

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

**FORM 20-F**

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

OR

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

For the fiscal year ended December 31, 2014

OR

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

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-34841

**NXP Semiconductors N.V.**

(Exact name of Registrant as specified in its charter)

The Netherlands  
(Jurisdiction of incorporation or organization)

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

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

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

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

None  
(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Common shares—par value EUR 0.20 per share  
(Title of class)

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

<u>Class</u>	<u>Outstanding at December 31, 2014</u>
Ordinary shares, par value EUR 0.20 per share	251,751,500 shares

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

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

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

U.S. GAAP

International Financial Reporting Standards as issued  
by the International Accounting Standards Board

Other

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

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

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## Introduction

This Annual Report contains forward-looking statements that contain risks and uncertainties. Our actual results may differ significantly from future results as a result of factors such as those set forth in Part I, Item 3D, *Risk Factors* and Part I, Item 5G, *Safe Harbor*.

The financial information included in this Annual Report is based on United States Generally Accepted Accounting Principles (U.S. GAAP), unless otherwise indicated.

In presenting and discussing our financial position, operating results and cash flows, management uses certain non-U.S. GAAP financial measures. These non-U.S. GAAP financial measures should not be viewed in isolation or as alternatives to the equivalent U.S. GAAP measures and should be used in conjunction with the most directly comparable U.S. GAAP measures. A discussion of non-U.S. GAAP measures included in this Annual Report and a reconciliation of such measures to the most directly comparable U.S. GAAP measures are set forth under “*Use of Certain Non-U.S. GAAP Financial Measures*” contained in this report under Part I, Item 5A, *Operating Results*.

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

A glossary of abbreviations and technical terms used in this Annual Report is set forth on page 74.

**PART I**

**Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information**

**A. Selected Financial Data**

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

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

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The selected historical consolidated financial data should be read in conjunction with the discussion under Part I, Item 5A. *Operating Results* and the Consolidated Financial Statements and the accompanying notes included elsewhere in this Annual Report.

(\$ in millions unless otherwise stated)	As of and for the years ended December 31,				
	2014	2013	2012	2011	2010
<b>Consolidated Statements of Operations:</b>					
Revenue	5,647	4,815	4,358	4,194	4,402
Operating income (loss)	1,049	651	412	357	273
Financial income (expense)-net	(410)	(274)	(437)	(257)	(628)
Income (loss) from continuing operations attributable to stockholders	539	348	(116)	(44)	(515)
Income (loss) from discontinued operations attributable to stockholders	—	—	1	434	59
Net income (loss) attributable to stockholders	539	348	(115)	390	(456)
<b>Per share data<sup>(1)(2)</sup>:</b>					
<i>Basic earnings per common share attributable to stockholders in \$</i>					
- Income (loss) from continuing operations	2.27	1.40	(0.46)	(0.17)	(2.25)
- Income (loss) from discontinued operations	—	—	—	1.74	0.26
- Net income (loss)	2.27	1.40	(0.46)	1.57	(1.99)
<i>Diluted earnings per common share attributable to stockholders in \$</i>					
- Income (loss) from continuing operations	2.17	1.36	(0.46)	(0.17)	(2.25)
- Income (loss) from discontinued operations	—	—	—	1.74	0.26
- Net income (loss)	2.17	1.36	(0.46)	1.57	(1.99)
Weighted average number of shares of common stock outstanding during the year (in thousands)					
• Basic	237,954	248,526	248,064	248,812	229,280
• Diluted	248,609	255,050	248,064 <sup>(3)</sup>	248,812 <sup>(3)</sup>	229,280 <sup>(3)</sup>
<b>Consolidated balance sheet data:</b>					
Cash and cash equivalents	1,185	670	617	743	898
Total assets	6,893	6,449	6,439	6,612	7,637
Net assets	801	1,546	1,284	1,357	1,219
Working capital <sup>(4)</sup>	1,340	939	765	969	811
Total debt <sup>(5)</sup>	3,999	3,321	3,492	3,799	4,551
Total stockholders' equity	538	1,301	1,049	1,145	986
Common stock	51	51	51	51	51
<b>Other operating data:</b>					
Capital expenditures	(329)	(215)	(251)	(221)	(258)
Depreciation and amortization <sup>(6)</sup>	405	514	533	591	684
<b>Consolidated statements of cash flows data:</b>					
Net cash provided by (used for):					
Operating activities	1,468	891	722	175	361
Investing activities	(387)	(240)	(243)	(202)	(269)
Financing activities	(554)	(598)	(574)	(926)	(157)
Net cash provided by (used for) continuing operations	527	53	(95)	(953)	(65)
Net cash provided by (used for) discontinued operations	—	—	(45)	809	(5)

(1) In 2010, we amended our articles of association in order to effect a 1-for-20 reverse stock split, decreasing the number of shares of common stock outstanding from approximately 4.3 billion to approximately 215 million and increasing the par value of the shares of common stock from €0.01 to €0.20. In all periods presented, basic and diluted weighted average shares outstanding and earnings per share have been calculated to reflect the 1-for-20 reverse stock split.

(2) The Company has not paid any dividends during the periods presented.

(3) Due to our net losses from continuing operations attributable to stockholders in the periods from 2010 to 2012, all potentially dilutive securities have been excluded from the calculation of diluted earnings per common share because their effect would be anti-dilutive.

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

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(5) As adjusted for our cash and cash equivalents our net debt was calculated as follows:

(\$ in millions)	2014	2013	2012	2011	2010
Long-term debt	3,979	3,281	3,185	3,747	4,128
Short-term debt	20	40	307	52	423
Total debt	3,999	3,321	3,492	3,799	4,551
Less: cash and cash equivalents	(1,185)	(670)	(617)	(743)	(898)
Net debt	2,814	2,651	2,875	3,056	3,653

Net debt is a non-GAAP financial measure. See “Use of Certain Non-GAAP Financial Measures” under Part I, 5A. *Operating Results*.

(6) Depreciation and amortization includes the cumulative net effect of purchase price adjustments related to a number of acquisitions and divestments, including the purchase by a consortium of private equity investors of an 80.1% interest in our business, described elsewhere in this Annual Report as our “Formation.” The cumulative net effects of purchase price adjustments in depreciation and amortization aggregated to \$164 million in 2014, \$246 million in 2013, \$273 million in 2012, \$301 million in 2011 and \$302 million in 2010. In 2014, depreciation and amortization included \$1 million (2013: \$9 million; 2012: \$2 million; 2011: \$5 million and 2010: \$40 million) related to disposals that occurred in connection with our restructuring activities and \$1 million (2013: \$3 million; 2012: \$2 million; 2011: \$1 million and 2010: \$6 million) relating to other incidental items. For a detailed list of the acquisitions and a discussion of the effect of acquisition accounting, see the “Effect of Acquisition Accounting” section in Part I, Item 5 A. *Operating Results*. Depreciation and amortization also includes impairments to goodwill and other intangibles, as well as write-offs in connection with acquired in-process research and development, if any.

As used in this Annual Report, “euro”, or “€” means the single unified currency of the European Monetary Union. “U.S. dollar”, “USD”, “U.S. \$” or “\$” means the lawful currency of the United States of America. As used in this Annual Report, the term “noon buying rate” refers to the exchange rate for euro, expressed in U.S. dollars per euro, as announced by the Federal Reserve Bank of New York for customs purposes as the rate in the city of New York for cable transfers in foreign currencies.

The table below shows the average noon buying rates for U.S. dollars per euro for the five years ended December 31, 2014. 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.

Average \$ per €	Year ended December 31,				
	2014	2013	2012	2011	2010
	1.3297	1.3281	1.2859	1.3931	1.3261

The following table shows the high and low noon buying rates for U.S. dollars per euro for each of the six months in the six-month period ended February 20, 2015:

Month	High		Low	
	(\$ per €)			
<b>2014</b>				
August	1.3436		1.3150	
September	1.3136		1.2628	
October	1.2812		1.2517	
November	1.2554		1.2394	
December	1.2504		1.2101	
<b>2015</b>				
January	1.2015		1.1279	

On February 20, 2015, the noon buying rate was \$1.1372 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-denominated assets, liabilities, revenue 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 the “Fluctuations in Foreign Rates May Have An Adverse Effect On Our Financial Results” section in Part I, Item 3D. *Risk Factors* and the “Foreign Currency Risks” section in Part I, Item 11. *Quantitative and Qualitative Disclosures About Market Risk*.

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

#### **D. Risk Factors**

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

##### **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, under-utilization 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.

###### ***Significantly increased volatility and instability and unfavorable economic conditions may adversely affect our business.***

In 2008 and 2009, Europe, the United States and international markets experienced increased volatility and instability. In 2014, volatility and instability in financial markets continued following renewed investor concerns related to the economic situation in parts of the world, increased hostilities in the Middle East, increased conflict between the Ukraine and Russia and other world events. These, or other events, could further adversely affect the economies of the European Union, the United States and those of other countries and may exacerbate the cyclicity of our business. Among other factors, we face risks attendant to declines in general economic conditions, changes in demand for end-user products and changes in interest rates.

Despite indications of recovery and aggressive measures taken by governments and central banks, there is a significant risk that the global economy could fall into recession again. If economic conditions remain uncertain or deteriorate, our business, financial condition and results of operations could be materially adversely affected.

As a consequence of the significantly increased volatility and instability, it is difficult for us, our customers and suppliers to forecast demand trends. We may be unable to accurately predict the extent or duration of cycles or their effect on our financial condition or result of operations and can give no assurance as to the timing, extent or duration of the current or future business cycles. A recurrent decline in demand or the failure of demand to return to prior levels could place pressure on our results of operations. The timing and extent of any changes to currently prevailing market conditions is uncertain and supply and demand may be unbalanced at any time.

###### ***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 revenue 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

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may not be able to reduce our total costs in line with this declining revenue. If any of these risks materialize, they could have a material adverse effect on our business, financial condition and results of operations.

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

One of our business strategies is to participate in and win competitive bid selection processes to develop products for use in our customers' equipment and products. These selection processes can be lengthy and require us to incur significant design and development expenditures, with no guarantee of winning a contract or generating 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 revenue and hurt our competitive position in future selection processes because we may not be perceived as being a technology or industry leader, each of which could have a material adverse effect on our business, financial condition and results of operations.

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

The vast majority of our revenue is 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 revenue. 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 revenue, 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 in 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 revenue we can expect to generate 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 or lower margins in the future. Should reductions in our manufacturing costs fail to keep pace with reductions in market prices for the products we sell, this could have a material adverse effect on our business, financial condition and results of operations.

***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. 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 stockholders' equity.

***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, such as the sovereign debt crisis in certain European countries;
- social and political instability in a number of countries around the world, including continued hostilities and civil unrest in the Middle East. Although we have no direct investments in North Africa and the Middle East, the ongoing changes may have, for instance via our customers, the energy prices and the financial markets, a negative effect on our business, financial condition and operations;
- potential terrorist attacks;
- epidemics and pandemics, which may adversely affect our workforce, as well as our local suppliers and customers in particular in Asia;
- adverse changes in governmental policies, especially those affecting trade and investment;
- our customers or other groups of stakeholders might impose requirements that are more stringent than the laws in the countries in which we are active;
- volatility in foreign currency exchange rates, in particular with respect to the U.S. dollar, and transfer restrictions, in particular in Greater China; and
- threats that our operations or property could be subject to nationalization and expropriation.

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

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, further increasing legal and financial compliance costs. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure.

***Interruptions in our information technology systems could adversely affect our business.***

We rely on the efficient and uninterrupted operation of complex information technology applications, systems and networks to operate our business. Any significant interruption in our business applications, systems or networks, including but not limited to new system implementations, computer viruses, cyber attacks, security breaches, facility issues or energy blackouts could have a material adverse impact on our operations, sales and operating results. In recent years, the risks that we and other companies face from cyber attacks have increased significantly. Given the nature of some of our products these attacks may originate from well organized, highly skilled and highly funded organizations. Any such attack or system or network disruption could result in a loss of our intellectual property, the release of commercially sensitive information or partner, customer or employee personal data, disruption of the supply chain towards our customers, or the loss of production capabilities at one of our manufacturing sites. Therefore, any such severe incident could harm our competitive position, result in a loss of customer confidence, and cause us to incur significant costs to remedy the damages caused by the system or network disruptions, whether caused by cyber attacks, security breaches or otherwise. The protective measures that we are adopting to avoid system or network disruptions may, especially given the potential professionalism of the intruders, be insufficient to prevent or limit the damage from any future disruptions and any disruption could have a material adverse impact on our business, operations and financial results. Although we have experienced cyber attacks, to date we have not incurred any significant damage as a result. There can be no assurance that our controls will be adequate to avoid damages from cyber attacks.

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

The semiconductor industry is characterized by high fixed costs and, notwithstanding our utilization of third-party manufacturing capacity, most of our production requirements are met by our own manufacturing facilities. In less favorable industry environments, like we faced in the second half in 2011, we are generally faced with a decline in the utilization rates of our manufacturing facilities due to decreases in demand for our products. During such periods, our fabrication plants could operate at lower loading level, while the fixed costs associated with the full capacity continue to be incurred, resulting in lower gross profit.

***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 indebtedness 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 flow or raise sufficient capital to meet both our debt service and capital investment requirements, or if we are unable to raise required capital on favorable terms when needed, this could have a material adverse effect on our business, financial condition and results of operations.

***We 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 some countries, since the application and enforcement of the laws governing such rights may not have reached the same level as compared to other jurisdictions where we operate, such as the United States, Germany and the Netherlands. Consequently, operating in some of these countries 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 patents 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. In the meantime, several divestitures, including the divestment of our wireless operations to ST-NXP Wireless in 2008, the divestment of our television systems and set-top box business lines to Trident in 2010, and the sale of our Sound Solutions business to Knowles Electronics in 2011 has led to the transfer of certain patents to third parties.

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

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

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

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

As part of our strategy, we have entered into a number of long-term strategic partnerships with other leading industry participants. For example, we have entered into a joint venture with Taiwan Semiconductor Manufacturing Company Limited ("TSMC") called Systems on Silicon Manufacturing Company Pte. Ltd. ("SSMC"). 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").

If any of our strategic partners in industry groups or in any of the other alliances we engage with were to encounter financial difficulties or change their business strategies, they may no longer be able or willing to participate in these groups or alliances, which could have a material adverse effect on our business, financial condition and results of operations. We do not control some of these strategic partnerships, joint ventures and alliances in which we participate. 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.

***The Merger with Freescale may not be consummated.***

On March 1, 2015, we entered into an Agreement and Plan of Merger (the "Merger Agreement") providing for the merger of Nimble Acquisition Limited ("Sub") with and into Freescale Semiconductor, Ltd. ("Freescale"), with Freescale surviving the merger as a wholly-owned, indirect subsidiary of NXP (the "Merger"). The Merger Agreement provides that the consummation of the Merger is subject to customary conditions. If the Merger is not consummated, this could cause serious disruptions to our business, which could have an adverse effect on our business, financial condition and results of operations. In addition, the Merger Agreement contains certain termination rights and obligations, including payment of termination fees, for the Company and Freescale.

***We entered into the Merger Agreement with Freescale and may continue to make other acquisitions and engage in other transactions to complement or expand our existing businesses. However, we may not be successful in acquiring other suitable targets or we may not be successful in integrating Freescale or any such other target into our operations. 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. On March 2, 2015, we announced our intent to merge with Freescale, however, as of the date hereof, we have not obtained any of the conditions to which the Merger is subject. In addition, in pursuing acquisitions, including the Merger with Freescale, we may face competition from other companies in the semiconductor industry. Our ability to consummate the Merger Agreement we entered into with Freescale or to acquire other 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 consummating the Merger Agreement we entered into with Freescale or making other 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 Freescale or any such other acquired companies into our existing organization or in creating the anticipated cost synergies. Each of these risks could have a material adverse effect on our business, financial condition and results of operations.

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

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

If we are unable to exit a product line or business in a timely manner, or to restructure our operations in a manner we deem to be advantageous, this could have a material adverse effect on our business, financial condition and results of operations. Even if a divestment is successful, we may face indemnity and other liability claims by the acquirer or other parties.

***We may from time to time restructure parts of our processes. Any such restructuring may impact customer satisfaction and the costs of implementation may be difficult to predict.***

Between 2008 and 2011, we executed our redesign program (the "Redesign Program") and in 2013 we executed a restructuring initiative designed to improve operational efficiency and to competitively position the company for sustainable growth (the "OPEX Reduction Program"). We plan to continue to restructure and make changes to parts of the processes in our organization. Furthermore, if the global economy remains as volatile or unstable or if the global economy reenters into a deeper and longer lasting recession, our revenues could decline, and we may be forced to take additional cost savings steps that could result in additional charges and materially affect our business. The costs of implementing any restructurings, changes or cost savings steps may differ from our estimates and any negative impacts on our revenues or otherwise of such restructurings, changes or steps, such as situations in which customer satisfaction is negatively impacted, may be larger than originally estimated.

***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 are also 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 may lose sales opportunities and incur liability for 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

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products based on them malfunction and result in personal injury or death. We may be named in product liability claims even if there is no evidence that our products caused the damage in question, and such claims could result in significant costs and expenses relating to attorneys' fees and damages. In addition, our customers may recall their products if they prove to be defective or make compensatory payments in accordance with industry or business practice or in order to maintain good customer relationships. If such a recall or payment is caused by a defect in one of our products, our customers may seek to recover all or a portion of their losses from us. If any of these risks materialize, our reputation would be harmed and there could be a material adverse effect on our business, financial condition and results of operations.

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

We manufacture, in our own factories as well as with third parties, 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 do so in a timely or cost-effective or competitive manner. As the complexity of both our products and our fabrication processes has become more advanced, manufacturing tolerances have been reduced and requirements for precision have become more demanding. As is common in the semiconductor industry, we have in the past experienced manufacturing difficulties that have given rise to delays in delivery and quality control problems. There can be no assurance that any such occurrence in the future would not materially harm our results of operations. Further, we may suffer disruptions in our manufacturing operations, either due to production difficulties such as those described above or as a result of external factors beyond our control. We may, in the future, experience manufacturing difficulties or permanent or temporary loss of manufacturing capacity due to the preceding or other risks. Any such event could have a material adverse effect on our business, financial condition and results of operations.

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

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

### ***Failure of our third party suppliers to perform could adversely affect our ability to exploit growth opportunities.***

We currently use outside suppliers 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. Prices for foundry products also vary depending on capacity utilization rates at our suppliers, quantities demanded, product technology and geometry. Furthermore, these outsourcing costs can vary materially from quarter to quarter and, in cases of industry shortages, they can increase significantly, negatively affecting our gross profit.

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

We depend on our key management to run our business and on our senior engineers to develop new products and technologies. Our success will depend on the continued service of these individuals. Although we have several share based compensation plans in place, we cannot be sure that these plans will help us in our ability to retain key personnel, especially considering the fact that the stock options under some of our plans become exercisable upon a change of control (in particular, when a third party, or third parties acting in concert, obtains, whether directly or indirectly, control of us). The loss of any of our key personnel, whether due to departures, death, ill health or otherwise, could have a material adverse effect on our business. The market for qualified employees, including skilled engineers and other individuals with the required technical expertise to succeed in our business, is highly competitive and the loss of qualified employees or an inability to attract, retain and motivate the additional highly skilled employees required for the operation and expansion of our business could hinder our ability to successfully conduct research activities or develop marketable products. The foregoing risks could have a material adverse effect on our business.

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

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

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

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

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

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

***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 have euro-denominated assets and liabilities and, since our reporting currency is the U.S. dollar, the impact of currency translation adjustments to such assets and liabilities may have a negative effect on our stockholders' equity. We continue to hold or convert a part of our cash in euros as a hedge for euro expenses and euro interest payments. We are exposed to fluctuations in exchange rates when we convert U.S. dollars to euro. We enter into diverse financial transactions with several counterparties to mitigate our currency risk. We only use derivative instruments for hedging purposes. The U.S. dollar-denominated debt issued by us and our subsidiary, NXP B.V., with functional currency euro may generate adverse currency results in our financial income and expenses. Part of this effect is mitigated due to the application of net investment hedge accounting, since May 2011, pursuant to which the currency results on (part of) the U.S. dollar-denominated debt is reported as part of other comprehensive income within equity instead of financial income and expense in the Consolidated Statements of Operations. Absent the application of net investment hedge accounting, we would have recorded an additional charge of \$214 million, before tax, within financial income and expense in the 2014 statement of operations. The rating of our debt by major rating agencies may further improve or deteriorate, which could affect our additional borrowing capacity and financing costs.

We are also a purchaser of certain base metals, precious metals, chemicals and energy used in the manufacturing process of our products, the prices of which can be volatile. 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. We seek to limit the financial institutions with which we enter into financial transactions, such as depositing cash, to those with a strong credit rating wherever possible. If we are unable to successfully manage these risks, they could have a material adverse effect on our business, financial condition and results of operations.

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

We sponsor 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, 2014, we had recognized a net accrued benefit liability of \$290 million, representing the unfunded benefit obligations of our defined pension plans. The funding status and the liabilities and costs of maintaining these 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.***

Effective January 1, 2013 certain new limitations apply to the tax deductibility of interest expense in the Netherlands. A Dutch company that is considered to be financed with excessive debt, may not be entitled to deduct interest expense on such excessive debt. Existing debt is not grandfathered under these rules. The measurement of whether there is excessive debt is based on arithmetic tests based on the amount of equity of the company in relation to the acquisition cost of and capital invested in the Netherlands and foreign subsidiaries of the Netherlands consolidated group. When the equity of the company is below a certain minimum threshold, the company may be considered to have excessive debt. Certain safe harbor rules apply when new operational businesses are acquired by the company. Despite this was not the case in 2014 and is not expected for 2015, the application of this limitation on tax deductibility of interest expense 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 taxes we are required to pay based on our interpretation of the applicable tax laws and regulations in the jurisdictions in which we operate. We may be subject to unfavorable changes in the respective tax laws and regulations to which we are subject. Tax controls, audits, change in controls and changes in tax laws or regulations or the interpretation given to them may expose us to negative tax consequences, including interest payments and potentially penalties. We have issued transfer-pricing directives in the areas of goods, services and financing, which are in accordance with the Guidelines of the Organization of Economic Co-operation and Development (OECD). 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.

Transfer pricing 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 tax losses carried forward. These uncertainties may have a significant impact on local tax results. We also have various tax assets resulting from 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.

***There may from time to time exist deficiencies in our internal control systems that could adversely affect the accuracy and reliability of our periodic reporting.***

We are required to establish and periodically assess the design and operating effectiveness of our internal control over financial reporting. Despite the compliance procedures that we have adopted to ensure internal control over financial controls, there may from time to time exist deficiencies in our internal 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.

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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 liability 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. While we do not expect that any contamination currently known to us will have a material adverse effect on our business, we cannot assure you that this is the case or that we will not discover new facts or conditions or that environmental laws or the enforcement of such laws will not change such that our liabilities would be increased significantly. In addition, we could also be held liable for consequences arising out of human exposure to hazardous substances or other environmental damage. In summary, we cannot assure you that our costs of complying with current and future environmental and health and safety laws, or our liabilities arising from past or future releases of, or exposures to, regulated materials, will not have a material adverse effect on our business, financial conditions and results of operations.

Scientific examination of, political attention to and rules and regulations on issues surrounding the existence and extent of climate change 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 gases. Enterprises may need to purchase at higher costs new equipment or raw materials with lower carbon footprints. Environmental laws and regulations could also require us to acquire pollution abatement or remediation equipment, modify product designs, or incur expenses. New materials that we are evaluating for use in our operations may become subject to regulation. These developments and further legislation that is likely to be enacted could affect our operations negatively. Changes in environmental regulations could increase our production and operational costs, which could adversely affect our results of operations and financial condition.

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

Environmental and other disasters, such as flooding, large earthquakes, volcanic eruptions or nuclear or other disasters, or a combination thereof may negatively impact our business. If 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 and significant increases in the prices of raw materials used for our manufacturing process. For instance, the nuclear incident following the tsunami in Japan in 2011 impacted the supply chains of our customers and suppliers. Furthermore, any disaster affecting our customers (or their respective customers) may significantly negatively impact the demand for our products and our revenues.

The impact of any such natural disasters depends on the specific geographic circumstances but could be significant, as some of our factories are located in areas with known earthquake fault zones, flood or storm risks, including but not limited to the Philippines, Singapore, Taiwan, Malaysia or Thailand. There is increasing concern that climate change is occurring that may cause a rising number of natural disasters with potentially dramatic effects on human activity. We cannot predict the economic impact, if any, of natural disasters or climate change.

***The price of our common stock historically has been volatile. The price of our common stock may fluctuate significantly.***

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price for our common stock has varied between a high of \$78.34 on November 28, 2014 and a low of \$42.42 on January 13, 2014 in the twelve-month period ending on December 31, 2014. The market price of our common stock is likely to continue to be volatile and subject to significant price and volume fluctuations for many reasons, including in response to the risks described in this section, or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors, peer companies or suppliers regarding their own performance, or announcements by our competitors of significant contracts, market perception of the Merger with Freescale or other acquisitions, strategic partnerships, joint ventures, joint marketing relationships or capital commitments, the passage of legislation or other regulatory developments affecting us or our industry, as well as industry conditions and general financial, economic and political instability. In the past, following periods of market volatility, shareholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation.

***We have not paid dividends in the past and may not do so in the foreseeable future.***

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

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

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

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

***Our actual operating results may differ significantly from our guidance.***

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

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

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

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

**Risks related to our corporate structure**

***United States civil liabilities may not be enforceable against us.***

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

In the absence of an applicable treaty for the mutual recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters to which the United States and the Netherlands are a party, a judgment obtained against the Company in the courts of the United States, whether or not predicated solely upon the U.S. federal securities laws, including a judgment predicated upon the civil liability provisions of the U.S. securities law or securities laws of any State or territory within the United States, will not be directly enforceable in the Netherlands.

In order to obtain a judgment which is enforceable in the Netherlands, the claim must be relitigated before a competent court of the Netherlands; the relevant Netherlands court has discretion to attach such weight to a judgment of the courts of the United States as it deems appropriate; based on case law, the courts of the Netherlands may be expected to recognize and grant permission for enforcement of a judgment of a court of competent jurisdiction in the United States without re-examination or relitigation of the substantive matters adjudicated thereby, provided that (i) the relevant court in the United States had jurisdiction in the matter in accordance with standards which are generally accepted internationally; (ii) the proceedings before that court complied with principles of proper procedure; (iii) recognition and/or enforcement of that judgment does not conflict with the public policy of the Netherlands; and (iv) recognition and/or enforcement of that judgment is not irreconcilable with a decision of a Dutch court rendered between the same parties or with an earlier decision of a foreign court rendered between the same parties in a dispute that is about the same subject matter and that is based on the same cause, provided that earlier decision can be recognized in the Netherlands.

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

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

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

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

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

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

Our general meeting of stockholders has empowered our board of directors to issue additional shares and grant rights to subscribe for shares in the form of shares of common or preferred stock, up to the maximum of the relevant class or series included in the authorized share capital and to restrict or exclude pre-emptive rights pertaining to (the right to subscribe for) shares for a period of five years from August 2, 2010 until August 2, 2015. Although we have not and do not envisage to adopting any specific takeover measures, our preferred shares are separate classes of equity securities that could be issued for defensive purposes. Such shares would typically have both a liquidation and dividend preference over our shares of common stock and otherwise accrue cash dividends at a fixed rate.

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

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

We report under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as a non-U.S. company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act and although we follow Dutch laws and regulations with regard to such matters, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. public companies, including: (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time and (iii) the rules under the Exchange Act requiring the filing with the Commission of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. In addition, foreign private issuers are required to file their Annual Report on Form 20-F by 120 days after the end of each fiscal year while U.S. domestic issuers that are large accelerated filers are required to file their Annual Report on Form 10-K within 60 days after the end of each fiscal year. Foreign private issuers are also exempt from the Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures of material information. As a result of the above, even though we are contractually obligated and intend to make interim reports available to our stockholders, copies of which we are required to furnish to the Securities and Exchange Commission (the "SEC") on a Form 6-K, and even though we are required to furnish reports on Form 6-K disclosing whatever information we have made or are required to make public pursuant to Dutch law or distribute to our stockholders and that is material to our company, you may not have the same protections afforded to investors in companies that are not foreign private issuers.

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

We are a foreign private issuer. As a result, in accordance with the listing requirements of the NASDAQ Global Select Market we rely on home country governance requirements and certain exemptions thereunder rather than relying on the corporate governance requirements of the NASDAQ Global Select Market. For an overview of our corporate governance principles, see "Item 16G.- Corporate Governance" of our 2014 Annual Report, including the section describing the differences between the corporate governance requirements applicable to common stock listed on the NASDAQ Global Select Market and the Dutch corporate governance requirements. Accordingly, you may not have the same protections afforded to stockholders of companies that are not foreign private issuers.

### **Risks related to our indebtedness**

***Our debt obligations expose us to risks that could adversely affect our financial condition, which could adversely affect our results of operations.***

As of December 31, 2014, we had outstanding indebtedness with an aggregate principal amount of \$4,206 million. Our substantial indebtedness could have a material adverse effect on our business by:

- increasing our vulnerability to adverse economic, industry or competitive developments;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates because certain of our indebtedness, including our loans under the Secured Revolving Credit Facility and Term Loans, bear interest at a variable rate;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness, including the Notes, and any failure to comply with the obligations of any our debt instruments, including restrictive covenants and borrowing conditions, could result in an event default under the indenture governing the Notes and the indentures and agreements governing such other indebtedness;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financial for working capital, capital expenditures, restructurings, product development, research and development, debt service requirements, investments, acquisitions and general corporate or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who therefore, may be able to take advantage of opportunities that our leverage prevents us from exploiting.

Despite our level of indebtedness, we may still incur significantly more debt, which could further exacerbate the risks described above and affect our ability to service and repay our debt.

***If we do not comply with the covenants in our debt agreements or fail to generate sufficient cash to service and repay our debt, it could adversely affect our operating results and our financial condition.***

The Secured Revolving Credit Facility, the Term Loans, the indentures governing the Unsecured Notes or any other debt arrangements that we may have 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 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.

Our ability to make scheduled payments or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business, competitive, legislative, regulatory and other factors beyond our control. Our business may not generate sufficient cash flow from operations, or future borrowings under the Secured Revolving Credit Facility or from other sources may not be available to us in an amount sufficient to enable us to repay our indebtedness, or to fund our other liquidity needs, including our 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.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital, restructure or refinance our indebtedness or reduce or delay capital expenditures, strategic acquisitions, investments and alliances, any of which could have a material adverse effect on our business. We cannot guarantee that we will be able to obtain enough capital to service our debt and fund our planned capital expenditures and business plan. Our ability to restructure or refinance our debt will depend on the condition of the capital

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markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

***The conditional conversion feature of the 2019 Cash Convertible Senior Notes, if triggered, may adversely affect our financial condition and operating results.***

In the event the conditional conversion feature of the 2019 Cash Convertible Senior Notes is triggered, holders thereof will be entitled to convert the 2019 Cash Convertible Senior Notes solely into cash at any time during specified periods at their option. If one or more holders elect to convert their 2019 Cash Convertible Senior Notes, we would be required to pay cash to settle any such conversion, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their 2019 Cash Convertible Senior Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding aggregate principal of the 2019 Cash Convertible Senior Notes as a current rather than long-term liability, which may adversely affect our net working capital.

***The accounting for the 2019 Cash Convertible Senior Notes will result in our having to recognize interest expense significantly greater than the stated interest rate of the 2019 Cash Convertible Senior Notes and may result in volatility to our Consolidated Statements of Operations.***

We will settle conversions of the 2019 Cash Convertible Senior Notes entirely in cash. Accordingly, the conversion option that is part of the 2019 Cash Convertible Senior Notes will be accounted for as a derivative pursuant to applicable accounting standards relating to derivative instruments and hedging activities. In general, this resulted in an initial valuation of the conversion option, which was bifurcated from the debt component of the 2019 Cash Convertible Senior Notes, resulting in an original issue discount. The original issue discount will be amortized and recognized as a component of interest expense over the term of the 2019 Cash Convertible Senior Notes, which will result in an effective interest rate reported in our Consolidated Statements of Operations significantly in excess of the stated coupon of 1.0%. This accounting treatment will reduce our earnings, but it will not affect the amount of cash interest paid to holders of Notes or our cash flows.

For each financial statement period after issuance of the 2019 Cash Convertible Senior Notes, a hedge gain or loss will be reported in our Consolidated Statements of Operations to the extent the valuation of the conversion option changes from the previous period. The cash convertible note hedge transactions we entered into in connection with the 2019 Cash Convertible Senior Notes will also be accounted for as derivative instruments, generally offsetting the gain or loss associated with changes to the valuation of the conversion option. Although we do not expect there to be a material net impact to our Consolidated Statements of Operations as a result of issuing the 2019 Cash Convertible Senior Notes and entering into the cash convertible note hedge transactions, we cannot assure you that these transactions will be completely offset, which may result in volatility to our Consolidated Statements of Operations.

***The accounting of the warrant transactions requires the warrants being marked-to-market as liabilities on a quarterly basis, and may result in volatility to our earnings each quarterly period.***

Concurrently with the pricing of the 2019 Cash Convertible Senior Notes on November 24, 2014, we entered into warrant transactions with the option counterparties pursuant to which we sold warrants to purchase our common stock. Under U.S. GAAP, the fair value of the warrants would be subject to changes in currency exchange rates because the warrants' strike price is denominated in U.S. dollars, which is different from our functional currency, which is euros. As a result, under U.S. GAAP, the warrants are not considered indexed to our own stock, which in turn results in the warrants being classified as liabilities on our balance sheet and required to be marked-to-market on a quarterly basis. Applying mark-to-market accounting to the liability-classified warrants may result in volatility to our earnings. As our stock price increases, the fair value of the warrants increases, and accordingly our liability increases. This increase is reflected as an expense in our consolidated statements of operations, which leads to lower earnings for the quarterly period. Conversely, as our stock price decreases, the fair value of the warrants declines, resulting in a gain that is reported in our consolidated statements of operations, which leads to higher earnings for the quarterly period.

## **Item 4. Information on the Company**

### ***A. History and Development of the Company***

#### **Name and History**

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

We were incorporated in the Netherlands as a Dutch private company with limited liability (*besloten vennootschap met*

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*bepaalde aansprakelijkheid*) under the name KASLION Acquisition B.V. on August 2, 2006, in connection with the sale by Philips of 80.1% of its semiconductor business to the “Private Equity Consortium”. Initially, the Private Equity Consortium invested in our Company through KASLION Holding B.V., a Dutch private company with limited liability.

On May 21, 2010, we converted into a Dutch public company with limited liability (*naamloze vennootschap*) and changed our name to NXP Semiconductors N.V. Concurrently, we amended our articles of association in order to effect a 1-for-20 reverse stock split of our shares of common stock.

On August 5, 2010, we made an initial public offering of 34 million shares of our common stock and listed our common stock on the NASDAQ Global Select Market.

In 2014, the last members of the Private Equity Consortium sold their remaining shares of our common stock. Representatives of certain members of the Private Equity Consortium continue to serve on our Board of Directors.

On March 2, 2015, NXP announced that the company has entered into a definitive agreement under which NXP will merge with Freescale Semiconductor, Ltd. (Freescale).

Under the terms of the agreement, Freescale shareholders will receive \$6.25 in cash and 0.3521 of an NXP ordinary share for each Freescale common share held at the close of the transaction. The purchase price implies a total equity value for Freescale of approximately \$11.8 billion (based on NXP’s closing stock price as of February 27, 2015) and a total enterprise value of approximately \$16.7 billion including Freescale’s net debt. The transaction is expected to close in the second half of calendar 2015. NXP intends to fund the transaction with \$1.0 billion of cash from its balance sheet, \$1.0 billion of new debt and approximately 115 million of NXP ordinary shares. Post transaction, Freescale shareholders are expected to own approximately 32 percent of the combined company. The transaction has been unanimously approved by the boards of directors of both companies and is subject to regulatory approvals in various jurisdictions and customary closing conditions, as well as the approval of NXP and Freescale shareholders. Upon consummation, we expect to account for the merger under the acquisition method of accounting in accordance with Financial Accounting Standards Board Accounting Standard Topic 805, Business Combinations, with NXP treated as the accounting acquirer.

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 registered agent in the United States is NXP Semiconductors USA, Inc., 411 East Plumeria Drive, San Jose, CA 95134, United States of America, phone number +1 408 5185400.

## Reporting Segments

NXP is organized into two market oriented reportable segments, High Performance Mixed Signal (“HPMS”) and Standard Products (“SP”). Corporate and Other represents the remaining portion (or “segment”) to reconcile to the Consolidated Financial Statements. You can find a description of each of our reportable segments below. We also have a manufacturing group that manages our manufacturing and supply chain activities. Prior to January 1, 2013 we had three reportable segments: HPMS, SP and Manufacturing Operations. During the first quarter of 2013 we moved our General Purpose Logic Product Line from our HPMS segment (Portable & Computing) to our SP segment; and our NXP software product line to our HPMS Segment (Industrial & Infrastructure) from Corporate and Other. We also determined in the fourth quarter of 2013 that Manufacturing Operations no longer meets the criteria for separate reporting as a reportable segment and consequently, its results are now reflected within Corporate and Other. As a result of the above changes to the composition of our operating and reportable segments, corresponding information for prior periods have been reclassified to conform to the current period presentation.

### B. Business Overview

#### Our Company

We are a global semiconductor company and a long-standing supplier in the industry, with over 50 years of innovation and operating history. We provide leading High Performance Mixed Signal and Standard Product solutions that leverage our deep application insight and our technology and manufacturing expertise in security, interface, RF, analog, power management and digital processing products. Our product solutions are used in a wide range of applications such as: automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing. We engage with leading original equipment manufacturers (“OEMs”) worldwide and 68% of our revenue in 2014 was derived from Asia Pacific (excluding Japan).

As of December 31, 2014, we had 27,884 full-time equivalent employees located in over 20 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, 2014, we generated revenue of \$5,647 million.

#### Markets, applications and products

We sell two categories of products, High Performance Mixed Signal product solutions and Standard Products. The first category, which consists of highly differentiated application-specific High Performance Mixed Signal semiconductors and system solutions, accounted for 77% of our total product revenue in 2014. 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 23% of our total product revenue in 2014, and consists of devices that can be incorporated in many different types of electronics equipment and that are typically sold to a wide variety of customers, both directly and through distributors. Manufacturing cost, supply chain efficiency and continuous improvement of manufacturing processes drive the profitability of our Standard Products.

#### Reorganization of HPMS segment

Effective January 1, 2015, NXP has reorganized the HPMS segment from the four business lines: Automotive, Identification, Infrastructure & Industrial and Portable & Computing into the following four business lines: Automotive, Secure Identification Solutions, Secure Connected Devices and Secure Interfaces and Power.

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**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, 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 car radio 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, healthcare products and our microcontrollers. Our high-speed interface design skills are applied in our interface products business, and our 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 in our hearing aid business, and our microcontroller based products. In addition, our digital processing knowledge is used to design High Performance Mixed Signal solutions that leverage other suppliers' digital processing products.

The High Performance Mixed Signal segment is organized into four business lines named: Automotive, Identification, Infrastructure & Industrial and Portable & Computing. The below table provides an overview of the key applications per business line, the leading market positions and our key customers.

	<u>Automotive</u>	<u>Identification</u>	<u>Infrastructure &amp; Industrial</u>	<u>Portable &amp; 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>• Automotive 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 &amp; CATV infra</li> <li>• Radar</li> <li>• Power supplies</li> <li>• Lighting</li> <li>• Personal Healthcare</li> <li>• TV &amp; Set-top boxes</li> <li>• Mobile Handsets</li> </ul>	<ul style="list-style-type: none"> <li>• Mobile handset</li> <li>• Tablet</li> <li>• Monitor</li> <li>• Personal computer</li> <li>• Smart metering</li> <li>• White goods &amp; home appliances</li> <li>• Pachinko machines</li> <li>• Medical</li> <li>• Industrial</li> <li>• Consumer</li> </ul>
<b>Selected market leading positions</b>	<ul style="list-style-type: none"> <li>• #1 Can/LIN/ Flex Ray in-vehicle networking</li> <li>• #1 passive keyless entry/ immobilizers</li> <li>• #1 car radio</li> <li>• #2 audio amplifiers</li> </ul>	<ul style="list-style-type: none"> <li>• #1 e-Government</li> <li>• #1 Transport &amp; Access management</li> <li>• #1 Banking</li> <li>• #1 NFC</li> </ul>	<ul style="list-style-type: none"> <li>• #2 in RF Power</li> </ul>	<ul style="list-style-type: none"> <li>• # 3 in sensor hub</li> </ul>
<b>Key OEM and electronic manufacturing services (EMS) end customers</b>	<ul style="list-style-type: none"> <li>• Becker</li> <li>• Bosch</li> <li>• Clarion</li> <li>• Continental</li> <li>• Delphi</li> <li>• Fujitsu Ten</li> <li>• Hyundai</li> <li>• Mitsubishi</li> <li>• Panasonic</li> <li>• Visteon</li> </ul>	<ul style="list-style-type: none"> <li>• Apple</li> <li>• Bundesdruckerei</li> <li>• Gemalto</li> <li>• Giesecke</li> <li>• Kona</li> <li>• Oberthur</li> <li>• Samsung</li> <li>• Smartrac</li> <li>• Sony</li> <li>• Wuhan/Tianyu Info</li> </ul>	<ul style="list-style-type: none"> <li>• Alcatel</li> <li>• BBK</li> <li>• Ericsson</li> <li>• HTC</li> <li>• Huawei</li> <li>• NSN</li> <li>• Philips</li> <li>• Samsung</li> <li>• Sony</li> <li>• ZTE</li> </ul>	<ul style="list-style-type: none"> <li>• Apple</li> <li>• Continental</li> <li>• Foxconn</li> <li>• Huawei</li> <li>• Inventec</li> <li>• Samsung</li> <li>• Vasco</li> <li>• Wistron</li> <li>• ZLG Electronics</li> <li>• ZTE</li> </ul>

The list above, some of whom are supplied by distributors, in alphabetical order, represents our key OEM, ODM and electronic manufacturing services end customers based on 2014 revenue. Key distributors across these applications are Arrow, Avnet, Edom, Vitec and WPG.

