

(3) *Transfer of Beneficial Interests to Another Restricted Global Note.* A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.3(b)(2) above and the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in the 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; and

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof.

(4) *Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note.* A beneficial interest in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.3(b)(2) above and:

(A) [reserved];

(B) [reserved]; or

(C) the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (3) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (C), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to subparagraph (B) or (C) above at a time when an Unrestricted Global Note has not yet been issued, the Issuers shall issue and, upon receipt of an Authentication Order in accordance with Section 2.2 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (B) or (C) above.

Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note.

(c) *Transfer or Exchange of Beneficial Interests for Definitive Notes.*

(1) *Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes.* If any holder of a beneficial interest in a Restricted Global Note proposes

to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Note, then, upon receipt by the Registrar of the following documentation:

(A) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(B) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(C) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (4) thereof; or

(D) if such beneficial interest is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3) thereof;

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.3(h) hereof, and the Company shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.3(c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.3(c) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(2) [Reserved.]

(3) *Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes.* A holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if:

(A) [reserved];

(B) [reserved]; or

(C) the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (3) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (C), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(4) *Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes.* If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon satisfaction of the conditions set forth in Section 2.3(b)(2) hereof, the Trustee will cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.3(h) hereof, and the Issuers will execute and the Trustee will authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.3(c)(4) will be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest requests through instructions to the Registrar from or through the Depositary and the Participant or Indirect Participant. The Trustee will deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.3(c)(4) will not bear the Private Placement Legend.

(d) *Transfer and Exchange of Definitive Notes for Beneficial Interests.*

(1) *Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes.* If any Holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(A) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(B) if such Restricted Definitive Note is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof; or

(C) if such Restricted Definitive Note is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item 4 thereof;

the Trustee will cancel the Restricted Definitive Note, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the 144A Global Note, and in the case of clauses (B) and (C) above, the Regulation S Global Note.

(2) *Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of a Restricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if:

(A) [reserved];

(B) [reserved]; or

(C) the Registrar receives the following:

(i) if the Holder of such Definitive Notes proposes to exchange such Notes for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (3) thereof; or

(ii) if the Holder of such Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (C), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.3(d)(2), the Trustee will cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

(3) *Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of an Unrestricted Definitive Note may exchange such Note for a bene-

beneficial interest in an Unrestricted Global Note or transfer such Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee will cancel the applicable Unrestricted Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Notes.

If any such exchange or transfer from a Definitive Note to a beneficial interest is effected pursuant to subparagraphs (2)(B), (2)(C) or (3) above at a time when an Unrestricted Global Note has not yet been issued, the Issuers will issue and, upon receipt of an Authentication Order in accordance with Section 2.2 hereof, the Trustee will authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Definitive Notes so transferred.

(e) *Transfer and Exchange of Definitive Notes for Definitive Notes.* Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.3(e), the Registrar will register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder must present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder must provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.3(e).

(1) *Restricted Definitive Notes to Restricted Definitive Notes.* Any Restricted Definitive Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(2) *Restricted Definitive Notes to Unrestricted Definitive Notes.* Any Restricted Definitive Note may be exchanged by the Holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note if:

(A) [reserved];

(B) [reserved]; or

(C) the Registrar receives the following:

(i) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item 3 thereof; or

(ii) if the Holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (C), if the Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(3) *Unrestricted Definitive Notes to Unrestricted Definitive Notes.* A Holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the Holder thereof.

(f) [Reserved].

(g) *Legends.* The following legends will appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(1) *Private Placement Legend.*

(A) Except as permitted by subparagraph (B) below, each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form

“THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION

OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THE SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL ACCREDITED INVESTOR ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF \$250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E), OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE."

(B) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to subparagraph (b)(4), (c)(3), (c)(4), (d)(2), (d)(3), (e)(2), (e)(3) or (f) of this Section 2.3 (and all Notes issued in exchange therefor or substitution thereof), any Regulation S Global Note and any Additional Notes issued in transactions registered with the SEC will not bear the Private Placement Legend.

(2) *Global Note Legend.* Each Global Note will bear a legend in substantially the following form:

“THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO APPENDIX A OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO APPENDIX A OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (“DTC”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.”

(h) *Cancellation and/or Adjustment of Global Notes.* At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note will be returned to or retained and canceled by the Trustee in accordance with Section 2.11 of the Indenture. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note will be reduced accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note will be increased accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

(i) *General Provisions Relating to Transfers and Exchanges.*

(1) To permit registrations of transfers and exchanges, the Issuers will execute and the Trustee will authenticate Global Notes and Definitive Notes upon receipt of an Authentication Order in accordance with Section 2.2 hereof or at the Registrar's request.

(2) No service charge will be made to a Holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to the Indenture).

(3) The Registrar will not be required to register the transfer of or exchange of any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(4) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes will be the valid obligations of the Issuers, evidencing the same debt, and entitled to the same benefits under the Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(5) Neither the Registrar nor the Issuers will be required:

(A) to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 of the Indenture and ending at the close of business on the day of selection;

(B) to register the transfer of or to exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part; or

(C) to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date.

(6) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Issuers may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Issuers shall be affected by notice to the contrary.

(7) The Trustee will authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.2 hereof.

(8) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.3 to effect a registration of transfer or exchange may be submitted by facsimile.

[FORM OF DOLLAR-DENOMINATED NOTE]

[—]% Super Priority Notes due [—]

[GLOBAL NOTES LEGEND]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (“DTC”) TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF THEIR AUTHORIZED NOMINEE, OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO ITS AUTHORIZED NOMINEE, OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, ITS AUTHORIZED NOMINEE, HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR’S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

[[FOR REGULATION S GLOBAL NOTE ONLY] UNTIL 40 DAYS AFTER THE CLOSING OF THE OFFERING, AN OFFER OR SALE OF SECURITIES WITHIN THE UNITED STATES BY A DEALER (AS DEFINED IN THE U.S. SECURITIES ACT) MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN IN ACCORDANCE WITH RULE 144A THEREUNDER.]

[Restricted Note Legend]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES,

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TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THE SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL ACCREDITED INVESTOR ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF \$250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E), OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

[Each Definitive Note shall bear the following additional legend:]

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

[—]% Super Priority Notes due [—]

No. \_\_\_\_\_

\$ \_\_\_\_\_

NXP B.V.  
NXP FUNDING LLC

NXP B.V., a company organized under the laws of The Netherlands, and NXP Funding LLC, a limited liability company organized under the laws of Delaware, jointly and severally promise to pay to Cede & Co. or its registered assigns, the principal sum of \$[        ] [subject to adjustments listed on the Schedule of Increases or Decreases in Global Note attached hereto]<sup>1</sup> on [—].