**Automotive.** In the automotive market we are a leader in in-vehicle networking, car passive keyless entry and immobilization, and car radio and car audio amplifiers. We also have an emerging business in car solid state lighting drivers and are investing in growth areas, such as Car2X communication products which relate to assisted and autonomous driving.

In the can/LIN/FlexRay in-vehicle networking market, we are the market leader, having played a defining role in setting the can/LIN and more recently FlexRay standards. We are a leading supplier to major OEMs and continue to drive new system concepts, such as partial networking for enhanced energy efficiency. In the car access and immobilizers market, we lead the development of new passive keyless entry/start and two-way key concepts with our customers and, as a result, we are a key supplier to almost all car OEMs for those products. We are the market leader in AM/FM car radio chip sets.

Our leadership in mid- and high-end car radio is driven by excellent reception performance, whereas in the low-end and after-market car radio, our leadership is driven by our one-chip radio solutions that offer ease of implementation and low cost of ownership. In digital reception, we have developed multi-standard radios based on our software-defined radio implementation. Based on these software-defined radio technology, we are developing Car2X communication products. In addition, we provide class-AB and class-D audio amplifiers and power analog products for car entertainment. 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).

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In 2013, we made (together with Cisco), a strategic investment in Cohda Wireless, an equipment vendor in the Intelligent Transport Systems (ITS) market with whom we co-operate for Car2X solutions. In December 2013, we announced a joint venture with Datang Telecom, targeting the China domestic hybrid and electrical car market which became active in April 2014. In December 2013, we also announced the intended sale of our Telematics Module business to Telit communications which was closed end of March 2014.

For the full year 2014, we had High Performance Mixed Signal revenue of \$1,144 million in automotive applications, compared to \$1,019 million in 2013, which represents a 12.3% year over year increase. According to Strategy Analytics, the total market for automotive semiconductors was \$27.7 billion in 2013, and projects it will grow at a compounded annual growth rate of 7.4% between 2013 and 2017. According to Strategy Analytics' estimates we were the fifth largest supplier of automotive semiconductors worldwide in 2013.

**Identification.** Based on revenue in 2014, NXP continues to have the leading position in the overall identification chip market segment. We address all segments of the market, except for the commodity SIM market. We are the largest supplier world-wide of ICs for e-government, transportation and access management.

NXP is a global market segment leader in the EMV migration wave in which credit and debit cards around the world are transitioning from non-secure magnetic stripes to secure chips.

Our MIFARE products are widely used in worldwide e-passport projects and public transport systems that have adopted electronic ticketing.

We have led the development and standard setting of Near Field Communications (NFC), which is a rapidly growing standard for secure short-range connectivity. In combination with our Secure Element portfolio, this has given us a leadership position in Mobile wallets and Mobile payment.

Our leadership in the identification market is based on the breadth of our product portfolio underpinned by the successful launch of new product platforms led by the strength of our security and our end-to-end system contactless read speed performance.

Key growth drivers will be the further adoption of security ICs in governmental documents and payment cards, the adoption of new security standards, the need for multi-application solutions in existing smart card markets and the increasing needs of anti-counterfeiting solutions.

For the full year 2014, we had High Performance Mixed Signal revenue of \$1,469 million in identification applications, compared to \$1,297 million in 2013, which represents a 13.3% year over year growth. According to ABI Research, the market size for identification ICs was \$3.3 billion in 2013, and is expected to grow at a compounded annual rate of 14% to \$5.6 billion in 2017.

**Infrastructure and Industrial.** We have a leading market position in high-performance radio frequency solutions and have a broad portfolio in lighting drivers and strong positions in selected niche segments of the AC-DC power conversion and personal healthcare markets. In addition, we have an emerging business in low power connectivity and mobile audio. Our overall revenue in these businesses was \$883 million in 2014 versus \$729 million in 2013, which represents an increase of 21.1% year over year.

Our leading high-performance radio frequency business mainly provides RF front-end solutions for markets, such as mobile base stations, wireless connectivity, satellite and CATV infrastructure and receivers, industrial applications, and to a lesser extent addresses the military and aerospace markets. We have a leading position in RF Power Amplifiers and significant sales in Small Signal RF discretes and RF ICs for mobile, consumer electronics and cable television infrastructure, while we have emerging businesses in RF ICs for mobile base stations and monolithic microwave ICs ("MMICs"). Our leadership is based on our world-class proprietary RF process technologies and technology advancements that drive overall system performance, such as power scaling in mobile base stations. We are engaged with the majority of the largest customers in mobile base stations and in several other application areas. Key growth drivers for our high-performance RF business include infrastructure build-outs driven by the substantial growth in mobile data use and digital broadcast adoption, infrastructure development of developing countries, including China, 4G roll out, and our expansion into new product markets such as wireless communications LNAs and infrastructure MMICs. We estimate that the market for RF Power Amplifiers was \$0.8 billion in 2013 and is expected to grow with a compounded annual growth rate of 8.8% till 2017.

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.

In lighting, we have a broad driver portfolio serving all main segments in general lighting applications. 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. The growth of the lighting IC market has been 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.

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We are a key player in high efficiency AC-DC power conversion ICs for notebook personal computers (our “green chip” solutions). 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.

Our personal healthcare revenue is generated by our hearing aid products, which leverage our proprietary ultra low power Coolflux DSP, our low power audio IC design capabilities and our magnetic induction radio technology. We design customer-specific ICs for major hearing aid OEMs, and many of these customers fund our product development efforts.

In addition, we have two emerging product areas, one focused on the mobile audio market and the other on the low power connectivity market. Our mobile audio business focuses on smart speaker drivers and leverages many of the same core technologies and competencies as our personal healthcare business. In 2012 we started shipping to a key smart phone OEMs, followed by many other design wins and significant revenue ramp up in 2014. Our low power connectivity business started in 2010 through the acquisition of Jennic, which brought us a portfolio of 802.15.4-based low power connectivity ICs with a broad range of both the Zigbee standard-based as well as proprietary protocol stacks. In November 2014 we entered into a definitive agreement with Quintic to acquire assets and IP, which will add Bluetooth Low Energy to our connectivity portfolio. With this portfolio we target the emerging Internet of Things market, starting with application solutions for smart lighting, smart energy, wireless remote controls & switches and healthcare monitoring.

We also sell software solutions for mobile phones through our NXP Software business.

The NXP Software solutions business develops audio 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 1 billion mobile devices produced by many of the world’s leading mobile device manufacturers.

**Portable and Computing.** We are a top three supplier in the fragmented interface market outside Japan and have a strong portfolio in 32-bit ARM microcontrollers. Our overall High Performance Mixed Signal revenue in these businesses was \$712 million in 2014, compared to \$488 million in 2013, which represents a 45.9% year over year growth.

In microcontrollers, we have a strong position in multi-purpose 32-bit ARM microcontrollers serving a broad array of applications. ARM processor cores have been gaining momentum in the general purpose MCU market during the past few years. Our competitive advantage is based on having been a launching partner for several low power 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. Our ARM Cortex M0-based products achieve 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, expanding the addressable market for 32-bit ARM microcontrollers at the expense of 8-bit ARM microcontrollers. Gartner<sup>1</sup> estimates the worldwide market for Microcontrollers 32-bit to be \$5.7 billion in 2013, and expects a compounded annual growth rate of 7.6% between 2013 and 2017<sup>2</sup>.

The interface products market is highly fragmented with niche markets around each of the established interface standards. Our products address many interface standards and we serve various applications across the mobile, computing, industrial, consumer and automotive markets. We have broad product portfolios in five interface segments, being 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 interfaces, high voltage design needed for LED and LCD drivers, ultra low power design for real-time clocks and watch ICs, and our ability to engage with leading OEMs in defining new interface standards and product designs. While we successfully engage with leading OEMs to drive our innovation roadmaps, we generate a large part of our revenue by subsequently selling these products to a very broad customer base, which we serve through our distribution channel. We are engaged in development activities and standard setting initiatives with many of the innovation leaders in each of these markets. Key growth drivers will be the adoption rate of new high-speed interface standards such as display port and USB, and application specific interface products for the mobile market. According to Gartner, the worldwide Interface IC market is projected to grow at a 4.5% compounded annual rate between 2013 and 2017, from a revenue base of \$1.5 billion in 2013<sup>2</sup>.

<sup>1</sup> The Gartner Report(s) described herein, (the “Gartner Report(s)”) represent(s) data, research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. (“Gartner”), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Filing) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

<sup>2</sup> Source: Gartner, Inc., Semiconductor Forecast Database, 4Q14 Update, December, 2014.

## Standard Products

Our Standard Products business supplies a broad range of standard semiconductor components, such as small signal discretes, power discretes, protection and signal conditioning devices and standard logic devices, which we largely produce in dedicated in-house high-volume manufacturing operations. Our portfolio consists of a large variety of catalog products, using widely-known production techniques, with characteristics that are largely standardized throughout the industry as well as leading discrete solutions especially in the field of ESD protection / EMI filtering and low loss rectification and power switching. 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 innovative products include “design-in” products, which require significant engineering effort to be designed into an application solution. For these products, our efforts make it more difficult for a competitor to easily replace our product, which makes these businesses more predictable in terms of revenue and pricing than is typical for standard products.

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

### Key Products

- SS Transistors and Diodes
- SS MOS
- Power MOS
- Bipolar Power Transistors
- Thyristors
- Rectifiers
- Interface protection devices
- General Purpose Logic

### Key OEM and electronic manufacturing services (EMS) end customers

- Apple
- Asustek
- Bosch
- Continental
- Delphi
- Delta Electronics
- Huawei
- LGE
- Philips
- Samsung

The list above, some of whom are supplied by distributors, in alphabetical order, represents our key OEM and electronic manufacturing services end customers based on 2014 revenue. Key distributors across these applications are Arrow, Avnet, Future and WPG.

In 2014, our Standard Products business generated net revenue of \$1,275 million, compared to \$1,145 million in 2013, which represents a 11.4% year over year growth.

We are the number one global supplier of small-signal discretes with one of the broadest product portfolios in the industry. We have a strong position 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 revenue in Power MOSFETs is to automotive customers.

We have introduced a new range of Automotive Power MOSFET products in our Trench 6 manufacturing process. Finally, we have small bipolar power, thyristor and rectifier product lines, which are focused on specific applications, such as white goods and power supplies, and are sold as part of our overall High Performance Mixed Signal application solutions. We estimate that the market for discretes, excluding RF & Microwave, was \$18 billion in 2013 and is expected to grow at a compounded annual rate of 5%, between 2013 and 2017.

Next to discrete semiconductors, the Standard Products segment also includes Standard Logic ICs. We have the number two position in Standard Logic IC markets<sup>3</sup> based on worldwide revenue for 2013, which we leverage in a large number of our High Performance Mixed Signal solutions. We offer several product families for low-voltage applications in communication equipment, personal computers, personal computer peripherals and consumer and portable electronics. Our 3V and 5V families hold a leading share of the logic market. We continue to expand into 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 sizes the worldwide Standard Logic market at \$1.5 billion in 2013, and is estimated to grow with compound annual rate of 2.9% between 2013 and 2017<sup>2</sup>.

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<sup>3</sup> Source: Gartner, Inc., Market Share, Semiconductor Applications, Worldwide, 2013, March 2014

**Corporate and Other**

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 the future, we expect to outsource an increased part of our internal demand for wafer foundry and packaging services to third-party manufacturing sources in order to increase our flexibility to accommodate increased demand mainly in our High Performance Mixed Signal and to a lesser extent in Standard Products businesses.

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

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

Our front-end manufacturing facilities use a broad range of production processes and proprietary design methods, including CMOS, bipolar, bipolar CMOS (“BiCMOS”) and double-diffused metal on silicon oxide semiconductor (“DMOS”) technologies. Our wafer fabs produce semiconductors with line widths ranging from 140 nanometers to 3 microns for integrated circuits and 0.5 microns to greater than 4 microns for discretets. 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. 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:

Site	Ownership	Wafer sizes used	Line widths used (vm) (Microns)	Technology
<b>Front-end</b>				
Singapore <sup>(1)</sup>	61.2%	8"	0.14-0.25	CMOS
Jilin, China	100%	5"	>4	Bipolar
Nijmegen, the Netherlands	100%	8"	0.14-0.80	CMOS, BiCMOS, LDMOS
Hamburg, Germany	100%	6"/8"	0.5-3.0	Discretes, Bipolar
Manchester, United Kingdom	100%	6"	0.5	Power discretes
<b>Back-end<sup>(2)</sup></b>				
Kaohsiung, Taiwan	100%	—	—	Leadframe-based packages and ball grid arrays
Bangkok, Thailand	100%	—	—	Low-pin count leadframes
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) 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 5 inches to 8 inches in size. 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 remaining fabs are small and are focused exclusively on manufacturing power discretes. Emerging fabrication technologies employ larger wafer sizes and, accordingly, we expect that our production requirements will in the future shift towards larger substrate wafers.

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

In addition, on a limited basis, we also produce and sell wafers 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 revenue from these sources is declining. Our agreement with DSPG expired in December 2010 (although we had an ongoing obligation to supply services relating to certain specialty processes until December 2014), the supplies to ST-Ericsson have effectively been terminated except for a small number of identified products. The former agreement with Trident Microsystems was converted into two separate agreements with Entropic and Sigma after Trident's bankruptcy. The agreement with IDT is the result of the sale of our high-speed data-converter activity to IDT.

## 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 36 sales offices worldwide.

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.

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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 OEM end customers, some of whom are supplied by distributors, in alphabetical order, are Apple, Bosch, Continental, Gemalto, Giesecke/Devrient, Huawei, Kona, NSN, Panasonic and Samsung. When we target new customers, we generally focus on companies that are leaders in their markets either in terms of market share or leadership in driving innovation. We also have a strong position with our distribution partners, being the number two semiconductor supplier (other than microprocessors) through distribution worldwide. Our 3 largest distribution partners are Arrow, Avnet and WPG.

Our revenue is the sum of our direct sales to original equipment manufacturers, or OEMs, plus our distributors' resale of NXP products. Two distributors accounted for more than 10% of total 2014 revenue: WPG accounted for 13% of our revenue in 2014, 11% in 2013 and 12% in 2012. Avnet accounted for 13% of our revenue in 2014. No other distributor accounted for more than 10% of our revenue in 2014, 2013 or 2012. No individual OEM for which we had direct sales to accounted for more than 10% of revenue in 2014, 2013 or 2012.

### **Research and Development, Patents and Licenses, etc.**

See the discussion set forth under Part I, Item 5C. *Research and Development, Patents and Licenses, etc.*

### **Competition**

We compete with many different semiconductor companies, ranging from multinational companies with integrated research and development, manufacturing, sales and marketing organizations across a broad spectrum of product lines, to "fabless" semiconductor companies, to companies that are focused on a single application market segment or standard product. Most of these competitors compete with us with respect to some, but not all, of our businesses. None of our competitors have operations across all of our business lines.

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

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

### **Legal Proceedings**

The information set forth under the "Litigation" caption of note 17 of our notes to the Consolidated Financial Statements included in Part III, Item 18 of this Report is incorporated herein by reference. For additional discussion of certain risks associated with legal proceedings, see Part I, Item 3D. *Risk Factors* above.

### **Environmental Regulation**

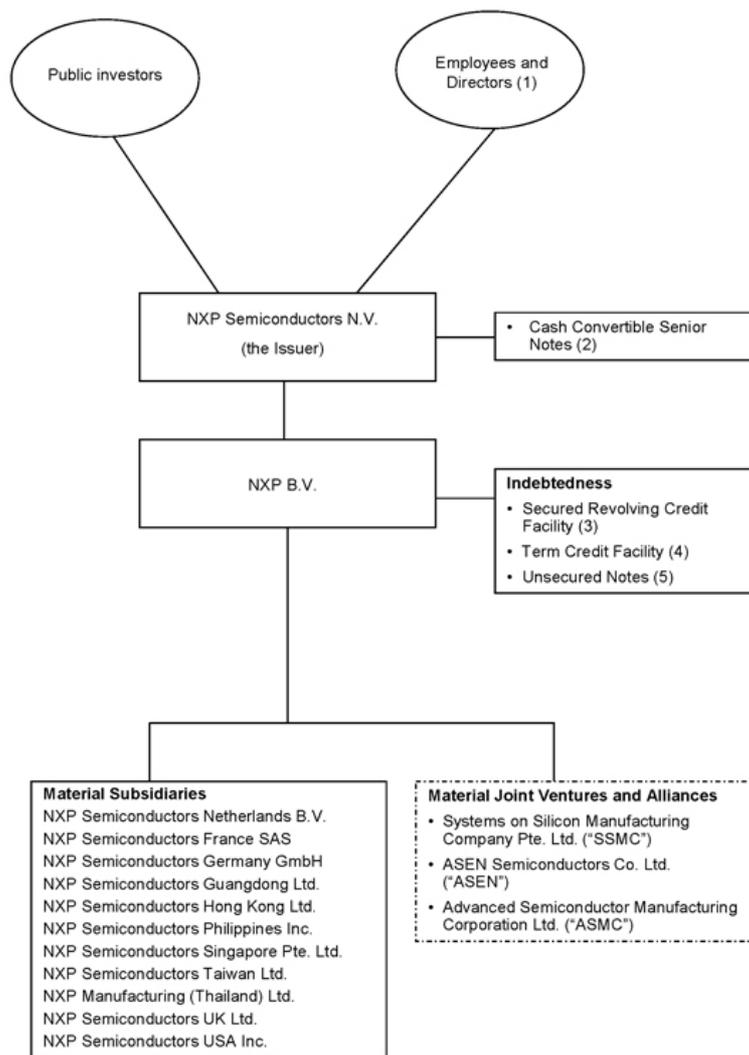
The information set forth under the "Environmental remediation" caption of note 17 of our notes to the Consolidated Financial Statements included in Part III, Item 18 of this Report is incorporated herein by reference. For additional discussion of certain risks associated with environmental regulation, see Part I, Item 3D. *Risk Factors* above.

### **C. Organizational Structure**

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

**CORPORATE STRUCTURE**

The following chart reflects our corporate structure as of December 31, 2014.



- (1) For a more detailed description of our management equity stock option plan (“Management Equity Stock Option Plan”) and our Long-Term Incentive Plans as of 2010 see the discussion set forth under “Share Based Compensation Plans” contained in this Report in Part I, Item 6B. *Compensation*.
- (2) As of December 31, 2014, we had \$1,150 million aggregate principal amount of 2019 Cash Convertible Senior Notes outstanding.
- (3) As of December 31, 2014, no borrowings outstanding under the Secured Revolving Credit Facility.
- (4) As of December 31, 2014, we had \$791 million aggregate principal amount outstanding under the Term Loans.
- (5) As of December 31, 2014, we had \$2,250 million aggregate principal amount of Notes outstanding.

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### **D. Property, Plant and Equipment**

NXP uses 65 sites in over 25 countries with approximately 27,900 full-time employees, 8.5 million square feet of total owned and leased building space of which 5.5 million square feet is owned property.

The following table sets out our principal real property holdings as of December 31, 2014:

<u>Location</u>	<u>Use</u>	<u>Owned/leased</u>	<u>Building space (square feet)</u>
Eindhoven, the Netherlands	Headquarters	Leased	152,666
Hamburg, Germany	Manufacturing	Owned	844,899
Nijmegen, the Netherlands	Manufacturing	Owned	1,845,542
Singapore	Manufacturing	Owned	746,753
Bangkok, Thailand	Manufacturing	Owned	561,402
Cabuyao, Philippines	Manufacturing	Owned	444,080
Kaohsiung, Taiwan	Manufacturing	Owned	342,971
Manchester, United Kingdom	Manufacturing	Owned	273,266
Jilin, China	Manufacturing	Leased	138,856
Guangdong, China	Manufacturing	Leased	917,272
Seremban, Malaysia	Manufacturing	Owned	304,309

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

Manufacturing in Singapore (SSMC) leases the land 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 1,408,694 Singapore Dollars (\$1,113,737), 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. The building has 746,753 square feet of floor space and is owned by us.

We lease 917,272 square feet of manufacturing space through our subsidiary, NXP Semiconductors Guangdong Ltd., at Tian Mei High Tech, Industrial Park, Huang Jiang Town, Dongguan City, Guangdong, 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 of RMB 811,467.

### **Item 4A. Unresolved Staff Comments**

Not applicable.

### **Item 5. Operating and Financial Review and Prospects**

#### **A. Operating Results**

##### ***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.

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### *Other Significant Acquisitions*

Since its Formation, NXP has acquired various companies and businesses. These acquisitions have been accounted for using the acquisition method, and the respective purchase prices have been “pushed down” within the NXP group and allocated to the fair value of the assets acquired and the liabilities assumed. This has also resulted in an allocation to goodwill for the excess of the purchase price over the estimated fair value of the net assets acquired. The related goodwill is not amortized but included in the annual impairment test.

Adjusting the carrying value of the assets acquired in the Formation and subsequent acquisitions to their fair value has had an adverse effect on our operating income for various reporting periods, stemming from amortization charges on intangible assets and higher depreciation charges on tangible fixed assets that are the result of acquisition accounting effects.

The cumulative net effect resulting from the application of acquisition accounting is recorded in the financial statements with the term “PPA effect”. This effect is calculated taking into account the fact that any divestments and impairments in any particular reporting period reduce the amortization and depreciation charges going forward. Impairment losses are not part of the PPA effect.

### *Use of Certain Non-GAAP Financial Measures*

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

We understand that, although net debt is used by investors and securities analysts in their evaluation of companies, this concept has limitations as an analytical tool, and it should not be used as an alternative to any other measure in accordance with U.S. GAAP.

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**Year Ended December 31, 2014 Compared to Year Ended December 31, 2013**

**Results of Operations**

The following table presents the composition of operating income for the years ended December 31, 2014 and 2013.

(\$ in millions, unless otherwise stated)	2014	2013
Revenue	5,647	4,815
% nominal growth	17.3	10.5
Gross profit	2,640	2,177
Research and development	(763)	(639)
Selling, general and administrative (SG&A)	(838)	(896)
Other income (expense)	10	9
Operating income	1,049	651

**Revenue**

The following table presents revenue by segment for the years ended December 31, 2014 and 2013.

(\$ in millions, unless otherwise stated)	2014		2013	
	Revenue	% nominal growth	Revenue	% nominal growth
High Performance Mixed Signal ("HPMS")	4,208	19.1	3,533	18.7
Standard Products ("SP")	1,275	11.4	1,145	(2.0)
Corporate and Other	164	19.7	137	(36.0)
Total	5,647	17.3	4,815	10.5

Revenue increased by \$832 million to \$5,647 million in 2014 compared to \$4,815 million in 2013, a nominal increase of 17.3%. The increase was driven by strong growth in all of our business lines, highlighted by the growth in our HPMS segment.

Our HPMS segment saw an increase in revenue of \$675 million to \$4,208 million in 2014 compared to \$3,533 million in 2013. The increase was primarily driven by increased demand in all four business lines - Automotive, Identification, Infrastructure & Industrial and Portable & Computing. The increase in Automotive was driven by our In-Vehicle Networking products. The increase in Identification was primarily driven by our embedded secure solutions associated with the ramp up of mobile transactions used in high-end smartphone and tablet platforms and continued demand for banking dual-interface cards. The increase in Infrastructure & Industrial was mainly in RF Power, in connection with the roll out of 4G base stations. The increase in Portable & Computing was driven by our microcontrollers and interface products.

Revenue for our SP segment increased by \$130 million to \$1,275 million in 2014, compared to \$1,145 million in 2013. The increase was primarily due to increased demand in general applications, as a result of market share gains.

Revenue for Corporate and Other amounted to \$164 million in 2014, compared to \$137 million in 2013 and mainly related to our manufacturing operations.

**Gross Profit**

The following table presents gross profit by segment for the years ended December 31, 2014 and 2013.

(\$ in millions, unless otherwise stated)	2014		2013	
	Gross Profit	% of segment revenue	Gross Profit	% of segment revenue
HPMS	2,253	53.5	1,905	53.9
SP	382	30.0	285	24.9
Corporate and Other	5	3.0	(13)	(9.5)
Total	2,640	46.8	2,177	45.2

Gross profit in 2014 was \$2,640 million, or 46.8% of revenue compared to \$2,177 million, or 45.2% of revenue in 2013, an increase of \$463 million. This increase was primarily attributable to market share gains in all business lines but primarily in our HPMS segment. Our gross profit rate, up 1.6 points when compared to 2013, is heavily influenced by our product mix and the end customer mix in our business lines.

Our HPMS segment had a gross profit of \$2,253 million, or 53.5% of revenue in 2014, compared to \$1,905 million, or 53.9% of revenue in 2013. The decrease in the gross profit percentage of 0.4 points was driven by changes in our product mix primarily in our Identification business line as well as new product introduction costs.

Gross profit in our SP segment was \$382 million, or 30.0% of revenue in 2014, compared to \$285 million, or 24.9% of revenue in 2013. The increase in the gross profit percentage of 5.1 points was driven by the benefit of market share gains, favorable pricing, product mix and improved manufacturing costs, partly from lower depreciation expenses.

[Table of Contents](#)**Operating Expenses**

The following table presents operating expenses by segment for the years ended December 31, 2014 and 2013.

(\$ in millions, unless otherwise stated)	2014		2013	
	Operating expenses	% of segment revenue	Operating expenses	% of segment revenue
HPMS	1,278	30.4	1,193	33.8
SP	262	20.5	247	21.6
Corporate and Other	61	—	95	—
Total	1,601	28.4	1,535	31.9

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

(\$ in millions, unless otherwise stated)	2014	2013
Research and development	763	639
Selling, general and administrative	838	896
Operating expenses	1,601	1,535

Operating expenses were \$1,601 million, or 28.4% of revenue in 2014, compared to \$1,535 million, or 31.9% of revenue in 2013, an increase of \$66 million, or a decrease of 3.5 points as a percentage of revenue. The increase in operating expenses was primarily due to higher share-based compensation costs and an increased investment in research and development. The increase was offset by lower PPA expenses mainly due to certain intangible assets becoming fully amortized in the course of 2014. The decrease of operating expenses as a percentage of revenue was primarily driven by our continued focus on cost controls in SG&A.

In our HPMS segment, operating expenses amounted to \$1,278 million, or 30.4% of revenue in 2014, compared to \$1,193 million, or 33.8% of revenue in 2013. The increase was primarily driven by increased investment in research and development and increased share-based compensation costs.

Operating expenses in our SP segment increased to \$262 million, or 20.5% of revenue in 2014 compared to \$247 million or 21.6% of revenue in 2013. The increase in operating expenses was mainly driven by higher share-based compensations costs.

Operating expenses in Corporate and Other decreased by \$34 million to \$61 million in 2014 compared to \$95 million in 2013. The decrease compared to the prior year period was primarily due to lower restructuring and restructuring-related costs.

**Other Income (Expense)**

The following table presents other income (expense) for the years ended December 31, 2014 and 2013.

(\$ in millions, unless otherwise stated)	2014	2013
Other income (expense)	10	9

Other income (expense) reflects income of \$10 million for 2014 compared to \$9 million of income in 2013.

**Restructuring Charges**

Restructuring and restructuring related costs amounted to \$57 million in 2014 compared to \$40 million in 2013.

In 2014, we had restructuring charges, which related to a workforce reduction charge as a result of redundancy at our ICN 8 wafer fab in Nijmegen of \$16 million and for our wafer fab in Hamburg of \$5 million. The remaining restructuring and restructuring related costs were for the cumulative impact of specific targeted actions.

In 2013, we had restructuring charges related mainly to a charge of \$16 million associated with onerous contracts relating to leased office buildings in the Netherlands and France. The remaining restructuring and restructuring related costs were for the cumulative impact of specific targeted actions.

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**Operating Income (Loss)**

The following table presents operating income (loss) by segment for the years ended December 31, 2014 and 2013.

(\$ in millions, unless otherwise stated)	2014		2013	
	Operating income (loss)	% of segment revenue	Operating income (loss)	% of segment revenue
HPMS	983	23.4	712	20.2
SP	120	9.4	39	3.4
Corporate and Other	(54)	—	(100)	—
Total	1,049	18.6	651	13.5

The table below summarizes the PPA effects for the years ended December 31, 2014 and 2013 on operating income (loss) by segment.

(\$ in millions, unless otherwise stated)	2014	2013
HPMS	(84)	(163)
SP	(58)	(59)
Corporate and Other	(25)	(24)
Total	(167)	(246)

The table below depicts the PPA effects within the Statement of Operations for the years ended December 31, 2014 and 2013.

(\$ in millions)	2014	2013
Gross profit	(12)	(14)
Selling, general and administrative	(152)	(232)
Other income (expense)	(3)	—
Operating income (loss)	(167)	(246)

“PPA effects” reflect the amortization in the period related to fair value adjustments resulting from acquisition accounting and other acquisition adjustments charged to the income statement applied to the formation of NXP on September 29, 2006 and all subsequent acquisitions. The PPA effect on the Company’s gross profit refers to additional depreciation charges on tangible fixed assets, resulting from the step-up in fair values. The amortization charges related to long-lived intangible assets are reflected in general and administrative expenses.

The decrease in PPA effects results in part from certain items becoming fully amortized during the course of 2014.

**Financial Income (Expense)**

(\$ in millions)	For the years ended December 31,	
	2014	2013
Interest income	3	3
Interest expense	(145)	(182)
Foreign exchange rate results	(246)	62
Net gain (loss) on extinguishment of debt	(3)	(114)
Other	(19)	(43)
Total	(410)	(274)

Financial income (expense) was an expense of \$410 million in 2014, compared to an expense of \$274 million in 2013. Extinguishment of debt in 2014 amounted to a loss of \$3 million compared to a loss of \$114 million in 2013. In 2014, financial income (expense) included a loss of \$246 million as a result of changes in foreign exchange rates mainly applicable to re-measurement of our U.S. dollar-denominated notes and short term loans, which reside in a euro functional currency entity, compared to a gain of \$62 million in 2013. The net interest expense amounted to \$142 million in 2014 compared to \$179 million in 2013. This was mainly attributable to a lower average interest rate on our long-term debt of 3.9% in 2014 compared to 5.2% in 2013.

***Benefit (Provision) for Income Taxes***

The provision for income taxes was \$40 million for the year ended December 31, 2014, compared to \$20 million for the year ended December 31, 2013, and the effective income tax rates were 6.3% and 5.3%, respectively. The effective income tax rates were impacted by foreign earnings taxed at lower rates than the Netherlands statutory rate, tax incentives in certain jurisdictions, and the mix of income and losses in various jurisdictions.

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

Results relating to the equity-accounted investees amounted to a gain of \$8 million in 2014, compared to a gain of \$58 million in 2013. The gain in 2013 primarily reflects a \$46 million release of the contingent liability related to an arbitration commenced by ST. By ruling of April 2, 2013, the ICC arbitration tribunal dismissed all claims made by ST in this arbitration. No appeal is available to ST. Based on this award, the provision amounting to \$46 million, established in 2012 was released.

***Non-controlling Interests***

Non-controlling interests are related to the third party share in the results of consolidated companies, predominantly SSMC. Their share of non-controlling interests amounted to a profit of \$68 million in 2014, compared to a profit of \$67 million in 2013.

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**Year Ended December 31, 2013 Compared to Year Ended December 31, 2012**

**Results of Operations**

The following table presents the composition of operating income (loss) for the years ended December 31, 2013 and 2012.

(\$ in millions, unless otherwise stated)	<u>2013</u>	<u>2012</u>
Revenue	4,815	4,358
% nominal growth	10.5	3.9
Gross profit	2,177	1,988
Research and development	(639)	(628)
Selling, general and administrative (SG&A)	(896)	(977)
Other income (expense)	9	29
Operating income (loss)	651	412

**Revenue**

The following table presents revenue by segment for the years ended December 31, 2013 and 2012.

(\$ in millions, unless otherwise stated)	<u>For the year ended December 31,</u>			
	<u>2013</u>		<u>2012</u>	
	<u>Revenue</u>	<u>% nominal growth</u>	<u>Revenue</u>	<u>% nominal growth</u>
High Performance Mixed Signal	3,533	18.7	2,976	12.2
Standard Products	1,145	(2.0)	1,168	(3.9)
Corporate and Other	137	(36.0)	214	(34.2)
Total	4,815	10.5	4,358	3.9

Revenue increased by \$457 million to \$4,815 million in 2013 compared to \$4,358 million in 2012, a nominal increase of 10.5%. The increase was driven by strong growth in HPMS which was partly offset by a decline in revenue from our SP segment and from Corporate and Other.

Our HPMS segment saw an increase in revenue of \$557 million to \$3,533 million in 2013 compared to \$2,976 million in 2012. The increase was primarily driven by increased volumes in all four business lines (Automotive, Identification, Infrastructure & Industrial and Portable & Computing). The highest volume increase was associated with our banking business within our Identification portfolio and within our Portable & Computing portfolio.

Revenue for our SP segment declined by \$23 million to \$1,145 million in 2013, compared to \$1,168 million in 2012. The decline was primarily due to competitive pricing pressure in our protection and signal conditioning devices business.

Revenue from Corporate and Other amounted to \$137 million in 2013, compared to \$214 million in 2012 and mainly related to our manufacturing operations. The decline in revenue was primarily due to the expiration of contractual obligations to provide manufacturing services for previously divested businesses. As these businesses develop or acquire their own foundry and packaging capabilities, our revenue from these sources will further decline.

**Gross Profit**

The following table presents gross profit by segment for the years ended December 31, 2013 and 2012.

(\$ in millions, unless otherwise stated)	<u>2013</u>		<u>2012</u>	
	<u>Gross Profit</u>	<u>% of segment revenue</u>	<u>Gross Profit</u>	<u>% of segment revenue</u>
HPMS	1,905	53.9	1,656	55.6
SP	285	24.9	346	29.6
Corporate and Other	(13)	(9.5)	(14)	(6.5)
Total	2,177	45.2	1,988	45.6

Gross profit in 2013 was \$2,177 million, or 45.2% of revenue compared to \$1,988 million, or 45.6% of revenue in 2012, an increase of \$189 million. The increase in gross profit was mainly driven by higher revenue in the HPMS segment, partly offset by lower revenue due to competitive pricing pressure in our SP segment and the absence of the favorable legal award recorded in the second quarter of 2012 that increased our margin percentage. We were awarded a favorable judgment involving a dispute over the collection of a receivable that we recorded an allowance for doubtful accounts that impacted costs of revenue in a prior year. The arbitration tribunal arrived at an award on April 5, 2012, in favor of NXP. No appeal was possible against the arbitration award.

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Following this award, we reversed the allowance for doubtful accounts previously established, again impacting our gross margin, and the invoices underlying the outstanding accounts received were collected in May 2012.

Our HPMS segment had a gross profit of \$1,905 million, or 53.9% of revenue in 2013, compared to \$1,656 million, or 55.6% of revenue in 2012. The increase in gross profit was primarily due to increased revenue. This was partly offset by the absence of the favorable legal award recorded in the second quarter of 2012 and lower margins within our Identification portfolio.

Gross profit in our SP segment was \$285 million, or 24.9% of revenue in 2013, compared to \$346 million, or 29.6% of revenue in 2012. The decrease in gross profit was mainly attributed to lower revenue due to competitive price pressure.

### **Operating Expenses**

The following table presents operating expenses by segment for the years ended December 31, 2013 and 2012.

(\$ in millions, unless otherwise stated)	2013		2012	
	Operating expenses	% of segment revenue	Operating expenses	% of segment revenue
HPMS	1,193	33.8	1,197	40.2
SP	247	21.6	260	22.3
Corporate and Other	95	—	148	—
Total	1,535	31.9	1,605	36.8

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

(\$ in millions, unless otherwise stated)	2013	2012
Research and development	639	628
Selling, general and administrative	896	977
Operating expenses	1,535	1,605

Operating expenses were \$1,535 million, or 31.9% of revenue in 2013, compared to \$1,605 million, or 36.8% of revenue in 2012, a decrease of \$70 million. The decrease in operating expenses was primarily due to \$73 million lower restructuring and restructuring related costs, \$15 million lower IT systems reorganization costs, the absence of operating expenses associated with the divestment of our high speed data converter business that was sold in 2012 and cost savings associated with the restructuring activities. Also the PPA expenses decreased by \$21 million mainly due to part of the intangible assets being fully amortized in the course of 2013. These decreases were partly offset by an increase of \$30 million in share-based compensation costs and increased investments in research and development costs within our Identification business.

In our HPMS segment, operating expenses amounted to \$1,193 million, or 33.8% of revenue in 2013, compared to \$1,197 million, or 40.2% of revenue in 2012. The slight decrease was primarily driven by \$24 million lower restructuring and restructuring related costs, the absence of operating expense associated with the divestment of our data converter business in 2012 and the current period cost savings associated with the restructuring activities. These decreases were partly offset by \$26 million higher share-based compensation costs and increased investments in research and development costs within our Identification business.

Operating expenses in our SP segment decreased by \$13 million to \$247 million, or 21.6% of revenue in 2013 compared to \$260 million or 22.3% of revenue in 2012. The decrease in operating expenses was mainly driven by the current period cost savings associated with the restructuring activities, partly offset by \$7 million higher share-based compensation costs.

Operating expenses in Corporate and Other decreased by \$53 million to \$95 million in 2013 compared to \$148 million in 2012. The strong decrease compared to the prior year period was primarily due to \$45 million lower restructuring and restructuring related costs and \$15 million lower IT systems reorganization costs.

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

The following table presents other income (expense) for the years ended December 31, 2013 and 2012.

(\$ in millions, unless otherwise stated)	2013	2012
Other income (expense)	9	29

Other income (expense) reflects income of \$9 million for 2013 compared to \$29 million of income in 2012. The decrease is primarily due to a gain of \$19 million on the sale of our high speed data converter business during the third quarter of 2012.

[Table of Contents](#)**Restructuring Charges**

Net restructuring and restructuring related costs that affected our operating income amounted to \$40 million in 2013 compared to \$111 million in 2012.

In 2013, we had net restructuring charges of \$6 million, recorded in the liabilities, which related mainly to a charge of \$16 million associated with onerous contracts relating to leased office buildings in the Netherlands and France, as part of the OPEX Reduction Program, partly offset by some releases related to previous restructuring programs. Furthermore \$34 million of restructuring costs were directly charged to our operating income.

In 2012, we had net restructuring charges of \$99 million, recorded in the liabilities, which were mainly associated with a restructuring initiative during the fourth quarter of 2012, designed to improve operational efficiency and to competitively position the company for sustainable growth. In addition, we incurred \$12 million of restructuring related costs in 2012 which were directly charged to our operating income. For additional information, see note 5 to the Consolidated Financial Statements included in Part III, Item 18.

**Operating Income (Loss)**

The following table presents operating income (loss) by segment for the years ended December 31, 2013 and 2012.

(\$ in millions, unless otherwise stated)	2013		2012	
	Operating income (loss)	% of segment revenue	Operating income (loss)	% of segment revenue
HPMS	712	20.2	479	16.1
SP	39	3.4	89	7.6
Corporate and Other	(100)	—	(156)	—
Total	651	13.5	412	9.5

The table below summarizes the PPA effects for the years ended December 31, 2013 and 2012 on operating income (loss) by segment.

(\$ in millions, unless otherwise stated)	2013	2012
HPMS	(163)	(190)
SP	(59)	(60)
Corporate and Other	(24)	(23)
Total	(246)	(273)

The table below depicts the PPA effects within the Statement of Operations for the years ended December 31, 2013 and 2012.

(\$ in millions)	For the years ended December 31,	
	2013	2012
Gross profit	(14)	(20)
Selling, general and administrative	(232)	(253)
Operating income (loss)	(246)	(273)

“PPA effects” reflect the amortization in the period related to fair value adjustments resulting from acquisition accounting and other acquisition adjustments charged to the income statement applied to the formation of NXP on September 29, 2006 and all subsequent acquisitions. The PPA effect on the Company’s gross profit refers to additional depreciation charges on tangible fixed assets, resulting from the step-up in fair values. The amortization charges related to long-lived intangible assets are reflected in general and administrative expenses.

The decrease in PPA effects results in part from the PPA being fully amortized in the course of 2013.

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

(\$ in millions)	For the years ended December 31,	
	2013	2012
Interest income	3	4
Interest expense	(182)	(270)
Foreign exchange rate results	62	28
Net gain (loss) on extinguishment of debt	(114)	(161)
Other	(43)	(38)
Total	(274)	(437)

Financial income (expense) (including the extinguishment of debt) was an expense of \$274 million in 2013, compared to an expense of \$437 million in 2012. Extinguishment of debt in 2013 amounted to a loss of \$114 million compared to a loss of \$161 million in 2012. In 2013, financial income (expense) included a gain of \$62 million as a result of changes in foreign exchange rates mainly applicable to re-measurement of our U.S. dollar-denominated notes and short term loans, which reside in a euro functional currency entity, compared to a gain of \$28 million in 2012. The net interest expense amounted to \$179 million in 2013 compared to \$266 million in 2012. This mainly related to a lower average interest percentage of 5.2% and 7.2%, respectively and lower average debt outstanding of \$3.4 billion and \$3.7 billion, respectively in 2013 compared to 2012.

### **Benefit (Provision) for Income Taxes**

The provision for income taxes was \$20 million for the year ended December 31, 2013, compared to \$1 million for the year ended December 31, 2012, and the effective income tax rates were positive 5.3% and negative 4.0%, respectively. The change in the effective tax rate for the year ended December 31, 2013 compared to the same period in the previous year was primarily due to the mix of income and losses in the various tax jurisdictions in which the Company operates including jurisdictions where a full valuation allowance was recognized and in addition the year 2013 included more benefits for the effect of tax incentives in certain jurisdictions.

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

Results relating to the equity-accounted investees amounted to a gain of \$58 million in 2013, compared to a loss of \$27 million in 2012. The gain in 2013 primarily reflects a \$46 million release of the contingent liability related to an arbitration commenced by STMicroelectronics (ST). By ruling of April 2, 2013, the ICC arbitration tribunal dismissed all claims made by ST in this arbitration. No appeal is available to ST. Based on this award, the provision amounting to \$46 million, established in 2012 was released. In 2012, a loss of \$46 million related to extra provisions for the above mentioned legal claim of ST and a gain of \$12 million related to a partial recovery of our equity investment in Trident are included.

### **Non-controlling Interests**

Non-controlling interests are related to the third party share in the results of consolidated companies, predominantly SSMC. Their share of non-controlling interests amounted to a profit of \$67 million in 2013, compared to a profit of \$63 million in 2012.

## **B. Liquidity and Capital Resources**

### **Liquidity and Capital Resources**

At the end of 2014 our cash balance was \$1,185 million, an increase of \$515 million compared to prior year. Taking into account the available undrawn amount of the Secured Revolving Credit Facility, we had access to \$1,938 million of liquidity as of December 31, 2014.

Our capital expenditures were \$329 million in 2014, compared to \$215 million in 2013.

The total amount of cash used for financing activities amounted to \$554 million.

In November 2014, we issued \$1,150 million aggregate principal amount of cash convertible senior notes due 2019 (the "2019 Cash Convertible Senior Notes"). The 2019 Cash Convertible Senior Notes bear interest at a rate of 1.00% per year, payable semiannually in arrears on June 1 and December 1 of each year, beginning on June 1, 2015. The 2019 Cash Convertible Senior Notes will mature on December 1, 2019. In connection with the pricing of the 2019 Cash Convertible Senior Notes, NXP entered into separate privately negotiated cash convertible note hedge and warrant transactions with counterparties that include the initial purchasers of the 2019 Cash Convertible Senior Notes or their respective affiliates (the "hedge counterparties"). The cash convertible note hedge transactions will be cash settled upon exercise and are expected generally to offset any cash payments NXP is required to make in excess of the principal amount of the 2019 Cash Convertible Senior Notes upon conversion. The warrant transactions will be net share settled upon exercise and could therefore have a dilutive effect with respect to NXP's common stock to the extent that the market price per share of NXP's common stock exceeds the strike price of the warrants. The strike price of the warrant transactions will initially be approximately \$133.32 per share, which represents a premium of approximately 75% over the

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last reported sale price of NXP's common stock on the closing date, November 24, 2014, and is subject to certain adjustments under the terms of the warrant transactions.

At the end of 2014, we had an undrawn availability of \$753 million remaining under our Secured Revolving Credit Facility, net of outstanding bank guarantees, based on the end of year exchange rate. However, the amount of this availability varies with fluctuations between the euro and the U.S. dollar as the total amount of the facility, €620 million, is denominated in euro and the amounts drawn are denominated in U.S. dollars.

For the year ended December 31, 2014, we incurred total net interest expense of \$142 million compared to \$179 million during 2013. The weighted average interest rates on our debt instruments as of December 31, 2014 and December 31, 2013 were 3.3% and 4.3%, respectively.

As of December 31, 2014, our cash balance was \$1,185 million, of which \$426 million was held by SSMC, our consolidated joint venture company with TSMC. Under the terms of our joint venture agreement with TSMC, a portion of this cash can be distributed by way of a dividend to us, but 38.8% of the dividend will be paid to our joint venture partner. In 2014, a dividend of \$130 million was distributed, of which \$50 million was distributed to the joint venture partner.

We repurchased \$1,435 million of our common stock pursuant to our share buyback program during 2014 at a weighted average price of \$61.73 per share.

Our sources of liquidity include cash on hand, cash flow from operations and amounts available under the Secured Revolving Credit Facility. We believe that, based on our current level of operations as reflected in our results of operations for the year ended December 31, 2014, 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 principal, premium, if any, and interest on our indebtedness. Our business may not generate sufficient cash flow from operations, or we may not have enough capacity under our Secured Revolving Credit Facility, or from other sources in an amount sufficient to enable us to repay our indebtedness, including the Secured Revolving Credit Facility, the Term Loans and the Unsecured Notes or to fund our other liquidity needs, including working capital and capital expenditure requirements. In any such case, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. See Part I, Item 3D. *Risk Factors*.

### ***Cash Flow from Operating Activities***

In 2014 our operating activities provided \$1,468 million in cash. This was primarily the result of net income of \$607 million and changes in operating assets and liabilities of \$96 million. The net income includes non-cash items, such as depreciation and amortization, of \$765 million.

In 2013 our operating activities provided \$891 million in cash. This was primarily the result of net income of \$415 million and changes in operating assets and liabilities of \$120 million. The net income includes non-cash items, such as depreciation and amortization, of \$596 million.

Operating activities provided \$722 million in cash in 2012. This was primarily the result of a net loss of \$52 million and changes in operating assets and liabilities of \$28 million. The net income includes non-cash items, such as depreciation and amortization, of \$747 million.

### ***Cash Flow from Investing Activities***

Net cash used for investing activities amounted to \$387 million in 2014 and principally consisted of cash outflows for capital expenditures of \$329 million and \$36 million for the purchase of identified intangible assets, mainly related to the purchase of software.

Net cash used for investing activities amounted to \$240 million in 2013 and principally consisted of cash outflows for capital expenditures of \$215 million and \$35 million for the purchase of identified intangible assets, mainly related to the purchase of software.

Investing activities in 2012 used \$243 million of net cash in 2012. This net use of cash primarily included \$251 million for capital expenditures, and \$29 million for the purchase of identified intangible assets, mainly related to the purchase of software, partially offset by proceeds from sale of interests in our data converters business of \$26 million and \$12 million of proceeds related to the partial recovery of our equity investments in Trident.

***Cash Flow from Financing Activities***

Net cash used for financing activities was \$554 million in 2014, \$598 million in 2013 and \$574 million in 2012. The cash flows related to financing transactions in 2014, 2013 and 2012 are primarily related to the financing activities described below under the captions *2014 Financing Activities*, *2013 Financing Activities* and *2012 Financing Activities*, respectively.

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In addition to the financing activities described below, net cash used for financing activities by year included:

	Year ended December 31,		
	2014	2013	2012
Dividends paid to non-controlling interests	(50)	(48)	(40)
Purchase of non-controlling interest shares	—	(12)	—
Cash proceeds from exercise of stock options	145	177	14
Purchase of treasury shares	(1,435)	(405)	(40)
Cash paid for Notes hedge derivatives	(208)	—	—
Proceeds from the sale of warrants	134	—	—
Net (repayments) borrowings under revolving credit facility	(150)	(80)	230

### 2014 Financing Activities

#### 2017 Term Loan

On February 18, 2014, our subsidiary, NXP B.V. together with NXP Funding LLC entered into a new \$400 million aggregate principal amount Senior Secured Term Loan Facility due March 4, 2017 (the "2017 Term Loan"). Concurrently, NXP repaid the \$486 million principal amount Senior Secured Term Loan Facility due March 4, 2017. A \$100 million draw-down under our existing Revolving Credit Facility and approximately \$5 million of cash on hand were used to settle the combined transactions, as well as pay the related call premium of \$5 million and accrued interest of \$4 million.

#### 2019 Cash Convertible Senior Notes

On November 24, 2014, NXP issued 2019 Cash Convertible Senior Notes with an aggregate principal amount of \$1,150 million, which mature December 1, 2019. The 2019 Cash Convertible Senior Notes were issued at par and were recorded at their fair value of \$1,150 million on the accompanying Consolidated Balance Sheet. We used the net proceeds of \$1,134 million (i) to fund the cost of entering into the cash convertible note hedge transactions (the cost of which were partially offset by the proceeds that NXP received from entering into warrant transactions) with certain hedge counterparties, as described below, (ii) to repay up to €225 million in respect of intercompany loans to our subsidiary NXP B.V., (iii) to fund the repurchase of \$150 million of our common stock in the offering in privately negotiated transactions through one of the initial purchasers or its affiliate conducted concurrently with the pricing of the 2019 Cash Convertible Senior Notes, and (iv) for general corporate purposes, including additional share repurchases and potential acquisitions.

In connection with the pricing of the 2019 Cash Convertible Senior Notes, NXP entered into separate privately negotiated cash convertible note hedge and warrant transactions with counterparties that include the initial purchasers of the 2019 Cash Convertible Senior Notes or their respective affiliates (the "hedge counterparties"). The cash convertible note hedge transactions will be cash settled upon exercise and are expected generally to offset any cash payments NXP is required to make in excess of the principal amount of the 2019 Cash Convertible Senior Notes upon conversion. The warrant transactions will be net share settled upon exercise and could therefore have a dilutive effect with respect to NXP's common stock to the extent that the market price per share of NXP's common stock exceeds the strike price of the warrants. The strike price of the warrant transactions will initially be approximately \$133.32 per share, which represents a premium of approximately 75% over the last reported sale price of NXP's common stock on November 24, 2014, and is subject to certain adjustments under the terms of the warrant transactions.

### 2013 Financing Activities

#### 2021 Senior Unsecured Notes

On February 14, 2013 our subsidiary, NXP B.V. together with NXP Funding LLC issued U.S. dollar-denominated 5.75% Senior Unsecured Notes with an aggregate principal amount of \$500 million, which mature February 15, 2021 (the "2021 Unsecured Notes"). The 2021 Unsecured Notes were issued at par and were recorded at their fair value of \$500 million on the accompanying Consolidated Balance Sheet. On March 4, 2013, we used the net proceeds of \$495 million together with approximately \$14 million of cash on hand to fully repay the outstanding principal amount of \$494 million under the Senior Secured Term Loan Facility due April 3, 2017, as well as to pay related call premiums of \$10 million and accrued interest of \$5 million.

*2023 Senior Unsecured Notes*

On March 12, 2013 our subsidiary, NXP B.V. together with NXP Funding LLC issued U.S. dollar-denominated 5.75% Senior Unsecured Notes with an aggregate principal amount of \$500 million, which mature March 15, 2023 (the "2023 Unsecured Notes"). The 2023 Unsecured Notes were issued at par and were recorded at their fair value of \$500 million on the accompanying Consolidated Balance Sheet. On March 12, 2013, we used the net proceeds of \$495 million to fully repay the \$471 million principal amount Senior Secured Term Loan Facility due March 19, 2019, to pay related call premiums of \$5 million and accrued interest of \$5 million. We used the balance of \$14 million for general corporate purposes.

*2018 Senior Unsecured Notes*

On May 20, 2013 our subsidiary, NXP B.V. together with NXP Funding LLC issued U.S. dollar-denominated 3.75% Senior Unsecured Notes with an aggregate principal amount of \$750 million, which mature June 1, 2018 (the "2018 Unsecured Notes").

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The 2018 Unsecured Notes were issued at par and were recorded at their fair value of \$750 million on the accompanying Consolidated Balance Sheet. On May 21, 2013, we used the net proceeds of \$743 million together with cash on hand to redeem €142 million aggregate principal amount of Senior Secured Floating Rate Notes due October 2013 for \$184 million, to repurchase \$58 million aggregate principal amount of Senior Secured Floating Rate Notes due October 2013, and to redeem \$615 million aggregate principal amount of Senior Secured Floating Rate Notes due November 2016, as well as to pay related call premiums of \$16 million and accrued interest of \$2 million.

### *2016 Senior Unsecured Notes*

On September 24, 2013 our subsidiary, NXP B.V. together with NXP Funding LLC issued U.S. dollar-denominated 3.5% Senior Unsecured Notes with an aggregate principal amount of \$500 million, which mature September 15, 2016 (the “2016 Unsecured Notes”, and together with the 2021 Unsecured Notes, the 2023 Unsecured Notes and the 2018 Unsecured Notes, the “Unsecured Notes”, and together with the 2019 Cash Convertible Senior Notes, the “Notes”). The 2016 Unsecured Notes were issued at par and were recorded at their fair value of \$500 million on the accompanying Consolidated Balance Sheet. On October 15, 2013, we used the net proceeds of \$495 million to redeem \$422 million aggregate principal amount of Senior Secured Notes due August 2018, as well as to pay related call premiums of \$51 million and accrued interest of \$8 million. We used the balance of \$14 million for general corporate purposes.

### *2020 Term Loan*

On November 27, 2013 our subsidiary, NXP B.V. together with NXP Funding LLC entered into a new \$400 million aggregate principal amount Senior Secured Term Loan Facility due January 11, 2020 (the “2020 Term Loan”, and together with the 2017 Term Loan, the “Term Loans”). Concurrently, NXP repaid the \$496 million principal amount Senior Secured Term Loan Facility due January 11, 2020. A \$100 million draw-down under our existing Revolving Credit Facility and approximately \$6 million of cash on hand were used to settle the combined transactions, as well as pay the related call premium of \$5 million and accrued interest of \$5 million. The exchange of the First 2020 Term Loan for the 2020 Term Loan was a non-cash financing transaction.

## **2012 Financing Activities**

### *2019 Term Loan*

On February 16, 2012, our subsidiary, NXP B.V. together with NXP Funding LLC entered into a new \$475 million aggregate principal amount Senior Secured Term Loan Facility due March 19, 2019. The Term Loan was issued with an original issue discount at 98.5% of par and was recorded at its fair value of \$468 million on the accompanying Interim Consolidated Balance Sheet. The net proceeds of this issuance, together with a \$330 million draw-down under our Secured Revolving Credit Facility and approximately \$52 million of cash on hand, were used to redeem \$510 million aggregate principal amount of the U.S. dollar-denominated 9.5% Senior Notes due October 2015, €203 million aggregate principal amount of the euro-denominated 8 5/8% Senior Notes due October 2015, and pay related call premiums of \$36 million and accrued interest of \$31 million. The 2019 Term Loan was fully repaid on March 12, 2013.

### *Secured Revolving Credit Facility*

On April 27, 2012, NXP B.V. and NXP Funding LLC concluded the Secured Revolving Credit Facility under which it borrowed \$330 million to settle and close its existing revolving credit facility (the “Initial Secured Revolving Credit Facility”). It subsequently reduced its outstanding drawings to \$230 million as of December 31, 2012.

On October 24, 2012, NXP B.V., NXP Funding LLC and certain participating banks entered into an incremental joinder agreement to increase the borrowing capacity under the Initial Secured Revolving Credit Facility subject to an effective date of October 29, 2012 (the “Incremental Joinder Agreement”, and together with the Initial Secured Revolving Credit Facility, the “Secured Revolving Credit Facility”). The borrowing capacity under the Secured Revolving Credit Facility was increased by €120 million (approximately \$155 million) up to a total amount of €620 million (\$818 million). The Secured Revolving Credit Facility will expire on March 1, 2017 and will be used for general corporate purposes.

### *2013 Super Priority Notes*

During 2012, NXP B.V. and NXP Funding LLC redeemed all euro-denominated 2013 Super Priority Notes, which had an aggregate principal amount of €29 million and all U.S. dollar-denominated 2013 Super Priority Notes, which had an aggregate principal amount of \$221 million.

*First 2020 Term Loan*

On December 10, 2012, our subsidiary, NXP B.V. together with NXP Funding LLC entered into a new \$500 million aggregate principal amount Senior Secured Term Loan Facility due January 11, 2020 ( the "First 2020 Term Loan"). The First 2020 Term Loan was issued with an original issue discount at 99.5% of par and was recorded at its fair value of \$498 million on the accompanying Consolidated Balance Sheet. The net proceeds of this issuance, together with a \$100 million draw-down under our existing revolving credit facility and approximately \$12 million of cash on hand, were used to settle our tender offer for \$500 million of the U.S. dollar-denominated 9.75% Senior Notes due 2018, and pay related call premiums of \$86 million, accrued interest of \$18 million and debt issuance costs of \$6 million.

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**Cash Flow from Discontinued Operations**

Net cash used for discontinued operations in 2012 was \$45 million reflecting a payment of \$45 million to Dover Corporation related to outstanding commitments on the sale of the Sound Solution business.

**Debt Position**

**Short-term Debt**

In 2014, our short-term debt of \$20 million included other short-term bank borrowings of \$8 million, related to a local bank loan in China.

In 2013, our short-term debt of \$40 million included other short-term bank borrowings of \$24 million, related to a local bank loan in China.

**Long-term Debt**

As of December 31, 2014, we had outstanding debt of:

(\$ in millions)	December 31, 2013	Accrual of Debt Discount	Debt Exchanges/ Repurchases/ New Borrowings	Other <sup>(9)</sup>	December 31, 2014
U.S. dollar-denominated secured term credit agreement due March 2017 <sup>(1)</sup>	—		395	(4)	391
U.S. dollar-denominated secured term credit agreement due April 2017 <sup>(2)</sup>	480		(480)		—
U.S. dollar-denominated secured term credit agreement due April 2020 <sup>(3)</sup>	394		(4)		390
U.S. dollar-denominated 3.5% senior unsecured notes due September 2016 <sup>(4)</sup>	500				500
U.S. dollar-denominated 3.75% senior unsecured notes due June 2018 <sup>(5)</sup>	750				750
U.S. dollar-denominated 5.75% senior unsecured notes due February 2021 <sup>(6)</sup>	500				500
U.S. dollar-denominated 5.75% senior unsecured notes due March 2023 <sup>(7)</sup>	500				500
U.S. dollar-denominated 1.00% cash convertible senior notes due December 2019 <sup>(8)</sup>	—	(205)	1,150		945
	<u>3,124</u>	<u>(205)</u>	<u>1,061</u>	<u>(4)</u>	<u>3,976</u>
Secured Revolving Credit Facility	150		(150)		—
Other long-term debt	7			(4)	3
<b>Total long-term debt</b>	<b><u>3,281</u></b>	<b><u>(205)</u></b>	<b><u>911</u></b>	<b><u>(8)</u></b>	<b><u>3,979</u></b>

(1) On February 18, 2014, we entered into a new 2017 Term Loan for an aggregate principal amount of \$400 million at a rate of interest of LIBOR plus 2% with a floor of 0.75%.

(2) On March 4, 2011, we entered into the First 2017 Term Loan for an initial principal amount of \$500 million at a rate of interest of LIBOR plus 3.25% with a floor of 1.25%.

(3) On November 27, 2013, we entered into the 2020 Term Loan for an initial principal amount of \$400 million at a rate of interest of LIBOR plus 2.5% with a floor of 0.75%.

(4) On September 24, 2013, we issued \$500 million aggregate principal amount of 3.5% Senior Unsecured Notes due 2016.

(5) On May 20, 2013, we issued \$750 million aggregate principal amount of 3.75% Senior Unsecured Notes due 2018.

(6) On February 14, 2013, we issued \$500 million aggregate principal amount of 5.75% Senior Unsecured Notes due 2021.

(7) On March 15, 2013, we issued \$500 million aggregate principal amount of 5.75% Senior Unsecured Notes due 2023.

(8) On November 24, 2014, we issued \$1,150 million aggregate principal amount of 1.00% Cash Convertible Senior Notes due 2019.

(9) Other mainly concerns the reclassification of the current portion of long-term debt.

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. See the discussion in the “Recent Developments” section in Part I, Item 5A. *Operating Results* and Part II, Item 10C. *Material Contracts*.

**Certain Terms of the 2019 Cash Convertible Senior Notes**

We have issued \$1,150 million aggregate principal amount of 2019 Cash Convertible Senior Notes, which bear interest at 1.00% per annum and mature on December 1, 2019, unless earlier converted, repurchased or redeemed. The 2019 Cash Convertible Senior Notes pay interest on June 1 and December 1 of each year, beginning on June 1, 2015. The 2019 Cash Convertible Senior Notes are senior unsecured obligations of NXP Semiconductor N.V. and will be settled solely in cash upon conversion. We may not redeem the 2019 Cash Convertible Senior Notes prior to their maturity date other than following the occurrence of certain tax law changes as set forth in the indenture governing the 2019 Cash Convertible Senior Notes (the “Convertible Notes Indenture”). Upon the

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occurrence of certain events which constitute a “fundamental change” under the Convertible Notes Indenture, such as certain change of control, the holders of 2019 Cash Convertible Senior Notes may require us to repurchase for cash all or part of their 2019 Cash Convertible Senior Notes at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest.

Prior to September 1, 2019, holders may convert their 2019 Cash Convertible Senior Notes only upon satisfaction of certain conditions specified in the Convertible Notes Indentures. On or after September 1, 2019 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may, at their option, convert their 2019 Cash Convertible Senior Notes solely into cash at any time.

Upon conversion, in lieu of receiving any shares of our common stock, a holder will receive, per \$1,000 principal amount of 2019 Cash Convertible Senior Notes being converted, an amount in cash equal to the settlement amount, determined as described in the Convertible Notes Indenture. The conversion rate will initially be 9.7236 shares of our common stock per \$1,000 principal amount (equivalent to an initial conversion price of approximately \$102.84 per share). The conversion rate for the 2019 Cash Convertible Senior Notes is subject to customary anti-dilution adjustments and will also be adjusted for any fundamental change or tax redemption, each as described in the Convertible Notes Indenture.

Concurrently with the issuance of the 2019 Cash Convertible Senior Notes, we entered into cash convertible note hedge and warrant transactions. For further information on the cash convertible note hedge and warrant transactions, please see “—Financial Instruments.”

### ***Certain Terms and Covenants of the Term Loans and Secured Revolving Credit Facility***

The Term Loans are fully and unconditionally guaranteed jointly and severally, on a senior secured basis by certain of our current and future material wholly owned subsidiaries.

Pursuant to various security documents related to the Term Loans and the Secured Revolving Credit Facility, we have granted liens and security interests over substantially all of our assets, including the assets of our material wholly owned subsidiaries.

### ***Cash Convertible Note Hedge Transactions and Warrant Transactions***

On November 24, 2014 and November 25, 2014, in connection with our issuances of the 2019 Cash Convertible Senior Notes, we entered into cash convertible note hedge transactions with affiliates of the initial purchasers of the 2019 Cash Convertible Senior Notes (in such capacity, the “Option Counterparties”) to offset any cash payment we are required to make in excess of the principal amount of the 2019 Cash Convertible Senior Notes.

In these transactions, we paid approximately \$208 million for call options relating to, subject to customary anti-dilution adjustments, approximately 11.18 million shares of NXP’s common stock (which is equal to the number of shares that initially underlie the 2019 Cash Convertible Senior Notes), with a strike price of approximately \$102.84 per share. The Option Counterparties or their respective affiliates may enter into, or unwind, various over-the-counter derivatives and/or purchase or sell our common stock in open market and/or privately negotiated transactions prior to maturity of the 2019 Cash Convertible Senior Notes, including during any observation period for the settlement of conversions of the 2019 Cash Convertible Senior Notes, or upon any repurchase of the 2019 Cash Convertible Senior Notes by us, which could adversely impact the price of our common stock and of the 2019 Cash Convertible Senior Notes.

Separately, we sold warrants to the Option Counterparties for \$134 million giving them the right to purchase from us, subject to customary anti-dilution adjustments, approximately 11.18 million shares of NXP’s common stock, with a strike price of \$133.32 per share. The warrants will have a dilutive effect with respect to our common stock to the extent that the market price per share of our common stock exceeds the strike price of the warrants on or prior to the expiration date of the warrants.

### ***Critical Accounting Estimates***

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.

The 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 are as follows: Inventories, Goodwill, Impairment or disposal of identified intangible assets and tangible fixed assets, Revenue recognition, Income taxes, Postretirement benefits, Share-based compensation and Litigation and claims.

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.

*C. Research and Development, Patents and Licenses, etc.*

**Research and Development**

We believe that our future success depends on our ability to both improve our existing products and to develop new products for both existing and new markets. We direct our research and development efforts largely to the development of new High Performance Mixed Signal semiconductor solutions where we see significant opportunities for growth. We target applications that require stringent overall system and subsystem performance. As new and challenging applications proliferate, we believe that many of these applications will benefit from our solutions. We have assembled a team of highly skilled semiconductor and embedded software design engineers with expertise in RF, analog, power management, interface, security and digital processing. As of December 31, 2014, we had approximately 3,447 employees in research and development, of which approximately 3,142 support our High Performance Mixed Signal businesses and approximately 305 support our Standard Products businesses. Our engineering design teams are located in India (Bangalore), China (Shanghai, Beijing), the United States (San Jose, Chandler), France (Caen, Suresnes), Germany (Hamburg, Dresden), Austria (Grafkorn), the Netherlands (Nijmegen, Eindhoven), Hong Kong, Singapore, the United Kingdom (Manchester, Sheffield), Switzerland (Zurich) and Belgium (Leuven). Our research and development expenses were \$763 million in 2014 (of which 87% related to our High Performance Mixed Signal businesses) and \$639 million in 2013.

To outpace market growth we invest in research and development to extend or create leading market positions, with an emphasis on fast growing sizable market segments, such as identification and smart mobile, and emerging markets, such as the Internet of Things and automotive solid state lighting. 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.

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

**Intellectual Property**

The creation and use of intellectual property is a key aspect of our strategy to differentiate ourselves in the marketplace. We seek to protect our proprietary technologies by obtaining patents, trademarks, domain names, 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 9,000 patents and patent applications, as well as our access via royalty-free licenses to a significant number of patents held by Philips, give us the benefit of a large patent portfolio 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.

We have engaged in licensing, selling 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 but the program has been further developed and is well underway.

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

In addition to our own patents and trade secrets, we have entered into licensing, broad-scope cross licensing and other agreements authorizing us to use patents, trade secrets, confidential technical information, software and related technology owned by third parties and/or operate within the scope of patents owned by third parties. We are party to technology partnerships, with universities across the world, particularly in Europe, China, Singapore and India, with application and infrastructure owners.

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

#### **D. Trend Information**

Within the overall umbrella of Secure Connections for a Smarter World, NXP addresses four key macro growth trends: Intelligent Devices, Mobility, Hyper-connectivity and Security, that drive applications such as the Connected Car, Portable & Wearable and the Internet of Things, with Security being a requirement across all applications. Our innovative solutions are used in a wide range of applications. Many electronic payment and government ID services are enabled by our secure identification solutions and with the transition of those services to new form factors in secure connected devices, there is strong market demand for embedded security solutions such as mobile payment, cyber-security and authentication. Fast innovation in smart phones & tablets

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drives demand for our secure interface and power solutions while always-on requirements in secure connected devices further drive demand for our advanced mobile audio, sensing and connectivity solutions, with advanced magnetic induction radios for implantable medical devices such as hearing aids as an example. Cities, buildings and industrial production systems all want to become smart, connected and secure; they provide fertile new markets for our smart grid, intelligent logistics and industrial security solutions. Our new high-performance RF power amplifier products allow wireless network operators to expand network capacity with fewer base stations. The automotive industry brings fast trends in advanced driver assistance, seamless consumer electronics experience and energy efficiency, and we respond to those by delivering solutions for secure car access, car entertainment and in-vehicle networking. In addition, we leverage our core competencies to innovate in the transition to highly and eventually fully automated cars with ground breaking solutions in secure vehicle-to-infrastructure & vehicle-to-vehicle and radar.

We believe that we are strategically positioned to capture rapid growth in emerging markets through our strong position in Asia Pacific (excluding Japan), which represented 68% of our revenue in 2014, compared to 64% of our revenue in 2013. In particular, Greater China represented 51% of our revenue in 2014, compared to 45% of our revenue in 2013.

### E. Off-balance Sheet Arrangements

As of December 31, 2014, we had no off-balance sheet arrangements.

### F. Tabular Disclosure of Contractual Obligations

Presented below is a summary of our contractual obligations as at December 31, 2014

(\$ in millions)	Total	2015	2016	2017	2018	2019	2020 and thereafter
Long-term debt	3,042	11	508 <sup>(1)</sup>	391 <sup>(2)</sup>	754 <sup>(3)</sup>	3	1,375 <sup>(4)</sup>
2019 Cash Convertible Senior Notes (5)	945	—	—	—	—	945	—
Capital lease obligations	4	1	2	1	—	—	—
Short-term debt	8	8	—	—	—	—	—
Operating leases	130	42	27	14	12	13	22
Interest on the notes (6)	690	140	134	113	97	81	125
Software licences (7)	49	19	16	14	—	—	—
Long-term purchase contracts	336	127	172	25	6	6	—
Total contractual cash obligations (6)(8)	5,204	348	859	558	869	1,048	1,522

- (1) On September 24, 2013, we issued \$500 million aggregate principal amount of 3.5% Senior Unsecured Notes due 2016.
- (2) On February 18, 2014, we entered into a new 2017 Term Loan with an initial principal amount of \$400 million at a rate of interest of LIBOR plus 2% with a floor of 0.75%.
- (3) On May 20, 2013, we issued \$750 million aggregate principal amount of 3.75% Senior Unsecured Notes due 2018.
- (4) On November 27, 2013, we entered into a new \$400 million aggregate principal amount senior secured term loan facility due January 11, 2020 at a rate of interest of LIBOR plus 2.5% with a floor of 0.75%. On February 14, 2013, we issued \$500 million aggregate principal amount of 5.75% Senior Unsecured Notes due 2021 and on March 15, 2013, we issued \$500 million aggregate principal amount of 5.75% Senior Unsecured Notes due 2023.
- (5) On November 24, 2014, we issued \$1,150 million aggregate principal amount of 1.00% Cash Convertible Senior Notes due 2019.
- (6) The interest on the notes was determined on the basis of LIBOR interest rates for floating rate instruments and on the basis of contractual agreed interest rates for other debt instruments.
- (7) As of December 31, 2014, we had \$49 million of non-cancellable license obligations for software.
- (8) 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 \$1.3285 per €1.00, in effect at December 31, 2014. As a result, the actual payments will vary based on any change in exchange rate.

Our debt instruments had accrued interest of \$28 million as of December 31, 2014 (December 31, 2013: \$27 million).

In addition to the above obligations, we enter into a variety of agreements in the normal course of business, containing provisions that certain penalties may be charged if we do not fulfill our commitments. It is not possible to predict with certainty the maximum potential amount of future payments under these or similar provisions due to the conditional nature of our obligations and the unique facts and circumstances involved in each particular case. Historically, payments pursuant to such provisions have not been material and we believe that any future payments required pursuant to such provisions would not have a material adverse effect on our consolidated financial condition. However, such payments may be material to our consolidated statement of operations for a specific period.

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 funded pension plans will be \$59 million in 2015, consisting of \$4 million in employer contributions to defined-benefit pension plans and \$55 million in employer contributions to defined-contribution pension plans and multi-employer plans. The expected cash outflows in 2015 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.

### **G. Safe Harbor**

This Annual Report includes forward-looking statements. When used in this Annual Report, the words “anticipate”, “believe”, “estimate”, “forecast”, “expect”, “intend”, “plan” and “project” and similar expressions, as they relate to us, our management or third parties, identify forward-looking statements. Forward-looking statements include statements regarding our business strategy, financial condition, results of operations and market data, as well as any other statements that are not historical facts. These statements reflect beliefs of our management, as well as assumptions made by our management and information currently available to us. Although we believe that these beliefs and assumptions are reasonable, these statements are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. These factors, risks and uncertainties expressly qualify all subsequent oral and written forward-looking statements attributable to us or persons acting on our behalf and include, in addition to those listed under Part I, Item 3D. *Risk Factors* and elsewhere in this Report, the following:

- market demand and semiconductor industry conditions;
- our ability to successfully introduce new technologies and products;
- the demand for the goods into which our products are incorporated;
- our ability to generate sufficient cash, raise sufficient capital or refinance our debt at or before maturity to meet both our debt service and research and development and capital investment requirements;
- our ability to accurately estimate demand and match our production capacity accordingly;
- our ability to obtain supplies from third-party producers;
- our access to production from third-party outsourcing partners, and any events that might affect their business or our relationship with them;
- our ability to secure adequate and timely supply of equipment and materials from suppliers;
- our ability to avoid operational problems and product defects and, if such issues were to arise, to rectify them quickly;
- our ability to form strategic partnerships and joint ventures and successfully cooperate with our alliance partners;
- our ability to win competitive bid selection processes;
- our ability to develop products for use in our customers’ equipment and products;
- our ability to successfully hire and retain key management and senior product engineers; and
- our ability to maintain good relationships with our suppliers.

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

In addition, this Report contains information concerning the semiconductor industry and business segments generally, which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which the semiconductor industry, our market and business segments will develop. We have based these assumptions on information currently available to us, including through the market research and industry reports referred to in this Report. Although we believe that this information is reliable, we have not independently verified and cannot guarantee its accuracy or completeness. If any one or more of these assumptions turn out to be incorrect, actual market results may differ from those predicted. While we do not know what impact any such differences may have on our business, if there are such differences, they could have a material adverse effect on our future results of operations and financial condition, and the trading price of our common stock.

### **Item 6. Directors, Senior Management and Employees**

#### **A. Directors and Senior Management**

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

**Board of Directors**

Set forth below are the names, ages and positions as of December 31, 2014, of the persons who serve as members of our board of directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Richard L. Clemmer	63	Executive director, president and chief executive officer
Sir Peter Bonfield	70	Non-executive director and chairman of the board
Johannes P. Huth	54	Non-executive director and vice-chairman of the board
Kenneth A. Goldman	65	Non-executive director
Dr. Marion Helmes	49	Non-executive director
Josef Kaeser	57	Non-executive director
Ian Loring	48	Non-executive director
Eric Meurice	58	Non-executive director
Julie Southern	55	Non-executive director
Rick Tsai	63	Non-executive director

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- **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 was the President and CEO of Agere Systems, served as Chairman of u-Nav Microelectronics Corporation, 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 board of NCR Corporation.
- **Sir Peter Bonfield CBE FREng (1944, British).** Sir Peter has been appointed as a non-executive director and as the chairman of our board of directors in August 2010. 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 Global Logic Inc. Sir Peter is Chair of Council and Senior Pro-Chancellor at Loughborough University, Senior Advisor to N M Rothschild in London and Board Mentor at CMi in Belgium. He is also Advisor to Longreach LLP in Hong Kong and NVP LLP in New Jersey.
- **Johannes P. Huth (1960, German).** Mr. Huth has been appointed as a non-executive director and vice-chairman of our board of directors in August 2010. Prior to that, Mr. Huth was a member and chairman of our supervisory board and a member and vice-chairman of NXP B.V.'s supervisory board from September 29, 2006. Mr. Huth joined Kohlberg Kravis Roberts & Co. LLP in May 1999 and is a Member of KKR and Head of KKR's operations in Europe, the Middle East and Africa. He is also a member of the Firm's Management Committee and several of the Firm's Investment Committees. Prior to joining KKR, he was a member of the Management Committee of Investcorp and jointly responsible for Investcorp's operations in Europe. From 1986 to 1991, he worked at Salomon Brothers, where he was a Vice President in the Mergers and Acquisitions departments in London and New York. Mr. Huth currently is also a Member of the Supervisory Board of Kion, Chairman of the Supervisory Board of WMF, member of the Board of Hertha KGaA, and member of the Supervisory Board of GEG German Estate Group AG. He is the Chairman of the Trustees of Impetus – Private Equity Foundation, a charitable organization set up by the Private Equity industry focused on providing support to charities involved with young people not in education, employment or training. He is Vice-Chair of the Board of Trustees of the Design Museum, trustee of the Staedel Museum in Frankfurt, a governor of the London School of Economics and trustee of The Education Endowment Foundation. He is a Visiting Fellow of Oxford University and a Fellow of the Royal Society of Arts. He earned a BSc with Highest Honors from the London School of Economics and an MBA from the University of Chicago.
- **Kenneth A. Goldman (1949, American).** Mr. Goldman has been appointed as a non-executive director of our board of directors effective August 6, 2010. Mr. Goldman is chief financial officer of Yahoo!, Inc responsible for Yahoo!'s global finance functions including financial planning and analysis, controllership, tax, treasury and investor relations since October 2012. Prior to that, Mr. Goldman served as senior vice president, finance and administration, and chief financial officer of Fortinet, Inc, a provider of unified threat management solutions, from September 2007 to September 2012. From November 2006 to August 2007, Mr. Goldman served as executive vice president and chief financial officer of Dexterra, Inc. From August 2000 until March 2006, Mr. Goldman served as senior vice president, finance and administration, and chief financial officer of Siebel Systems, Inc., and from December 1999 to December 2003, Mr. Goldman served on the Financial Accounting Standards Board's primary advisory group. Mr. Goldman also serves on the board of directors of Gigamon, Yahoo! Japan, Trinet, GoPro, Inc. and several private companies. Mr. Goldman was a member of board of trustees of Cornell University from 2005 to 2013 and was designated as Emeritus Trustee. He was formerly a member of the Treasury Advisory Committee on the Auditing Profession, a public committee that made recommendations in September 2008 to encourage a more sustainable auditing profession. Mr. Goldman holds a B.S. in Electrical Engineering from Cornell University and an M.B.A. from the Harvard Business School.
- **Dr. Marion Helmes (1965, German).** Dr. Helmes has been appointed a non-executive director of our board of directors in October 2013. Dr. Helmes was the Speaker of the Management Board of Celesio AG until July 2014; in addition she was CFO of Celesio from January 2012 until July 2014. Prior to joining Celesio, she was member of the board of management and CFO of Q-Cells SE and from 1997 until 2010 she held various management roles at ThyssenKrupp, including CFO of ThyssenKrupp Stainless and CFO of ThyssenKrupp Elevator. Dr. Helmes is currently also non-executive director and member of the audit and finance committee of ProSiebenSat1 Media AG and member of the Central Advisory Board of Commerzbank AG.
- **Josef Kaeser (1957, German).** Mr. Kaeser has been appointed as a non-executive director of our board of directors effective September 1, 2010. Mr. Kaeser is the president and chief executive officer of Siemens AG since August 2013. Prior to this, from May 2006 to August 2013, he was executive vice president and chief financial officer of Siemens AG. From 2004 to 2006, Mr. Kaeser served as chief strategy officer for Siemens AG and as the chief financial officer for the mobile communications group from 2001 to 2004. Mr. Kaeser has additionally held various other positions within the Siemens group since he joined Siemens in 1980. Mr. Kaeser also serves on the managing board of Siemens AG and the board of directors of Siemens Ltd., India, Daimler AG and Allianz Deutschland AG.
- **Ian Loring (1966, American).** Mr. Loring has been appointed a non-executive director of our board of directors in August 2010. Mr. Loring became a member of our supervisory board and the supervisory board of NXP B.V. on September 29, 2006

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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 The Weather Company, iHeart Media (formerly Clear Channel Communication Inc.), BMC Software, Inc. and Viewpoint, Inc.