[Interest Payment Dates: January 15 and July 15 commencing July 15, 2009.

Record Dates: January 1 and July 1.]<sup>2</sup>

Additional provisions of this Note are set forth on the other side of this Note.

*(Signature page to follow.)*

<sup>1</sup> Use the Schedule of Increases and Decreases language if Note is in Global Form.

<sup>2</sup> To be revised for each series of Additional Notes.

IN WITNESS WHEREOF, NXP B.V. and NXP Funding LLC have caused this Note to be signed manually or by facsimile by their duly authorized officers.

Dated:

NXP B.V.

By: \_\_\_\_\_

Name:

Title:

NXP FUNDING LLC

By: \_\_\_\_\_

Name:

Title:

This is one of the Notes referred to in the Indenture.

LAW DEBENTURE TRUST COMPANY OF NEW YORK,  
as Trustee

By: \_\_\_\_\_

(Authorized Signatory)

1. Interest

NXP B.V., a company organized under the laws of The Netherlands, and NXP Funding LLC, a limited liability company organized under the laws of Delaware (together with NXP B.V. and their respective successors and assigns under the Indenture hereinafter referred to, being herein called “*the Issuers*”), jointly and severally promise to pay interest on the principal amount of this Note at the rate of [—]% per annum. [The Issuers shall pay interest semi-annually on January 15 and July 15 of each year commencing on July 15, 2009. The Issuers will make each interest payment to Holders of record of the Notes on the immediately preceding January 1 and July 1.]<sup>3</sup> Interest on the Notes shall accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from [—] until the principal hereof is due. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

2. Method of Payment

Holders must surrender Notes to the relevant Paying Agent to collect principal payments. The Issuers shall fund one day prior to the payment date principal, premium, if any, Applicable Amounts, if any, and interest and Additional Interest, if any, in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. Principal, premium, if any, Additional Amounts, if any, interest and Additional Interest, if any, on the Global Notes will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by a nominee of DTC will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, if any, Additional Amounts, if any, interest and Additional Interest, if any, on any Definitive Notes will be payable at the specified office or agency of one or more Paying Agents in New York or the City of London, maintained for such purposes. In addition, interest on the Definitive Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Notes.

If the due date for any payment in respect of any Note is not a Business Day at the place in which such payment is due to be paid, the Holder thereof will not be entitled to payment

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<sup>3</sup> To be revised for each series of Additional Notes.

of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

### 3. Paying Agent and Registrar

Initially, Deutsche Bank Trust Company Americas will act as New York Registrar and Transfer Agent and New York Paying Agent and Deutsche Bank AG, London Branch will act as London Paying Agent and Deutsche Bank Luxembourg S.A. will act as Registrar. The Issuers may appoint and change any Registrar, Transfer Agent and Paying Agent. The Issuers or any of its Restricted Subsidiaries may act as Registrar, Transfer Agent and Paying Agent.

### 4. Indenture

The Issuers issued the Notes under the Indenture dated as of April 2, 2009 (the “*Indenture*”), among the Issuers, the Guarantors party thereto, Law Debenture Trust Company of New York, as Trustee (the “*Trustee*”), Morgan Stanley Senior Funding, Inc., as Global Collateral Agent, and Mizuho Corporate Bank, Ltd., as Taiwan Collateral Agent. The terms of the Notes include those stated in the Indenture. Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Notes are subject to all terms and provisions of the Indenture, and Holders (as defined in the Indenture) are referred to the Indenture for a statement of such terms and provisions. In the event of a conflict, the terms of the Indenture control.

The Notes are senior obligations of the Issuers. This Note is one of the Notes referred to in the Indenture. The Notes and the Additional Notes are treated as a single class under the Indenture. The Indenture imposes certain limitations on the ability of the Issuers and their Restricted Subsidiaries to, among other things, make certain Investments and other Restricted Payments, pay dividends and other distributions, incur Indebtedness and layer Indebtedness, enter into consensual restrictions upon the payment of certain dividends and distributions by such Restricted Subsidiaries, issue or sell shares of capital stock of such Restricted Subsidiaries, enter into or permit certain transactions with Affiliates, create or incur Liens, make asset sales, impair certain security interests, issue certain guarantees and designate Restricted and Unrestricted Subsidiaries. The Indenture also imposes limitations on the ability of the Issuers to consolidate or merge with or into any other Person or convey, transfer or lease all or substantially all its property.

### 5. Optional Redemption

(a) At any time prior to the maturity of the Notes, the Issuers may redeem the Notes in whole or in part, at their option, upon not less than 30 nor more than 60 days’ prior notice at a redemption price equal to 100% of the principal amount of such Notes plus the relevant Applicable Premium as of, and accrued and unpaid interest and Additional Interest, if any, to the applicable redemption date.

(b) Any redemption and notice of redemption may, at the Company's discretion, be subject to the satisfaction of one or more conditions precedent.]<sup>4</sup>

#### [6. Optional Tax Redemption

The Issuers or Successor Company may redeem the Notes in whole, but not in part, at any time upon giving not less than 30 nor more than 60 days' notice to the Holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, including Additional Interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuers, Successor Company or Guarantor determines in good faith that, as a result of:

(1) any change in, or amendment to, the law (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in, or amendment to, an official position regarding the application, administration or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction

(each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"), the Issuers, Successor Company or Guarantor are, or on the next interest payment date in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuers, Successor Company or Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable but not including assignment of the obligation to make payment with respect to the Notes). In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at March 3, 2009, such Change in Tax Law must become effective on or after March 3, 2009. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after March 3, 2009, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction, unless the Change in Tax Law would have applied to the predecessor of the Successor Company. Notice of redemption for taxation reasons will be published in accordance with the procedures described in paragraph 8. Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to

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<sup>4</sup> To be revised for each series of Additional Notes.

pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuers will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuers have been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the holders of the Notes.]<sup>5</sup>

#### 7. Sinking Fund

The Issuers are not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

#### 8. Notice of Redemption

At least 30 days but not more than 60 days before a date for redemption of Notes, the Issuers shall transmit a notice of redemption in accordance with Section 13.02 of the Indenture and as provided below.

If less than all of the Notes are to be redeemed at any time, the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, and/or in compliance with the requirements of DTC or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through DTC, on a pro rata basis; *provided, however*, that no Note of \$75,000 in aggregate principal amount or less shall be redeemed in part.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

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<sup>5</sup> To be revised for each series of Additional Notes.