- **Eric Meurice (1956, France).** Mr. Meurice has been appointed as a non-executive director of the board of directors effective April 1, 2014. Mr. Meurice was the CEO and Chairman of the management board of ASML Holding NV (The Netherlands), a leading provider of manufacturing equipment and technology to the semiconductor industry from 2004 to 2013. Under his watch, ASML became the largest Lithography vendor in the world, leading to a significant equity investment and funding commitment by its customers. Before joining ASML, he was Executive Vice President of Thomson Television, where he completed the merger of his division with TCL Corporation, one of the largest Chinese consumer electronics company. Before 2001, he served as head of Dell Computers' Western, Eastern Europe and EMEA emerging market businesses. He gained extensive technology experience in the semiconductor industry between 1984 and 1994, first at Intel, in the micro-controller group, and then at ITT Semiconductors, a provider then of digital video and audio DSP integrated circuits. Mr. Meurice is an independent director of IPG Photonics, a US based Laser supplier, since June 2014. He served on the board of Verigy LTD (former HP test division), until its acquisition by Advantest in 2011. From July 1, 2013 to April 1, 2014 he was non-executive director of ARM Holdings plc (UK, semiconductor intellectual property supplier).
- **Ms. Julie Southern (1959, British).** Ms. Southern has been appointed a non-executive director of our board of directors in October 2013. She was with Virgin Atlantic Limited (UK) from 2000 to May 2013. From 2010 to 2013 Ms. Southern was chief commercial officer and from 2000 to 2010 she was chief financial officer of Virgin Atlantic. Prior to joining Virgin Atlantic, she was group finance director at Porsche Cars Great Britain and finance and operations director at W H Smith – H J Chapman & Co Ltd. Prior to that, she was chartered accountant at Price Waterhouse Coopers. Since July 2014, Ms. Southern also serves as a non-executive director and Chair of the Audit Committee for Rentokil-Initial Plc.
- **Dr. Rick Tsai (1951, Taiwan/Republic of China).** Dr. Tsai has been appointed as a non-executive director of our board of directors effective July 1, 2014. Dr. Tsai is Chairman and Chief Executive Officer of Chunghwa Telecom Co., Ltd., integrated telecom service provider in Taiwan as of January 28, 2014. Prior to joining Chunghwa Telecom, Dr. Tsai served as the Chairman and Chief Executive Officer of TSMC Solar and TSMC: Solid State Lighting from 2011 to 2014. From 2001 to 2011, he held the following successive positions in TSMC: President and Chief Operation Officer, President and Chief Executive Officer and President of New Business. Prior to joining TSMC, Dr. Tsai was based in the United States and worked for Hewlett-Packard for several years. He holds a Ph.D. in material science from Cornell University.

## Management Team

Set forth below are the names, ages as of December 31, 2014, and positions of the executive officers who together with our chief executive officer, Mr. Clemmer, constitute our management team.

Name	Age	Position
Richard L. Clemmer	63	Executive director, president and chief executive officer
Guido Dierick	55	Executive vice president and general counsel
Loh Kin Wah	60	Executive vice president sales & marketing
Peter Kelly	57	Executive vice president and chief financial officer
Robert Rigby-Hall	49	Executive vice president and chief human resources officer
Sean Hunkler	52	Executive vice president and general manager of operations
Ruediger Stroh	52	Executive vice president and general manager HPMS Identification
Frans Scheper	52	Executive vice president and general manager Standard Products
Kurt Sievers	45	Executive vice president and general manager HPMS Automotive
Hai Wang	54	Executive vice president of R&D
Steve Owen	54	Executive vice president sales & marketing

- **Guido Dierick (1959, Dutch).** Mr. Dierick is executive 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.
- **Loh Kin Wah (1954, Malaysian).** Mr. Loh Kin Wah is executive vice president, member of the management team, responsible for the RF Power business. Mr. Loh joined NXP in October, 2011 and was responsible for sales and marketing in the period 2011 – 2014: for much of 2014 he was co-lead along with Steve Owen. He previously was the President and CEO of Qimonda AG following its spin-out from Infineon Technologies AG. Prior to this appointment, he was a member of the Infineon AG Executive Management Board responsible for the Communication Business Group and subsequently the Memories Product

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Group. Mr. Loh has held a series of management positions within Infineon AG and its parent company Siemens AG, both in Europe and Asia.

- **Peter Kelly (1957, American).** Mr. Kelly is executive vice president and chief financial officer of NXP and a member of the management team. He joined NXP in March, 2011, sharing responsibility with Mr. Belden for managing our overall operations, and since July 2012 he is CFO. Mr. Kelly has over 30 years of applicable experience in the global technology industry and has extensive financial expertise having worked in financial management positions in several other companies, including as CFO of UGI Corp. and Agere Systems Inc. Mr. Kelly also serves on the board of Plexus, Corp.
- **Robert Rigby-Hall (1965, British).** Mr. Rigby-Hall is executive vice president, chief human resources officer and member of the management team since August, 2011. Previously, Mr. Rigby-Hall was chief HR officer of LexisNexis, a global provider of information and technology solutions, that is part of Anglo-Dutch group Reed Elsevier.
- **Sean Hunkler (1962, American).** Mr. Hunkler is executive vice president, general manager of operations and a member of the management team. Mr. Hunkler joined NXP in July, 2012 with more than 28 years of experience in the semiconductor and materials industries in the US and Asia, including leading roles in internal and external manufacturing operations for MEMC and Freescale. Previously, Mr. Hunkler also served as a non-executive director on the board of SMIC and is a founding trustee of the Virginia Commonwealth University Engineering Foundation Board.
- **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 in May, 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 executive vice president and general manager for the Standard Products business since November, 2009, and has been a member of the management team since January, 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 executive 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.
- **Hai Wang (1960, American).** Dr. Wang is executive vice president of R&D, leads the NXP R&D leadership team and is a member of our management team. He joined NXP as senior vice president, global external manufacturing in operations in July 2010. Mr. Wang has more than 24 years of experience in the semiconductor industry, where his management experience spans from IC design, technology R&D, front end & back end operations, sourcing, marketing and IP licensing. Prior to joining NXP, he held senior executive positions at companies as LSI Corporation, Agere Systems and Flextronics Semiconductors. He was co-founder and CEO of start-up MiraWave, Inc. Mr. Wang started his career at National Semiconductor as a technology R&D engineer.
- **Steve Owen (1960, British),** Mr. Owen is executive vice president, global sales & marketing and member of the management team. He has extensive experience in developing business internationally and served in various marketing and sales leadership positions at NXP and Philips since 1998.

### **B. Compensation**

In accordance with Dutch law, our stockholders have adopted a compensation policy for the board of directors. The remuneration of the non-executive directors has been resolved upon by our stockholders at a stockholder meeting at the proposal of our board of directors, prior to the consummation of the initial public offering in August 2010. The remuneration of our executive directors is resolved upon by our board of directors, with due observance of our compensation policy. Our chief executive officer is our only executive director. 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. To the extent the stockholders at a future stockholder meeting do not adopt the proposal of the board, the board must prepare a new proposal. After adoption of a proposal, only subsequent amendments will require stockholder approval. Furthermore, any proposed share or option-based director compensation (including any performance conditions relating to such compensation) must be submitted by our board to the general meeting of stockholders for its approval, detailing the number of shares or options over shares that may be awarded to the directors and the criteria that apply to such award or any modification of such rights. Prior to the consummation of the initial public offering in August 2010, our stockholders have approved such equity-based director compensation.

### **Compensation Policy and Objectives**

The objective in establishing the compensation policies for our chief executive officer, the other members of our management team and our other executives, will be to provide a compensation package that is aligned with our strategic goals and that enables us to attract, motivate and retain highly qualified professionals who will provide leadership for NXP's success in dynamic and competitive markets. NXP seeks to accomplish this goal in a way that rewards performance and is aligned with its shareholders' long-term interests. We believe that the best way to achieve this is by linking executive compensation to individual performance

targets, on the one hand, and to NXP's performance, on the other hand. Our executive compensation package will therefore include a significant variable part, consisting of an annual cash incentive, shares and stock options. Executive performance targets will be determined annually, at the beginning of the year, and assessed at the end of the year by, respectively, our nominating and compensation committee, our executive officers or the other members of our management team. The compensation package for our chief executive officer, the other members of our management team and our NXP executives is benchmarked on a regular basis against other companies in the high-tech and semiconductors industry.

#### **Base Salary**

We currently pay our chief executive officer an annual base salary of €1,142,000, the chairman of our board of directors an annual fixed fee of €275,000 and the other members of our board of directors an annual fixed fee of \$85,000 gross. Members of our Audit Committee and the Nominating & Compensation Committee receive an additional annual fixed fee of \$6,000 gross and the chairmen of both committees receive an additional annual fixed fee of \$10,000 and \$8,000 gross, respectively. For the year ended December 31, 2014, the current and former members of our management team as a group (in total 14 members) received a total aggregate compensation of €8,233,052, compared to a total aggregate compensation of €7,974,976 (in total 13 members) in 2013.

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. Non-executive directors of our board do not have a contract of employment.

#### **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 is set at 75% of the base salary, with the maximum cash incentive set at 150% 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 2014, an amount of €1,575,960 has been paid to our chief executive officer as annual incentive bonus for our performance in 2013. The total annual incentive bonus amount paid in 2014 to members of our management team, including our chief executive officer, is €5,047,102. In 2013, an amount of €4,002,021 has been paid to members of our management team, including our chief executive officer.

#### **Share Based Compensation Plans**

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

In the period from 2007 until our initial public offering in August 2010, we granted stock options to the members of our management team and to approximately 135 of our other executives under the Management Equity Stock Option Plan ("MEP"). Under the MEP, the participants acquired the right to purchase a certain number of shares of common stock at a predetermined exercise price, provided that certain conditions are met. The stock options ("MEP Options") have a vesting schedule as specified upon the grant to the individuals. Pursuant to our MEP, members of our management team and certain other executives will be allowed to exercise, from time to time, their vested MEP Options. The MEP Options became fully exercisable upon the Private Equity Consortium ceasing to hold 30% of our shares of common stock which was the case following the consummation of the secondary offering of shares on September 18, 2013. Current employees owning MEP Options may exercise such MEP Options during the period of five years as of September 18, 2013, subject to these employees remaining employed by us and subject to the applicable laws and regulations. As of December 31, 2014, a total of 2,916,205 MEP Options were granted and outstanding to a group of 20 (current) NXP executives (which includes our chief executive officer and other members of the management team). These MEP Options can be exercised at exercise prices which vary from €2.00 to €40.00 per stock option.

In November 2010 and 2011, and in October 2012, 2013 and 2014 we introduced Long Term Incentive Plans 2010, 2011, 2012, 2013 and 2014 respectively, under which performance stock, restricted stock and stock options may be granted to the members of our board of directors, management team, our other executives, selected other key employees/talents of NXP and selected new hires. Under these Long Term Incentive Plans, equity incentives may be granted on, or the day after, the dates NXP publishes its quarterly financials, beginning on November 2, 2010, November 1, 2011, October 25, 2012, October 24, 2013 and October 23, 2014, respectively. Performance stock and restricted stock vest over a period of one to four years, subject to relevant performance criteria relating to operating income being met, and stock options vest over four years. The size of the annual equity pool available for Long Term Incentive Plan 2010 awards from November 2, 2010 up to the fourth quarter of 2011 was for an aggregate of up to 7,200,000 common shares in our share capital. On December 31, 2014, grants to 228 participants were outstanding, in total representing some 865,017 shares of common stock, consisting of 865,017 stock options.

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The size of the annual equity pool available for Long Term Incentive Plan 2011 awards from November 1, 2011 up to the fourth quarter of 2012 was for an aggregate of up to 8.6 million (including 1.4 million which remained from the 2010 LTIP pool) common shares in our share capital. On December 31, 2014, grants to 611 participants were outstanding, in total representing 2,735,020 shares of common stock, consisting of 534,311 performance stock units, 96,460 restricted stock units and 2,104,249 stock options.

The size of the annual equity pool available for Long Term Incentive Plan 2012 awards from October 25, 2012 up to the fourth quarter of 2013 was for an aggregate of up to 9.3 million (including 2.1 million which remained from the 2011 LTIP pool) common shares in our share capital. On December 31, 2014, grants to 1,003 participants were outstanding, in total representing 5,136,389 shares of common stock, consisting of 1,833,835 performance stock units, 554,816 restricted stock units and 2,747,738 stock options.

The size of the annual equity pool available for Long Term Incentive Plan 2013 awards from October 24, 2013 up to the fourth quarter of 2014 is for an aggregate of up to 6.7 million (including 0.4 million which remained from the 2012 LTIP pool) common shares in our share capital. On December 31, 2014, grants to 1,533 participants were outstanding, in total representing 3,453,447 shares of common stock, consisting of 598,462 performance stock units, 1,433,170 restricted stock units and 1,421,815 stock options.

The size of the annual equity pool available for Long Term Incentive Plan 2014 awards from October 23, 2014 up to the fourth quarter of 2015 is for an aggregate of up to 7.5 million (including 2.2 million which remained from the 2013 LTIP pool) common share in our share capital. On December 31, 2014 grants to 2,414 participants were outstanding, in total representing 2,590,477 shares of common stock, consisting of 307,735 performance stock units, 1,473,561 restricted stock units and 809,181 stock options.

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

As of December 31, 2014, the following stock options, restricted stock, performance stock and shares of common stock were outstanding with members of our board of directors:

**Richard L. Clemmer, CEO and president**

As of December 31, 2014, our chief executive officer held 292,200 shares and had been granted the following (vested and unvested) stock options and (unvested) performance stock units, which were outstanding:

Series	Number of Stock Options	Exercise Price (in \$)	Number of Stock Options per vesting schedule			
			10/23/15	10/23/16	10/23/17	10/23/18
2014/October	161,675	64.18	40,418	40,419	40,419	40,419

Series	Number of Stock Options	Exercise Price (in \$)	Stock Options Vested	Stock Options per vesting schedule		
				10/24/15	10/24/16	10/24/17
2013/October	344,635	39.58	86,158	86,159	86,159	86,159

Series	Number of Stock Options	Exercise Price (in \$)	Stock Options Vested	Stock Options per vesting schedule	
				10/25/15	10/25/16
2012/October	410,000	23.49	205,000	102,500	102,500

Series	Number of Stock Options	Exercise Price (in \$)	Stock options Vested	Stock Options per vesting schedule	
				11/01/15	102,500
2011/November	410,000	16.84	307,500		

Series	Number of Stock Options (all vested)	Exercise Price (in \$)
2010/November	360,252	13.27

Series	Number of Stock Options (all vested)	Exercise Price (in €)
2009/1	51,400	2.00
2009/2	1,400,000	15.00
2009/3	234,000	30.00
2009/4	374,252	40.00
<b>Total</b>	<b>2,059,652</b>	

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Series	Number of Performance Stock Units	Number of Performance Stock Units per vesting schedule			
		10/23/15	10/23/16	10/23/17	10/23/18
2014/October	70,116	Maximum 25% of total	Maximum 50% of total	Up to 75% of total	Up to 100% of total

Series	Number of Performance Stock Units	Number of Performance Stock Units per vesting schedule		
		11/1/16	11/1/17	11/1/18
2014/October	50,639	Maximum 1/3 <sup>rd</sup> of total	Maximum 2/3 <sup>rd</sup> of total	Up to 100% of total

Series	Number of Performance Stock Units	Number of Performance Stock Units per vesting schedule		
		10/24/15	10/24/16	10/24/17
2013/October	106,524	Maximum 53,262	Up to 106,524	Up to 106,524

Series	Number of Performance Stock Units	Number of Performance Stock Units per vesting schedule
		03/01/16
2013/March	315,000	315,000

Series	Number of Performance Stock Units	Number of Performance Stock Units per vesting schedule	
		10/24/15	10/24/16
2012/October	100,000	Up to 100,000	Up to 100,000

Series	Number of Performance Stock Units	Number of Performance Stock Units per vesting schedule
		02/09/15
2011/November	100,000	Up to 100,000

**Other members of our board of directors**

As of December 31, 2014, the other members of our board of directors held the following number of shares:

- Sir Peter Bonfield: 25,312 from vested stock units
- Mr. Huth: 98,351 of which 28,351 are from vested stock units
- Mr. Goldman: 28,351 from vested stock units
- Dr. Helmes: 1,685 from vested stock units
- Mr. Kaeser: 25,312 from vested stock units
- Mr. Loring: 28,351 from vested stock units
- Ms. Southern: 1,072 from vested stock units

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To each of Sir Peter Bonfield and Messrs. Huth, Goldman, Kaeser and Loring, all being members of our board of directors, the following restricted stock units had been granted and were outstanding as of December 31, 2014:

Series	<u>Number of Restricted Stock Units</u>	<u>Number of Stock Units per vesting schedule</u>
2014/October	3,117	3,117

Series	<u>Number of Restricted Stock Units</u>	<u>Number of Stock Units per vesting schedule</u>	
		10/24/15	10/24/16
2013/October	3,370	1,685	1,685

Series	<u>Number of Restricted Stock Units</u>	<u>Number of Stock Units per vesting schedule</u>
2012/October	3,334	3,334

To each of Dr. Helmes and Ms. Southern, the following restricted stock units had been granted and were outstanding as of December 31, 2014:

Series	<u>Number of Restricted Stock Units</u>	<u>Number of Stock Units per vesting schedule</u>
2014/October	3,117	3,117

Series	<u>Number of Restricted Stock Units</u>	<u>Number of Stock Units per vesting schedule</u>	
		10/24/15	10/24/16
2013/October	3,370	1,685	1,685

To each of Mr. Meurice and Dr. Tsai, in 2014 being appointed as member of our board of directors, the following restricted stock units had been granted and were outstanding as of December 31, 2014:

Series	<u>Number of Restricted Stock Units</u>	<u>Number of Stock Units per vesting schedule</u>
2014/October	3,117	3,117

## **Pensions**

Our chief executive officer and eligible members of the management team participate in the executives' pension plan, which we set up in the Netherlands and which consists of a combination of a career average and a defined-contribution plan. The plan does not require employee contributions. We paid for our chief executive officer a total pension plan contribution of €589,262 in 2014 (2013: €591,508). We also made a total pension plan contribution in the aggregate of €1,183,695 (2013: €1,160,470) for 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 arrangements do not apply to the non-executive members of our board of directors. These additional arrangements, such as housing 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 the event of our chief executive officer's death while in the service of NXP, any unvested equity awards (including any NXP stock options, performance stock units and restricted stock units) will vest. 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 since 2010, nor were any such loans outstanding as of December 31, 2014.

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

**Summary Compensation Table**

The following table sets forth the annual compensation paid or granted during the year ended December 31, 2014 to the members of our board of directors on an individual basis for services in all capacities.

	<u>Salary and/ or fees</u>	<u>Performance related compensation (€)</u>	<u>Number of stock, stock options and stock units granted</u>	<u>Non-equity incentive plan compensation or benefits in kind (€)</u>	<u>Pension, retirement or similar benefits (€)</u>
Richard L. Clemmer	1,142,000(1)	1,575,960	282,430	1,007,751	589,262
Sir Peter Bonfield	275,000(1)	—	3,117	—	—
	6,000(2)	—	—	—	—
Johannes P. Huth	91,000(2)	—	3,117	—	—
Kenneth A. Goldman	101,000(2)	—	3,117	—	—
Dr. Marion Helmes	91,000(2)	—	3,117	—	—
Josef Kaeser	91,000(2)	—	3,117	—	—
Ian Loring	85,000(2)	—	3,117	—	—
Eric Meurice*	69,914(2)	—	3,117	—	—
Michel Plantevin*	36,438(2)	—	—	—	—
Jean-Pierre Saad*	32,603(2)	—	—	—	—
Julie Southern	91,000(2)	—	3,117	—	—
Rick Tsai*	42,500(2)	—	3,117	—	—
<b>Total:</b>	<b>1,417,000(1)</b> <b>737,455(2)</b>	<b>1,575,960</b>	<b>310,483</b>	<b>1,007,751</b>	<b>589,262</b>

1) in €

2) in \$

\* Mr. Eric Meurice was appointed effective April 1, 2014 and Mr. Rick Tsai was appointed effective July 1, 2014. Mr. Michel Plantevin and Mr. Jean-Pierre Saad resigned as non-executive director of the Company on May 20, 2014.

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The following table sets forth the annual compensation paid or granted during the year ended December 31, 2013 to the members of our board of directors on an individual basis for services in all capacities.

	Salary and/ or fees	Performance related compensation (€)	Number of stock, stock options and stock units granted	Non-equity incentive plan compensation or benefits in kind (€)	Pension, retirement or similar benefits (€)
Richard L. Clemmer	1,142,000(1)	1,044,930	854,421	1,035,596	591,508
Sir Peter Bonfield	275,000(1) 6,000(2)	—	5,055	—	—
Johannes P. Huth	91,000(2)	—	5,055	—	—
Vikram Bhatia*	72,042(2)	—	—	—	—
Nicolas Cattelain*	35,417(2)	—	—	—	—
Egon Durban*	81,458(2)	—	—	—	—
Kenneth A. Goldman	101,000(2)	—	5,055	—	—
Dr. Marion Helmes*	19,716(2)	—	5,055	—	—
Josef Kaeser	91,000(2)	—	5,055	—	—
Ian Loring	85,000(2)	—	5,055	—	—
Michel Plantevin	99,000(2)	—	5,055	—	—
Roy MacKenzie*	81,458(2)	—	—	—	—
Jean-Pierre Saad*	49,583(2)	—	5,055	—	—
Julie Southern*	19,716(2)	—	5,055	—	—
<b>Total:</b>	<b>1,417,000(1)</b> <b>832,390(2)</b>	<b>1,044,930</b>	<b>899,916</b>	<b>1,035,596</b>	<b>591,508</b>

1) in €

2) in \$

\* Mr. Jean-Pierre Saad was appointed to replace Nicolas Cattelain, who resigned as non-executive director of the Company on May 30, 2013. On October 10, 2013, Dr. Marion Helmes and Ms. Julie Southern were appointed as non-executive directors of the Company. On October 10, 2013, Mr. Vikram Bhatia, and on December 13, 2013, Messrs. Egon Durban and Roy MacKenzie, resigned as non-executive directors of the Company.

### C. Board Practices

#### Management Structure

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

#### Powers, Composition and Function

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

The appointment of the directors will be made by our general meeting of stockholders upon a binding nomination of the board of directors. A resolution to appoint a director nominated by the board of directors shall be adopted by a simple majority of the votes cast. The nomination shall state whether the director is proposed to be an executive or non-executive director. The general meeting of stockholders may at all times overrule the binding nature of such a nomination by a resolution adopted by at least a two thirds majority of the votes cast, provided such majority represents more than half of our issued share capital. The board of directors may then make a new nomination. 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.

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

A conflict of interest between the Company and one or more of our directors is not expected to have any impact on the authority of directors to represent the Company. Under our board regulations, a conflict needs to be reported to the board of directors and the board of directors shall resolve on the consequences, if any. Effective per January 1, 2013, Dutch law, in case of a conflict, does not allow the directors concerned to participate in discussions or vote on such matters.

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

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

Our directors are appointed for one year and will be re-electable each year at the general meeting of stockholders. The members of our board of directors may be suspended or dismissed at any time by the general meeting of stockholders. A resolution to suspend or dismiss a director will have to be adopted by at least a two thirds majority of the votes cast, provided such majority represents more than half of our issued share capital and unless the proposal to suspend or dismiss a member of the board of directors is made by the board of directors itself, in which case resolutions shall be adopted by a simple majority of votes cast. Effective per January 1, 2013, Dutch law facilitates the suspension of executive directors by the board.

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

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

### **Board Committees**

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

- **Audit Committee.** Our audit committee consists of four independent non-executive directors, Messrs. Goldman and Kaeser and Dr. Helmes and Ms. Southern. Mr. Goldman, who is appointed as chairman of the audit committee, will qualify as an “audit committee financial expert” as such term is defined in Item 407(d)(5) of Regulation S-K and as determined by our board of directors. Our audit committee will assist the board of directors in supervising, monitoring and advising the board of directors on financial reporting, risk management, compliance with relevant legislation and regulations and our business code of conduct. It will oversee the preparation of our financial statements, our financial reporting process, our system of internal business controls and risk management, our internal and external audit process and our internal and external auditor’s qualifications, independence and performance. Our audit committee also will review our annual and interim financial statements and other public disclosures, prior to publication. At least once per year, the non-executive directors who are part of the audit committee will report their findings to the plenary board of directors. Our audit committee also recommends to our stockholders the appointment of external auditors. The external auditor will attend most meetings of the audit committee. The findings of the external auditor, the audit approach and the risk analysis are also discussed at these meetings.
- **Nominating and Compensation Committee.** Our nominating and compensation committee consists of three non-executive directors, Messrs. Huth, Meurice and Sir Peter Bonfield; all three members are independent directors under the Dutch corporate governance rules and under the NASDAQ and SEC compensation committee structure and membership requirements. Mr. Meurice is appointed as chairman of this committee. The nominating & compensation committee will determine selection criteria and appointment procedures for members of our board of directors, to periodically assess the scope and composition of our board of directors and to evaluate the performance of its individual members. It will be responsible for recommending to the board of directors the compensation package for our executive directors, with due observance of the remuneration policy adopted by the general meeting of stockholders. It will review employment contracts entered into with our executive directors, make recommendations to our board of directors with respect to major employment-related policies and oversee compliance with our employment and compensation-related disclosure obligations under applicable laws.

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

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

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

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

### **D. Employees**

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

	<u>As of December 31,</u>	
	<u>2014</u>	<u>2013</u>
High Performance Mixed Signal	3,344	3,128
Standard Products	1,674	1,864
Corporate and Other:		
Manufacturing Operations	19,335	17,428
Central research and development	721	479
Sales and marketing	702	697
Information technology	343	307
Other shared services	1,753	1,761
Other	12	27
Total	27,884	25,691

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

	<u>As of December 31,</u>	
	<u>2014</u>	<u>2013</u>
Europe and Africa	6,344	6,574
Americas	518	479
Greater China	8,094	7,335
Asia Pacific	12,928	11,303
Total	27,884	25,691

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

### **E. Share Ownership**

Information with respect to share ownership of members of our board of directors is included in Part I, Item 7. *Major Shareholders and Related Party Transactions* and notes 18 and 20 to our Consolidated Financial Statements, which are incorporated herein by reference. Information with respect to the grant of shares and stock options to employees is included in note 9 to our Consolidated Financial Statements which are incorporated herein by reference. In order to maintain a strong alignment between the interests of NXP's management and our shareholders, we have adopted an equity ownership policy for the President/CEO and the other members of our management team. The number of shares to be maintained by the members of our management team increases each time our shares are being delivered upon the vesting of stock options or other rights to our shares. The management team members are required to maintain a certain number of our shares until the time that he or she is no longer employed by us.

**Item 7. Major Shareholders and Related Party Transactions**

**A. Major Shareholders**

The following table shows the amount and percentage of our common stock beneficially owned as of December 31, 2014, December 31, 2013 and December 31, 2012 by (i) each person who is or was known by us to own beneficially more than 5% of our common stock, (ii) each current member of our board of directors, and (iii) all members of the board and named 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, unless otherwise noted, have to our knowledge sole voting and investment power over the shares listed.

As of December 31, 2014, the Cede & Co., a nominee of the Depository Trust Company, was the sole registered owner of our common stock in the United States and held 100% of shares of our common stock.

In 2014, the Private Equity Consortium sold their remaining shares in the Company and as of December 31, 2014 no longer held any common stock in NXP.

	Common Stock Beneficially Owned as of December 31					
	2014		2013		2012	
	Number	%*	Number	%*	Number**	%*
Wellington Management Company, LLP(1)	18,843,170	7.48	28,935,677	11.49	—	—
FMR and FIL(2)	22,796,838	9.05	23,180,919	9.21	—	—
T. Rowe (3)	1,715,115	0.68	18,606,181	7.39	—	—
Richard L. Clemmer	3,410,762	1.36	3,224,174	1.28	1,309,587	0.52
Sir Peter Bonfield	25,312	0.01	43,549	0.02	27,897	0.01
Johannes P. Huth	98,351	0.04	89,999	0.04	79,999	0.03
Kenneth Goldman	28,351	0.011	22,999	0.01	14,999	0.01
Dr. Marion Helmes	1,685	0.001	—	—	—	—
Josef Kaeser	25,312	0.01	19,999	0.01	9,999	0.004
Ian Loring(4)	28,351	0.011	7,764,240	3.08	25,766,790	10.24
Eric Meurice	—	—	—	—	—	—
Julie Southern	1,072	0.001	—	—	—	—
Rick Tsai	—	—	—	—	—	—
All directors and named executive officers as a group(5)	3,619,196	1.44	11,184,959	4.45	27,219,270	10.81

\* Percentage computations are based on 251,751,500 shares of our common stock issued and outstanding as of December 31, 2014, December 31, 2013 and December 31, 2012.

\*\* As of February 7, 2013.

- (1) Wellington Management Company, LLP (“Wellington Management”), in its capacity as investment adviser, may be deemed to beneficially own 18,843,170 shares of our common stock, which are held by its clients and with regard to which Wellington Management has shared voting power and shared dispositive power. Wellington Management’s address is 28 Congress Street, Boston, Massachusetts, 02210, United States.
- (2) FMR LLC and/or Edward C. Johnson 3d, chairman of FMR LLC (collectively, “FMR”), through, among others, Fidelity Management & Research Company “Fidelity”), Strategic Advisers, Inc. (“SA”), Pyramis Global Advisors, LLC (“PGALLC”) and Pyramis Global Advisors Trust Company (“PGATC”), and/or FIL Limited (“FIL”), through, among others, various subsidiaries, are, directly or indirectly, the beneficial owners of 22,796,838 shares of our common stock. The address of Fidelity and SA is 82 Devonshire Street, Boston, Massachusetts 02109, United States. The address of PGALLC and PGATC is 900 Salem Street, Smithfield, Rhode Island 02917, United States. The address of FIL is Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda.
- (3) T.Rowe Rice Associates, inc. (“T.Rowe”), in its capacity as investment adviser, may be deemed to beneficially own 1,715,115 shares of our common stock, which are held by its clients. T.Rowe’s address is 100 E. Pratt Street, Baltimore, Maryland 21202, United States.
- (4) Mr. Loring is a director of our Company, as well as a member of the investment committee of Bain Capital Investors, LLC. Amounts disclosed for Mr. Loring include shares beneficially owned by the funds advised by Bain. Mr. Loring disclaims beneficial ownership of any shares owned directly or indirectly by funds advised by Bain.
- (5) Reflects shares that may be beneficially owned by our directors. However, each director disclaims beneficial ownership of such shares. In addition, as of December 31, 2014, stock options and other rights to shares represented a total of 17,696,555 shares of common stock were outstanding.

No shareholders held different voting rights.

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### **B. Related Party Transactions**

See Part III, Item 18. *Financial Statements*, note 20 *Related-party Transactions*.

### **C. Interests of Experts and Counsel**

Not applicable.

## **Item 8. Financial Information**

### **A. Consolidated Statements and Other Financial Information**

#### **Consolidated Statements**

See Part III, Item 18. *Financial Statements*.

#### **Dividend Policy**

We currently retain all of our earnings for use in the operation and expansion of our business, to repurchase or redeem capital stock, and in the repayment of our debt. We have never declared or paid any cash dividends on our common stock and may not pay 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, covenants in our financings, contractual restrictions and other factors that our board of directors and our stockholders may deem relevant. If, in the future, our board of directors decides not to allocate profits to our reserves (making such profits available to be distributed as dividends), any decision to pay dividends on our common stock will be at the discretion of our stockholders.

### **B. Significant Changes**

See Part III, Item 18. *Financial Statements*, note 24 *Subsequent Events*.

## **Item 9. The Offer and Listing**

### **A. Offer and Listing Details**

Not applicable.

The following table shows the high and low closing sales prices of the common stock on the stock market of NASDAQ as reported in the Official Price List for the following periods:

Most recent six months											
January 2015		December 2014		November 2014		October 2014		September 2014		August 2014	
High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
80.35	72.38	77.82	72.13	77.85	69.25	68.66	53.90	73.01	68.43	68.52	60.50

On February 20, 2015, the closing sales price of the common stock on the stock market of NASDAQ was \$84.66.

	2014		2013		2012	
	High	Low	High	Low	High	Low
1st quarter	59.91	42.94	32.80	26.55	26.97	16.01
2nd quarter	66.44	55.72	32.01	25.29	26.32	18.81
3rd quarter	73.01	60.50	39.11	31.18	26.67	20.03
4th quarter	77.85	53.90	45.95	36.03	26.32	20.93

### **B. Plan of Distribution**

Not applicable.

### **C. Markets**

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

### **D. Selling Shareholders**

Not applicable.

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### **E. Dilution**

Not applicable.

### **F. Expenses of the Issue**

Not applicable.

## **Item 10. Additional Information**

### **A. Share Capital**

Not applicable.

### **B. Memorandum and Articles of Association**

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

### **C. Material Contracts**

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

## **2015**

On March 1, 2015, we entered into a Merger Agreement, by and among the Company, Freescale and Nimble Acquisition Limited, a Bermuda exempted limited liability company and Sub, providing for the merger of Sub with and into Freescale (the "Merger"), with Freescale surviving the Merger as a wholly-owned, indirect subsidiary of the Company.

Concurrently with the execution and delivery of the Merger Agreement, Freescale Holdings L.P. ("Freescale LP"), the largest holder of Freescale Common Shares, the Company and certain limited partners of Freescale LP, entered into a support agreement (the "Support Agreement") whereby Freescale LP committed, among other things, subject to the terms and conditions of the Support Agreement, to vote all of its Freescale Common Shares (representing approximately 64% of the Freescale Common Shares outstanding as of the date of the Support Agreement) for the adoption of (and not to participate in any litigation challenging) the Merger Agreement.

In connection with the Merger Agreement, NXP B.V. entered into a commitment letter (the "Commitment Letter") with Credit Suisse Securities (USA) LLC ("Credit Suisse USA") and Credit Suisse AG, Cayman Islands Branch ("CS," and together with Credit Suisse USA, "Credit Suisse") regarding term loan facilities, in an aggregate amount of up to \$6,500 million (the "Term Facilities"). The proceeds of the Term Facilities will be used (i) to finance the cash consideration due pursuant to the terms of the Merger Agreement, (ii) to refinance certain of Freescale's indebtedness that becomes due as a result of the Merger, (iii) to effect the repayment of any amounts drawn under Freescale's outstanding revolving credit facility and, if the Company so elects, the outstanding revolving credit facility of the Company and certain of its subsidiaries, and (iv) to pay certain transaction costs.

## **2014**

We entered into an indenture in relation to \$1,150 million aggregate principal amount of U.S. Dollar-denominated 1.00% Cash Convertible Senior Notes due 2019 on November 24, 2014.

NXP B.V. and NXP Funding LLC entered into a Senior Secured Term Loan Facility for an aggregate principal amount of \$400 million at a rate of interest of LIBOR plus 2% with a floor of 0.75% due 2017 on February 18, 2014.

### **D. Exchange Controls**

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

### **E. Taxation**

#### **Certain Tax Considerations-Holder of Common Stock**

##### **Summary of Dutch Tax Considerations**

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

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

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

## **Withholding Tax**

A stockholder is generally subject to Dutch dividend withholding tax at a rate of 15 percent on dividends distributed by us, if any. 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:

- distributions of profits in cash or in kind, whatever they be named or in whatever form;
- 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;
- 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
- partial repayment of paid-in capital, that is (i) not recognized for Dutch dividend withholding tax purposes, or (ii) recognized for Dutch dividend withholding tax purposes, to the extent that we have net profits (*zuivere winst*), 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. The term net profits includes anticipated profits that have yet to be realized.

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

Furthermore, subject to certain exceptions under Dutch domestic law, we may not be required to transfer to the Dutch tax authorities the full amount of Dutch dividend withholding tax withheld in respect of dividends distributed by us, if we have received a profit distribution from a qualifying foreign subsidiary (including a subsidiary resident on Bonaire, St. Eustatius or Saba), which distribution is exempt from Dutch corporate income tax and has been subject to a foreign withholding tax of at least 5 percent. The amount that does not have to be transferred to the Dutch tax authorities can generally not exceed the lesser of (i) 3 percent of the dividends distributed by us and (ii) 3 percent of the profit distributions that we received from qualifying foreign subsidiaries in the calendar year in which we distribute the dividends (up to the moment of such dividend distribution) and in the two previous calendar years. Further limitations and conditions apply. We will, upon request, provide stockholders with information regarding the Dutch dividend withholding tax that was retained by us.

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

If a stockholder is subject to Dutch corporate income tax and is entitled to the participation exemption in relation to the benefits derived from the shares held by it 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, Norway and Liechtenstein, 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, Iceland, Norway or Liechtenstein; 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, Iceland, Norway or Liechtenstein or which is a qualifying stockholders resident elsewhere;
- (b) is not subject to a tax levied by reference to its profits in its country of residence; and
- (c) would not have been subject to Dutch corporate income tax had the stockholder been resident in the Netherlands for Dutch tax purposes;

such stockholder will be eligible for a full refund of Dutch dividend withholding tax on dividends distributed by us, unless such stockholder is comparable to an exempt investment institution (*vrijgestelde beleggingsinstelling*) or fiscal investment institution (*fiscale beleggingsinstelling*), as described respectively in article 6a and 28 of the Dutch corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*). For purposes of (a) above, a qualifying stockholder is an entity that (i) is resident for Dutch tax purposes in a jurisdiction which has an arrangement for the exchange of tax information with the Netherlands and (ii) holds its shares as a portfolio investment, i.e. such shares are not held with a view to the establishment or maintenance of lasting and direct economic links between the stockholder and the company and the shares do not allow the stockholder to participate effectively in the management or control of the company.

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;

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- if the U.S. stockholder is a company which holds directly at least 10 percent of the voting power in the company, the U.S. stockholder will be subject to Dutch withholding tax at a rate not exceeding 5 percent;
- if the U.S. stockholder is a company which holds directly at least 80 percent of the voting power in the company and certain other conditions are met, the U.S. stockholder will be exempt from Dutch dividend withholding tax; and
- in all other cases, the U.S. stockholder will be subject to Dutch dividend withholding tax at a rate of 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 Report does not apply to any stockholder who is an individual for whom the income or capital gains derived from our shares of common stock are attributable to employment activities, the income from which is taxable in the Netherlands.

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

- (i) the stockholder is, or is deemed to be, resident in the Netherlands for Dutch (corporate) income tax purposes;
- (ii) the stockholder 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;
- (iii) 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;
- (iv) the stockholder is an individual and 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;
- (v) the stockholder is not an individual and has a substantial interest or a fictitious substantial interest in the company, which (fictitious) substantial interest is not attributable to the assets of an enterprise and (one of) the main purposes of the chosen ownership structure is the evasion of Dutch income tax or dividend withholding tax;
- (vi) the stockholder is not an individual and is entitled to a share in the profits of an enterprise or a co-entitlement to the net-worth of an enterprise, other than by way of the holding of securities, which enterprise is effectively managed in the Netherlands and to which enterprise the shares are attributable; or
- (vii) the stockholder is an individual and is entitled to a share in the profits of an enterprise, other than by way of the holding of securities, which enterprise is effectively managed in the Netherlands and to which enterprise the shares are attributable.

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

**Gift Tax and Inheritance Tax**

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

- (i) at the time of the gift or death of the stockholder, the stockholder is resident, or is deemed to be resident, in the Netherlands;
- (ii) the stockholder passes away within 180 days after the date of the gift of the shares and is not, or not deemed to be, at the time of the gift, but is, or deemed to be, at the time of its death, resident in the Netherlands; or
- (iii) the gift of the shares is made under a condition precedent and the stockholder is resident, or is deemed to be resident, in the Netherlands at the time the condition is fulfilled.

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

**Other Taxes and Duties**

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

**Residency**

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

**United States Federal Income Tax Considerations**

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

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

This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, 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 liable for Medicare contribution 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 summary below is based upon the provisions of the United States Internal Revenue Code of 1986, as amended (the "Code"), and 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.

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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 partnership or a partner of a partnership holding our shares, you should consult your tax advisors.

This summary 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 Medicare tax on net investment income or 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 any amounts withheld in respect of Dutch withholding taxes to the extent such amounts are actually transferred to the Dutch tax authorities, as described under “*Certain Tax Considerations—Holder of Common Stock—Summary of Dutch Tax Considerations—Withholding Tax*” above) 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 amounts taxable as dividends (including any portion thereof withheld and (or, in the case of amounts withheld, deemed received) paid over to the Dutch tax authorities) will be includable in your gross income as ordinary income on the day actually received by you or on the day received by your nominee or agent that holds the shares on your behalf. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

With respect to non-corporate United States investors, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the United States Treasury Department determines to be satisfactory for these purposes and which includes an exchange of information provision. The United States Treasury Department has determined that the Treaty meets these requirements. We believe we are currently eligible for the benefits of the Treaty. A foreign corporation is also treated as a qualified foreign corporation with respect to dividends paid by that corporation on shares that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our shares, which are listed on the NASDAQ Global Select Market, are considered readily tradable on an established securities market in the United States. There can be no assurance that our shares will be considered readily tradable on an established securities market in later years.

Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from a risk of loss or that elect to treat the dividend income as “investment income” pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. For this purpose, the minimum holding period requirement will not be met if a share has been held by a holder for 60 days or less during the 121-day period beginning on the date which is 60 days before the date on which such share becomes ex-dividend with respect to such dividend, appropriately reduced by any period in which such holder is protected from risk of loss. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the application of this legislation to your particular circumstances.

The maximum rate of withholding tax on dividends paid to you pursuant to the Treaty is 15 percent. You may be required to properly demonstrate to the Company and the Dutch tax authorities your entitlement to the reduced rate of withholding under the Treaty. Subject to certain conditions and limitations, Dutch withholding taxes on dividends may be treated as foreign taxes eligible for credit against your United States federal income tax liability. However, amounts withheld to reflect Dutch withholding taxes will not be creditable to the extent that we are allowed to reduce the amount of the withholding tax that is actually transferred to the Dutch tax authorities, as described under “*Certain Tax Considerations—Holder of Common Stock—Summary of Dutch Tax Considerations—Withholding Tax*” above. 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, 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,

you will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on the shares. 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 to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain recognized on a sale or exchange. However, we do not expect to determine 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).

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### ***Passive Foreign Investment Company***

Based on the composition of our income and valuation of our assets, including goodwill, we do not believe we were a passive foreign investment company (a "PFIC") for the 2014 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 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 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 fail 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.

### ***F. Dividends and Paying Agents***

Not applicable.

### ***G. Statement by Experts***

Not applicable.

### ***H. Documents on Display***

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

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

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

### ***I. Subsidiary Information***

Not applicable.

## **Item 11. Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to changes in interest rates and foreign currency exchange rates because we finance certain operations through fixed and variable rate debt instruments and denominate our transactions in a variety of foreign currencies. Changes in these rates may have an impact on future cash flow and earnings. We manage these risks through normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not enter into financial instruments for trading or speculative purposes.

By using derivative instruments, we are subject to credit and market risk. The fair market value of the derivative instruments is determined by using valuation models whose inputs are derived using market observable inputs, including interest rate yield curves, as well as foreign exchange and commodity spot and forward rates, and reflects the asset or liability position as of the end of each reporting period. When the fair value of a derivative contract is positive, the counterparty owes us, thus creating a receivable risk for us. We are exposed to counterparty credit risk in the event of non-performance by counterparties to our derivative agreements. We minimize counterparty credit (or repayment) risk by entering into transactions with major financial institutions of investment grade credit rating. Our exposure to market risk is not hedged in a manner that completely eliminates the effects of changing market conditions on earnings or cash flow.

**Interest Rate Risk**

Given the leveraged nature of our Company, we have inherent exposure to changes in interest rates. Our Secured Revolving Credit Facility has a floating rate interest. We have issued several Term Loans that have a floating rate interest and have issued several series of notes with maturities ranging from 3 to 10 years with fixed rates. 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.

**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.

**Equity Price Risk**

***2019 Cash Convertible Senior Notes***

Our 2019 Cash Convertible Senior Notes include conversion and settlement provisions that are based on the price of our common stock at conversion or at maturity of the notes. In addition, the hedges and warrants associated with these convertible notes also include settlement provisions that are based on the price of our common stock. The amount of cash we may be required to pay to the holders at conversion or maturity of the notes is determined by the price of our common stock. The amount of cash that we may receive from hedge counterparties in connection with the related hedges and the number of shares that we may be required to provide warrant counterparties in connection with the related warrants are also determined by the price of our common stock.

**Item 12. Description of Securities Other than Equity Securities**

Not applicable.

PART II

**Item 13. Defaults, Dividend Arrearages and Delinquencies**

None

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

None

**Item 15. Controls and Procedures**

**Disclosure Controls and Procedures**

As of the end of the period covered by this Report, our management, with the participation of our chief executive officer and chief financial officer, conducted an evaluation pursuant to Rule 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our chief executive officer and chief financial officer concluded that as of the end of the period covered by this Report such disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in reports we filed or submitted under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and included controls and procedures designed to ensure that information required to be disclosed in such reports was accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

**Management's Report on Internal Control over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15(d)-15(f) of the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance, not absolute assurance, regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014 based on the criteria established in "Internal Control - Integrated Framework (2013)" by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). During the last quarter of 2014 the Company completed its transition to the updated 2013 COSO framework. Based on that assessment our management concluded that our internal control over financial reporting was effective as at December 31, 2014.

During 2014, there have not been any changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

It should be noted that any control system, regardless of how well it is designed and operated, can provide only reasonable, not absolute, assurance that its objectives will be met. Control systems can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. In addition, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

**Attestation Report of the Registered Public Accounting Firm**

For the year ended December 31, 2014 an attestation report regarding internal control over financial reporting of the Company's registered public accounting firm is required. The attestation is included in Part III, Item 18. *Financial Statements*.

**Item 16A. Audit Committee Financial Expert**

Mr. Goldman, chairman of our audit committee, qualifies as an "audit committee financial expert" as such term is defined in Item 407(d)(5) of Regulation S-K and as determined by our board of directors. Our board of directors has determined that Mr. Goldman is an independent director under the NASDAQ Global Select Market Corporate Governance Rules.

**Item 16B. Code of Ethics**

The NXP 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 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, International Labor Organization conventions, working hours, sexual harassment, free-market competition, bribery and the integrity of financial reporting.

We have also adopted a Financial Code of Ethics applicable to certain of our senior employees, which constitutes a "code of ethics" as such term is defined by the Securities and Exchange Commission. Both the NXP 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 Report on Form 20-F nor is incorporated by reference herein.

**Item 16C. Principal Accountant Fees and Services**

The Company has instituted a comprehensive auditor independence policy that regulates the relation between the Company and its external auditors and is available on our website ([www.nxp.com/investor](http://www.nxp.com/investor)). The policy includes rules for the pre-approval by the audit committee of all services to be provided by the external auditor. The policy also describes the prohibited services that may not be provided. Proposed services may be pre-approved at the beginning of the year by the audit committee (annual pre-approval) or may be pre-approved during the year by the audit committee in respect of a particular engagement (specific pre-approval). The annual pre-approval is based on a detailed, itemized list of services to be provided, designed to ensure that there is no management discretion in determining whether a service has been approved and to ensure the audit committee is informed of each service it is pre-approving. Unless pre-approval with respect to a specific service has been given at the beginning of the year, each proposed service requires specific pre-approval during the year. Any annually pre-approved services where the fee for the engagement is expected to exceed pre-approved cost levels or budgeted amounts will also require specific pre-approval. The term of any annual pre-approval is 12 months from the date of the pre-approval unless the audit committee states otherwise. During 2014, there were no services provided to the Company by the external auditors which were not pre-approved by the audit committee.

The external auditor attends, in principle, all meetings of the audit committee. The findings of the external auditor, the audit approach and the risk analysis are also discussed at these meetings. The external auditor attends the meeting of the board of directors at which the report of the external auditor with respect to the audit of the annual accounts is discussed, and at which the annual accounts are approved. In its audit report on the annual accounts to the board of directors, the external auditor refers to the financial reporting risks and issues that were identified during the audit, internal control matters, and any other matters, as appropriate, requiring communication under the auditing standards generally accepted in the Netherlands and the United States.

Our Consolidated Financial Statements included in this Report have been audited by KPMG Accountants N.V., an independent registered public accounting firm. These financial statements have been approved by the relevant boards.

The aggregate fees billed for professional services rendered for the fiscal periods 2014 and 2013 were as follows:

**Aggregate fees KPMG**

(\$ in millions)	2014	2013
Audit fees	3.2	3.5
Other fees	0.1	0.1
	3.3	3.6

Audit fees consist of fees for the examination of both the consolidated and statutory financial statements. Audit fees also include fees that only our independent auditor can reasonably provide such as comfort letters and review of documents filed with the SEC.

[Table of Contents](#)**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table provides a summary of shares repurchased by the Company in 2014:

<u>Period begin</u>	<u>Period end</u>	<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u>
January 1	February 2	January	774	48.35	774	1,905,014
February 3	March 2	February	7,929,712	54.80	7,929,712	18,975,302
March 3	March 30	March	405,000	56.92	405,000	18,570,302
March 31	May 4	April	1,690,861	59.94	1,690,861	16,879,441
May 5	June 1	May	1,794,210	60.72	1,794,210	15,085,231
June 2	June 29	June	274,534	47.45	145,034	14,940,197
June 30	August 3	July	1,807,837	63.65	1,807,837	13,132,360
August 4	August 31	August	4,621,487	64.58	4,582,991	8,549,369
September 1	September 28	September	2,300,201	69.82	2,300,201	6,249,168
September 29	November 2	October	452,540	65.68	452,540	5,796,628
November 3	November 30	November	—	—	—	5,796,628
December 1	December 31	December	1,969,021	76.18	1,969,021	3,827,607
		<b>Total 2014</b>	<b>23,246,177</b>	<b>61.73</b>	<b>23,078,181</b>	

From time to time, last in February 2014, the General Meeting of Shareholders authorized the Board of Directors to repurchase shares of our common stock. On that basis, the Board of Directors resolved to repurchase shares to cover in part employee stock options and equity rights under its long term incentive plans. The purchases identified in the table were all pursuant to this authorization.

**Item 16F. Change in Registrant's Certifying Accountant**

Not applicable.

**Item 16G. Corporate Governance*****The Dutch Corporate Governance Code***

Since our initial public offering in August 2010, we have been required to comply with the Dutch corporate governance code. The Dutch corporate governance code, as revised, became effective on January 1, 2009, and applies to all Dutch companies listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere. The code is based on a "comply or explain" principle. Accordingly, companies are required to disclose in their Annual Reports filed in the Netherlands whether or not they are complying with the various rules of the Dutch corporate governance code that are addressed to the board of directors or, if any, the supervisory board of the company and, if they do not apply those provisions, to give the reasons for such non-application. The code contains principles and best practice provisions for managing boards, supervisory boards, stockholders and general meetings of stockholders, financial reporting, auditors, disclosure, compliance and enforcement standards.

The Dutch corporate governance code provides that if a company indicates to what extent it applies the 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 corporate governance structure and best practice provisions of the Dutch corporate governance code:

- Best practice provisions II.2.4 and II.2.5 state that stock options granted to members of our board shall, in any event, not be exercised in the first three years after the date of granting and shares granted to board members without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter. Under our equity incentive schemes, part of the stock options granted to our chief executive officer are exercisable one year after the date of grant, and members of our board who received restrictive shares and performance shares are not required to retain these shares for at least five years. Although a deviation from the Corporate Governance Code, we hold the view that the combination of equity incentives granted to our chief executive officer, in relation to his obligation—laid down in the NXP Executive Equity Ownership Policy of October 2013—to maintain at least 20% of the after tax number of NXP shares delivered upon the vesting of any performance stock units granted as of October 2013, as well as the applicable strict vesting and performance criteria, will enhance the goal of promoting long-term investments in the Company. The

same is true for the equity grants made to other members of our board, which also have very strict vesting criteria with the purpose of creating long-term commitment to the Company.

- 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.

Effective January 1, 2012, Dutch law does not allow directors to vote on a matter with regard to which they have an interest.

#### ***The NASDAQ Global Select Market Corporate Governance Rules***

We are a foreign private issuer. As a result, in accordance with the listing requirements of the NASDAQ Global Select Market, we rely on home country governance requirements and are exempt from certain corporate governance requirements that would otherwise apply in accordance with the listing requirements of the NASDAQ Global Select Market. These exemptions and home country rules relied on by us are described below:

- We are exempt from NASDAQ's quorum requirements applicable to meetings of stockholders. Pursuant to Dutch corporate law, the validity of a resolution by the general meeting of stockholders does not depend on the proportion of the capital or stockholders represented at the meeting (i.e. quorum), unless the law or articles of association of a company provide otherwise. Our articles of association provide that a resolution proposed to the general meeting of stockholders by the board of directors shall be adopted by a simple majority of votes cast, unless another majority of votes or quorum is required under Dutch law or our articles of association. All other resolutions shall be adopted by a two thirds majority of the votes cast, provided such majority represents at least half of the issued share capital, unless another majority of votes or quorum is required under Dutch law. To this extent, our practice varies from the requirement of Listing Rule 5620(c), which requires an issuer to provide in its bylaws for a quorum, and that such quorum may not be less than one-third of the outstanding voting stock.
- We are exempt from NASDAQ's requirements regarding the solicitation of proxies and provision of proxy statements for meetings of stockholders. We inform stockholders of meetings in a public notice. We prepare a proxy statement and solicit proxies from the holders of our listed stock. Our practice in this regard, however, differs from the typical practice of U.S. corporate issuers in that the advance record date for determining the holders of record entitled to attend and vote at our stockholder meetings is determined by Dutch law (currently 28 days prior to the meeting). As an administrative necessity, we establish a mailing record date in advance of each meeting of stockholders for purposes of determining the stockholders to which the proxy statement and form of proxy will be sent. However, only stockholders of record on the specified record date are entitled to attend and vote, directly or by proxy, at the meeting.
- NASDAQ requires stockholder approval prior to the issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees or consultants. Under Dutch law and the Dutch corporate governance code, stockholder approval is only required for equity compensation plans (or changes thereto) for members of the board, and not for equity compensation plans for other groups of employees. However, we note that under Dutch law, the stockholders have the power to issue shares or rights to subscribe for shares at the general meeting of the stockholders unless such power has been delegated to the board. Our board is designated for a period of five years from the date of the public offering in August 2010 to issue shares and rights to subscribe for shares.
- As a foreign private issuer, we are exempt from NASDAQ's requirement that compensation committees be comprised exclusively of independent directors provided that we describe the home country practice followed in lieu of such requirement and disclose the reasons for not having such an independent compensation committee. Under Dutch law and the Dutch corporate governance code, the general meeting of stockholders must adopt a policy in respect of the remuneration of the board. In accordance with our articles of association and our board rules, the remuneration of the executive directors is determined by the board of directors upon the recommendation of our nominating and compensation committee. Accordingly, applicable laws, regulations and corporate governance rules and practices do not require independence of the members of our nominating and compensation committee. Currently, all three members of our nominating and compensation committee are independent directors under the Dutch corporate governance rules and under the NASDAQ and SEC compensation committee structure and membership requirements.
- We are exempt from NASDAQ's requirement to have independent director oversight of director nominations. In accordance with Dutch law, our articles of association require that our directors will be appointed by the general meeting of stockholders upon the binding nomination of the board. In accordance with our board rules, the nominating and compensation committee will recommend the nomination of directors to our board.

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- NASDAQ requires us to adopt a nominations committee charter or a board resolution addressing the nominations process. In accordance with the Dutch corporate governance code, we have adopted the committee's charter. However, the nominations process has been set out in our articles of association and board rules.

Moreover, we will not distribute Annual Reports to all of our stockholders in accordance with NASDAQ rules. Dutch law requires that the external auditors be appointed at the general meeting of stockholders and not by the audit committee. Our audit committee, which consists of members of our board of directors, shall only make a recommendation to the stockholders through the board of directors for the appointment and compensation of the independent registered public accounting firm and shall oversee and evaluate the work of our independent registered public accounting firm.

**Item 16H. Mine Safety Disclosures**

Not applicable.

**PART III****Item 17. Financial Statements**

We are furnishing the financial statements pursuant to the instructions of Part III, Item 18. *Financial Statements* of this Report.

**Item 18. Financial Statements**

See pages F-1 to F-36

**Item 19. Exhibits**

<u>Exhibit Number</u>	<u>Description of Document</u>
2.1#	Sale and Purchase Agreement, dated as of December 22, 2010, between NXP Semiconductors N.V., NXP B.V., the Dover Corporation, Knowles Electronics, LLC and EFF Acht Beteiligungsverwaltung GmbH (incorporated by reference to Exhibit 2.1 of the Form 20-F of NXP Semiconductors N.V. filed on March 13, 2012)
3.1	Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of Amendment No. 7 to the Registration Statement on Form F-1 of NXP Semiconductors N.V., filed on August 2, 2010 (File No. 333-166128))
3.2	Articles of Association of NXP Semiconductors N.V. (incorporated by reference to Exhibit 3.2 of Amendment No. 7 to the Registration Statement on Form F-1 of NXP Semiconductors N.V., filed on August 2, 2010 (File No. 333-166128))
4.1	Secured Term Credit Agreement dated March 4, 2011, as amended by (i) the Joinder and Amendment Agreement dated as of November 18, 2011, (ii) the New Term Loan Joinder Agreement dated as of February 16, 2012, (iii) the New Term Loan Joinder Agreement dated as of December 10, 2012, (iv) the 2013 New Term Loan Joinder Agreement dated as of November 27, 2013, and (v) the 2014 New Term Loan Joinder Agreement dated as of February 18, 2014, among NXP B.V. and NXP Funding LLC as borrowers, Barclays Bank PLC as Administrative Agent, Morgan Stanley Senior Funding, Inc. as Global Collateral Agent, Mizuho Corporate Bank, Ltd. as Taiwan Collateral Agent, and the lenders party thereto. (incorporated by reference to Exhibit 4.8 of the Form 20-F of NXP Semiconductors N.V. filed on March 13, 2012)
4.2	Secured Revolving Credit Agreement dated April 27, 2012, as amended by an Incremental Joinder Agreement dated as of October 29, 2012, among NXP Semiconductors N.V., NXP B.V. and NXP Funding LLC as borrower, Morgan Stanley Senior Funding, Inc. as Global Collateral Agent and Administrative Agent, Mizuho Corporate Bank, Ltd. as Taiwan Collateral Agent and the lenders party thereto. (incorporated by reference to Exhibit 4.10 of the Form 20-F of NXP Semiconductors N.V. filed on March 1, 2013)
4.3	Senior Unsecured Indenture dated as of February 14, 2013 among NXP B.V. and NXP Funding LLC as Issuers, each of the Guarantors named on the signature page thereto as borrower and Deutsche Bank Trust Company Americas as Trustee (incorporated by reference to Exhibit 4.13 of Form 20-F of NXP Semiconductors N.V. filed on March 13, 2012)
4.4	Senior Unsecured Indenture dated as of March 12, 2013 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 4.7 of the Form-20F of NXP Semiconductors N.V. filed on February 28, 2014)
4.5	Senior Unsecured Indenture dated as of May 20, 2013 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 4.8 of the Form-20F of NXP Semiconductors N.V. filed on February 28, 2014)
4.6	Senior Unsecured Indenture dated as of September 24, 2013 among NXP B.V. and NXP Funding LLC as Issuers, each of the Guarantors named on the signature page thereto and Deutsche Bank Trust Company Americas as Trustee (incorporated by reference to Exhibit 4.9 of the Form-20F of NXP Semiconductors N.V. filed on February 28, 2014)
4.7	Senior Unsecured Indenture dated as of November 24, 2014 among NXP Semiconductors N.V. as Issuer and Deutsche Bank Trust Company Americas as Trustee
4.8	Agreement and Plan of Merger, dated as of March 1, 2015, by and among NXP Semiconductors N.V., Freescale Semiconductor, Ltd. and Nimble Acquisition Limited (incorporated by reference to Exhibit 1 of the Form 6-K of NXP Semiconductors N.V. filed on March 3, 2015)
4.9	Support Agreement, dated as of March 1, 2015, by and among NXP Semiconductors N.V., Freescale Holdings L.P. and certain limited partners of Freescale Holdings L.P. (incorporated by reference to Exhibit 2 of the Form 6-K of NXP Semiconductors N.V. filed on March 3, 2015)
4.10	Commitment Letter, dated as of March 1, 2015, by and among NXP B.V., Credit Suisse Securities (USA) LLC and Credit Suisse AG, Cayman Islands Branch (incorporated by reference to Exhibit 3 of the Form 6-K of NXP Semiconductors N.V. filed on March 3, 2015)

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<u>Exhibit Number</u>	<u>Description of Document</u>
10.1	Intellectual Property Transfer and License Agreement dated as of September 28, 2006 between Koninklijke Philips Electronics N.V. and NXP B.V. (incorporated by reference to Exhibit 10.1 of the Amendment No. 3 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 30, 2010 (File No. 333-166128))
10.2	Intellectual Property Transfer and License Agreement dated as of November 16, 2009 among NXP B.V., Virage Logic Corporation and VL C.V. (incorporated by reference to Exhibit 10.2 of the Amendment No. 3 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 30, 2010 (File No. 333-166128))
10.3	Shareholders' agreement dated as of March 30, 1999, as amended among EBD Investments Pte. Ltd., Koninklijke Philips Electronics N.V. and Taiwan Semiconductor Manufacturing Company Ltd. (incorporated by reference to Exhibit 10.4 of the Amendment No. 3 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 30, 2010 (File No. 333-166128))
10.4	Lease Agreement dated as of December 23, 2004 between Jurong Town Corporation and Systems on Silicon Manufacturing Company Pte. Ltd. for the property at No. 70 Pasir Ris Drive 1, Singapore (incorporated by reference to Exhibit 10.8 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.5	Lease Agreement dated September 26, 2003 between Huangjiang Investment Development Company and NXP Semiconductors (Guangdong) Company Ltd. for the property at Tian Mei High Tech Industrial Park, Huang, Jiang Town, Dongguan City, China (incorporated by reference to Exhibit 10.9 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.6	Building Lease Contract dated as of May 12th, 2000 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.10 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.7	Agreement with regard to the Lease of a Single (vehicle) Shelter dated as of October 30, 2009 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.11 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.8	Agreement with regard to the Lease of Standard Plant Basements dated as of July 1, 2011 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 4.8 of the Form-20F of NXP Semiconductors N.V. filed on February 28, 2014)
10.9	Agreement with regard to the Lease of a Single (vehicle) Shelter dated as of March 8, 2010 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.13 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.10	Agreement with regard to the Lease of Additional Land dated as of July 1, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.14 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.11	Agreement with regard to the Lease of a Dangerous Goods Warehouse dated as of November 27, 2009 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.15 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.12	Agreement with regard to the Lease of Land at Property Number AL012 dated as of July 1, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.18 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))

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<u>Exhibit Number</u>	<u>Description of Document</u>
10.13	Agreement with regard to the Lease of Land at Property Number AL020 dated as of July 1, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.19 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.14	Agreement with regard to the Lease of Land at Property Number AL071 dated as of July 1, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.20 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.15	Agreement with regard to the Lease of Land at Property Number CL102 dated as of July 1, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.21 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.16	Agreement with regard to the Lease of Land dated as of September 30, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd. (incorporated by reference to Exhibit 10.22 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 (File No. 333-166128))
10.17	Management Equity Stock Option Plan Terms and Conditions dated August 2010 (incorporated by reference to Exhibit 10.19 of the Form-20F of NXP Semiconductors N.V. filed on March 13, 2012)
10.18	Management Equity Stock Option Plan Terms and Conditions dated January 2011 (incorporated by reference to Exhibit 10.20 of the Form-20F of NXP Semiconductors N.V. filed on March 13, 2012)
10.19	Long Term Incentive Plan 2010 Terms and Conditions with regard to the Stock Option Plan, the Performance Stock Unit Plan, Restricted Stock Unit Plan and Share Plan (incorporated by reference to Exhibit 10.21 of the Form-20F of NXP Semiconductors N.V. filed on March 13, 2012)
10.20	NXP Global Equity Incentive Program (incorporated by reference to Exhibit 10.26 of the Amendment No. 3 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 30, 2010 (File No. 333-166128))
10.21	Long Term Incentive Plan 2011 Terms and Conditions with regard to the Stock Option Plan, the Performance Stock Unit Plan, Restricted Stock Unit Plan and Share Plan (incorporated by reference to Exhibit 4.8 of the Form-20F of NXP Semiconductors N.V. filed on March 13, 2012)
10.22	Long Term Incentive Plan 2012/3 Terms and Conditions with regard to the Stock Option Plan, the Performance Stock Unit Plan, Restricted Stock Unit Plan and Share Plan (incorporated by reference to Exhibit 10.22 of the Form-20F of NXP Semiconductors N.V. filed on March 1, 2013). Long Term Incentive Plan 2013/4 Terms and Conditions with regard to the Stock Option Plan, the Performance Stock Unit Plan and Restricted Stock Unit Plan (incorporated by reference to Exhibit 10.22 of the Form-20F of NXP Semiconductors N.V. filed on February 28, 2014) and Long Term Incentive Plan 2014/5 Terms and Conditions with regard to the Stock Option Plan, the Performance Stock Unit Plan, the Restricted Stock Unit Plan and the Keep Restricted Stock Unit Plan
10.23	Employee Stock Purchase Plan Terms and Conditions (incorporated by reference to Exhibit 4.1 of the Form S-8 of NXP Semiconductors N.V. filed on August 8, 2013)
12.1	Certification of R. Clemmer filed pursuant to 17 CFR 240. 13a-14(a)
12.2	Certification of P. Kelly filed pursuant to 17 CFR 240. 13a-14(a)
13.1	Certification of R. Clemmer furnished pursuant to 17 CFR 240. 13a-14(b)
13.2	Certification of P. Kelly furnished pursuant to 17 CFR 240. 13a-14(b)
21.1	List of Significant Subsidiaries of the Registrant
22	Consent of KPMG Accountants N.V.

# Confidential treatment previously requested and granted

**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>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>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>Bluetooth low energy</b>	Bluetooth low energy (BLE) is a wireless computer network technology that, in comparison with “classic” Bluetooth, requires considerably less power and provides a similar communication range. BLE has been included in the majority of smart phones for the past couple of years, with its initial application as the communication between the smart phone and other personal devices like fitness trackers and head-sets. Recently also other applications like communication with light bulbs are emerging.
<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>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>EMI filtering</b>	Electromagnetic interference (or EMI, also called radio frequency interference or RFI when in high frequency or radio frequency) is disturbance that affects an electrical circuit due to either electromagnetic induction or electromagnetic radiation emitted from an external source.
<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>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.
<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>HDMI</b>	High-Definition Multimedia Interface. A compact audio/video interface for transmitting uncompressed digital data.

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<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>Integrated Circuit</b>	Integrated Circuit. A miniaturized electronic circuit that has been manufactured in the surface of a thin substrate of semiconductor material.
<b>ICN 4,6,8</b>	NXP wafer fab facilities located in Nijmegen, Netherlands, processing 4", 6" or 8" diameter wafers. As of end December 2014, only ICN 8 is still in use.
<b>In-process research and development</b>	The value allocated to incomplete research and development projects in acquisitions treated as purchases.
<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>LDMOS</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>LIBOR</b>	London Interbank Offered Rate. The benchmark rate at which interbank term deposits within the leadings banks in London would be charged if borrowing from other banks.
<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>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>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.

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<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</b>	A metric unit of linear measure which equals one billionth of a meter. There are 1,000 nanometers in 1 micron.
<b>NFC</b>	Near field communication. A technology which allows devices to establish a secure point-to-point wireless connection at very close ranges (within several centimeters), and which is being increasingly adopted in mobile devices and point-of-sale terminals or other devices.
<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.
<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>QAM</b>	Quadrature-Amplitude Modulation
<b>QPSK</b>	Quadrature phase shift keying
<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>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>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.

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<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 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.
<b>USB</b>	Universal Serial Bus. A standard that provides a serial bus standard for connecting devices, usually to a computer.
<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.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

NXP Semiconductors N.V.  
(Registrant)

/s/ RICK CLEMMER  
Rick Clemmer  
Chief Executive Officer  
(Principal Executive Officer)

/s/ PETER KELLY  
Peter Kelly  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

Date: March 6, 2015

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

The following financial statements and related schedules, together with the report of independent registered public accounting firms thereon, are filed as part of this Annual Report:

**Consolidated Financial Statements**

[Report of Independent Registered Public Accounting Firm, KPMG Accountants N.V.](#)

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[Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012](#)

F-4

[Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012](#)

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[Consolidated Balance Sheets as of December 31, 2014 and 2013](#)

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[Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012](#)

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[Consolidated Statements of Changes in Equity for the years ended December 31, 2014, 2013 and 2012](#)

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[Notes to the Consolidated Financial Statements](#)

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
NXP Semiconductors N.V.:

We have audited the accompanying consolidated balance sheets of NXP Semiconductors N.V. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2014. We also have audited NXP Semiconductors N.V.'s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). NXP Semiconductors N.V.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NXP Semiconductors N.V. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, NXP Semiconductors N.V. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG Accountants N.V.  
Amstelveen, the Netherlands  
March 6, 2015

**NXP Semiconductors N.V.**  
**Consolidated Statements of Operations**

(\$ in millions, unless otherwise stated)

	For the years ended December 31,		
	2014	2013	2012
Revenue	5,647	4,815	4,358
Cost of revenue	<u>(3,007)</u>	<u>(2,638)</u>	<u>(2,370)</u>
<b>Gross profit</b>	<b>2,640</b>	2,177	1,988
Research and development	(763)	(639)	(628)
Selling, general and administrative	(838)	(896)	(977)
Other income (expense)	<u>10</u>	<u>9</u>	<u>29</u>
<b>Operating income (loss)</b>	<b>1,049</b>	651	412
Financial income (expense):			
Extinguishment of debt	(3)	(114)	(161)
Other financial income (expense)	<u>(407)</u>	<u>(160)</u>	<u>(276)</u>
<b>Income (loss) before income taxes</b>	<b>639</b>	377	(25)
Benefit (provision) for income taxes	(40)	(20)	(1)
Results relating to equity-accounted investees	<u>8</u>	<u>58</u>	<u>(27)</u>
<b>Income (loss) from continuing operations</b>	<b>607</b>	415	(53)
Income (loss) on discontinued operations, net of tax	<u>—</u>	<u>—</u>	<u>1</u>
<b>Net income (loss)</b>	<b>607</b>	415	(52)
Less: Net income (loss) attributable to non-controlling interests	<u>68</u>	<u>67</u>	<u>63</u>
Net income (loss) attributable to stockholders	<u>539</u>	<u>348</u>	<u>(115)</u>
<b>Earnings per share data:</b>			
<i>Basic earnings per common share attributable to stockholders in \$</i>			
– Income (loss) from continuing operations	2.27	1.40	(0.46)
– Income (loss) from discontinued operations	<u>—</u>	<u>—</u>	<u>—</u>
– Net income (loss)	<u>2.27</u>	<u>1.40</u>	<u>(0.46)</u>
<i>Diluted earnings per common share attributable to stockholders in \$</i>			
– Income (loss) from continuing operations	2.17	1.36	(0.46)
– Income (loss) from discontinued operations	<u>—</u>	<u>—</u>	<u>—</u>
– Net income (loss)	<u>2.17</u>	<u>1.36</u>	<u>(0.46)</u>
Weighted average number of shares of common stock outstanding during the year (in thousands)			
– Basic	237,954	248,526	248,064
– Diluted	<u>248,609</u>	<u>255,050</u>	<u>248,064</u>

See accompanying notes to the consolidated financial statements.

**NXP Semiconductors N.V.**  
**Consolidated Statements of Comprehensive Income**

(\$ in millions, unless otherwise stated)

	<u>For the years ended December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Net income (loss)</b>	<b>607</b>	415	(52)
<b>Other comprehensive income (loss), net of tax:</b>			
Net investment hedge, net of deferred taxes of \$0, \$0 and \$(8)	(214)	68	18
Changes in fair value cash flow hedges, net of deferred taxes \$0, \$0 and \$0	—	(9)	—
Foreign currency translation adjustments	140	(27)	10
Net actuarial gain (loss), net of deferred taxes of \$2, \$(10) and \$3	(66)	10	(51)
Unrealized gains (losses) available-for-sale securities, net of deferred taxes of \$0	1	—	—
Reclassification adjustments, net of deferred taxes of \$0:			
Changes in fair value cash flow hedges *	2	5	—
<b>Total other comprehensive income (loss)</b>	<b>(137)</b>	47	(23)
<b>Total comprehensive income (loss)</b>	<b>470</b>	462	(75)
Less: Comprehensive income (loss) attributable to non-controlling interests	68	67	63
<b>Total comprehensive income (loss) attributable to stockholders</b>	<b>402</b>	395	(138)

\* Included in Cost of revenue in the Consolidated Statements of Operations.

See accompanying notes to the consolidated financial statements.

**NXP Semiconductors N.V.**  
**Consolidated Balance Sheets**

(\$ in millions, unless otherwise stated)

	<u>As of December 31,</u>	
	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	1,185	670
Receivables, net	593	542
Assets held for sale	—	13
Inventories, net	755	740
Deferred tax assets	8	11
Other current assets	99	116
<b>Total current assets</b>	<b>2,640</b>	<b>2,092</b>
<b>Non-current assets:</b>		
Investments in equity-accounted investees	71	52
Other non-current assets	365	144
Property, plant and equipment, net	1,123	1,048
Identified intangible assets, net	573	755
Goodwill	2,121	2,358
<b>Total non-current assets</b>	<b>4,253</b>	<b>4,357</b>
<b>Total assets</b>	<b>6,893</b>	<b>6,449</b>
<b>Liabilities and equity</b>		
<b>Current liabilities:</b>		
Accounts payable	729	544
Liabilities held for sale	—	1
Restructuring liabilities - current	37	103
Payroll and related benefits	295	260
Accrued liabilities	239	245
Short-term debt	20	40
<b>Total current liabilities</b>	<b>1,320</b>	<b>1,193</b>
<b>Non-current liabilities:</b>		
Long-term debt	3,979	3,281
Pension and postretirement benefits	284	247
Restructuring liabilities	3	14
Other non-current liabilities	506	168
<b>Total non-current liabilities</b>	<b>4,772</b>	<b>3,710</b>
<b>Equity:</b>		
Non-controlling interests	263	245
<b>Stockholders' equity:</b>		
Common stock, par value €0.20 per share:		
Authorized: 430,503,000 shares (2013: 430,503,000 shares)		
Issued and fully paid: 251,751,500 shares (2013: 251,751,500 shares)	51	51
Capital in excess of par value	6,300	6,175
Treasury shares, at cost:		
19,171,454 shares (2013: 4,170,833 shares)	(1,219)	(167)
Accumulated deficit	(4,804)	(5,105)
Accumulated other comprehensive income (loss)	210	347
<b>Total Stockholders' equity</b>	<b>538</b>	<b>1,301</b>
<b>Total equity</b>	<b>801</b>	<b>1,546</b>
<b>Total liabilities and equity</b>	<b>6,893</b>	<b>6,449</b>

See accompanying notes to the consolidated financial statements.

**NXP Semiconductors N.V.**  
**Consolidated Statements of Cash Flows**

(\$ in millions, unless otherwise stated)

	<b>For the years ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<i>Cash flows from operating activities:</i>			
<b>Net income (loss)</b>	<b>607</b>	415	(52)
(Income) loss from discontinued operations, net of tax	—	—	(1)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	<b>405</b>	514	533
Share-based compensation	<b>133</b>	88	52
Net (gain) loss on sale of assets	<b>(10)</b>	(2)	(20)
(Gain) loss on extinguishment of debt	<b>3</b>	114	161
Results relating to equity-accounted investees	<b>(8)</b>	(58)	27
<i>Changes in operating assets and liabilities:</i>			
(Increase) decrease in receivables and other current assets	<b>(109)</b>	(35)	2
(Increase) decrease in inventories	<b>(42)</b>	(22)	(61)
Increase (decrease) in accounts payable and accrued liabilities	<b>217</b>	(76)	61
Decrease (increase) in other non-current assets	<b>30</b>	13	26
Exchange differences	<b>246</b>	(62)	(28)
Other items	<b>(4)</b>	2	22
<b>Net cash provided by (used for) operating activities</b>	<b>1,468</b>	891	722
<i>Cash flows from investing activities:</i>			
Purchase of identified intangible assets	<b>(36)</b>	(35)	(29)
Capital expenditures on property, plant and equipment	<b>(329)</b>	(215)	(251)
Proceeds from disposals of property, plant and equipment	<b>4</b>	6	2
Proceeds from disposals of assets held for sale	<b>6</b>	—	—
Purchase of interests in businesses	<b>(8)</b>	(1)	(2)
Proceeds from sale of interests in businesses	<b>1</b>	3	26
Proceeds from return of equity investment	<b>—</b>	4	12
Other	<b>(25)</b>	(2)	(1)
<b>Net cash provided by (used for) investing activities</b>	<b>(387)</b>	(240)	(243)
<i>Cash flows from financing activities:</i>			
Net (repayments) borrowings of short-term debt	<b>(17)</b>	(11)	—
Amounts drawn under the revolving credit facility	<b>800</b>	530	760
Repayments under the revolving credit facility	<b>(950)</b>	(610)	(530)
Repurchase of long-term debt	<b>(92)</b>	(2,429)	(1,676)
Principal payments on long-term debt	<b>(15)</b>	(18)	(20)
Proceeds from the issuance of long-term debt	<b>1,150</b>	2,251	967
Cash paid for debt issuance costs	<b>(16)</b>	(23)	(9)
Proceeds from the sale of warrants	<b>134</b>	—	—
Cash paid for Notes hedge derivatives	<b>(208)</b>	—	—
Dividends paid to non-controlling interests	<b>(50)</b>	(48)	(40)
Purchase of non-controlling interest shares	<b>—</b>	(12)	—
Cash proceeds from exercise of stock options	<b>145</b>	177	14
Purchase of treasury shares	<b>(1,435)</b>	(405)	(40)
<b>Net cash provided by (used for) financing activities</b>	<b>(554)</b>	(598)	(574)
<b>Net cash provided by (used for) continuing operations</b>	<b>527</b>	53	(95)
<i>Cash flows from discontinued operations:</i>			
Net cash provided by (used for) operating activities	—	—	—
Net cash provided by (used for) investing activities	—	—	(45)
Net cash provided by (used for) financing activities	—	—	—
<b>Net cash provided by (used for) discontinued operations</b>	<b>—</b>	—	(45)
<b>Net cash provided by (used for) continuing and discontinued operations</b>	<b>527</b>	53	(140)
Effect of changes in exchange rates on cash positions	<b>(12)</b>	—	14
Increase (decrease) in cash and cash equivalents	<b>515</b>	53	(126)
Cash and cash equivalents at beginning of period	<b>670</b>	617	743
<b>Cash and cash equivalents at end of period</b>	<b>1,185</b>	670	617

See accompanying notes to the consolidated financial statements.

**NXP Semiconductors N.V.**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2014, 2013 and 2012**

(\$ in millions, unless otherwise stated)	Outstanding number of shares (in thousands)	Common stock	Capital in excess of par value	Treasury shares at cost	Accumulated deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity	Non- controlling interests	Total equity
Balance as of January 1, 2012	247,837	51	6,047	(57)	(5,219)	323	1,145	212	1,357
Net income (loss)					(115)		(115)	63	(52)
Other comprehensive income						(23)	(23)		(23)
Share-based compensation plans			52				52		52
Treasury shares	(1,245)		8	(34)			(26)		(26)
Shares issued pursuant to stock awards	2,434		(19)	33			14		14
Equity classified financial instruments			2				2		2
Dividends non-controlling interests								(40)	(40)
Balance as of December 31, 2012	249,026	51	6,090	(58)	(5,334)	300	1,049	235	1,284
Net income (loss)					348		348	67	415
Other comprehensive income						47	47		47
Share-based compensation plans			88				88		88
Treasury shares	(11,072)			(405)			(405)		(405)
Shares issued pursuant to stock awards	9,627			296	(119)		177		177
Dividends non-controlling interests								(48)	(48)
Purchase of non-controlling interest shares			(3)				(3)	(9)	(12)
Balance as of December 31, 2013	247,581	51	6,175	(167)	(5,105)	347	1,301	245	1,546
Net income (loss)					539		539	68	607
Other comprehensive income						(137)	(137)		(137)
Share-based compensation plans			125				125		125
Treasury shares	(23,246)			(1,435)			(1,435)		(1,435)
Shares issued pursuant to stock awards	8,245			383	(238)		145		145
Dividends non-controlling interests								(50)	(50)
Balance as of December 31, 2014	232,580	51	6,300	(1,219)	(4,804)	210	538	263	801

See accompanying notes to the consolidated financial statements.

**NXP Semiconductors N.V.**  
**Notes to the Consolidated Financial Statements**  
**All amounts in millions of \$ unless otherwise stated**

**1 The Company**

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

**2 Significant Accounting Policies**

***Basis of presentation***

The Consolidated Financial Statements include the accounts of the Company together with its consolidated subsidiaries, including NXP B.V. and all entities in which the Company holds a direct or indirect controlling interest, in such a way that the Company would have the power to direct the activities of the entity that most significantly impact the entity’s economic performance and the obligation to absorb the losses or the right to receive benefits of the entity that could be potentially significant to the Company. Investments in companies in which the Company exercises significant influence but does not control, are accounted for using the equity method. The Company’s share of the net income of these companies is included in results relating to equity-accounted investees in the consolidated statements of operations.

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.

***Reclassifications***

Certain items previously reported have been reclassified to conform to the current period presentation.

Certain prior year amounts relating to the cost basis of property, plant and equipment balances and the accumulated depreciation associated with buildings, machinery and installations and other equipment were adjusted, due to an immaterial error. The accumulated depreciation and cost basis of certain fully depreciated assets had been incorrectly presented resulting in an offsetting understatement of both the cost basis of property, plant and equipment and total accumulated depreciation. There was no change to total property, plant and equipment, net as of December 31, 2013 due to this adjustment.