## 9. Additional Amounts

The Issuers are required to make all payments under or with respect to the Notes or the Note Guarantees free and clear of and without withholding or deduction for or on account of any present or future Taxes in accordance with Section 4.02 of the Indenture.

## 10. Repurchase of Notes at the Option of Holders upon (i) a Change of Control and (ii) the Occurrence of Certain Asset Dispositions

If a Change of Control occurs, each Holder of Notes will have the right, subject to certain conditions specified in the Indenture, to require the Issuers to repurchase all of the Notes of such Holder at a purchase price equal to 101% of the principal amount of the Notes to be repurchased plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) as provided in, and subject to the terms of, the Indenture.

In accordance with Section 4.09 of the Indenture, the Issuers will be required to offer to purchase Notes upon the occurrence of certain events, including certain Asset Dispositions.

## 11. Security

The Notes will be secured by first priority liens and security interests in the Collateral, subject to the grant of further Permitted Collateral Liens. Reference is made to the Indenture for terms relating to such security, including the release, termination and discharge thereof. The Security Documents and the Collateral will be administered by a Collateral Agent (or in certain circumstances a sub-agent) pursuant to a Collateral Agency Agreement for the benefit of all holders of Secured obligations. The Issuers shall not be required to make any notation on this Note to reflect any grant of such security or any such release, termination or discharge.

## 12. Denominations; Transfer; Exchange

The Notes are in registered form without interest coupons in minimum denominations of \$75,000 and multiples of \$1,000 in excess thereof. A Holder may transfer or exchange Notes in accordance with the Indenture. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at DTC, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

## 13. Persons Deemed Owners

Except as provided in paragraph 2 of this Note, the registered Holder of this Note will be treated as the owner of it for all purposes.

#### 14. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Issuers at their written request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look to the Issuers for payment as general creditors and the Trustee and the Paying Agent shall have no further liability with respect to such monies.

#### 15. Discharge and Defeasance

Subject to certain conditions, the Issuers at any time may terminate some of or all their obligations under the Notes and the Indenture if the Issuers, among other things, deposit or cause to be deposited with the Trustee money or U.S. Government Obligations denominated in U.S. dollars in such amounts as will be sufficient for the payment of the entire Indebtedness including principal of, premium, if any, and interest on the Notes to the date of redemption or maturity, as the case may be.

#### 16. Amendment, Waiver

The Indenture and the Notes may be amended as set forth in the Indenture.

#### 17. Defaults and Remedies

The following events constitute “*Events of Default*” under the Indenture: An “*Event of Default*” occurs if or upon:

(1) default in any payment of interest or Additional Interest, if any, on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure to comply for 30 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% in principal amount of the outstanding Notes with any of its obligations under Article 4 and 5 of the Indenture (in each case, other than a failure to purchase Notes which will constitute an Event of Default under Section 6.01(a)(2) of the Indenture);

(4) failure to comply for 60 days after notice by the Trustee on behalf of the Holders or by the Holders of 30% in principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(5) 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 either Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by either Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to either Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the date hereof, which default:

(a) 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

(b) 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;

(6) either Issuer 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;

(7) failure by the Issuers or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuers and their Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €100 million (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;

(8) any security interest under the Security Documents 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 Security Document and the Indenture) for any reason other than the satisfaction in full of all obligations under this Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture or such Security Document or any such security interest created thereunder shall be declared invalid or unenforceable or either Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days; or

(9) any Guarantee ceases to be in full force and effect, other than in accordance with the terms of the Indenture or a Guarantor denies or disaffirms its obligations under its Guarantee, other than in accordance with the terms thereof or upon release of the Guarantee in accordance with the Indenture.

However, a default under Sections 6.01(a)(3), 6.01(a)(4), 6.01(a)(5) and 6.01(a)(7) of the Indenture will not constitute an Event of Default until the Trustee or the Holders of 30% in principal amount of the outstanding Notes under the Indenture notify either Issuer

of the default and the Issuers do not cure such default within the time specified in Section 6.01(a)(3), 6.01(a)(4), 6.01(a)(5) or 6.01(a)(7) of the Indenture, as applicable, after receipt of such notice.

If an Event of Default occurs and is continuing the Trustee by notice to either Issuer or the Holders of at least 30% in principal amount of the outstanding Notes under the Indenture by written notice to either Issuer, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Interest, if any, on all the Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, the principal of, premium, if any, and accrued and unpaid interest, including Additional Interest, if any, on all the Notes will become due and payable immediately without any declaration.

18. Trustee Dealings with the Issuers

The Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Issuers or their Affiliates and may otherwise deal with the Issuers or their Affiliates with the same rights it would have if it were not Trustee.

19. No Recourse Against Others

No director, manager, officer, employee, incorporator or shareholder of either Issuer or any of its Subsidiaries or any parent company of either Issuer shall have any liability for any obligations of either Issuer or any Subsidiary with respect to the Notes or the Indenture, or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

20. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent acting on its behalf) manually signs the certificate of authentication on the other side of this Note. The signature shall be conclusive evidence that the security has been authenticated under the Indenture.

21. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

22. Governing Law

**THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

23. CUSIP Numbers and ISIN Numbers

The Issuers in issuing the Notes may use CUSIP Numbers and ISIN numbers (if then generally in use) and, if so, the Trustee shall use CUSIP Numbers and ISIN numbers in notices of redemption as a convenience to Holders; *provided, however*, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers.

**The Issuers will furnish to any Holder of Notes upon written request and without charge to the Holder a copy of the Indenture which has in it the text of this Note.**

**To assign this Note, fill in the form below:**

I or we assign and transfer this Note to:

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(Print or type assignee's legal name)

(Insert assignee's soc. sec. or tax I.D. No.)

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(Insert assignee's name, address and zip code)

and irrevocably appoint

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to transfer this Note on the books of the Issuers. The agent may substitute another to act for him.

Date: \_\_\_\_\_

Your Signature:

Sign exactly as your name appears on the other side of this Note.

Signature Guarantee\*: \_\_\_\_\_

\*(Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee)

[FORM OF CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR  
REGISTRATION OF TRANSFER RESTRICTED NOTES]

This certificate relates to \$\_\_\_\_\_ principal amount of Notes held in (check applicable box)  book-entry or  definitive registered form by the undersigned.

The undersigned (check one box below):

- has requested the Trustee by written order to deliver, in exchange for its beneficial interest in the Global Note held by the Depository, a Definitive Note in definitive, registered form of authorized denominations and an aggregate principal amount equal to its beneficial interest in such Global Note (or the portion thereof indicated above);
- has requested the Trustee by written order to exchange or register the transfer of a Note.

In connection with any transfer of any of the Notes evidenced by this certificate occurring prior to the expiration of the applicable period referred to in Rule 144 under the Securities Act, the undersigned confirms that such Notes are being transferred in accordance with its terms:

CHECK ONE BOX BELOW

- (1)  to the Issuers; or
- (2)  to the Registrar for registration in the name of the Holder, without transfer; or
- (3)  pursuant to an effective registration statement under the U.S. Securities Act of 1933; or
- (4)  inside the United States to a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act of 1933) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or
- (5)  outside the United States in an offshore transaction within the meaning of Regulation S under the Securities Act in compliance with Rule 904 under the Securities Act of 1933 and such Note shall be held immediately after the transfer through DTC until the expiration of the Restricted Period (as defined in the Indenture); or
- (6)  pursuant to Rule 144 under the U.S. Securities Act of 1933 or another available exemption from registration.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Notes evidenced by this certificate in the name of any Person other than the registered Holder thereof, *provided, however*, that if box (5) or (6) is checked, the Trustee may require, prior to registering any such transfer of the Notes, such legal opinions, certifications and other information as the Trustee or the Issuers have reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act of 1933.

Date: \_\_\_\_\_

Your Signature:

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Sign exactly as your name appears on the other side of this Note.

Signature Guarantee\*: \_\_\_\_\_

\*(Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee)

TO BE COMPLETED BY PURCHASER IF (4) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act of 1933, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Issuers as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

(to be executed by an executive officer of purchaser)

[FORM OF SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE]

The initial principal amount of this Global Note is \$[        ]. The following increases or decreases in this Global Note have been made:

<u>Date of Increase/Decrease</u>	<u>Amount of Decrease in Principal Amount of this Global Note</u>	<u>Amount of Increase in Principal Amount of this Global Note</u>	<u>Principal amount of this Global Note following such decrease or increase</u>	<u>Signature of authorized signatory of Trustee</u>
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[FORM OF OPTION OF HOLDER TO ELECT PURCHASE]

If you want to elect to have this Note purchased by the Issuers pursuant to Section 4.03 (Change of Control) or Section 4.09 (Limitation on Sales of Assets and Subsidiary Stock) of the Indenture, check the box:

Asset Disposition

Change of Control

If you want to elect to have only part of this Note purchased by the Issuers pursuant to Section 4.03 or Section 4.09 of the Indenture, state the amount (minimum amount of \$75,000):

\$ \_\_\_\_\_

Date: \_\_\_\_\_

Your Signature: \_\_\_\_\_

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(Sign exactly as your name appears on the other side of the Note)

Signature Guarantee\*: \_\_\_\_\_

\*(Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee)

[FORM OF EURO-DENOMINATED NOTE]

[—]% Super Priority Notes due [—]

[GLOBAL NOTES LEGEND]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR BANK S.A./N.V., AS OPERATOR OF THE EUROCLEAR SYSTEM (“EUROCLEAR”), OR CLEARSTREAM, LUXEMBOURG BANKING, SOCIETE ANONYME (“CLEARSTREAM, LUXEMBOURG”) TO THE ISSUERS OR THEIR AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF THEIR AUTHORIZED NOMINEE, OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG (AND ANY PAYMENT IS MADE TO ITS AUTHORIZED NOMINEE, OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, ITS AUTHORIZED NOMINEE, HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR’S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

[[FOR REGULATION S GLOBAL NOTE ONLY] UNTIL 40 DAYS AFTER THE CLOSING OF THE OFFERING, AN OFFER OR SALE OF SECURITIES WITHIN THE UNITED STATES BY A DEALER (AS DEFINED IN THE U.S. SECURITIES ACT) MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN IN ACCORDANCE WITH RULE 144A THEREUNDER.]

[Restricted Note Legend]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT

A-2-1

FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THE SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL ACCREDITED INVESTOR ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF \$250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D), (E), OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

[Each Definitive Note shall bear the following additional legend:]

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

[—]% Super Priority Notes due [— ]

No. \_\_\_\_\_

€ \_\_\_\_\_

NXP B.V.  
NXP FUNDING LLC

NXP B.V., a company organized under the laws of The Netherlands, and NXP Funding LLC, a limited liability company organized under the laws of Delaware, jointly and severally promise to pay to BT Globenet Nominees Limited as nominee for the common depository for Euroclear and Clearstream, Luxembourg; or its registered assigns, the principal sum of €[            ] [subject to adjustments listed on the Schedule of Increases or Decreases in Global Note attached hereto]<sup>6</sup> on [— ]].

[Interest Payment Dates: January 15 and July 15 commencing July 15, 2009.

Record Dates: January 1 and July 1.]<sup>7</sup>

Additional provisions of this Note are set forth on the other side of this Note

*(Signature page to follow.)*

<sup>6</sup> Use the Schedule of Increases and Decreases language if Note is in Global Form.  
<sup>7</sup> To be revised for each series of Additional Notes.

IN WITNESS WHEREOF, NXP B.V. and NXP Funding LLC have caused this Note to be signed manually or by facsimile by their duly authorized officers.

Dated:

NXP B.V.

By: \_\_\_\_\_

Name:

Title:

NXP FUNDING LLC

By: \_\_\_\_\_

Name:

Title:

This is one of the Notes referred to in the Indenture.

LAW DEBENTURE TRUST COMPANY OF NEW YORK,  
as Trustee

By: \_\_\_\_\_

(Authorized Signatory)

1. Interest

NXP B.V., a company organized under the laws of The Netherlands, and NXP Funding LLC, a limited liability company organized under the laws of Delaware (together with NXP B.V. and their respective successors and assigns under the Indenture hereinafter referred to, being herein called “*the Issuers*”), jointly and severally promise to pay interest on the principal amount of this Note at the rate of [ ]% per annum. [The Issuers shall pay interest semi-annually on January 15 and July 15 of each year commencing on July 15, 2009. The Issuers will make each interest payment to Holders of record of the Notes on the immediately preceding January 1 and July 1.]<sup>8</sup> Interest on the Notes shall accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from [—] until the principal hereof is due. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months. Each interest period shall end on (but not include) the relevant interest payment date.

2. Method of Payment

Holders must surrender Notes to the relevant Paying Agent to collect principal payments. The Issuers shall fund one day prior to the payment date principal, premium, if any, Applicable Amounts, if any, and interest and Additional Interest, if any, in euro or such other lawful currency of the participating member states in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community that at the time of payment is legal tender for payment of public and private debts. Principal, premium, if any, Additional Amounts, if any, interest and Additional Interest, if any, on the Global Notes will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Notes represented by one or more Global Notes registered in the name of or held by a nominee of Euroclear and/or Clearstream, Luxembourg will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, if any, Additional Amounts, if any, interest and Additional Interest, if any, on any Definitive Notes will be payable at the specified office or agency of one or more Paying Agents in New York or the City of London, maintained for such purposes. In addition, interest on the Definitive Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Notes.