***Use of estimates***

The preparation of financial statements in conformity with U.S. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Fair value measurements***

Fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for an identical asset or liability, we develop assumptions based on market observable data and, in the absence of such data, utilize internal information that we consider to be consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Priority is given to observable inputs. These two types of inputs form the basis for the following fair value hierarchy.

- Level 1: Quoted prices for identical assets or liabilities in active markets.

- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for similar or identical assets or liabilities in markets that are not active; and valuations based on models where the inputs are observable or where the significant value drivers are observable.
- Level 3: Significant inputs to the valuation model are unobservable.

***Foreign currencies***

The Company uses the U.S. dollar as its reporting currency. The functional currency of the Holding company is the euro. For consolidation purposes, the financial statements of the entities within the Company with a functional currency other than the U.S. dollar, are translated into U.S. dollars. Assets and liabilities are translated using the exchange rates on the applicable balance sheet dates. Income and expense items in the statements of operations, statements of comprehensive income and statements of cash flows are translated at monthly exchange rates in the periods involved.

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The effects of translating the financial position and results of operations from functional currencies to reporting currency are recognized in other comprehensive income and presented as a separate component of accumulated other comprehensive income (loss) within stockholder's equity. If the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is recorded under non-controlling interests.

The following table sets out the exchange rates for U.S. dollars into euros applicable for translation of NXP's financial statements for the periods specified.

	\$ per € 1			
	period end	average(1)	high	low
2014	1.2155	1.3262	1.2155	1.3857
2013	1.3765	1.3285	1.2818	1.3765
2012	1.3190	1.2887	1.2238	1.3347

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

The functional currency of foreign entities is generally the local currency, unless the primary economic environment requires the use of another currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations, except when the foreign exchange exposure is part of a qualifying cash flow or net investment hedge accounting relationship, in which case the related foreign exchange gains and losses are recognized directly in other comprehensive income to the extent that the hedge is effective and presented as a separate component of accumulated other comprehensive income (loss) within stockholders' equity. To the extent that the hedge is ineffective, such differences are recognized in the statement of operations. Currency gains and losses on intercompany loans that have the nature of a permanent investment are recognized as translation differences in other comprehensive income and are presented as a separate component of accumulated other comprehensive income (loss) within equity.

### **Derivative financial instruments including hedge accounting**

The Company uses derivative financial instruments in the management of its foreign currency risks and the input costs of gold for a portion of our anticipated purchases within the next 12 months.

The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate, and records these as assets or liabilities in the balance sheet. Changes in the fair values are immediately recognized in the statement of operations unless cash flow hedge accounting is applied.

Changes in the fair value of a derivative that is highly effective and designated and qualifies as a cash flow hedge are recorded in accumulated other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item. The application of cash flow hedge accounting for foreign currency risks is limited to transactions that represent a substantial currency risk that could materially affect the financial position of the Company.

Foreign currency gains or losses arising from the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized directly in other comprehensive income, to the extent that the hedge is effective, and are presented as a separate component of accumulated other comprehensive income (loss) within stockholders equity.

To the extent that a hedge is ineffective, the ineffective portion of the fair value change is recognized in the consolidated statement of operations. When the hedged net investment is disposed of, the corresponding amount in the accumulated other comprehensive income is transferred to the statement of operations as part of the profit or loss on disposal.

On initial designation of the hedge relationship between the hedging instrument and hedged item, the Company documents this relationship, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125 percent.

When cash flow hedge accounting is discontinued because it is not probable that a forecasted transaction will occur within a period of two months from the originally forecasted transaction date, the Company continues to carry the derivative on the consolidated balance sheets at its fair value, and gains and losses that were accumulated in other comprehensive income are recognized immediately in earnings. In situations in which hedge accounting is discontinued, the Company continues to carry the derivative at its fair value on the consolidated balance sheets, and recognizes any changes in its fair value in earnings.

***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 based on certain country restrictions. Cash and cash equivalents are stated at face value which approximates fair value.

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### **Receivables**

Receivables are carried at amortized cost, net of allowances for doubtful accounts and net of rebates and other contingent discounts granted to distributors. When circumstances indicate a specific customer's ability to meet its financial obligation to us is impaired, we record an allowance against amounts due and value the receivable at the amount reasonably expected to be collected. For all other customers, we evaluate our trade accounts receivable for collectability based on numerous factors including 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 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 and market conditions. 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.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method over the expected economic life of the asset. Depreciation of special tooling is also based on the straight-line method unless a depreciation method other than the straight-line method better represents the consumption pattern. Gains and losses on the sale of property, plant and equipment are included in other income and expense. Plant and equipment under capital leases are initially recorded at the lower of the fair value of the leased property or 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.

### **Business combinations and intangible assets**

Amounts paid for acquisitions are allocated to the tangible assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition. The fair value of identifiable intangible assets is based on detailed valuations that use information and assumptions provided by management. We allocate any excess purchase price over the fair value of the net tangible and intangible assets acquired to goodwill. Identifiable intangible assets with finite lives are amortized over their useful lives. Acquisition-related costs, including advisory, legal, accounting, valuation and other costs, are expensed in the periods in which the costs are incurred. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date. We evaluate the remaining useful life of intangible assets on a periodic basis to determine whether events and circumstances warrant a revision to the remaining useful life. If the estimate of an intangible asset's remaining useful life is changed, we amortize the remaining carrying value of the intangible asset prospectively over the revised remaining useful life.

### **Long-lived assets including goodwill and acquisition related intangible asset impairment**

We perform reviews of property, plant and equipment, and certain identifiable intangibles, excluding goodwill, to determine if facts and circumstances indicate that the useful life is shorter than what we had originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances exist, we assess the recoverability of the long-lived assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. In the event such cash flows are not expected to be sufficient to recover the recorded value of the assets, the assets are written down to their estimated fair values based on the expected discounted future cash flows attributable to the assets or based on appraisals. Impairment losses, if any, are based on the excess of the carrying amount over the fair value of those assets.

We do not amortize goodwill and intangible assets with indefinite useful lives, rather such assets are required to be tested for impairment at least annually or sooner whenever events or changes in circumstances indicate that the assets may be impaired. We perform our goodwill and intangible asset impairment tests annually during the fourth quarter unless a triggering event would require an expedited analysis. If a qualitative assessment is used and the Company determines that the fair value of a reporting unit or indefinite-lived intangible asset is more likely than not (i.e., a likelihood of more than 50%) less than its carrying amount, a quantitative impairment test will be performed. If goodwill is quantitatively assessed for impairment, a two-step approach is applied. First, the Company compares the estimated fair value of the reporting unit in which the goodwill resides to its carrying value. The second step, if necessary, measures the amount of such impairment by comparing the implied fair value of goodwill to its carrying value. Other indefinite-lived intangible assets are quantitatively assessed for impairment, if necessary, by comparing their estimated fair values to their carrying values. If the carrying value exceeds the fair value, the difference is recorded as an impairment.

***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 business combinations, which are capitalized and, after completion, are amortized over their estimated useful lives.

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### **Advertising**

Advertising costs are expensed when incurred.

### **Debt Issuance Costs**

Direct costs incurred to obtain financings are capitalized and subsequently amortized over the term of the debt using the effective interest rate method. Upon extinguishment of any related debt, any unamortized debt issuance costs are expensed immediately.

### **Revenue recognition**

The Company's revenue is derived from sales to distributors, made-to-order sales to Original Equipment Manufacturers ("OEMs") and similar customers.

Revenue is recognized 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. 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, revenue is recognized upon sale to the distributor (sell-in accounting). 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 a return is allowed and reflect customary conditions in the particular geographic market. Other return conditions relate to circumstances arising at the end of a product life cycle, when certain distributors are permitted to return products purchased during a pre-defined period after the Company has announced a product's pending discontinuance. However, long notice periods associated with these announcements prevent significant amounts of product from being returned. Repurchase agreements with OEMs or distributors are not entered into by the Company.

For sales where return rights exist, the Company has determined, based on historical data, that only a very small percentage of the sales of this type to distributors is actually returned. In accordance with this historical data, a pro rata portion of the sales to these distributors is not recognized but deferred until the return period has lapsed or the other return conditions no longer apply.

Revenue is recorded net of sales taxes, customer discounts, rebates and other contingent discounts granted to distributors. We include shipping charges billed to customers in revenue and include the related shipping costs in cost of revenue.

### **Restructuring**

The provision for restructuring relates to the estimated costs of initiated restructurings that have been approved by Management. When such plans require discontinuance and/or closure of lines of activities, the anticipated costs of closure or discontinuance are recorded at fair value when the liability has been incurred. The Company determines the fair value based on discounted projected cash flows in the absence of other observable inputs such as quoted prices. The restructuring liability includes the estimated cost of termination benefits provided to former or inactive employees after employment but before retirement, costs to terminate leases and other contracts, and selling costs associated with assets held for sale and other costs related to the closure of facilities. One-time employee termination benefits are recognized ratably over the future service period when those employees are required to render services to the Company, if that period exceeds 60 days or a longer legal notification period. However, generally, employee termination benefits are covered by a contract or an ongoing benefit arrangement and are recognized when it is probable that the employees will be entitled to the benefits and the amounts can be reasonably estimated.

### **Financial income and expense**

Financial income comprises interest income on funds invested and the net gain on the disposal of other financial assets.

Financial expense comprises interest expense on borrowings, accretion of the discount on provisions and contingent consideration, losses on disposal of financial assets, impairment losses recognized on financial assets (other than trade receivables) and losses on hedging instruments recognized in the statement of operations.

Borrowing costs that are not directly attributable to the acquisition, construction or production of property, plant and equipment are recognized in the statement of operations using the effective interest method.

Foreign currency gains and losses, not related to accounts receivable, accounts payable and intercompany current accounts, are reported on a net basis as either financial income or financial expense in the statement of operations depending on whether foreign currency movements are in a net gain or net loss position. Foreign currency gains and losses on accounts receivable, accounts payable and intercompany current accounts that are not hedged in a net investment hedge are reported under cost of revenue in the statement of operations.

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### **Income taxes**

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. Deferred tax liabilities for withholding taxes on dividends from subsidiaries are recognized in situations where the company does not consider the earnings indefinitely reinvested and to the extent that these withholding taxes are not expected to be refundable.

Deferred tax assets, including assets arising from loss carryforwards, are recognized, net of a valuation allowance, if based upon the available evidence it is more likely than not that the asset will be realized.

The 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. The income tax benefit recognized is measured based on the largest benefit that is more than 50% likely to be realized upon resolution of the uncertainty. The liability for unrecognized tax benefits and the related interest and penalties is recorded under accrued liabilities and other non-current liabilities in the balance sheet 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.

### **Postretirement benefits**

The Company's employees participate in pension and other postretirement benefit plans in many countries. The costs of pension and other postretirement benefits and related assets and liabilities with respect to the Company's employees participating in defined-benefit plans are based upon actuarial valuations. Some of the Company's defined-benefit pension plans are funded with plan assets that have been segregated and restricted in a trust, foundation or insurance company to provide for the pension benefits to which the Company has committed itself.

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

Most of the Company's plans are unfunded and result in a pension provision or a net pension liability.

The projected defined-benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. For the Company's major plans, the discount rate is derived from market yields on high quality corporate bonds. Plans in countries without a deep corporate bond market use a discount rate based on the local government bond rates.

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 only to the extent that their net cumulative amount exceeds 10% of the greater of the present value of the obligation or of the fair value of plan assets at the end of the previous year (the corridor). Events which invoke a curtailment or a settlement of a benefit plan will be recognized in our statement of operations.

In calculating obligation and expense, the Company is required to select actuarial assumptions. These assumptions include discount rate, expected long-term rate of return on plan assets and rates of increase in compensation costs 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 to the projected benefit obligations, funding requirements and periodic pension cost incurred. A sensitivity analysis is provided in note 15, "Postretirement Benefit Plans".

Unrecognized prior-service costs related to pension plans are amortized to the statements of operations over the average remaining service period of the active employees.

Contributions to defined-contribution and multi-employer pension plans are recognized as an expense in the statements of operations as incurred.

If the projected benefit obligation exceeds the fair value of plan assets, we recognize in the consolidated balance sheet a liability that equals the excess. If the fair value of plan assets exceeds the projected benefit obligation, we recognize in the balance sheet an asset that equals the excess.

The Company determines the fair value of plan assets based on quoted prices or comparable prices for non-quoted assets. For a defined-benefit pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement defined benefit plan it is the accumulated postretirement benefit obligation.

The Company recognizes as a component of 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. 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.

For all of the Company's defined pension benefit plans, the measurement date is year-end.

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### **Share-based compensation**

We recognize compensation expense for all share-based awards based on the grant-date estimated fair values, net of an estimated forfeiture rate. We use the Black-Scholes option pricing model to determine the estimated fair value for certain awards. Share-based compensation cost for restricted share units (“RSU”)s with time-based vesting is measured based on the closing fair market value of our common stock on the date of the grant, reduced by the present value of the estimated expected future dividends, and then multiplied by the number of RSUs granted. Share-based compensation cost for performance-based share units (“PSU”)s granted with performance or market conditions is measured using a Monte Carlo simulation model on the date of grant.

The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service periods in our Consolidated Statements of Operations. For stock options and RSUs, the grant-date value, less estimated pre-vest forfeitures, is expensed on a straight-line basis over the vesting period. PSUs are expensed using a graded vesting schedule. The vesting period for stock options is generally four years, for RSUs is generally three years and PSUs is one to three years.

### **Earnings per share**

Basic earnings per share attributable to stockholders is calculated by dividing net income or loss attributable to stockholders of the Company by the weighted average number of common shares outstanding during the period.

To determine diluted share count, we apply the treasury stock method to determine the dilutive effect of outstanding stock option shares, RSUs, PSUs and Employee Stock Purchase Plan (“ESPP”) shares. Under the treasury stock method, the amount the employee must pay for exercising share-based awards, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of excess tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are assumed to be used to repurchase shares.

### **Concentration of risk**

Financial instruments, including derivative financial instruments, that may potentially subject NXP to concentrations of credit risk, consist principally of cash and cash equivalents, short-term investments, long-term investments, accounts receivable and forward contracts.

We sell our products to OEMs and to distributors in various markets, who resell these products to OEMs, or their subcontract manufacturers. One of our distributors accounted for 13% of our revenue in 2014, 11% in 2013 and 12% in 2012 and one other distributor accounted for 13% of our revenue in 2014. No other distributor accounted for greater than 10% of our revenue for 2014, 2013 or 2012. No individual OEM for which we had direct sales to accounted for more than 10% of our revenue for 2014, 2013 or 2012.

Credit exposure related to NXP’s foreign currency forward contracts is limited to the realized and unrealized gains on these contracts.

NXP is party to certain hedge transactions related to its 2019 Cash Convertible Senior Notes. NXP is subject to the risk that the counterparties to these transactions may not be able to fulfill their obligations under these hedge transactions.

NXP purchased options and issued warrants to hedge potential cash payments in excess of the principal and contractual interest related to its 2019 Cash Convertible Senior Notes, which were issued during fiscal 2014. The 2019 Cash Convertible Senior Note hedges and warrants are adjusted to fair value each reporting period and unrealized gains and losses are reflected in NXP’s Consolidated Statements of Operations. Because the fair value of the 2019 Cash Convertible Senior Notes embedded conversion derivative and the 2019 Cash Convertible Senior Notes hedges are designed to have similar offsetting values, there was no impact to NXP’s Consolidated Statements of Operations relating to these adjustments to fair value, the fair value adjustment for the warrant resulted in an unrealized loss of \$2 million in the Consolidated Statements of Operations.

The Company is using outside suppliers or foundries for a portion of its manufacturing capacity.

We have operations in Europe and Asia subject to collective bargaining agreements which could pose a risk to the Company in the near term but we do not expect that our operations will be disrupted if such is the case.

### **Accounting standards adopted in 2014**

The following accounting pronouncements became effective in 2014 and were adopted by the Company

- **ASU No. 2013-05 “Foreign Currency Matters (Topic 830): Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity”**

On March 4, 2013, the FASB issued ASU 2013-05, which indicates that the entire amount of a cumulative translation adjustment (CTA) related to an entity’s investment in a foreign entity should be released when there has been a:

- Sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in the foreign entity.
- Loss of a controlling financial interest in an investment in a foreign entity (i.e., the foreign entity is deconsolidated).
- Step acquisition for a foreign entity (i.e., when an entity has changed from applying the equity method for an investment in a foreign entity to consolidating the foreign entity).

The ASU does not change the requirement to release a pro rata portion of the CTA of the foreign entity into earnings for a partial sale of an equity method investment in a foreign entity. The effective date for NXP was January 1, 2014. There

was no impact on the Company's financial statements. In the event that NXP enters into a divestment, the ASU could have a material impact to the financial statements.

- **ASU No. 2013-11 "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists"**

On July 18, 2013 the FASB issued ASU 2013-11 which provides guidance on financial statement presentation of an unrecognized tax benefit (UTB) when a net operating loss (NOL) carryforward, a similar tax loss, or a tax credit carryforward exists.

Under the ASU, an entity must present a UTB, or a portion of a UTB, in the financial statements as a reduction to a deferred tax asset (DTA) for an NOL carryforward, a similar tax loss, or a tax credit carryforward except when:

- An NOL carryforward, a similar tax loss, or a tax credit carryforward is not available as of the reporting date under the governing tax law to settle taxes that would result from the disallowance of the tax position.
- The entity does not intend to use the DTA for this purpose.

If either of these conditions exists, an entity should present a UTB in the financial statements as a liability and should not net the UTB with a DTA. New recurring disclosures are not required because the ASU does not affect the recognition or measurement of uncertain tax positions under ASC 740.

The effective date for NXP was January 1, 2014.

The ASU had no significant impact on the Company's financial statements.

***New standards to be adopted after 2014***

- **ASU No. 2014-08 "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity"**

On April 10, 2014, the FASB issued ASU 2014-08, which amends the definition of a discontinued operation in ASC 205-20 and requires entities to provide additional disclosures about discontinued operations as well as disposal transactions that do not meet the discontinued- operations criteria. A disposal of a component of an entity or group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results as determined when the component or group of components:

- (i) Meets the criteria to be classified as held for sale or
- (ii) Is disposed of by sale or
- (iii) Is disposed of other than by sale

The ASU also expands the scope of ASC 205-20 to disposals of equity method investments and businesses that, upon initial acquisition, qualify as held for sale.

The ASU is effective prospectively for all disposals (except disposals classified as held for sale before the adoption date) or components initially classified as held for sale in periods beginning on or after December 15, 2014. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company has the intention to implement the provisions of ASU 2014-08 as of January 1, 2015.

- **ASU No. 2014-09 "Revenue from Contracts with Customers (Topic 606)"**

On May 28, 2014 the FASB and IASB issued their final standard on revenue from contracts with customers. The standard, issued as ASU 2014-09 by the FASB and as IFRS 15 by the IASB, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." In applying the revenue model to contracts within its scope, an entity will:

- Identify the contract(s) with a customer (step 1)
- Identify the performance obligations in the contract (step 2)
- Determine the transaction price (step 3)
- Allocate the transaction price to the performance obligations in the contract (step 4)
- Recognize revenue when (or as) the entity satisfies a performance obligation (step 5)

Compared with current US GAAP, the ASU also requires significantly expanded disclosures about revenue recognition.

The ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016, for public entities. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance in the ASU. The Company will implement the provisions of ASU 2014-09 as of January 1, 2017. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and

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related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

- **ASU No. 2014-15 “Presentation of Financial Statements- Going Concern (Subtopic 205-40)”**

On August 27, 2014 the FASB issued ASU 2014-15, which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date of issuance of the entity’s financial statements. Further, an entity must provide certain disclosures if there is “substantial doubt about the entity’s ability to continue as a going concern.”

The ASU is effective for annual periods ending after December 15, 2016 and interim periods thereafter. Early adoption is permitted.

NXP will apply the ASU prospectively as from January 1, 2017. The ASU is not expected to have a significant impact on the Company’s financial statements.

### **3 Acquisitions and Divestments**

#### **2014 and 2013**

There were no significant acquisitions and divestments in 2014 and 2013.

#### **2012**

In April 2012, the Company acquired Catena, an electronic design and IP company. The purchase price consideration of \$20 million, including the issuance of 599,000 treasury shares with a fair value of \$14 million was allocated to goodwill of \$11 million, other intangible assets with an amortization period of five years of \$9 million, assets acquired of \$7 million and liabilities assumed of \$7 million. The goodwill is not deductible for income tax purposes.

The results of Catena are consolidated in the Automotive operating segment that is part of the reportable segment HPMS.

On July 19, 2012, we sold the High Speed Data Converter business (a product line of the High Performance Mixed Signal segment) to Integrated Device Technology (IDT) for \$31 million. The gain on the sale of \$19 million is included in other income (expense).

On January 4, 2012, Trident Microsystems, Inc., in which we held a 60% shareholding after the sale in 2010 of our digital television and set-top-box business line, filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code and was subsequently delisted from the NASDAQ. An initial distribution to shareholders took place on December 21, 2012. In view of the aforementioned distribution, NXP B.V. returned its shares in Trident. See note 7 “Investments in Equity Accounted Investees” for an additional discussion of Trident.

### **4 Supplemental Financial Information**

#### *Statement of Operations Information*

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

Depreciation and amortization, including impairment charges, are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Depreciation of property, plant and equipment	219	246	247
Amortization of internal use software	31	32	24
Amortization of identified intangible assets	155	236	262
	<u>405</u>	<u>514</u>	<u>533</u>

Depreciation of property, plant and equipment is primarily included in cost of revenue. Amortization of intangible assets is primarily reported in the selling, general and administrative expenses.

#### **Change in accounting estimate**

In December 2013, we determined that the estimated useful life of the machinery and equipment used in our Standard Products front-end and back-end manufacturing processes had increased to ten years, from the five to seven years previously estimated.

We believe that the change in estimated useful life better reflects the future usage of this equipment. The effect of this change was recognized prospectively as a change in accounting estimate beginning January 1, 2014. The change in estimate resulted in a decrease in depreciation expense of approximately \$26 million for the year ending December 31, 2014.

#### **Foreign exchange differences**

In 2014, cost of revenue included foreign exchange differences amounting to a profit of \$4 million (2013: a loss of less than \$1 million; 2012: a loss of \$4 million).

[Table of Contents](#)**Financial income and expense**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Interest income	3	3	4
Interest expense	<u>(145)</u>	<u>(182)</u>	<u>(270)</u>
Total interest expense, net	<u>(142)</u>	<u>(179)</u>	<u>(266)</u>
Net gain (loss) on extinguishment of debt	(3)	(114)	(161)
Foreign exchange rate results	<u>(246)</u>	62	28
Miscellaneous financing costs/income, net	<u>(19)</u>	<u>(43)</u>	<u>(38)</u>
Total other financial income and expense	<u>(268)</u>	<u>(95)</u>	<u>(171)</u>
Total	<u>(410)</u>	<u>(274)</u>	<u>(437)</u>

The Company has applied net investment hedging since May, 2011. The U.S. dollar exposure of the net investment in U.S. dollar functional currency subsidiaries of \$1.7 billion has been hedged by our U.S. dollar-denominated notes. As a result in 2014 a charge of \$214 million (2013: a benefit of \$68 million; 2012: a benefit of \$26 million) was recorded in other comprehensive income (loss) relating to the foreign currency result on the U.S. dollar-denominated notes that are recorded in a euro functional currency entity.

**Cash Flow Information**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Net cash paid during the period for:</b>			
Interest	138	174	292
Income taxes	24	34	28
<b>Net gain (loss) on sale of assets:</b>			
Cash proceeds from the sale of assets	11	6	31
Book value of these assets	<u>(10)</u>	<u>(4)</u>	<u>(12)</u>
Non-cash gains (losses)	<u>9</u>	<u>—</u>	<u>1</u>
	<u>10</u>	<u>2</u>	<u>20</u>
<b>Non-cash investing information:</b>			
Assets received in lieu of cash from the sale of businesses:			
Fair value of available-for-sale securities	9	—	—
<b>Non-cash financing information:</b>			
Exchange of Term Loan A1 for Term Loan E	400	—	—
Exchange of Term Loan C for Term Loan D	—	400	—
<b>Other items:</b>			
Other items consists of the following non-cash element in income:			
Non-cash interest cost due to applying effective interest method	3	2	22
Others	<u>(7)</u>	<u>—</u>	<u>—</u>
	<u>(4)</u>	<u>2</u>	<u>22</u>

Cash flows from financing activities in 2013 included \$12 million in connection with the acquisition of the remaining 40% non-controlling interest share from Jilin Sino-Microelectronics Co. Ltd.

**5 Restructuring Charges**

At each reporting date, we evaluate our restructuring liabilities, which consist primarily of termination benefits, to ensure that our accruals are still appropriate. The restructuring liability balance as of December 31, 2014 primarily relates to:

- Workforce reduction accrual of \$7 million for redundancy at our ICN 8 wafer fab in Nijmegen;
- Workforce reduction accrual of \$5 million for redundancy at our wafer fab in Hamburg;
- 2012 OPEX Reduction Program accrual of \$12 million. The OPEX Reduction Program is expected to be completed by the third quarter of 2015;
- Accruals of \$16 million for individual cases that arose in 2014.

**There were no material new restructuring projects in 2014 and 2013**

**The most significant projects for restructuring in 2012**

In 2012 we announced a cost savings and restructuring initiative, designed to improve operational efficiency and to competitively position the Company for sustainable growth. We recorded a restructuring charge of \$90 million in 2012 associated with this initiative classified within the statement of operations under cost of goods sold of \$17 million, mainly relating to the consolidation of MOS technologies from our German fabrication facility in Hamburg to the Company's 8-inch Dutch facility in Nijmegen, and selling, general and administrative of \$52 million and research and development of \$21 million, to consolidate resources. This charge primarily related to a worldwide workforce reduction of approximately 650 employees, with the majority of the headcount reductions in Europe and the U.S. The restructuring liabilities of \$90 million recognized for this initiative were reflected within current liabilities (\$64 million) and non-current liabilities (\$26 million) as of December 31, 2012 and primarily related to termination and employee benefit related costs.

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The following table presents the changes in the position of restructuring liabilities in 2014 by segment:

	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Utilized</u>	<u>Released</u>	<u>Other changes(1)</u>	<u>Balance December 31, 2014</u>
HPMS	46	6	(29)	(4)	(5)	14
SP	31	14	(35)	(4)	(1)	5
Corporate and Other	40	24	(34)	(8)	(1)	21
	<u>117</u>	<u>44</u>	<u>(98)</u>	<u>(16)</u>	<u>(7)</u>	<u>40</u>

(1) Other changes primarily related to translation differences and internal transfers

The total restructuring liability as of December 31, 2014 of \$40 million is classified in the balance sheet under current liabilities (\$37 million) and non-current liabilities (\$3 million).

In 2014 the Company recorded \$44 million of additional restructuring liabilities which largely consisted of workforce reduction charges as a result of redundancy at our ICN 8 wafer fab in Nijmegen (\$16 million) and our wafer fab in Hamburg (\$5 million), workforce reduction charges of \$4 million from the closure of the product line Standard Linear in Hamburg and \$4 million from the transfer of R&D activities of Smart Analog from Nijmegen to other locations.

Releases of restructuring liabilities of \$16 million were recorded in 2014. These releases related mainly to the earlier OPEX reduction program and the workforce reduction actions we took in 2014.

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

The following table presents the changes in the position of restructuring liabilities in 2013 by segment:

	<u>Balance January 1, 2013</u>	<u>Additions</u>	<u>Utilized</u>	<u>Released</u>	<u>Other changes(1)</u>	<u>Balance December 31, 2013</u>
HPMS	57	3	(23)	(4)	13	46
SP	41	6	(3)	(7)	(6)	31
Corporate and Other	72	18	(39)	(10)	(1)	40
	<u>170</u>	<u>27</u>	<u>(65)</u>	<u>(21)</u>	<u>6</u>	<u>117</u>

(1) Other changes primarily related to translation differences and internal transfers

The total restructuring liability as of December 31, 2013 of \$117 million is classified in the balance sheet under current liabilities (\$103 million) and non-current liabilities (\$14 million).

In 2013 the Company recorded \$27 million of additional restructuring liabilities which largely consisted of \$16 million stemming from onerous contracts relating to leased office buildings in the Netherlands and France and \$8 million of termination benefits related to additional workforce reductions as part of its closure of ICN 4 and ICN 6.

Releases of restructuring liabilities of \$21 million were recorded in 2013. These releases related mainly to liabilities for the closure of ICN 4 and ICN 6 (partly reversed) and liabilities related to other workforce reduction plans.

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

The components of restructuring charges less releases recorded in the liabilities in 2014, 2013 and 2012 are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Personnel lay-off costs	43	10	101
Lease and Contract Terminations	1	17	2
Release of provisions/accruals	(16)	(21)	(4)
Net restructuring charges	<u>28</u>	<u>6</u>	<u>99</u>

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The following table summarizes the significant activity within, and components of, the Company's restructuring obligations:

	<u>Personnel lay-off costs</u>	<u>Lease and Contract Terminations</u>	<u>Total</u>
Balance at December 31, 2012	167	3	170
Expense	(8)	14	6
Utilized <sup>1)</sup>	(54)	(11)	(65)
Other changes <sup>2)</sup>	5	1	6
Balance at December 31, 2013	110	7	117
Expense	29	(1)	28
Utilized <sup>1)</sup>	(93)	(5)	(98)
Other changes <sup>2)</sup>	(7)	—	(7)
Balance at December 31, 2014	39	1	40

1) Represents cash payments.

2) Other changes primarily related to translation differences.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cost of revenue	16	—	18
Selling, general and administrative	3	7	59
Research & development	9	(1)	22
Net restructuring charges	28	6	99

## 6 Provision for Income Taxes

In 2014, NXP generated income before income taxes of \$639 million (2013: \$377 million; 2012: \$25 million loss). The components of income (loss) before income taxes are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Netherlands	398	205	(93)
Foreign	241	172	68
	639	377	(25)

The components of the provision for income taxes are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current taxes:			
Netherlands	(7)	(10)	(1)
Foreign	(32)	(17)	(20)
	(39)	(27)	(21)
Deferred taxes:			
Netherlands	2	1	5
Foreign	(3)	6	15
	(1)	7	20
Total provision for income taxes	(40)	(20)	(1)

A reconciliation of the statutory income tax rate in the Netherlands as a percentage of income (loss) before income taxes and the effective income tax rate is as follows:

(in percentages)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutory income tax in the Netherlands	25.0	25.0	25.0
Increase (reduction) in rate resulting from:			
Rate differential local statutory rates versus statutory rate of the Netherlands	(2.5)	(3.4)	64.0
Net change in valuation allowance	2.4	5.3	(178.0)
Prior year adjustments	0.5	(0.8)	5.2
Non-taxable income	(0.3)	(1.1)	41.6
Non-tax-deductible expenses/losses	5.6	6.6	(69.6)
Other taxes and tax rate changes	—	2.3	18.2
Withholding taxes	1.3	0.8	(7.6)
Unrecognized tax benefits	0.6	0.8	(24.8)
Tax incentives	(26.3)	(30.2)	122.0
Effective tax rate	6.3%	5.3%	(4.0)%

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For the year 2014 the main part of tax incentives includes a tax benefit resulting from the application of the Dutch “Innovation box” tax rules. The Company also benefits from income tax holiday incentives in certain jurisdictions which provide that we pay reduced income taxes in those jurisdictions for a fixed period of time that varies depending on the jurisdiction. The predominant income tax holiday is expected to expire at the end of 2021. The related tax benefit of 4.3% (2013: 6.5%) is also recorded above within tax incentives.

The Company has considered all items of income (including items recorded in other comprehensive income) in determining the amount of tax benefit that should be allocated to a loss from continuing operations. As a result, during 2012 we recorded \$8 million of non-cash tax benefit on a loss from continuing operations arising in one of our jurisdictions for the year ended December 31, 2012 which was exactly offset by \$8 million income tax expense in other comprehensive income. Because the income tax expense on other comprehensive income is equal to the income tax benefit from continuing operations, our net deferred tax positions at December 31, 2012 were not impacted by this tax allocation.

**Deferred tax assets and liabilities**

The principal components of deferred tax assets and liabilities are presented below:

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	2	(120)	5	(160)
Property, plant and equipment	19	(35)	27	(36)
Inventories	2	—	2	—
Receivables	—	—	—	(1)
Other assets	1	(1)	1	—
Liabilities:				
Pensions	51	—	36	(5)
Restructuring	6	—	27	—
Other	25	—	24	—
Long-term debt	—	—	—	(23)
Undistributed earnings of foreign subsidiaries	—	(31)	—	(31)
Tax loss carryforwards (including tax credit carryforwards)	659	—	686	—
<b>Total gross deferred tax assets (liabilities)</b>	<b>765</b>	<b>(187)</b>	<b>808</b>	<b>(256)</b>
Net deferred tax position	578	—	552	—
Valuation allowances	(627)	—	(607)	—
Net deferred tax assets (liabilities)	(49)	—	(55)	—

The Company has significant deferred tax assets resulting from net operating loss carryforwards, tax credit carryforwards and deductible temporary differences that may reduce taxable income in future periods. Valuation allowances have been established for deferred tax assets based on a “more likely than not” threshold. The realization of our deferred tax assets depends on our ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction. The valuation allowance increased by \$20 million during 2014 (2013: \$18 million increase). When the Company’s operating performance improves on a sustained basis, our conclusion regarding the need for such valuation allowance could change.

Subsequently recognized tax benefits related to the valuation allowance for deferred tax assets as of December 31, 2014, will be allocated as follows: \$620 million of income tax benefit that would be reported in the consolidated statement of comprehensive income, \$7 million to additional paid-in capital.

After the recognition of the valuation allowance against deferred tax assets, a net deferred tax liability remains of \$49 million at December 31, 2014 (2013: \$55 million). This net deferred tax liability relates to certain taxable temporary differences reversing outside the tax loss carryforward periods, deferred tax liabilities recorded for profitable entities and deferred tax liabilities for withholding taxes on undistributed earnings of foreign subsidiaries.

At December 31, 2014 tax loss carryforwards of \$2,463 million will expire as follows:

	Balance	Scheduled expiration							
	December 31, 2014	2015	2016	2017	2018	2019	2020-2024	later	unlimited
<b>Tax loss carryforwards</b>	2,463	143	688	448	10	193	198	152	631

The Company also has tax credit carryforwards of \$95 million, which are available to offset future tax, if any, and which will expire as follows:

	Balance	Scheduled expiration							
	December 31, 2014	2015	2016	2017	2018	2019	2020-2024	later	unlimited
<b>Tax credit carryforwards</b>	95	—	—	—	—	—	—	10	85

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The classification of the deferred tax assets and liabilities in the Company's consolidated balance sheets is as follows:

	<u>2014</u>	<u>2013</u>
Deferred tax assets within current assets	8	11
Deferred tax assets within other non-current assets	19	24
Deferred tax liabilities within accrued liabilities	—	(2)
Deferred tax liabilities within other non-current liabilities	(76)	(88)
	<u>(49)</u>	<u>(55)</u>

The net income tax payable (excluding the liability for unrecognized tax benefits) as of December 31, 2014 amounted to \$9 million (2013: \$6 million payable) and includes amounts directly payable to or receivable from tax authorities.

As from 2009 the Company intends to repatriate the undistributed earnings of subsidiaries. Consequently, the Company has recognized a deferred income tax liability of \$31 million at December 31, 2014 (2013: \$31 million) for the additional withholding taxes payable upon the future remittances of these earnings of foreign subsidiaries.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Balance as of January 1,	143	139	169
Increases from tax positions taken during prior periods	—	1	16
Decreases from tax positions taken during prior periods	(21)	(4)	(25)
Increases from tax positions taken during current period	3	7	2
Decreases relating to settlements with the tax authorities	—	—	(23)
Balance as of December 31,	<u>125</u>	<u>143</u>	<u>139</u>

Of the total unrecognized tax benefits at December 31, 2014, \$23 million, if recognized, would impact the effective tax rate. All other unrecognized tax benefits, if recognized, would not affect the effective tax rate as these would be offset by compensating adjustments in the Company's deferred tax assets that would be subject to valuation allowance based on conditions existing at the reporting date.

The Company classifies interest related to unrecognized tax benefits as financial expense and penalties as income tax expense. The total related interest and penalties recorded during the year 2014 amounted to \$3 million (2013: \$1 million; 2012: \$(5) million). As of December 31, 2014 the Company has recognized a liability for related interest and penalties of \$7 million (2013: \$4 million; 2012: \$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 cannot be made.

Tax years that remain subject to examination by major tax jurisdictions (the Netherlands, Germany, USA, China, Taiwan, Thailand and the Philippines) are 2009 through 2014.

## 7 Investments in Equity-accounted Investees

### Results relating to equity-accounted investees

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Company's share in income (loss)	8	7	7
Other results	—	51	(34)
	<u>8</u>	<u>58</u>	<u>(27)</u>

### Company's share in income (loss)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
ASMC	2	1	3
ASEN	6	6	4
	<u>8</u>	<u>7</u>	<u>7</u>

On January 4, 2012, Trident and one of its subsidiaries, Trident Microsystems (Far East) Ltd., filed voluntary petitions under Chapter 11 of the United States Bankruptcy code, in the U.S. Bankruptcy Court for the District of Delaware and was subsequently delisted from the NASDAQ. The U.S. Bankruptcy Court approved the plan of liquidation and entered an order confirming such plan on December 13, 2012. An initial distribution to shareholders took place on December 21, 2012. In view of the aforementioned distribution, NXP B.V. returned its shares in Trident.

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**Other results**

Other results relating to equity-accounted investees amounted to a gain of \$51 million in 2013. The gain in 2013 primarily reflects a \$46 million release of the contingent liability related to an arbitration commenced by ST. By ruling of April 2, 2013, the ICC arbitration tribunal dismissed all claims made by ST in this arbitration. No appeal is available to ST. Based on this award, the provision amounting to \$46 million, established in 2012, was released. In 2012, a loss of \$46 million related to extra provisions for the above mentioned legal claim of ST and a gain of \$12 million related to a partial recovery of our equity investment in Trident are included.

**Investments in equity-accounted investees**

The changes in 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Balance as of January 1	52	45
Changes:		
Acquisitions/additions	12	—
Deductions	—	—
Share in income (loss)	8	7
Translation and exchange rate differences	(1)	—
Balance as of December 31	71	52

The total carrying value of investments in equity-accounted investees is summarized as follows:

	<u>2014</u>		<u>2013</u>	
	Shareholding %	Amount	Shareholding %	Amount
ASMC	27	20	27	18
ASEN	40	40	40	34
Others		<u>11</u>		<u>—</u>
		71		52

Investments in equity-accounted investees are included in Corporate and Other.

The fair value of NXP's shareholding in the publicly listed company ASMC based on the quoted market price at December 31, 2014 is \$35 million.

**8 Earnings per share**

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Income (loss) from continuing operations	607	415	(53)
Less: Net income (loss) attributable to non-controlling interests	68	67	63
Income (loss) from continuing operations attributable to stockholders	539	348	(116)
Income (loss) from discontinued operations attributable to stockholders	—	—	1
Net income (loss) attributable to stockholders	539	348	(115)
Weighted average number of shares outstanding (after deduction of treasury shares) during the year (in thousands)	237,954	248,526	248,064
Plus incremental shares from assumed conversion of:			
Options	6,753	5,004	—
Restricted Share Unites, Performance Share Units and Equity Rights	3,902	1,520	—
Dilutive potential common share	10,655	6,524	—
Adjusted weighted average number of shares outstanding (after deduction of treasury shares) during the year (in thousands) <sup>1)</sup>	248,609	255,050	248,064
<i>Basic EPS attributable to stockholders in \$:</i>			
Income (loss) from continuing operations	2.27	1.40	(0.46)
Income (loss) from discontinued operations	—	—	—
Net income (loss)	2.27	1.40	(0.46)
<i>Diluted EPS attributable to stockholders in \$:</i>			
Income (loss) from continuing operations	2.17	1.36	(0.46)
Income (loss) from discontinued operations	—	—	—
Net income (loss)	2.17	1.36	(0.46)

<sup>1)</sup> In 2014, 1,670,519 securities (2013: 10,609,942 securities; 2012: 32,394,794 securities) that could potentially dilute basic EPS were not included in the computation of dilutive EPSs because the effect would have been anti-dilutive for the period presented.

**9 Share-based Compensation**

Our share-based compensation plans include the long-term incentive plans and the management equity stock option plan.

Share-based compensation expense is included in the following line items in our statement of operations:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cost of revenue	10	8	2
Research and development	20	13	5
Selling, general and administrative	103	67	45
	<u>133</u>	<u>88</u>	<u>52</u>

**Long Term Incentive Plans (LTIP's)**

The LTIP was introduced in 2010 and is a broad-based long-term retention program to attract, retain and motivate talented employees as well as align stockholder and employee interests. The LTIP provides share-based compensation ("awards") to both our eligible employees and non-employee directors. Awards that may be granted include performance shares, stock options and restricted shares. The number of shares authorized and available for awards as December 31, 2014 was approximately 4.8 million.