<sup>8</sup> To be revised for each series of Additional Notes.

If the due date for any payment in respect of any Note is not a Business Day at the place in which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

3. Paying Agent and Registrar

Initially, Deutsche Bank Trust Company Americas will act as New York Registrar and Transfer Agent and New York Paying Agent and Deutsche Bank AG, London Branch will act as London Paying Agent and Deutsche Bank Luxembourg S.A. will act as Registrar. The Issuers may appoint and change any Registrar, Transfer Agent and Paying Agent. The Issuers or any of its Restricted Subsidiaries may act as Registrar, Transfer Agent and Paying Agent.

4. Indenture

The Issuers issued the Notes under the Indenture dated as of April 2, 2009 (the “*Indenture*”), among the Issuers, the Guarantors party thereto, Law Debenture Trust Company of New York, as Trustee (the “*Trustee*”), Morgan Stanley Senior Funding, Inc., as Global Collateral Agent, and Mizuho Corporate Bank, Ltd., as Taiwan Collateral Agent. The terms of the Notes include those stated in the Indenture. Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Notes are subject to all terms and provisions of the Indenture, and Holders (as defined in the Indenture) are referred to the Indenture for a statement of such terms and provisions. In the event of a conflict, the terms of the Indenture control.

The Notes are senior obligations of the Issuers. This Note is one of the Notes referred to in the Indenture. The Notes and the Additional Notes are treated as a single class under the Indenture. The Indenture imposes certain limitations on the ability of the Issuers and their Restricted Subsidiaries to, among other things, make certain Investments and other Restricted Payments, pay dividends and other distributions, incur Indebtedness and layer Indebtedness, enter into consensual restrictions upon the payment of certain dividends and distributions by such Restricted Subsidiaries, issue or sell shares of capital stock of such Restricted Subsidiaries, enter into or permit certain transactions with Affiliates, create or incur Liens, make asset sales, impair certain security interests, issue certain guarantees and designate Restricted and Unrestricted Subsidiaries. The Indenture also imposes limitations on the ability of the Issuers to consolidate or merge with or into any other Person or convey, transfer or lease all or substantially all its property.

[5. Optional Redemption

(a) At any time prior to the maturity of the Notes, the Issuers may redeem the Notes in whole or in part, at their option, upon not less than 30 nor more than 60 days’ prior notice at a redemption price equal to 100% of the principal amount of such Notes plus the relevant Applicable Premium as of, and accrued and unpaid interest and Additional Interest, if any, to the applicable redemption date.

(b) Any redemption and notice of redemption may, at the Company's discretion, be subject to the satisfaction of one or more conditions precedent.<sup>9</sup>

[6. Optional Tax Redemption

The Issuers or Successor Company may redeem the Notes in whole, but not in part, at any time upon giving not less than 30 nor more than 60 days' notice to the Holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, including Additional Interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuers, Successor Company or Guarantor determines in good faith that, as a result of:

(1) any change in, or amendment to, the law (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in, or amendment to, an official position regarding the application, administration or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"), the Issuers, Successor Company or Guarantor are, or on the next interest payment date in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuers, Successor Company or Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable but not including assignment of the obligation to make payment with respect to the Notes). In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at March 3, 2009, such Change in Tax Law must become effective on or after March 3, 2009. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after March 3, 2009, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction, unless the Change in Tax Law would have applied to the predecessor of the Successor Company. Notice of redemption for taxation reasons will be published in accordance with the procedures described in paragraph 8. Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuers will deliver

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<sup>9</sup> To be revised for each series of Additional Notes.

to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuers have been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the holders of the Notes.]<sup>10</sup>

7. Sinking Fund

The Issuers are not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

8. Notice of Redemption

At least 30 days but not more than 60 days before a date for redemption of Notes, the Issuers shall transmit a notice of redemption in accordance with Section 13.02 of the Indenture and as provided below.

If less than all of the Notes are to be redeemed at any time, the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, and/or in compliance with the requirements of Euroclear or Clearstream, Luxembourg, as applicable, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream, Luxembourg, as applicable, on a pro rata basis; *provided, however*, that no Note of €50,000 in aggregate principal amount or less shall be redeemed in part.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

9. Additional Amounts

10 To be revised for each series of Additional Notes.

The Issuers are required to make all payments under or with respect to the Notes or the Note Guarantees free and clear of and without withholding or deduction for or on account of any present or future Taxes in accordance with Section 4.02 of the Indenture.

10. Repurchase of Notes at the Option of Holders upon (i) a Change of Control and (ii) the occurrence of certain Asset Dispositions

If a Change of Control occurs, each Holder of Notes will have the right, subject to certain conditions specified in the Indenture, to require the Issuers to repurchase all of the Notes of such Holder at a purchase price equal to 101% of the principal amount of the Notes to be repurchased plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) as provided in, and subject to the terms of, the Indenture.

In accordance with Section 4.09 of the Indenture, the Issuers will be required to offer to purchase Notes upon the occurrence of certain events, including certain Asset Dispositions.

11. Security

The Notes will be secured by first priority liens and security interests in the Collateral, subject to the grant of further Permitted Collateral Liens. Reference is made to the Indenture for terms relating to such security, including the release, termination and discharge thereof. The Security Documents and the Collateral will be administered by a Collateral Agent (or in certain circumstances a sub-agent) pursuant to a Collateral Agency Agreement for the benefit of all holders of Secured obligations. The Issuers shall not be required to make any notation on this Note to reflect any grant of such security or any such release, termination or discharge.

12. Denominations; Transfer; Exchange

The Notes are in registered form without interest coupons in minimum denominations of €50,000 and multiples of €1,000 in excess thereof. A Holder may transfer or exchange Notes in accordance with the Indenture. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, Luxembourg, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

13. Persons Deemed Owners

Except as provided in paragraph 2 of this Note, the registered Holder of this Note will be treated as the owner of it for all purposes.

14. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Issuers at their written request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look to the Issuers for payment as general creditors and the Trustee and the Paying Agent shall have no further liability with respect to such monies.

15. Discharge and Defeasance

Subject to certain conditions, the Issuers at any time may terminate some of or all their obligations under the Notes and the Indenture if the Issuers, among other things, deposit or cause to be deposited with the Trustee money or European Government Obligations denominated in euro in such amounts as will be sufficient for the payment of the entire Indebtedness including principal of, premium, if any, and interest on the Notes to the date of redemption or maturity, as the case may be.