A charge of \$123 million was recorded in 2014 for the LTIP (2013: \$87 million; 2012: \$44 million).

A summary of the activity for our LTIP's during 2014 is presented below.

**Stock options**

The options have a strike price equal to the closing share price on the grant date. The fair value of the options has been calculated using the Black-Scholes formula, using the following assumptions:

- an expected life of 6.25 years, calculated in accordance with the guidance provided in SEC Staff bulletin No. 110 for plain vanilla options using the simplified method, since our equity shares have been publicly traded for only a limited period of time and we do not have sufficient historical exercise data;
- a risk-free interest rate varying from 0.8% to 2.8% (2013: 1.0% to 1.9%; 2012: 0.8% to 1.3%);
- no expected dividend payments; and
- a volatility of 45-50% based on the volatility of a set of peer companies. Peer company data has been used given the short period of time our shares have been publicly traded.

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

	<u>Stock options</u>	<u>Weighted average exercise price in USD</u>	<u>Weighted average remaining contractual term</u>	<u>Aggregate intrinsic value</u>
Outstanding at January 1, 2014	10,245,818	22.82		
Granted	945,269	63.48		
Exercised	(2,759,035)	19.82		
Forfeited	(483,782)	23.39		
Outstanding at December 31, 2014	7,948,270	28.66	7.8	379
Exercisable at December 31, 2014	2,840,911	19.98	7.0	160

The weighted average per share grant date fair value of stock options granted in 2014 was \$29.10 (2013: \$17.83; 2012: \$10.44).

The intrinsic value of the exercised options was \$129 million (2013: \$41 million; 2012: \$7 million), whereas the amount received by NXP was \$55 million (2013: \$34 million; 2012: \$9 million).

At December 31, 2014, there was a total of \$62 million (2013: \$67 million) of unrecognized compensation cost related to non-vested stock options. This cost is expected to be recognized over a weighted-average period of 1.8 years (2013: 2.9 years).

**Performance share units**

Financial performance conditions

	<u>Shares</u>	<u>Weighted average grant date fair value in USD</u>
Outstanding at January 1, 2014	2,204,303	25.21
Granted	235,136	62.29
Vested	(1,037,149)	23.32
Forfeited	(78,996)	28.45
Outstanding at December 31, 2014	1,323,294	33.09

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The weighted average grant date fair value of performance share units granted in 2014 was \$62.29 (2013: \$39.59; 2012: \$23.35). The fair value of the performance share units at the time of vesting was \$70 million (2013: \$27 million; 2012: \$1 million).

### Market performance conditions

	Shares	Weighted average grant date fair value in USD
Outstanding at January 1, 2014	1,775,000	17.54
Granted	353,549	39.29
Vested	(177,500)	17.54
Forfeited	—	—
Outstanding at December 31, 2014	1,951,049	23.27

The weighted average grant date fair value of performance share units granted in 2014 was \$39.29 (2013: \$17.54).

At December 31, 2014, there was a total of \$42 million (2013: \$44 million) of unrecognized compensation cost related to non-vested performance share units. This cost is expected to be recognized over a weighted-average period of 1.8 years (2013: 1.8 years).

### Restricted share units

	Shares	Weighted average grant date fair value in USD
Outstanding at January 1, 2014	3,821,895	31.50
Granted	1,645,188	63.42
Vested	(1,687,895)	28.44
Forfeited	(221,451)	29.18
Outstanding at December 31, 2014	3,557,737	47.86

The weighted average grant date fair value of restricted share units granted in 2014 was \$63.42 (2013: \$39.23; 2012: \$23.31). The fair value of the restricted share units at the time of vesting was \$110 million (2013: \$57 million; 2012: \$21 million).

At December 31, 2014, there was a total of \$140 million (2013: \$98 million) of unrecognized compensation cost related to non-vested restricted share units. This cost is expected to be recognized over a weighted-average period of 1.8 years (2013: 2.4 years).

### Management Equity Stock Option Plan (“MEP”)

Awards are no longer available under these plans. Current employees owning vested MEP Options may exercise such MEP Options during the five year period subsequent to September 18, 2013, subject to these employees remaining employed by us and subject to the applicable laws and regulations.

No charge was recorded in 2014 (2013: \$1 million, 2012: \$8 million) for options granted under the MEP.

The following table summarizes the information about NXP’s outstanding MEP Options and changes during 2014.

### Stock options

	Stock options	Weighted average exercise price in EUR	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at January 1, 2014	5,401,285	24.93		
Granted	—	—		
Exercised	(2,485,080)	26.02		
Forfeited	—	—		
Expired	—	—		
Outstanding at December 31, 2014	2,916,205	24.00	3.7	113
Exercisable at December 31, 2014	2,916,205	24.00	3.7	113

The intrinsic value of exercised options was \$74 million (2013: \$71 million; 2012: \$8 million), whereas the amount received by NXP was \$86 million (2013: \$142 million; 2012: \$6 million).

The number of vested options at December 31, 2014 was 2,916,205 (2013: 5,359,984 vested options) with a weighted average exercise price of €24.00 (2013: €24.95 weighted average exercise price).

At December 31, 2014, there was no unrecognized compensation cost related to non-vested stock options.

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### 10 Receivables, net

Accounts receivable are summarized as follows:

	<u>2014</u>	<u>2013</u>
Accounts receivable from third parties	549	504
Allowance for doubtful accounts	(3)	(3)
Other receivables	47	41
	<u>593</u>	<u>542</u>

The current portion of income taxes receivable of \$2 million (2013: \$7 million) is included under other receivables.

### 11 Inventories, net

Inventories are summarized as follows:

	<u>2014</u>	<u>2013</u>
Raw materials	50	59
Work in process	580	597
Finished goods	125	84
	<u>755</u>	<u>740</u>

The portion of the finished goods stored at customer locations under consignment amounted to \$19 million as of December 31, 2014 (2013: \$22 million).

The amounts recorded above are net of an allowance for obsolescence of \$64 million as of December 31, 2014 (2013: \$63 million).

### 12 Property, plant and equipment, net

The following table presents details of the Company's property, plant and equipment, net of accumulated depreciation:

	<u>Useful Life (in years)</u>	<u>2014</u>	<u>2013</u>
Land		56	60
Buildings	9 to 50	686	679
Machinery and installations	2 to 10	2,549	2,492
Other Equipment	1 to 5	249	273
Prepayments and construction in progress		143	88
		<u>3,683</u>	3,592
Less accumulated depreciation		<u>(2,560)</u>	<u>(2,544)</u>
Property, plant and equipment, net of accumulated depreciation		1,123	1,048

Land with a book value of \$56 million (2013: \$60 million) is not depreciated.

Property and equipment includes \$15 million (2013: \$62 million) related to assets acquired under capital leases. Accumulated depreciation related to these assets was \$12 million (2013: \$55 million). See note 17 for information regarding capital lease obligations.

There was no significant construction in progress and therefore no related capitalized interest.

### 13 Identified Intangible Assets

Intangible assets, net of accumulated amortization and impairments of \$573 million and \$755 million as of December 31, 2014 and 2013 respectively were composed of the following:

	December 31, 2014		December 31, 2013	
	Gross	Accumulated amortization and impairments	Gross	Accumulated amortization and impairments
Marketing-related	17	(16)	19	(18)
Customer-related	400	(223)	437	(211)
Technology-based	1,298	(968)	2,104	(1,619)
	1,715	(1,207)	2,560	(1,848)
Software <sup>(1)</sup>	151	(86)	137	(94)
Identified intangible assets	1,866	(1,293)	2,697	(1,942)

(1) Software includes \$49 million (2013: \$31 million) related to assets acquired under non-cancellable software licenses. The financial obligations from these contractor agreements are reflected in accrued and other non-current liabilities. Future payments are \$19 million (2015), \$16 million (2016) and \$14 million (2017).

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

2015	123
2016	118
2017	107
2018	88
2019	26

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

The expected weighted average remaining life of identified intangibles is 5 years as of December 31, 2014.

The estimated amortization expense for software as of December 31, 2014 for each of the five succeeding years is:

2015	28
2016	21
2017	16
2018	—
2019	—

The expected weighted average remaining lifetime of software is 3 years as of December 31, 2014.

## 14 Goodwill

The changes in goodwill in 2014 and 2013 were as follows:

	2014	2013
Balances as of January 1		
Cost	2,593	2,502
Accumulated impairment	(235)	(225)
Book value	2,358	2,277
Changes in book value:		
Acquisitions	—	1
Divestments	—	—
Translation differences	(237)	80
Total changes	(237)	81
Balances as of December 31		
Cost	2,328	2,593
Accumulated impairment	(207)	(235)
Book value	2,121	2,358

No goodwill impairment charges were required to be recognized in 2014 or 2013.

The fair value of the reporting units substantially exceeds the carrying value of the reporting units.

See note 23, "Segment and Geographical Information", for goodwill by segment and note 3, "Acquisitions and Divestments".

## 15 Postretirement Benefit Plans

### 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 Company's employees in The Netherlands participate in a multi-employer plan, implemented for the employees of the Metal and Electrical Engineering Industry ("Bedrijfstakpensioenfonds Metalektror PME") in accordance with the mandatory affiliation to PME effective for the industry in which NXP operates. As this affiliation is a legal requirement for the Metal and Electrical Engineering Industry it has no expiration date. This PME multi-employer plan (a career average plan) covers approximately 1,300 companies and 626,000 participants. The plan monitors its risk on an aggregate basis, not by company or participant and can therefore not be accounted for as a defined benefit plan. The pension fund rules state that the only obligation for affiliated companies will be to pay the annual plan contributions. There is no obligation for affiliated companies to fund plan deficits. Affiliated companies are also not entitled to any possible surpluses in the pension fund.

Every participating company contributes the same fixed percentage of its total pension base, being pensionable salary minus an individual offset. The Company's pension cost for any period is the amount of contributions due for that period.

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The contribution rate for the mandatory scheme will decrease from 27.1% (2014) to 26.6% (2015).

PME multi-employer plan	2014	2013	2012
NXP's contributions to the plan (including employees' contributions)	48	51	53
Average number of NXP's active employees participating in the plan	2,881	3,133	3,229
NXP's contribution to the plan exceeded more than 5 percent of the total contribution (as of December 31 of the plan's year end)	No	No	No

The amount for pension costs included in the statement of operations for the year 2014 was \$77 million (2013: \$86 million; 2012: \$84 million) of which \$21 million (2013: \$20 million; 2012: \$19 million) represents defined-contribution plans and \$41 million (2013: \$45 million; 2012: \$47 million) represents the PME multi-employer plans.

**Defined-benefit plans**

The benefits provided by defined-benefit plans are based on employees' years of service and compensation levels. Contributions are made by the Company, as necessary, to provide assets sufficient to meet the benefits payable to defined-benefit pension plan participants.

These contributions are determined based upon various factors, including funded status, legal and tax considerations as well as local customs. The Company funds certain defined-benefit pension plans as claims are incurred.

The total cost of defined-benefit plans amounted to \$15 million in 2014 (2013: \$21 million; 2012: \$18 million) consisting of \$15 million ongoing cost (2013: \$21 million; 2012: \$20 million) and nil from special events resulting from restructurings, curtailments and settlements (2013: nil; 2012: \$2 million).

The table below provides a summary of the changes in the pension benefit obligations and defined-benefit pension plan assets for 2014 and 2013, associated with the Company's dedicated plans, and a reconciliation of the funded status of these plans to the amounts recognized in the consolidated balance sheets.

	2014	2013
<b>Projected benefit obligation</b>		
Projected benefit obligation at beginning of year	406	419
Additions	—	—
Service cost	10	12
Interest cost	13	15
Actuarial (gains) and losses	76	(23)
Curtailments and settlements	—	—
Benefits paid	(15)	(24)
Exchange rate differences	(43)	7
<b>Projected benefit obligation at end of year</b>	<b>447</b>	<b>406</b>
<b>Plan assets</b>		
Fair value of plan assets at beginning of year	170	162
Actual return on plan assets	10	5
Employer contributions	11	21
Benefits paid	(15)	(24)
Exchange rate differences	(19)	6
<b>Fair value of plan assets at end of year</b>	<b>157</b>	<b>170</b>
<b>Funded status</b>	<b>(290)</b>	<b>(236)</b>
<b>Classification of the funded status is as follows</b>		
- Prepaid pension cost within other non-current assets	—	18
- Accrued pension cost within other non-current liabilities	(282)	(245)
- Accrued pension cost within accrued liabilities	(8)	(9)
<b>Total</b>	<b>(290)</b>	<b>(236)</b>
<b>Accumulated benefit obligation</b>		
Accumulated benefit obligation for all Company-dedicated benefit pension plans	416	370
<b>Plans with assets less than accumulated benefit obligation</b>		
Funded plans with assets less than accumulated benefit obligation		
- Fair value of plan assets	153	17
- Accumulated benefit obligations	204	56
- Projected benefit obligations	224	84
Unfunded plans		
- Accumulated benefit obligations	209	179
- Projected benefit obligations	218	187
<b>Amounts recognized in accumulated other comprehensive income (before tax)</b>		
Total AOCI at beginning of year	2	22
- Net actuarial loss (gain)	74	(21)
- Exchange rate differences	(6)	1
<b>Total AOCI at end of year</b>	<b>70</b>	<b>2</b>

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The weighted average assumptions used to calculate the projected benefit obligations were as follows:

	<u>2014</u>	<u>2013</u>
Discount rate	2.6%	3.7%
Rate of compensation increase	1.8%	2.3%

The weighted average assumptions used to calculate the net periodic pension cost were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Discount rate	3.7%	3.5%	4.4%
Expected returns on plan assets	4.2%	4.0%	4.1%
Rate of compensation increase	2.3%	2.4%	3.1%

For the Company's major plans, the discount rate used is based on high quality corporate bonds (iBoxx Corporate Euro AA 10+).

Plans in countries without a deep corporate bond market use a discount rate based on the local sovereign rate and the plans maturity (Bloomberg Government Bond Yields).

Expected returns per asset class are based on the assumption that asset valuations tend to return to their respective long-term equilibria. The Expected Return on Assets for any funded plan equals the average of the expected returns per asset class weighted by their portfolio weights in accordance with the fund's strategic asset allocation.

The components of net periodic pension costs were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Service cost	10	12	11
Interest cost on the projected benefit obligation	13	15	14
Expected return on plan assets	(7)	(7)	(6)
Amortization of net (gain) loss	(1)	1	—
Curtailments & settlements	—	—	(2)
Other	—	—	1
Net periodic cost	15	21	18

A sensitivity analysis shows that if the discount rate increases by 1% from the level of December 31, 2014, 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, 2014, 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 (2015) are \$3 million and nil respectively.

**Plan assets**

The actual pension plan asset allocation at December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Asset category:		
Equity securities	35%	32%
Debt securities	54%	53%
Other	11%	15%
	<u>100%</u>	<u>100%</u>

We met our target plan asset allocation. 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. The investments in our major defined benefit plans largely consist of government bonds, "Level 2" Corporate Bonds and cash to mitigate the risk of interest fluctuations. The asset mix of equity, bonds, cash and other categories is evaluated by an asset-liability modeling study for our largest plan. The assets of funded plans in other countries mostly have a large proportion of fixed income securities with return characteristics that are aligned with changes in the liabilities caused by discount rate volatility. Total pension plan assets of \$157 million include \$145 million related to the German, Swiss and Philippine pension funds.

The following table summarizes the classification of these assets.

	<u>2014</u>			<u>2013</u>		
	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Equity securities	1	47	—	1	51	—
Debt securities	15	61	—	15	66	—
Other	12	6	3	13	7	4
	<u>28</u>	<u>114</u>	<u>3</u>	<u>29</u>	<u>124</u>	<u>4</u>

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The Company currently expects to make cash contributions of \$65 million in 2015, consisting of \$4 million of employer contributions to defined-benefit pension plans, \$18 million of employer contributions to defined-contribution pension plans, \$37 million of employer contributions to multi-employer plans and \$6 million of expected cash payments in relation to unfunded pension plans.

### Estimated future pension benefit payments

The following benefit payments are expected to be made (including those for funded plans):

2015	14
2016	13
2017	13
2018	16
2019	17
Years 2020-2024	107

## 16 Debt

### Short-term debt

	<u>2014</u>	<u>2013</u>
Short-term bank borrowings	8	24
Current portion of long-term debt	12	16
<b>Total</b>	<b>20</b>	<b>40</b>

At December 31, 2014, short-term bank borrowings of \$8 million (2013: \$24 million) consisted of a local bank borrowing by our Chinese subsidiary. The applicable weighted average interest rate during 2014 was 2.3% (2013: 3.5%).

### Long-term debt

	Range of interest rates	Average rate of interest	Amount outstanding 2014	Due in 2015	Due after 2015	Due after 2019	Average remaining term (in years)	Amount outstanding December 31, 2013
USD notes	2.8%-5.8%	4.2%	3,039	8	3,031	1,375	4.4	3,133
2019 Cash Convertible Senior Notes	1.0%-1.0%	1.0%	945	—	945	—	4.9	—
Revolving Credit Facility (1)	—	—	—	—	—	—	—	150
Bank borrowings	2.0%-2.0%	2.0%	3	3	—	—	0.3	4
Liabilities arising from capital lease transactions	2.6%-13.8%	5.9%	4	1	3	—	1.8	10
		3.3%	<u>3,991</u>	<u>12</u>	<u>3,979</u>	<u>1,375</u>	4.6	<u>3,297</u>

(1) We do not have any borrowings under the €620 million Revolving Credit Facility as of December 31, 2014.

The following amounts of long-term debt at book value as of December 31, 2014 are due in the next 5 years:

2015	12
2016	510
2017	392
2018	754
2019	948
Due after 5 years	1,375
	<u>3,991</u>

As of December 31, 2014, the fixed rate notes and floating rate notes represented 81% and 19% respectively of the total principal amount of the notes outstanding at December 31, 2014. The remaining tenor of secured debt is on average 3.6 years.

Accrued interest as of December 31, 2014 is \$28 million (December 31, 2013: \$27 million).

### Debt exchange and repurchase

At December 31, 2014 long-term debt increased to \$3,979 million from \$3,281 million at December 31, 2013. In 2014, the book value of our long-term debt increased by \$698 million to \$3,979 million, mainly due to the issuance of the Cash Convertible Notes due 2019 offset by repayments of the Revolving Credit Facility. Extinguishment of debt in 2014 amounted to a loss of \$3 million compared to a loss of \$114 million in 2013.

## 2014 Financing Activities

### *2017 Term Loan*

On February 18, 2014, NXP entered into a new \$400 million aggregate principal amount Senior Secured Term Loan Facility due March 4, 2017. Concurrently, NXP called the \$486 million principal amount Senior Secured Term Loan Facility due March 4, 2017. A \$100 million draw-down under our existing Revolving Credit Facility and approximately \$5 million of cash on hand were used to settle the combined transactions, as well as pay the related call premium of \$5 million and accrued interest of \$4 million.

### *2019 Cash Convertible Senior Notes*

In November 2014, NXP issued \$1,150 million principal amount of its 2019 Cash Convertible Senior Notes (the "Notes"). The 2019 Cash Convertible Senior Notes have a stated interest rate of 1.00%, matures on December 1, 2019 and may be settled only in cash. The indenture for the 2019 Cash Convertible Senior Notes does not contain any financial covenants. Contractual interest payable on the 2019 Cash Convertible Senior Notes began accruing in December 2014 and is payable semi-annually each December 1<sup>st</sup> and June 1<sup>st</sup>. The initial purchasers' transaction fees and expenses totaling \$16 million were capitalized as deferred financing costs and are amortized over the term of the 2019 Cash Convertible Senior Notes using the effective interest method.

Prior to September 1, 2019, holders may convert their 2019 Cash Convertible Senior Notes into cash upon the occurrence of one of the following events:

- the price of NXP's common stock reaches \$102.84 during certain periods of time specified in the 2019 Cash Convertible Senior Notes;
- specified corporate transactions occur; or
- the trading price of the 2019 Cash Convertible Senior Notes falls below 98% of the product of (i) the last reported sales price of NXP's common stock and (ii) the conversion rate on the date.

On or after September 1, 2019, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2019 Cash Convertible Senior Notes into cash at any time, regardless of the foregoing circumstances. NXP may not redeem the 2019 Cash Convertible Senior Notes prior to maturity.

The initial cash conversion rate for the 2019 Cash Convertible Senior Notes is 9.7236 shares of NXP's common stock per \$1,000 principal amount of 2019 Cash Convertible Senior Notes, equivalent to a cash conversion price of approximately \$102.84 per share of NXP's common stock, with the amount due on conversion payable in cash. Upon cash conversion, a holder will receive the sum of the daily settlement amounts, calculated on a proportionate basis for each day, during a specified observation period following the cash conversion date.

If a "fundamental change" (as defined below in this section) occurs at any time, holders will have the right, at their option, to require us to repurchase for cash all of their 2019 Cash Convertible Senior Notes, or any portion of the principal thereof that is equal to \$1,000 or a multiple of \$1,000 (provided that the portion of any global note or certified note, as applicable, not tendered for repurchase has a principal amount of at least \$200,000, on the fundamental change repurchase date. A fundamental change is any transaction or event (whether by means of an exchange offer, change of common stock, liquidation, consolidation, merger, reclassification, recapitalization or otherwise) in which more than 50% of NXP's common stock is exchanged for, converted into, acquired for or constitutes solely the right to receive, consideration. A transaction or transactions described above will not constitute a fundamental change, however, if at least 90% of the consideration received or to be received by our common shareholders, excluding cash payments for fractional shares, in connection with such transaction or transactions consists of shares of common equity that are listed or quoted on any permitted exchange or will be so listed or quoted when issued or exchanged in connection with such transaction or transactions and as a result of such transaction or transactions such consideration becomes the reference property for the 2019 Cash Convertible Senior Notes.

As of December 31, 2014, none of the conditions allowing the holders of the 2019 Cash Convertible Senior Notes to convert the 2019 Cash Convertible Senior Notes into cash had been met.

The cash conversion feature of the 2019 Cash Convertible Senior Notes, or the Notes Embedded Conversion Derivative, requires bifurcation from the 2019 Cash Convertible Senior Notes. The Notes Embedded Conversion Derivative is accounted for as a derivative liability, which is included in Other non-current liabilities in NXP's Consolidated Balance Sheet. The fair value of the Notes Embedded Conversion Derivative at the time of issuance of the 2019 Cash Convertible Senior Notes was \$208 million, and was recorded as the original debt discount for purposes of accounting for the debt component of the Notes. This discount is recognized as interest expense using the effective interest method over the term of the 2019 Cash Convertible Senior Notes. As of December 31, 2014, the estimated fair value of the Notes Embedded Conversion Derivative was \$203 million.

Concurrently with the pricing of the 2019 Cash Convertible Senior Notes, NXP entered into hedge transactions, or the Notes Hedges, with various parties whereby NXP has the option to receive the cash amount that may be due to the Notes holders at maturity in excess of the \$1,150 million principal amount of the notes, subject to certain conversion rate adjustments in the Notes Indenture. These options expire on December 1, 2019, and must be settled in cash. The aggregate cost of the Notes Hedges was \$208 million. The Notes Hedges are accounted for as derivative assets, and are included in Other assets in NXP's Consolidated Balance Sheet. As of December 31, 2014, the estimated fair value of the Notes Hedges was \$203 million.

The Notes Embedded Conversion Derivative and the Notes Hedges are adjusted to fair value each reported period and unrealized gains and losses are reflected in NXP's Consolidated Statements of Operations. Because the fair values of the Notes Embedded Conversion Derivative and the Notes Hedges are designed to have similar offsetting values, there was no impact to NXP's Consolidated Statements of Operations relating to these adjustments to fair value during fiscal 2014.

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In separate transactions, NXP also sold warrants, to various parties for the purchase of up to approximately 11.18 million shares of NXP's common stock at a price of \$133.32 per share in a private placement pursuant to Section 4(2) of the Securities Act of 1933, as amended, or the Securities Act. The Warrants expire on various dates from March 2, 2012, through April 30, 2020, and will be net share settled. NXP received \$134 million in cash proceeds from the sale of the Warrants, which has been recorded in Other non-current liabilities. Changes in the fair value of the Warrants will be recognized in NXP's Consolidated Financial Statements. As of December 31, 2014 the estimated fair value of the Warrants was \$136 million. The Warrants are included in diluted earnings per share to the extent the impact is dilutive. As of December 31, 2014, the Warrants were not dilutive.

The principal amount, unamortized debt discount and net carrying amount of the liability component of the 2019 Cash Convertible Senior Notes as of December 31, 2014 was as follows:

(in millions)	As of December 31, 2014
Principal amount of Cash Convertible Senior Notes	1,150
Unamortized debt discount of Cash Convertible Senior Notes	205
Net liability of Cash Convertible Senior Notes	945

The effective interest rate, contractual interest expense and amortization of debt discount for the Convertible Notes for fiscal 2014 were as follows:

(in millions, except percentage)	2014
Effective interest rate	5.14%
Contractual interest expense	\$ 1
Amortization of debt discount	\$ 3

As of December 31, 2014, the if-converted value of the 2019 Cash Convertible Senior Notes exceeded the principal amount of the Notes. The total fair value of the 2019 Cash Convertible Senior Notes was \$1,176 million.

### U.S. dollar-denominated notes

The following table summarizes the outstanding notes as of December 31, 2014:

	Principal amount	Fixed/ floating	Interest rate	Current coupon rate	Maturity date
Term Loan	396	Floating	LIBOR plus 2% with a floor of 0.75%	2.75%	2017
Term Loan	395	Floating	LIBOR plus 2.50% with a floor of 0.75%	3.25%	2020
Senior Unsecured Notes	500	Fixed	3.5%	3.5%	2016
Senior Unsecured Notes	750	Fixed	3.75%	3.75%	2018
Senior Unsecured Notes	500	Fixed	5.75%	5.75%	2021
Senior Unsecured Notes	500	Fixed	5.75%	5.75%	2023
Cash Convertible Notes	1,150	Fixed	1%	1%	2019
Revolving Credit Facility		Floating			2017

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

The Company is not required to make mandatory redemption payments or sinking fund payments with respect to the notes. With respect to the Term Loans, the Company is required to repay \$8 million annually.

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

Certain portions of long-term and short-term debt as of December 31, 2014 in the principal amount of \$791 million (2013: \$1,033 million) have been secured by collateral on substantially all of the Company's assets and of certain of its subsidiaries.

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

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Pursuant to various security documents related to the above mentioned term loans and the \$754 million (denominated €620 million) committed revolving credit facility, the Company and each Guarantor has granted first priority liens and security interests in, amongst others, the following, subject to the grant of further permitted collateral liens:

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

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

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

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

## 17 Commitments and Contingencies

### Lease Commitments

Property, plant and equipment includes \$3 million as of December 31, 2014 (2013: \$7 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. Long-term operating lease commitments totaled \$130 million as of December 31, 2014 (2013: \$107 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. Future minimum lease payments under operating and capital leases are as follows:

	<u>Operating Leases</u>	<u>Capital Leases</u>
2015	42	1
2016	27	2
2017	14	1
2018	12	—
2019	13	—
Thereafter	22	—
Total future minimum leases payments	130	4
Less: amount representing interest		—
Present value of future minimum lease payments		4

Rent expense amounted to \$63 million in 2014 (2013: \$65 million; 2012: \$54 million).

### Purchase Commitments

The Company maintains purchase commitments with certain suppliers, primarily for raw materials, semi finished goods and manufacturing services and for some non-production items. Purchase commitments for inventory materials are generally restricted to a forecasted time-horizon as mutually agreed upon between the parties. This forecasted time-horizon can vary for different suppliers. As of December 31, 2014, the Company had purchase commitments of \$336 million, which are due through 2019.

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### **Environmental remediation**

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, the Company faces inherent risks of environmental liability at our current and historical manufacturing facilities. Certain environmental laws impose liability on current or previous owners or operators of real property for the cost of removal or remediation of hazardous substances. Certain of these laws also assess liability on persons who arrange for hazardous substances to be sent to disposal or treatment facilities when such facilities are found to be contaminated.

Soil and groundwater contamination has been identified at our properties in Hamburg, Germany and Nijmegen, the Netherlands. The remediation processes have been ongoing for several years and are expected to continue for several years.

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

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

### **Litigation**

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.

With the support from its in-house and outside counsel and based on its best estimate, the Company records an accrual for any claim that arises whenever it considers that it is probable that it is exposed to a loss contingency and the amount of the loss contingency can be reasonably estimated. Based on the most current information available to it and based on its best estimate, the Company also reevaluates at least on a quarterly basis the claims that have arisen to determine whether any new accruals need to be made or whether any accruals made need to be adjusted.

Based on the procedures described above, the Company has an aggregate amount of approximately \$2 million accrued for legal proceedings pending as of December 31, 2014, compared to approximately \$7 million as of December 31, 2013. Such accruals are for the greater part included in "Accrued liabilities". There can be no assurance that the Company's accruals will be sufficient to cover the extent of its potential exposure to losses. Historically, legal actions have not had a material adverse effect on the Company's business, results of operations or financial condition.

The estimated aggregate range of reasonably possible losses is based on currently available information in relation to the claims that have arisen and on the Company's best estimate of such losses for those cases for which such estimate can be made. For certain claims, the Company believes that an estimate cannot currently be made. The estimated aggregate range requires significant judgment, given the varying stages of the proceedings (including the fact that many of them are currently in preliminary stages), the existence of multiple defendants (including the Company) in such claims whose share of liability has yet to be determined, the numerous yet-unresolved issues in many of the claims, and the attendant uncertainty of the various potential outcomes of such claims. Accordingly, the Company's estimate will change from time to time, and actual losses may be more than the current estimate. As at December 31, 2014, the Company believes that for all litigation pending its aggregate exposure to loss in excess of the amount accrued could range between \$0 and approximately \$44 million.

### **18 Stockholders' Equity**

The share capital of the Company as of December 31, 2014 and 2013 consists of 1,076,257,500 authorized shares, including 430,503,000 authorized shares of common stock, and 645,754,500 authorized but unissued shares of preferred stock.

At December 31, 2014, the Company has issued and paid up 251,751,500 shares (2013: 251,751,500 shares) of common stock each having a par value of €0.20 or a nominal stock capital of €50 million.

### **Share-based awards**

The Company has granted share-based awards to the members of our board of directors, management team, our other executives, selected other key employees/talents of NXP and selected new hires to receive the Company's shares in the future. See note 9, "Share-based Compensation".

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**Treasury shares**

In connection with the Company's share repurchase programs, which originally commenced in 2011, and which were extended effective August 1, 2013 and February 6, 2014, and in accordance with the Company's policy to provide share-based awards from its treasury share inventory, shares which have been repurchased and are held in treasury for delivery upon exercise of options and under restricted and performance share programs, are accounted for as a reduction of stockholders' equity. Treasury shares are recorded at cost, representing the market price on the acquisition date. When issued, shares are removed from treasury shares on a first-in, first-out (FIFO) basis.

Differences between the cost and the proceeds received when treasury shares are reissued, are recorded in capital in excess of par value. Deficiencies in excess of net gains arising from previous treasury share issuances are charged to retained earnings.

The following transactions took place resulting from employee option and share plans in 2014:

	<u>2014</u>
Total shares in treasury at beginning of year	4,170,833
Total cost	167
Shares acquired under repurchase program	23,246,177
Average price in \$ per share	61.73
Amount paid	1,435
Shares delivered	8,245,556
Average price in \$ per share	46.84
Amount received	145
Total shares in treasury at end of year	19,171,454
Total cost	1,219

**19 Accumulated other comprehensive income (loss), net of tax**

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

	<u>Net investment hedge</u>	<u>Currency translation differences</u>	<u>Changes in fair value cash flow hedges</u>	<u>Net actuarial gain/(losses)</u>	<u>Unrealized gain/(losses) available-for-sale securities</u>	<u>Accumulated Other Comprehensive Income (loss)</u>
As of December 31, 2011	(203)	504	—	22	—	323
2012 other comprehensive income (loss)	18	10	—	(51)	—	(23)
As of December 31, 2012	(185)	514	—	(29)	—	300
2013 other comprehensive income (loss)	68	(27)	(4)	10	—	47
As of December 31, 2013	(117)	487	(4)	(19)	—	347
2014 other comprehensive income (loss)	(214)	140	2	(66)	1	(137)
As of December 31, 2014	(331)	627	(2)	(85)	1	210

**20 Related-party Transactions**

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

**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. However, in certain instances upon divestment of former businesses where we enter into supply arrangements with the former owned business, sales are conducted at cost.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenue	11	—	33
Purchase of goods and services	103	102	204

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

	<u>2014</u>	<u>2013</u>
Receivables	15	—
Payables	30	33

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### 21 Fair Value of Financial Assets and Liabilities

The following table summarizes the estimated fair value and carrying amount of our financial instruments:

	Fair value hierarchy <sup>(1)</sup>	December 31, 2014		December 31, 2013	
		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
<b>Assets:</b>					
Notes hedges	2	203	203	—	—
Other financial assets	2	44	44	18	18
Derivative instruments-assets	2	2	2	1	1
<b>Liabilities:</b>					
Short-term debt	2	(12)	(12)	(31)	(31)
Short-term debt (bonds)	2 <sup>(1)</sup>	(8)	(8)	(9)	(9)
Long-term debt (bonds)	2 <sup>(1)</sup>	(3,031)	(3,079)	(3,124)	(3,181)
2019 Cash Convertible Senior Notes	2	(945)	(1,176)	—	—
Other long-term debt	2	(3)	(3)	(157)	(157)
Notes Embedded Conversion Derivative	2	(203)	(203)	—	—
Warrants	2	(136)	(136)	—	—
Derivative instruments-liabilities	2	(4)	(4)	(6)	(6)

(1) Transfers between the levels of fair value hierarchy are recognized when a change in circumstances would require it. Short-term and long-term debt (bonds) was transferred to level 2 from level 1 as the Company concluded the inputs had become less observable.

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

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

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

#### **Notes hedges**

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

#### **Debt**

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

#### **Notes Embedded Conversion Derivative and Warrants**

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

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

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

### 22 Other Financial Instruments, Derivatives and Currency Risk

We conduct business in diverse markets around the world and employ a variety of risk management strategies and techniques to manage foreign currency exchange rate and interest rate risks. Our risk management program focuses on the unpredictability of financial markets and seeks to minimize the potentially adverse effects that the volatility of these markets may have on our operating results. One way we achieve this is through the active hedging of risks through the selective use of derivative instruments.

Derivatives are recorded on our Consolidated Balance Sheets at fair value which fluctuates based on changing market conditions.

The Company does not purchase or hold financial derivative instruments for trading purposes.

**Currency risk**

The Company's transactions are denominated in a variety of currencies. The Company uses financial instruments to reduce its exposure to the effects of currency fluctuations. 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 revenue and expenses. The Company generally hedges foreign currency exposures in relation to transaction exposures, such as receivables/payables resulting from such transactions and part of anticipated sales and purchases. The Company generally uses forwards to hedge these exposures. In addition, the U.S. dollar-denominated debt held by our Dutch subsidiary which has a euro functional currency may generate adverse currency results in financial income and expenses depending on the exchange rate movement between the euro and the U.S. dollar. This exposure has been partially mitigated by the application of net investment hedge accounting. In accordance with the provisions in ASC 815, "Derivatives and Hedging", the Company has applied net investment hedging since May 2011. The U.S. dollar exposure of our net investment in U.S. dollar functional currency subsidiaries has been hedged by our U.S. dollar denominated debt for an amount of \$1.7 billion. The hedging relationship is assumed to be highly effective. Foreign currency gains or losses on this U.S. dollar debt that is recorded in a euro functional currency entity that are designated as, and to the extent they are effective as, a hedge of the net investment in our U.S. dollar foreign entities, are reported as a translation adjustment in other comprehensive income within equity, and offset in whole or in part the foreign currency changes to the net investment that are also reported in other comprehensive income. As a result, in 2014, a charge of \$214 million (2013: a benefit of \$68 million) was recorded in other comprehensive income relating to the foreign currency result on the U.S. dollar-denominated notes that are recorded in a euro functional currency entity. Absent the application of net investment hedging, this amount would have been recorded as a loss (2013: gain) within financial income (expense) in the statement of operations. No amount resulting from ineffectiveness of net investment hedge accounting was recognized in the statement of operations in 2014 (2013: no amount).

**23 Segments and Geographical Information**

NXP is organized into two reportable segments, High Performance Mixed Signal ("HPMS") and Standard Products ("SP"). Corporate and Other represents the remaining portion to reconcile to the Consolidated Financial Statements.

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

Our Chief Executive Officer, who is our CODM, regularly reviews financial information at the reporting segment level in order to make decisions about resources to be allocated to the segments and to assess their performance. Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Asset information by segment is not provided to our CODM as the majority of our assets are 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 per segment has been omitted.

Detailed information by segment for the years 2014, 2013 and 2012 is presented in the following tables.

<b>Revenue</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
HPMS	4,208	3,533	2,976
SP	1,275	1,145	1,168
Corporate and Other <sup>(1)</sup>	164	137	214
	<b>5,647</b>	<b>4,815</b>	<b>4,358</b>
<b>Operating income (loss)</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
HPMS	983	712	479
SP	120	39	89
Corporate and Other <sup>(1)</sup>	(54)	(100)	(156)
	<b>1,049</b>	<b>651</b>	<b>412</b>

<sup>(1)</sup> Corporate and Other is not a segment under ASC 280 "Segment Reporting". Corporate and Other includes unallocated expenses not related to any specific business segment and corporate restructuring charges.

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Goodwill assigned to segments	Cost at January 1,	Acquisitions	Translation	Cost at
	2014		differences and other	December 31,
			changes	2014
HPMS	1,788	—	(183)	1,605
SP	472	—	(48)	424
Corporate and Other (1)	333	—	(34)	299
	2,593	—	(265)	2,328

	Accumulated	Translation differences	Accumulated
	impairment at		impairment at
	January 1, 2014	and other changes	December 31, 2014
HPMS	(195)	23	(172)
SP	(40)	5	(35)
Corporate and Other (1)	—	—	—
	(235)	28	(207)

(1) Corporate and Other is not a segment under ASC 280 “Segment Reporting”.

**Geographical Information**

	Revenue (1)			Property, plant and equipment		
	2014	2013	2012	2014	2013	2012
China	2,756	2,047	1,699	116	115	131
Netherlands	171	146	94	169	180	180
Taiwan	96	98	112	138	91	80
United States	396	365	303	5	6	8
Singapore	452	421	436	200	214	226
Germany	450	434	447	80	80	88
South Korea	287	294	238	1	1	—
Other countries	1,039	1,010	1,029	414	361	357
	5,647	4,815	4,358	1,123	1,048	1,070

(1) Revenue attributed to geographic areas is based on the customer’s shipped-to location (except for intellectual property license revenue which is attributable to the Netherlands).

**24 Subsequent Events**

On March 2, 2015, NXP announced that the company has entered into a definitive agreement under which NXP will merge with Freescale Semiconductor, Ltd. (Freescale).

Under the terms of the agreement, Freescale shareholders will receive \$6.25 in cash and 0.3521 of an NXP ordinary share for each Freescale common share held at the close of the transaction. The purchase price implies a total equity value for Freescale of approximately \$11.8 billion (based on NXP’s closing stock price as of February 27, 2015) and a total enterprise value of approximately \$16.7 billion including Freescale’s net debt. The transaction is expected to close in the second half of calendar 2015. NXP intends to fund the transaction with \$1.0 billion of cash from its balance sheet, \$1.0 billion of new debt and approximately 115 million of NXP ordinary shares. Post transaction, Freescale shareholders are expected to own approximately 32 percent of the combined company. The transaction has been unanimously approved by the boards of directors of both companies and is subject to regulatory approvals in various jurisdictions and customary closing conditions, as well as the approval of NXP and Freescale shareholders. Upon consummation, we expect to account for the merger under the acquisition method of accounting in accordance with Financial Accounting Standards Board Accounting Standard Topic 805, Business Combinations, with NXP treated as the accounting acquirer.

Following our initial announcement on November 24, 2014, we purchased certain assets and IP of Quintic related to its Wearable and Bluetooth Energy IC business during the first quarter of 2015. This transaction contributes to NXP’s drive to create security and connectivity solutions for fast-growing Internet-of-Things applications in Health & Fitness Wearables, Mobile Transactions, Proximity Marketing, Smart Home and Automotive. The acquisition was accounted for under the purchase method of accounting. The financial impact of this acquisition was not material to the Company.

NXP SEMICONDUCTORS N.V.

AND

DEUTSCHE BANK TRUST COMPANY AMERICAS,

as Trustee

INDENTURE

Dated as of December 1, 2014

1.00% Cash Convertible Senior Notes due 2019

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**EXHIBIT**

INDENTURE dated as of December 1, 2014 between NXP SEMICONDUCTORS N.V., a public company with limited liability (*naamloze vennootschap*) incorporated under Dutch law, as issuer (the “**Company**”, as more fully set forth in Section 1.01) and DEUTSCHE BANK TRUST COMPANY AMERICAS, a New York banking corporation, as trustee (the “**Trustee**”, as more fully set forth in Section 1.01).