16. Amendment, Waiver

The Indenture and the Notes may be amended as set forth in the Indenture.

17. Defaults and Remedies

The following events constitute “*Events of Default*” under the Indenture: An “*Event of Default*” occurs if or upon:

(1) default in any payment of interest or Additional Interest, if any, on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure to comply for 30 days after written notice by the Trustee on behalf of the Holders or by the Holders of 30% in principal amount of the outstanding Notes with any of its obligations under Article 4 and 5 of the Indenture (in each case, other than a failure to purchase Notes which will constitute an Event of Default under Section 6.01(a)(2) of the Indenture);

(4) failure to comply for 60 days after notice by the Trustee on behalf of the Holders or by the Holders of 30% in principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(5) 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 either Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by either Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to either Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the date hereof, which default:

(a) 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

(b) 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;

(6) either Issuer 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;

(7) failure by the Issuers or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuers and their Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €100 million (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;

(8) any security interest under the Security Documents 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 Security Document and the Indenture) for any reason other than the satisfaction in full of all obligations under this Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture or such Security Document or any such security interest created thereunder shall be declared invalid or unenforceable or either Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days; or

(9) any Guarantee ceases to be in full force and effect, other than in accordance with the terms of the Indenture or a Guarantor denies or disaffirms its obligations under its Guarantee, other than in accordance with the terms thereof or upon release of the Guarantee in accordance with the Indenture.

However, a default under Sections 6.01(a)(3), 6.01(a)(4), 6.01(a)(5) and 6.01(a)(7) of the Indenture will not constitute an Event of Default until the Trustee or the Holders of 30% in principal amount of the outstanding Notes under the Indenture notify either Issuer

of the default and the Issuers do not cure such default within the time specified in Section 6.01(a)(3), 6.01(a)(4), 6.01(a)(5) or 6.01(a)(7) of the Indenture, as applicable, after receipt of such notice.

If an Event of Default occurs and is continuing the Trustee by notice to either Issuer or the Holders of at least 30% in principal amount of the outstanding Notes under the Indenture by written notice to either Issuer, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Interest, if any, on all the Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, the principal of, premium, if any, and accrued and unpaid interest, including Additional Interest, if any, on all the Notes will become due and payable immediately without any declaration.

18. Trustee Dealings with the Issuers

The Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Issuers or their Affiliates and may otherwise deal with the Issuers or their Affiliates with the same rights it would have if it were not Trustee.

19. No Recourse Against Others

No director, manager, officer, employee, incorporator or shareholder of either Issuer or any of its Subsidiaries or any parent company of either Issuer shall have any liability for any obligations of either Issuer or any Subsidiary with respect to the Notes or the Indenture, or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

20. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent acting on its behalf) manually signs the certificate of authentication on the other side of this Note. The signature shall be conclusive evidence that the security has been authenticated under the Indenture.

21. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

22. Governing Law

**THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

23. Common Codes and ISIN Numbers

The Issuers in issuing the Notes may use Common Codes and ISIN numbers (if then generally in use) and, if so, the Trustee shall use Common Codes and ISIN numbers in notices of redemption as a convenience to Holders; *provided, however*, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers.

**The Issuers will furnish to any Holder of Notes upon written request and without charge to the Holder a copy of the Indenture which has in it the text of this Note.**

**To assign this Note, fill in the form below:**

I or we assign and transfer this Note to:

---

(Print or type assignee's legal name)

(Insert assignee's soc. sec. or tax I.D. No.)

---

(Insert assignee's name, address and zip code)

and irrevocably appoint

---

to transfer this Note on the books of the Issuers. The agent may substitute another to act for him.

Date: \_\_\_\_\_

Your Signature:

Sign exactly as your name appears on the other side of this Note.

Signature Guarantee\*:

\*(Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee)

[FORM OF CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR  
REGISTRATION OF TRANSFER RESTRICTED NOTES]

This certificate relates to €\_\_\_\_\_ principal amount of Notes held in (check applicable box)  book-entry or  definitive registered form by the undersigned.

The undersigned (check one box below):

- has requested the Trustee by written order to deliver, in exchange for its beneficial interest in the Global Note held by the Depositary, a Definitive Note in definitive, registered form of authorized denominations and an aggregate principal amount equal to its beneficial interest in such Global Note (or the portion thereof indicated above);
- has requested the Trustee by written order to exchange or register the transfer of a Note.

In connection with any transfer of any of the Notes evidenced by this certificate occurring prior to the expiration of the applicable period referred to in Rule 144 under the Securities Act, the undersigned confirms that such Notes are being transferred in accordance with its terms:

CHECK ONE BOX BELOW

- (1)  to the Issuers; or
- (2)  to the Registrar for registration in the name of the Holder, without transfer; or
- (3)  pursuant to an effective registration statement under the U.S. Securities Act of 1933; or
- (4)  inside the United States to a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act of 1933) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or
- (5)  outside the United States in an offshore transaction within the meaning of Regulation S under the Securities Act in compliance with Rule 904 under the Securities Act of 1933 and such Note shall be held immediately after the transfer through Euroclear or Clearstream, Luxembourg until the expiration of the Restricted Period (as defined in the Indenture); or
- (6)  pursuant to Rule 144 under the U.S. Securities Act of 1933 or another available exemption from registration.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Notes evidenced by this certificate in the name of any Person other than the registered Holder thereof, *provided, however*, that if box (5) or (6) is checked, the Trustee may require, prior to registering any such transfer of the Notes, such legal opinions, certifications and other information as the Trustee or the Issuers have reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act of 1933.

Date: \_\_\_\_\_

Your Signature:

---

Sign exactly as your name appears on the other side of this Note.

Signature Guarantee\*: \_\_\_\_\_

\*(Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee)

TO BE COMPLETED BY PURCHASER IF (4) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act of 1933, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Issuers as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
(to be executed by an executive officer of purchaser)



[FORM OF OPTION OF HOLDER TO ELECT PURCHASE]

If you want to elect to have this Note purchased by the Issuers pursuant to Section 4.03 (Change of Control) or Section 4.09 (Limitation on Sales of Assets and Subsidiary Stock) of the Indenture, check the box:

Asset Disposition

Change of Control

If you want to elect to have only part of this Note purchased by the Issuers pursuant to Section 4.03 or Section 4.09 of the Indenture, state the amount (minimum amount of €50,000):

€ \_\_\_\_\_

Date: \_\_\_\_\_

Your Signature:

---

(Sign exactly as your name appears on the other side of the Note)

Signature Guarantee\*: \_\_\_\_\_

\*(Signature must be guaranteed by a participant in a recognized signature guaranty medallion program or other signature guarantor acceptable to the Trustee)

## [FORM OF CERTIFICATE OF TRANSFER]

Law Debenture Trust Company of New York  
[Address]

**Re: [Euro-denominated [—]% Super Priority Notes due [—]]. [Dollar-denominated [—]% Super Priority Notes due [—]] of NXP B.V. and NXP Funding LLC (the “Notes”)**

Reference is hereby made to the Super Priority Indenture dated [—] among NXP B.V. and NXP Funding LLC, as Issuers, the guarantors party thereto, Law Debenture Trust Company of New York, as Trustee, Morgan Stanley Senior Funding, Inc., as Global Collateral Agent, and Mizuho Corporate Bank, Ltd., as Taiwan Collateral Agent (the “Indenture”). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

\_\_\_\_\_ (the “Transferor”) owns and proposes to transfer the Note/Notes or interest in such Note/Notes (the “Book-Entry Interest”) specified in Annex A hereto, in the principal amount of [€//\$]\_\_\_\_\_ in such Note/Notes or interests (the “Transfer”), to \_\_\_\_\_ (the “Transferee”), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1.  **Check if Transfer is Pursuant to Rule 144A.** The Transfer is being effected pursuant to and in accordance with Rule 144A under the U.S. Securities Act of 1933 (the “Securities Act”), and, accordingly, the Transferor hereby further certifies that the Book-Entry Interest or Definitive Note is being transferred to a Person that the Transferor reasonably believed and believes is purchasing the Book-Entry Interest or Definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a “qualified institutional buyer” within the meaning of Rule 144A to whom notice was given that the Transfer was being made in reliance on Rule 144A and such Transfer is in compliance with any applicable securities laws of any state of the United States or any other jurisdiction. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred Book-Entry Interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Restricted Notes Legend printed on the Rule 144A Global Note and/or the Rule 144A Definitive Note and in the Indenture and the Securities Act.

2.  **Check if Transfer is pursuant to Regulation S.** The Transfer is being effected pursuant to and in accordance with Regulation S under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a person in the United States and (A) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (B) the transaction was executed in,

on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States; (ii) no directed selling efforts have been made in contravention of the requirements of Regulation S under the Securities Act; (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the U.S. Securities Act; and (iv) the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will be subject to the restrictions on transfer printed on the Regulation S Global Note and/or the Regulation S Definitive Note and contained in the Securities Act, the Indenture and any applicable securities laws of any state of the United States or any other jurisdiction.

3.  **Check if Transfer is Pursuant to Other Exemption.** (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144 or Regulation S and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Restricted Notes Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note will not be subject to the restrictions on transfer enumerated in the Restricted Notes Legend.

4.  **Check if Transfer is Pursuant to Rule 144.** (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable securities laws of any state of the United States or any other jurisdiction; (ii) the Transferor is not (and during the three months preceding the Transfer was not) an Affiliate of the Issuer, (iii) at least one year has elapsed since such Transferor (or any previous transferor of such Book-Entry Interest or Definitive Note that was not an Affiliate of the Issuers) acquired such Book-Entry Interest or Definitive Note from the Issuers or an Affiliate of the Issuers, and (iv) the restrictions on transfer contained in the Indenture and the Restricted Notes Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred Book-Entry Interest or Rule 144A Definitive Note will no longer be subject to the restrictions on transfer enumerated in the Restricted Notes Legend printed on the Rule 144A Global Note and/or the Rule 144A Definitive Note and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuers and the Trustee.

[Insert Name of Transferor]

By:  
Name:  
Title:

Dated: \_\_\_\_\_

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following: CHECK ONE]
- (a)  a Book-Entry Interest held through [DTC Account No. \_\_\_\_\_ or Euroclear Account No. \_\_\_\_\_ or Clearstream, Luxembourg Banking Account No. \_\_\_\_\_], in the:
    - (i)  Rule 144A Global Note ([CUSIP/ISIN/COMMON CODE] \_\_\_\_\_); or
    - (ii)  Regulation S Global Note ([CUSIP/ISIN/COMMON CODE]; or
  - (b)  a Rule 144A Definitive Note; or
  - (c)  a Regulation S Definitive Note.

2. After the Transfer the Transferee will hold:

[CHECK ONE]

- (a)  a Book-Entry Interest through [DTC Account No. \_\_\_\_\_ or Euroclear Account No. \_\_\_\_\_ or Clearstream, Luxembourg Banking Account No. \_\_\_\_\_] in the:
  - (i)  Rule 144A Global Note ([CUSIP/ISIN/COMMON CODE] \_\_\_\_\_); or
  - (ii)  Regulation S Global Note ([CUSIP/ISIN/COMMON CODE] \_\_\_\_\_ or
- (b)  a Rule 144A Definitive Note; or
- (c)  a Regulation S Definitive Note.

[FORM OF OFFICER'S COMPLIANCE CERTIFICATE DELIVERED PURSUANT TO  
SECTION 4.16 OF THE INDENTURE]

## OFFICER'S COMPLIANCE CERTIFICATE OF NXP B.V.

Pursuant to Section 4.16 of the Super Priority Indenture dated [—] (the "*Indenture*") among NXP B.V. (the "*Company*") and NXP Funding LLC, as Issuers, the guarantors party thereto, Law Debenture Trust Company of New York, as Trustee, Morgan Stanley Senior Funding, Inc., as Global Collateral Agent, and Mizuho Corporate Bank, Ltd., as Taiwan Collateral Agent, the undersigned, [—], [officer], of the Company, do hereby certify on behalf of the Company that:

1. a review of the activities of the Company during the preceding fiscal year has been made under my supervision with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under the Indenture;
2. as to the best of my knowledge, the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of the Indenture [or, if a Default or Event of Default shall have occurred, describe all such Defaults or Events of Default of which you have knowledge and what action the Company is taking or proposes to take with respect thereto] and to the best of my knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest or Additional Amounts, if any, on the Notes is prohibited [or if such event has occurred, give a description of the event and what action the Company is taking or proposes to take with respect thereto];
3. (i) such action has been taken with respect to the recording, filing, re-recording and re-filing of the Indenture and the Security Documents (including financing statements or other instruments) as is necessary to maintain the security interest intended to be created thereby for the benefit of the Holders, and reciting the details of such action, or (ii) no such action is necessary to maintain such Lien.

IN WITNESS WHEREOF, the undersigned has executed this Officer's Certificate this [ ] day of [ ], 20[ ].

NXP B.V.

By: \_\_\_\_\_

Name:

Title:

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## [FORM OF NOTE GUARANTEE SUPPLEMENT]

NOTE GUARANTEE SUPPLEMENT dated as of \_\_\_\_\_, \_\_\_\_\_, between [NAME OF GUARANTOR] (the “*Guarantor*”), NXP B.V. (the “*Company*”) and Law Debenture Trust Company of New York, as Trustee (the “*Trustee*”).

WHEREAS, the Company, NXP Funding LLC, the Trustee, Morgan Stanley Senior Funding, Inc., as Global Collateral Agent, Mizuho Corporate Bank, Ltd., as Taiwan Collateral Agent, and the Guarantors party thereto are parties to a Super Priority Indenture dated as of [—] (as amended and/or supplemented, the “*Indenture*”);

WHEREAS, Section 4.12 of the Indenture provides that Persons may become party to the Indenture as Guarantors by execution and delivery of a supplement in the form of this Note Guarantee Supplement; and

WHEREAS, terms defined in the Indenture and not otherwise defined herein have, as used herein, the respective meanings provided for therein;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

2. *Party to Indenture.* In accordance with Section 4.12 of the Indenture, on and from the date of this Note Guarantee Supplement (the “*Effective Date*”), the Guarantor will become a party to the Indenture and hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Indenture including but not limited to Article 10 thereof. The Guarantor will be bound by all the provisions thereof as fully as if the Guarantor were one of the original parties thereto.

3. *No Recourse Against Others.* No past, present or future director, officer, employee, incorporator, stockholder or agent of the Guarantor, as such, shall have any liability for any obligations of the Company or any Guarantors under the Notes, any Note Guarantees, the Indenture or this Note Guarantee Supplement or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

4. *Notices.* The contact information of the Guarantor for purposes of notices under the Indenture is as follows:

[Address]

Attention:

Facsimile:

E-mail:

5. *Governing Law.* This Note Guarantee Supplement shall be construed in accordance with and governed by the laws of the State of New York.

6. *The Trustee.* The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Note Guarantee Supplement or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guarantor and the Company.

7. [*Guarantor Limitations.* In accordance with the Agreed Security Principles, the following limitations apply to the Guarantee of the Guarantor:  
[Limitations consistent with Agreed Security Principles to be specified here]]

[For the avoidance of doubt, in the case of any Guarantor incorporated in Singapore, the obligations or liabilities of such Guarantor under this Note Guarantee Supplement and the Indenture shall exclude any obligation or liability, which, if it were so included, would result in this Note Guarantee Supplement or the Indenture contravening Section 76 of the Companies Act, Chapter 50 of Singapore.]

IN WITNESS WHEREOF, the parties hereto have caused this Note Guarantee Supplement to be duly executed by their respective authorized officers as of the day and year first above written.

[NAME OF GUARANTOR]

By: \_\_\_\_\_  
Name:  
Title:

NXP B.V.

By: \_\_\_\_\_  
Name:  
Title:

LAW DEBENTURE TRUST COMPANY OF NEW YORK, as  
Trustee

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

List of direct and indirect subsidiaries as of April 14, 2010

<u>Country of incorporation</u>	<u>Name legal entity</u>
Austria	NXP Semiconductors Austria GmbH
Belgium	NXP Semiconductors Belgium N.V.
Brazil	NXP Semiconductors Brasil Ltda
Canada	NXP Semiconductors Canada Inc.
Cayman Islands	NG Cayman Ltd.
China	NXP Semiconductors Guangdong Ltd.
China	NXP Semiconductors (Beijing) Ltd.
China	NXP Semiconductors (Shanghai) Ltd.
China	Jilin NXP Semiconductors Ltd. (60%)*
China	Suzhou NuTune Limited (subsidiary of NuTune Singapore Pte. Ltd.)
Finland	NXP Semiconductors Finland Oy
France	NXP Semiconductors France SAS
France	NuTune France SAS (subsidiary of NuTune Singapore Pte. Ltd.)
Germany	SMST Unterstutzungskasse GmbH
Germany	NXP Semiconductors Germany GmbH
Germany	NXP Semiconductors GA GmbH
Germany	NXP Stresemannallee 101 Dritte Verwaltungs GmbH
Germany	NuTune Germany GmbH (subsidiary of NuTune Singapore Pte. Ltd.)
Hong Kong	NXP Semiconductors Hong Kong Ltd.
Hungary	NXP Semiconductors Hungary Ltd.
India	NXP Semiconductors India Pvt. Ltd.
Ireland	GloNav Ltd.
Indonesia	PT Thomson Batam (subsidiary of NuTune Singapore Pte. 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	NuTune Netherlands B.V. i.l. (subsidiary of NuTune Singapore Pte. Ltd.)
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%)*
Singapore	NuTune Singapore Pte. Ltd. (55%)*
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 Elektronik Ticaret A.S.
United Kingdom	NXP Semiconductors UK Ltd.
United Kingdom	GloNav UK Ltd.
USA	NXP Semiconductors USA, Inc.
USA	NXP Funding LLC
USA	NXP Semiconductors (GPS) USA, Inc.

\* = joint venture

**Consent of Independent Registered Public Accounting Firm**

The Board of Management and Stockholders of KASLION Acquisition B.V.

We consent to the use of our report dated April 16, 2010, with respect to the consolidated balance sheet of KASLION Acquisition B.V. as of December 31, 2009, and the related consolidated statements of operations and comprehensive income, cash flows, and changes in equity, for the year ended December 31, 2009, included herein and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG Accountants N.V.

Amstelveen, the Netherlands, April 16, 2010

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the use in this Registration Statement on Form F-1 of our report dated April 16, 2010, relating to the consolidated financial statements of Kaslion Acquisition B.V. and subsidiaries appearing in the Prospectus, which is part of this Registration Statement. We also consent to the reference to us under the heading "Experts" in such Prospectus.

Deloitte Accountants B.V.

/s/ M.J. van der Vegte

Amsterdam, the Netherlands

April 16, 2010

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April 16, 2010

VIA EDGAR

Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

Attention: Document Control—Edgar

Re: KASLION Acquisition B.V. Common Stock Offering

Ladies and Gentlemen:

On behalf of KASLION Acquisition B.V. (the “Company”), we hereby transmit for electronic filing, pursuant to Rule 101(a) of Regulation S-T of the Securities Act of 1933, the Company’s registration statement on Form F-1 for the above-referenced transaction.

Should you have any questions regarding this filing, please do not hesitate to contact me (phone: +44 (0)20 7275 6558; fax: +44 (0)20 7275 6502).

Very truly yours,

/s/ Nicholas J. Shaw  
Nicholas J. Shaw

Attachments