WITNESSETH:

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the issuance of its 1.00% Cash Convertible Senior Notes due 2019 (the “**Notes**”), initially in an aggregate principal amount not to exceed \$1,150,000,000, and in order to provide the terms and conditions upon which the Notes are to be authenticated, issued and delivered, the Company has duly authorized the execution and delivery of this Indenture; and

WHEREAS, the Form of Note, the certificate of authentication to be borne by each Note, the Form of Notice of Conversion, the Form of Fundamental Change Repurchase Notice and the Form of Assignment and Transfer to be borne by the Notes are to be substantially in the forms hereinafter provided; and

WHEREAS, all acts and things necessary to make the Notes, when executed by the Company and authenticated and delivered by the Trustee or a duly authorized authenticating agent, as in this Indenture provided, the valid, binding and legal obligations of the Company, and this Indenture a valid agreement according to its terms, have been done and performed, and the execution of this Indenture and the issuance hereunder of the Notes have in all respects been duly authorized.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That in order to declare the terms and conditions upon which the Notes are, and are to be, authenticated, issued and delivered, and in consideration of the premises and of the purchase and acceptance of the Notes by the Holders thereof, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective Holders from time to time of the Notes (except as otherwise provided below), as follows:

ARTICLE 1  
DEFINITIONS

Section 1.01. *Definitions.* The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 1.01. The words “herein,” “hereof,” “hereunder,” and words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. The terms defined in this Article include the plural as well as the singular.

**“Additional Amounts”** shall have the meaning specified in Section 4.10(a).

**“Additional Interest”** means all amounts, if any, payable pursuant to Section 4.06(d), Section 4.06(e) and Section 6.03, as applicable.

**“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 specified Person means the power to direct or cause the direction of 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.

**“Applicable Law”** shall have the meaning specified in Section 17.16.

**“Bid Solicitation Agent”** means the Company or the Person appointed by the Company to solicit bids for the Trading Price of the Notes in accordance with Section 14.01(b)(i). The Company shall initially act as the Bid Solicitation Agent.

**“Board of Directors”** means the board of directors of the Company or a committee of such board duly authorized to act for it hereunder.

**“Board Resolution”** means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors, and to be in full force and effect on the date of such certification, and delivered to the Trustee.

**“Business Day”** means, with respect to any Note, any day other than a Saturday, a Sunday or other day on which banking institutions in London, United Kingdom or New York, New York are authorized or required by law to close.

**“Capital Stock”** means, for any entity, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that entity.

**“Change in Tax Law”** shall have the meaning specified in Section 16.01(b).

**“Clause A Distribution”** shall have the meaning specified in Section 14.04(c).

**“Clause B Distribution”** shall have the meaning specified in Section 14.04(c).

**“Clause C Distribution”** shall have the meaning specified in Section 14.04(c).

**“close of business”** means 5:00 p.m. (New York City time).

**“Commission”** means the U.S. Securities and Exchange Commission.

**“Common Equity”** of any Person means Capital Stock of such Person that is generally entitled (a) to vote in the election of directors of such Person or (b) if such Person is not a

corporation, to vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

“**Common Stock**” means the common shares of the Company, par value €0.20 per share, at the date of this Indenture, subject to Section 14.07.

“**Company**” shall have the meaning specified in the first paragraph of this Indenture, and subject to the provisions of Article 11, shall include its successors and assigns.

“**Company Order**” means a written order of the Company, signed by one of the Company’s Chief Executive Officer, Chief Financial Officer, Executive or any Senior Vice President (whether or not designated by a number or numbers or word or words added before or after the title “Senior Vice President”) or the Group Treasurer or Assistant Group Treasurer, and delivered to the Trustee.

“**Conversion Agent**” shall have the meaning specified in Section 4.02.

“**Conversion Date**” shall have the meaning specified in Section 14.02(c).

“**Conversion Obligation**” shall have the meaning specified in Section 14.01(a).

“**Conversion Price**” means as of any date, \$1,000, *divided by* the Conversion Rate as of such date.

“**Conversion Rate**” shall have the meaning specified in Section 14.01(a).

“**Corporate Trust Office**” means the principal office of the Trustee at which at any time its corporate trust business shall be administered, which office at the date hereof is located at 60 Wall Street, 16th Floor, Mail Stop: NYC60 1630, New York, New York 10005, Attention: Corporates Team, NXP, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the principal corporate trust office of any successor trustee (or such other address as such successor trustee may designate from time to time by notice to the Holders and the Company).

“**Custodian**” means the Trustee, as custodian for The Depository Trust Company, with respect to the Global Notes, or any successor entity thereto.

“**Daily Conversion Value**” means, for each of the 30 consecutive VWAP Trading Days during the relevant Observation Period, one-thirtieth (1/30th) of the product of (a) the Conversion Rate on such VWAP Trading Day and (b) the Daily VWAP on such VWAP Trading Day.

“**Daily VWAP**” means, for each of the 30 consecutive VWAP Trading Days during the applicable Observation Period, the per share volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page “NXPI <equity> AQR” (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such VWAP Trading Day (or if such volume-weighted average price is unavailable, the market value of one

share of the Common Stock on such VWAP Trading Day determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by the Company). The “**Daily VWAP**” shall be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours.

“**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.

“**Default**” means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

“**Defaulted Amounts**” means any amounts on any Note (including, without limitation, the Redemption Price, the Fundamental Change Repurchase Price, principal and interest) that are payable but are not punctually paid or duly provided for.

“**Depository**” means, with respect to each Global Note, the Person specified in Section 2.05(c) as the Depository with respect to such Notes, until a successor shall have been appointed and become such pursuant to the applicable provisions of this Indenture, and thereafter, “**Depository**” shall mean or include such successor.

“**Distributed Property**” shall have the meaning specified in Section 14.04(c).

“**Effective Date**” shall have the meaning specified in Section 14.03(c), except that, as used in Section 14.04 and Section 14.05, “**Effective Date**” means the first date on which shares of the Common Stock trade on the Relevant Stock Exchange, regular way, reflecting the relevant share split or share combination, as applicable.

“**Event of Default**” shall have the meaning specified in Section 6.01.

“**Ex-Dividend Date**” means the first date on which shares of the Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question, from the Company or, if applicable, from the seller of Common Stock on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“**Expiration Date**” shall have the meaning specified in Section 14.04(e).

“**FATCA**” shall have the meaning specified in Section 4.10(a)(i)(D).

“**Form of Assignment and Transfer**” shall mean the “Form of Assignment and Transfer” attached as Attachment 3 to the Form of Note attached hereto as Exhibit A.

**“Form of Fundamental Change Repurchase Notice”** shall mean the “Form of Fundamental Change Repurchase Notice” attached as Attachment 2 to the Form of Note attached hereto as Exhibit A.

**“Form of Note”** shall mean the “Form of Note” attached hereto as Exhibit A.

**“Form of Notice of Conversion”** shall mean the “Form of Notice of Conversion” attached as Attachment 1 to the Form of Note attached hereto as Exhibit A.

**“Fundamental Change”** shall be deemed to have occurred at the time after the Notes are originally issued if any of the following occurs:

(a) a “person” or “group” within the meaning of Section 13(d) of the Exchange Act, other than the Company, its Subsidiaries and the employee benefit plans of the Company and its Subsidiaries, has become the direct or indirect “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of the Company’s Common Equity representing more than 50% of the voting power of the Company’s Common Equity; *provided* that any transaction or transactions that constitute a Fundamental Change under this clause (a) and clause (b) below shall be deemed to be a Fundamental Change solely under clause (b) below;

(b) the consummation of (A) any recapitalization, reclassification or change of the Common Stock (other than changes resulting from a subdivision or combination) as a result of which the Common Stock would be converted into, or exchanged for, stock, other securities, other property or assets; (B) any share exchange, consolidation, merger or similar transaction involving the Company pursuant to which the Common Stock will be converted into cash, securities or other property or assets; or (C) any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its Subsidiaries, taken as a whole, to any Person other than one of the Company’s Subsidiaries; *provided, however,* that a transaction described in clause (B) in which the holders of all classes of the Company’s Common Equity immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of the continuing or surviving corporation or transferee or the parent thereof immediately after such transaction in substantially the same proportions as such ownership immediately prior to such transaction shall not be a Fundamental Change pursuant to this clause (b);

(c) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; or

(d) the Common Stock (or other Common Equity underlying the Notes) ceases to be listed or quoted on any Permitted Exchange;

*provided, however,* that a transaction or transactions described in clause (a) or clause (b) above shall not constitute a Fundamental Change, if at least 90% of the consideration received or to be received by the common shareholders of the Company, excluding cash payments for fractional shares, in connection with such transaction or transactions consists of shares of common equity that are listed or quoted on any Permitted Exchange or will be so listed or quoted when issued or

exchanged in connection with such transaction or transactions and as a result of such transaction or transactions such consideration becomes the Reference Property for the Notes.

**“Fundamental Change Company Notice”** shall have the meaning specified in Section 15.02(c).

**“Fundamental Change Repurchase Date”** shall have the meaning specified in Section 15.02(a).

**“Fundamental Change Repurchase Notice”** shall have the meaning specified in Section 15.02(b)(i).

**“Fundamental Change Repurchase Price”** shall have the meaning specified in Section 15.02(a).

**“Global Note”** shall have the meaning specified in Section 2.05(b).

**“Holder,”** as applied to any Note, or other similar terms (but excluding the term “beneficial holder”), shall mean any Person in whose name at the time a particular Note is registered on the Note Register.

**“Indenture”** means this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented.

**“Interest Payment Date”** means each June 1 and December 1 of each year, beginning on June 1, 2015.

**“Last Reported Sale Price”** of the Common Stock (or any other security) on any date means (i) the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the Relevant Stock Exchange; (ii) if the Common Stock (or such other security) is not listed for trading on a Relevant Stock Exchange on such date, the average of the last quoted bid and ask prices for the Common Stock (or such other security) in the over-the-counter market on such date as reported by OTC Markets Group Inc. or a similar organization; and (iii) if the Common Stock (or such other security) is not so quoted, the average of the mid-point of the last bid and ask prices for the Common Stock (or such other security) on such date from each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose.

**“Make-Whole Fundamental Change”** means any transaction or event that constitutes a Fundamental Change (as defined above and determined after giving effect to any exceptions to or exclusions from such definition, but without regard to the *proviso* in clause (b) of the definition thereof).

**“Market Disruption Event”** means (a) a failure by the Relevant Stock Exchange to open for trading during its regular trading session or (b) the occurrence or existence prior to 1:00 p.m., New York City time, on any Scheduled Trading Day for the Common Stock for more than one half-hour period in the aggregate during regular trading hours of any suspension or limitation

imposed on trading (by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or otherwise) in the Common Stock or in any options contracts or futures contracts relating to the Common Stock.

**“Maturity Date”** means December 1, 2019.

**“Measurement Period”** shall have the meaning specified in Section 14.01(b)(i).

**“Note”** or **“Notes”** shall have the meaning specified in the first paragraph of the recitals of this Indenture.

**“Note Register”** shall have the meaning specified in Section 2.05(a).

**“Note Registrar”** shall have the meaning specified in Section 2.05(a).

**“Notes Fungibility Date”** means the date, if any, following the Resale Restriction Termination Date on which all of the Rule 144A Notes and all of the Regulation S Notes (excluding any such Notes held by Persons who are, or during the three months immediately preceding have been, Affiliates of the Company) are no longer Restricted Securities, do not bear the restrictive legend required by Section 2.05(c), are fungible for U.S. securities law purposes and are assigned an identical, unrestricted CUSIP number.

**“Notice of Conversion”** shall have the meaning specified in Section 14.02(b).

**“Observation Period”** with respect to any Note surrendered for conversion means: (i) if the relevant Conversion Date occurs prior to September 1, 2019 and the Company has not delivered a Tax Redemption Notice, the 30 consecutive VWAP Trading Day period beginning on, and including, the second VWAP Trading Day immediately succeeding such Conversion Date; (ii) if the relevant Conversion Date occurs on or after the date the Company has delivered a Tax Redemption Notice (but prior to the close of business on the Business Day immediately preceding the related Tax Redemption Date) (even if the relevant Conversion Date occurs after September 1, 2019), the 30 consecutive VWAP Trading Days beginning on, and including, the 32nd Scheduled Trading Day immediately preceding the Tax Redemption Date; and (iii) if the relevant Conversion Date occurs on or after September 1, 2019 and the Company has not delivered a Tax Redemption Notice, the 30 consecutive VWAP Trading Days beginning on, and including, the 32nd Scheduled Trading Day immediately preceding the Maturity Date.

**“Offering Memorandum”** means the preliminary offering memorandum dated November 24, 2014, as supplemented by the related pricing term sheet dated November 24, 2014, in each case, relating to the offering and sale of the Notes.

**“Officer”** means, with respect to the Company, (1) the Chief Executive Officer, the Chief Financial Officer, the Group Treasurer, the General Counsel or any Executive or Senior Vice President (whether or not designated by a number or numbers or word or words added before or after the title “Senior Vice President”), or (2) any other individual designated as an “Officer” for the purposes of this Indenture by the Board of Directors.

**“Officer’s Certificate,”** when used with respect to the Company, means a certificate that is delivered to the Trustee and that is signed by an Officer of the Company. Each such certificate shall include the statements provided for in Section 17.05 if and to the extent required by the provisions of Section 17.05. The Officer giving an Officer’s Certificate pursuant to Section 4.08 shall be the principal executive, financial or accounting officer of the Company.

**“open of business”** means 9:00 a.m. (New York City time).

**“Opinion of Counsel”** means an opinion in writing signed by legal counsel, who may be an employee of, or counsel to, the Company, or other counsel acceptable to the Trustee, that is delivered to the Trustee. Each such opinion shall include the statements provided for in Section 17.05 if and to the extent required by the provisions of such Section 17.05.

**“Original Issuance Date”** shall have the meaning specified in Section 4.06(d).

**“outstanding,”** when used with reference to Notes, shall, subject to the provisions of Section 8.04, mean, as of any particular time, all Notes authenticated and delivered by the Trustee under this Indenture, except:

- (a) Notes theretofore canceled by the Trustee or accepted by the Trustee for cancellation;
- (b) Notes, or portions thereof, that have become due and payable and in respect of which monies in the necessary amount shall have been deposited in trust with the Trustee or with any Paying Agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own and sole Paying Agent);
- (c) Notes that have been paid pursuant to Section 2.06 or Notes in lieu of which, or in substitution for which, other Notes shall have been authenticated and delivered pursuant to the terms of Section 2.06 unless proof satisfactory to the Trustee is presented that any such Notes are held by protected purchasers in due course;
- (d) Notes converted pursuant to Article 14 and required to be cancelled pursuant to Section 2.08; and
- (e) Notes repurchased by the Company pursuant to the penultimate sentence of Section 2.10.

**“Paying Agent”** shall have the meaning specified in Section 4.02.

**“Permitted Exchange”** means any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors).

**“Person”** means an individual, a corporation, a limited liability company, an association, a partnership, a joint venture, a joint stock company, a trust, an unincorporated organization or a government or an agency or a political subdivision thereof.

**“Physical Notes”** means permanent Notes in registered form issued in minimum denominations of \$200,000 principal amount, and in any integral multiple of \$1,000 in excess thereof.

**“Predecessor Note”** of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under Section 2.06 in lieu of or in exchange for a mutilated, lost, destroyed or stolen Note shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Note that it replaces.

**“QIB”** means a “qualified institutional buyer” (as defined in Rule 144A).

**“Redemption Price”** means, for any Notes to be redeemed pursuant to Section 16.01, 100% of the principal amount of such Notes, *plus* accrued and unpaid interest, if any, to, but excluding, the Tax Redemption Date (unless the Tax Redemption Date falls after a Regular Record Date but on or prior to the immediately succeeding Interest Payment Date, in which case, the Company will pay the full amount of accrued and unpaid interest to the Holders of record as of the close of business on such Regular Record Date, and the Redemption Price will be equal to 100% of the principal amount of such Notes). For the avoidance of doubt, the Redemption Price shall include all Additional Amounts (if any) with respect to such Redemption Price.

**“Reference Property”** shall have the meaning specified in Section 14.07(a).

**“Regular Record Date,”** with respect to any Interest Payment Date, shall mean the May 15 or November 15 (whether or not such day is a Business Day) immediately preceding the applicable June 1 or December 1 Interest Payment Date, respectively.

**“Regulation S”** means Regulation S under the Securities Act or any successor to such regulation.

**“Regulation S Notes”** means (i) the Notes initially offered and sold outside the United States pursuant to Regulation S and (ii) Rule 144A Notes that have been exchanged for Notes bearing the legend applicable to Regulation S Notes in accordance with Section 2.05(a), in each case, for as long as such Notes bear the restrictive legend set forth in Section 2.05(c).

**“Relevant Stock Exchange”** means The NASDAQ Global Select Market, or if the Common Stock is not then listed on The NASDAQ Global Select Market, the principal other U.S. national or regional securities exchange on which the Common Stock is then listed.

**“Relevant Taxing Jurisdiction”** shall have the meaning specified in Section 4.10(a).

**“Resale Restriction Termination Date”** shall have the meaning specified in Section 2.05(c).

**“Responsible Officer,”** when used with respect to the Trustee, means any officer of the Trustee with direct responsibility for the administration of this Indenture and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

**“Restricted Securities”** shall have the meaning specified in Section 2.05(c).

**“Rule 144”** means Rule 144 as promulgated under the Securities Act, as such rule may be amended from time to time.

**“Rule 144A”** means Rule 144A as promulgated under the Securities Act, as such rule may be amended from time to time.

**“Rule 144A Notes”** means (i) the Notes initially offered and sold to QIBs in reliance on Rule 144A and (ii) Regulation S Notes that have been exchanged for Notes bearing the legend applicable to Rule 144A Notes in accordance with Section 2.05(a), in each case, for as long as such Notes bear the restrictive legend set forth in Section 2.05(c).

**“Scheduled Free Trade Date”** shall have the meaning specified in Section 4.06(d).

**“Scheduled Trading Day”** means a day that is scheduled to be a Trading Day on the Relevant Stock Exchange. If the Common Stock is not listed or admitted for trading on a Relevant Stock Exchange, **“Scheduled Trading Day”** means a Business Day.

**“Securities Act”** means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

**“Settlement Amount”** has the meaning specified in Section 14.02(a).

**“Significant Subsidiary”** means a Subsidiary of the Company that meets the definition of “significant subsidiary” in Article 1, Rule 1-02 of Regulation S-X under the Exchange Act.

**“Specified Corporate Event”** shall have the meaning specified in Section 14.07(a).

**“Spin-Off”** shall have the meaning specified in Section 14.04(c).

**“Stock Price”** shall have the meaning specified in Section 14.03(c).

**“Subsidiary”** means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, general partners or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person; (ii) such Person and one or more Subsidiaries of such Person; or (iii) one or more Subsidiaries of such Person.

**“Successor Corporation”** shall have the meaning specified in Section 11.01(a).

**“Tax Redemption”** shall have the meaning specified in Section 16.01.

**“Tax Redemption Date”** shall have the meaning specified in Section 16.02(a).

**“Tax Redemption Notice”** shall have the meaning specified in Section 16.02(a).

**“Trading Day”** means a day on which (i) trading in the Common Stock (or any other security for which a closing sale price must be determined) generally occurs on the Relevant Stock Exchange or, if the Common Stock (or such other security) is not then listed on a Relevant Stock Exchange, on the principal other market on which the Common Stock (or such other security) is then traded and (ii) a Last Reported Sale Price for the Common Stock (or closing sale price for such other security) is available on such securities exchange or market; *provided* that if the Common Stock (or such other security) is not so listed or traded, **“Trading Day”** means a Business Day.

**“Trading Price”** per \$1,000 principal amount of the Notes on any date of determination means the average of the secondary market bid quotations obtained by the Bid Solicitation Agent for \$2,000,000 principal amount of Notes at approximately 3:30 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers the Company selects for this purpose; *provided* that if three such bids cannot reasonably be obtained by the Bid Solicitation Agent but two such bids are obtained, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained by the Bid Solicitation Agent, that one bid shall be used. If the Bid Solicitation Agent cannot reasonably obtain at least one bid for \$2,000,000 principal amount of Notes from a nationally recognized securities dealer on any determination date, then the Trading Price per \$1,000 principal amount of Notes on such determination date shall be deemed to be less than 98% of the product of the Last Reported Sale Price of the Common Stock and the Conversion Rate.

**“transfer”** shall have the meaning specified in Section 2.05(c).

**“Trigger Event”** shall have the meaning specified in Section 14.04(c).

**“Trust Indenture Act”** means the U.S. Trust Indenture Act of 1939, as amended, as it was in force at the date of execution of this Indenture; *provided, however*, that in the event the U.S. Trust Indenture Act of 1939 is amended after the date hereof, the term “Trust Indenture Act” shall mean, to the extent required by such amendment, the U.S. Trust Indenture Act of 1939, as so amended.

**“Trustee”** means the Person named as the **“Trustee”** in the first paragraph of this Indenture until a successor trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter **“Trustee”** shall mean or include each Person who is then a Trustee hereunder.

**“unit of Reference Property”** shall have the meaning specified in Section 14.07.

**“U.S. Person”** shall have the meaning as such term is defined under Regulation S.

**“Valuation Period”** shall have the meaning specified in Section 14.04(c).

**“VWAP Trading Day”** means a day on which (x) there is no Market Disruption Event and (y) trading in the Common Stock generally occurs on the Relevant Stock Exchange or, if the Common Stock is not then listed on any Relevant Stock Exchange, on the principal other market on which the Common Stock is then listed or admitted for trading, except that if the Common Stock is not so listed or admitted for trading, **“VWAP Trading Day”** means a Business Day.

Section 1.02. *References to Interest.* Unless the context otherwise requires, any reference to interest on, or in respect of, any Note in this Indenture shall be deemed to include Additional Interest if, in such context, Additional Interest is, was or would be payable pursuant to any of Section 4.06(d), Section 4.06(e) and Section 6.03. Unless the context otherwise requires, any express mention of Additional Interest in any provision hereof shall not be construed as excluding Additional Interest in those provisions hereof where such express mention is not made.

ARTICLE 2  
ISSUE, DESCRIPTION, EXECUTION, REGISTRATION AND EXCHANGE OF NOTES

Section 2.01. *Designation and Amount.* The Notes shall be designated as the “1.00% Cash Convertible Senior Notes due 2019.” The aggregate principal amount of Notes that may be authenticated and delivered under this Indenture is initially limited to \$1,150,000,000, subject to Section 2.10 and except for Notes authenticated and delivered upon registration or transfer of, or in exchange for, or in lieu of other Notes pursuant to Section 2.05, Section 2.06, Section 2.07, Section 10.04, Section 14.02 and Section 15.04.

Section 2.02. *Form of Notes.* The Notes and the Trustee’s certificate of authentication to be borne by such Notes shall be substantially in the respective forms set forth in Exhibit A, the terms and provisions of which shall constitute, and are hereby expressly incorporated in and made a part of this Indenture. To the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Any Global Note may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Indenture as may be required by the Custodian or the Depository, or as may be required to comply with any applicable law or any regulation thereunder or with the rules and regulations of any securities exchange or automated quotation system upon which the Notes may be listed or traded or designated for issuance or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Notes are subject.

Any of the Notes may have such letters, numbers or other marks of identification and such notations, legends or endorsements as the Officers executing the same may approve (execution thereof to be conclusive evidence of such approval) and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange or automated quotation system on which the Notes may be listed or designated for issuance, or to conform to usage or to indicate any special limitations or restrictions to which any particular Notes are subject.

Each Global Note shall represent such principal amount of the outstanding Notes as shall be specified therein and shall provide that it shall represent 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 increased or reduced to reflect

redemptions, repurchases, cancellations, conversions, transfers or exchanges permitted hereby. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the amount of outstanding Notes represented thereby shall be made by the Trustee or the Custodian, at the direction of the Trustee, in such manner and upon instructions given by the Holder of such Notes in accordance with this Indenture. Payment of principal (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, a Global Note shall be made to the Holder of such Note on the date of payment, unless a record date or other means of determining Holders eligible to receive payment is provided for herein.

Section 2.03. *Date and Denomination of Notes; Payments of Interest and Defaulted Amounts.* (a) The Notes shall be issuable in registered form without coupons in minimum denominations of \$200,000 principal amount, and in any integral multiple of \$1,000 in excess thereof. Each Note shall be dated the date of its authentication and shall bear interest from the date specified on the face of such Note. Accrued interest on the Notes shall be computed on the basis of a 360-day year composed of twelve 30-day months or, in the case of a partial month, the number of days elapsed over a 30-day month. The Company shall pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts.

(b) The Person in whose name any Note (or its Predecessor Note) is registered on the Note Register at the close of business on any Regular Record Date with respect to any Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date. Principal on any Physical Note shall be payable at the office or agency of the Company maintained by the Company for such purposes in the Borough of Manhattan, The City of New York, which shall initially be the Corporate Trust Office. Principal on any Global Note shall be paid by wire transfer of immediately available funds to the account of the Depository or its nominee. The Company shall pay interest (i) on any Physical Notes to (A) Holders holding Physical Notes having an aggregate principal amount of \$5,000,000 or less, by check mailed to the Holders of these Notes at their address as it appears in the Note Register and (B) Holders holding Physical Notes having an aggregate principal amount of more than \$5,000,000, either by check mailed to each Holder or, upon application by such a Holder to the Note Registrar not later than the relevant Regular Record Date, by wire transfer in immediately available funds to that Holder's account within the United States, which application shall remain in effect until the Holder notifies, in writing, the Note Registrar to the contrary or (ii) on any Global Note by wire transfer of immediately available funds to the account of the Depository or its nominee.

(c) Any Defaulted Amounts shall forthwith cease to be payable to the Holder on the relevant payment date but shall accrue interest per annum at the rate borne by the Notes, subject to the enforceability thereof under applicable law, from, and including, such relevant payment date, and such Defaulted Amounts together with such interest thereon shall be paid by the Company, at its election in each case, as provided in clause (i) or (ii) below:

(i) The Company may elect to make payment of any Defaulted Amounts to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on a special record date for the payment of such Defaulted Amounts, which shall be fixed in the following manner. The Company shall

notify the Trustee in writing of the amount of the Defaulted Amounts proposed to be paid on each Note and the date of the proposed payment (which shall be not less than 25 days after the receipt by the Trustee of such notice, unless the Trustee shall consent to an earlier date), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount to be paid in respect of such Defaulted Amounts or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Amounts as in this clause provided. Thereupon the Company shall fix a special record date for the payment of such Defaulted Amounts which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment, and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Company shall promptly notify the Trustee of such special record date, but in any event not less than 10 days prior to such special record date, and the Trustee, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Amounts and the special record date therefor to be mailed, first-class postage prepaid, to each Holder at its address as it appears in the Note Register, not less than 10 days prior to such special record date. Notice of the proposed payment of such Defaulted Amounts and the special record date therefor having been so mailed, such Defaulted Amounts shall be paid to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on such special record date and shall no longer be payable pursuant to the following clause (ii) of this Section 2.03(c).

(ii) The Company may make payment of any Defaulted Amounts in any other lawful manner not inconsistent with the requirements of any securities exchange or automated quotation system on which the Notes may be listed or designated for issuance, and upon such notice as may be required by such exchange or automated quotation system, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Section 2.04. *Execution, Authentication and Delivery of Notes.* The Notes shall be signed in the name and on behalf of the Company by the manual or facsimile signature of its Chief Executive Officer, Chief Financial Officer, Group Treasurer, General Counsel or any of its Executive or Senior Vice Presidents.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Notes executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Notes, and the Trustee in accordance with such Company Order shall authenticate and deliver such Notes, without any further action by the Company hereunder.

Only such Notes as shall bear thereon a certificate of authentication substantially in the form set forth on the form of Note attached as Exhibit A hereto, executed manually or by facsimile by an authorized officer of the Trustee (or an authenticating agent appointed by the Trustee as provided by Section 17.10), shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee (or such an authenticating

agent) upon any Note executed by the Company shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

In case any Officer of the Company who shall have signed any of the Notes shall cease to be such Officer before the Notes so signed shall have been authenticated and delivered by the Trustee, or disposed of by the Company, such Notes nevertheless may be authenticated and delivered or disposed of as though the person who signed such Notes had not ceased to be such Officer of the Company; and any Note may be signed on behalf of the Company by such persons as, at the actual date of the execution of such Note, shall be the Officers of the Company, although at the date of the execution of this Indenture any such person was not such an Officer.

Section 2.05. *Exchange and Registration of Transfer of Notes; Restrictions on Transfer; Depositary.* (a) The Company shall cause to be kept at the Corporate Trust Office a register (the register maintained in such office or in any other office or agency of the Company designated pursuant to Section 4.02, the “**Note Register**”) in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. Such register shall be in written form or in any form capable of being converted into written form within a reasonable period of time. The Trustee is hereby initially appointed the “**Note Registrar**” for the purpose of registering Notes and transfers of Notes as herein provided. The Company may appoint one or more co-Note Registrars in accordance with Section 4.02.

Upon surrender for registration of transfer of any Note to the Note Registrar or any co-Note Registrar, and satisfaction of the requirements for such transfer set forth in this Section 2.05, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denominations and of a like aggregate principal amount and bearing such restrictive legends as may be required by this Indenture.

Prior to the Notes Fungibility Date, Rule 144A Notes and Regulation S Notes, as the case may be, may be exchanged for other Rule 144A Notes or Regulation S Notes, respectively, of any authorized denominations and of a like aggregate principal amount, (i) in the case of Physical Notes, upon surrender of the Rule 144A Notes or Regulation S Notes, as the case may be, to be exchanged at any such office or agency maintained by the Company pursuant to Section 4.02 and (ii) in the case of Global Notes, upon compliance with the applicable procedures of the Depositary. Prior to the Notes Fungibility Date, (A) Regulation S Notes (or beneficial interests therein) may be exchanged for Rule 144A Notes (or an increase in the aggregate principal amount represented by a Global Note that constitutes a Rule 144A Note) only if (1) such exchange occurs in connection with a transfer of the Notes (or a beneficial interest therein) under Rule 144A and (2) the transferor first delivers to the Trustee a written certificate, in the form attached to such Note, to the effect that the Notes (or such beneficial interest) are being transferred to a Person (a) who the transferor reasonably believes to be a QIB; (b) purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A; and (c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions and (B) Rule 144A Notes (or beneficial interests therein) may be exchanged for Regulation S Notes (or an increase in the aggregate principal amount represented by a Global Note that constitutes a Regulation S Note) only if the transferor first delivers to the Trustee a

written certificate, in the form attached to such Note, to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S. Whenever any Rule 144A Notes or Regulation S Notes, as the case may be, that are Physical Notes are so surrendered for exchange pursuant to either of the two preceding sentences, the Company shall execute, and the Trustee shall authenticate and deliver, the Rule 144A Notes or Regulation S Notes, as the case may be, that the Holder making the exchange is entitled to receive, bearing registration numbers not contemporaneously outstanding. Following the Notes Fungibility Date, Notes may be exchanged for other Notes of any authorized denominations and of a like aggregate principal amount but not bearing the restrictive legend required by Section 2.05(c), upon surrender of the Notes to be exchanged at any such office or agency maintained by the Company pursuant to Section 4.02. Whenever any Notes are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Notes that the Holder making the exchange is entitled to receive, bearing registration numbers not contemporaneously outstanding.

All Notes presented or surrendered for registration of transfer or for exchange, repurchase, redemption or conversion shall (if so required by the Company, the Trustee, the Note Registrar or any co-Note Registrar) be duly endorsed, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and duly executed, by the Holder thereof or its attorney-in-fact duly authorized in writing.

No service charge shall be imposed by the Company, the Trustee, the Note Registrar, any co-Note Registrar or the Paying Agent for any registration of transfer or exchange of Notes, but the Company may require a Holder to pay a sum sufficient to cover any documentary, stamp or similar issue or transfer tax required in connection therewith as a result of the name of the Holder of new Notes issued upon such exchange or registration of transfer being different from the name of the Holder of the old Notes surrendered for exchange or registration of transfer.

None of the Company, the Trustee, the Note Registrar or any co-Note Registrar shall be required to exchange or register a transfer of (i) any Notes surrendered for conversion or, if a portion of any Note is surrendered for conversion, such portion thereof surrendered for conversion, (ii) any Notes, or a portion of any Note, surrendered for repurchase (and not withdrawn) in accordance with Article 15 or (iii) any Notes selected for redemption in accordance with Article 16.

All Notes issued upon any registration of transfer or exchange of Notes in accordance with this Indenture shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture as the Notes surrendered upon such registration of transfer or exchange.

(b) So long as the Notes are eligible for book-entry settlement with the Depository, unless otherwise required by law, subject to the fourth paragraph from the end of Section 2.05(c) all Notes shall be represented by one or more Notes in global form (each, a “**Global Note**”) registered in the name of the Depository or the nominee of the Depository. The transfer and exchange of beneficial interests in a Global Note that does not involve the issuance of a Physical Note shall be effected through the Depository (but not the Trustee or the Custodian) in accordance with this Indenture (including the restrictions on transfer set forth herein) and the procedures of the Depository therefor. Prior to the Notes Fungibility Date, the Rule 144A Notes

shall be represented by one or more Global Notes and the Regulation S Notes shall be represented by one or more separate Global Notes. Following the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes may be represented by one or more of the same Global Notes.

(c) Every Note that bears or is required under this Section 2.05(c) to bear the legend set forth in this Section 2.05(c) (the “**Restricted Securities**”) shall be subject to the restrictions on transfer set forth in this Section 2.05(c) (including the legend set forth below), unless such restrictions on transfer shall be eliminated or otherwise waived by written consent of the Company, and the Holder of each such Restricted Security, by such Holder’s acceptance thereof, agrees to be bound by all such restrictions on transfer. As used in this Section 2.05(c), the term “**transfer**” encompasses any sale, pledge, transfer or other disposition whatsoever of any Restricted Security.

Until the date (the “**Resale Restriction Termination Date**”) that is the later of (1) the date that is one year after the last date of original issuance of the Notes, or such shorter period of time as permitted by Rule 144 or any successor provision thereto, and (2) such later date, if any, as may be required by applicable law, any certificate evidencing a Rule 144A Note (and all securities issued in exchange therefor or substitution thereof) shall bear a legend in substantially the following form (unless such Rule 144A Note has been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or sold pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company in writing, with notice thereof to the Trustee and the Paying Agent):

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF NXP SEMICONDUCTORS N.V. (THE “**COMPANY**”), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

- (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR
- (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR
- (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR
- (D) TO A NON-U.S. PERSON OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR
- (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE 2(D) ABOVE, THE TRANSFEROR SHALL FIRST DELIVER TO THE TRUSTEE A WRITTEN CERTIFICATE STATING THAT SUCH TRANSFER IS BEING MADE IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

EXCEPT AS DESCRIBED IN CLAUSE (2)(A) ABOVE, NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS NOTE OR A BENEFICIAL INTEREST HEREIN.

EACH PURCHASER AND TRANSFEREE OF A NOTE WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING OF THE NOTE THAT (A) ITS PURCHASE AND HOLDING OF THE NOTE IS NOT MADE ON BEHALF OF OR WITH "PLAN ASSETS" OF ANY (I) EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR ANY OTHER FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE

(COLLECTIVELY, "SIMILAR LAW"), OR (III) ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT DESCRIBED IN CLAUSE (I) OR (II) ABOVE, OR (B) ITS PURCHASE AND HOLDING OF THE NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION OF ANY APPLICABLE SIMILAR LAW.

Until the Resale Restriction Termination Date, any certificate evidencing a Regulation S Note (and all securities issued in exchange therefor or substitution thereof) shall bear a legend in substantially the following form (unless such Regulation S Note has been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or sold pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company in writing, with notice thereof to the Trustee and the Paying Agent):

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF NXP SEMICONDUCTORS N.V. (THE "**COMPANY**"), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

(A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR

(B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR

(D) TO A NON-U.S. PERSON OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE 2(C) ABOVE, THE TRANSFEROR SHALL FIRST DELIVER TO THE TRUSTEE A WRITTEN CERTIFICATE STATING THAT THE NOTES ARE BEING TRANSFERRED TO A PERSON (1) WHO THE TRANSFEROR REASONABLY BELIEVES TO BE A QUALIFIED INSTITUTIONAL BUYER, (2) PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, AND (3) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

EXCEPT AS DESCRIBED IN CLAUSE (2)(A) ABOVE, NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS NOTE OR A BENEFICIAL INTEREST HEREIN.

EACH PURCHASER AND TRANSFEREE OF A NOTE WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING OF THE NOTE THAT (A) ITS PURCHASE AND HOLDING OF THE NOTE IS NOT MADE ON BEHALF OF OR WITH "PLAN ASSETS" OF ANY (I) EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR ANY OTHER FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE (COLLECTIVELY, "SIMILAR LAW"), OR (III) ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT DESCRIBED IN CLAUSE (I) OR (II) ABOVE OR (B) ITS

PURCHASE AND HOLDING OF THE NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION OF ANY APPLICABLE SIMILAR LAW.

No transfer of any Rule 144A Note or any Regulation S Note prior to the Resale Restriction Termination Date will be registered by the Note Registrar unless the applicable box on the Form of Assignment and Transfer has been checked.

Any Rule 144A Note or Regulation S Note (or security issued in exchange or substitution therefor) as to which such restrictions on transfer shall have expired in accordance with their terms may, upon surrender of such Note for exchange to the Note Registrar in accordance with the provisions of this Section 2.05, be exchanged for a new Note or Notes, of like tenor and aggregate principal amount, which shall not bear the restrictive legend required by this Section 2.05(c) and shall not be assigned a restricted CUSIP number. The Company shall be entitled to instruct the Custodian in writing to so surrender any Global Note as to which such restrictions on transfer shall have expired in accordance with their terms for exchange, and, upon such instruction, the Custodian shall so surrender such Global Note for exchange; and any new Global Note so exchanged therefor shall not bear the restrictive legend specified in this Section 2.05(c) and shall not be assigned a restricted CUSIP number. The Company shall promptly notify the Trustee upon the occurrence of the Resale Restriction Termination Date and promptly after a registration statement, if any, with respect to the Notes has been declared effective under the Securities Act.

Notwithstanding any other provisions of this Indenture (other than the provisions set forth in this Section 2.05(c)), a Global Note may not be transferred as a whole or in part except (i) by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository and (ii) for transfers of portions of a Global Note in certificated form made upon request of a member of, or a participant in, the Depository (for itself or on behalf of a beneficial owner) by written notice given to the Trustee by or on behalf of the Depository in accordance with customary procedures of the Depository and in compliance with this Section 2.05(c).

The Depository shall be a clearing agency registered under the Exchange Act. The Company initially appoints The Depository Trust Company to act as Depository with respect to each Global Note. Initially, each Global Note shall be issued to the Depository, registered in the name of Cede & Co., as the nominee of the Depository, and deposited with the Trustee as custodian for Cede & Co.

If (i) the Depository notifies the Company at any time that the Depository is unwilling or unable to continue as depository for the Global Notes and a successor depository is not appointed within 90 days, (ii) the Depository ceases to be registered as a clearing agency under the Exchange Act and a successor depository is not appointed within 90 days or (iii) an Event of Default with respect to the Notes has occurred and is continuing and a beneficial owner of any Note requests that its beneficial interest therein be exchanged for a Physical Note, the Company shall execute, and the Trustee, upon receipt of an Officer's Certificate and a Company Order for the authentication and delivery of Notes, shall authenticate and deliver (x) in the case of clause

(iii), a Physical Note to such beneficial owner in a principal amount equal to the principal amount of such Note corresponding to such beneficial owner's beneficial interest and (y) in the case of clause (i) or (ii), Physical Notes to each beneficial owner of the related Global Notes (or a portion thereof) in an aggregate principal amount equal to the aggregate principal amount of such Global Notes in exchange for such Global Notes, and upon delivery of the Global Notes to the Trustee such Global Notes shall be canceled.

Physical Notes issued in exchange for all or a part of the Global Note pursuant to this Section 2.05(c) shall be registered in such names and in such authorized denominations as the Depository, pursuant to instructions from its direct or indirect participants or otherwise, or, in the case of clause (iii) of the immediately preceding paragraph, the relevant beneficial owner, shall instruct the Trustee. Upon execution and authentication, the Trustee shall deliver such Physical Notes to the Persons in whose names such Physical Notes are so registered.

At such time as all interests in a Global Note have been converted, canceled, repurchased, redeemed or transferred, such Global Note shall be, upon receipt thereof, canceled by the Trustee in accordance with standing procedures and existing instructions between the Depository and the Custodian. At any time prior to such cancellation, if any interest in a Global Note is exchanged for Physical Notes, converted, canceled, repurchased, redeemed or transferred to a transferee who receives Physical Notes therefor or any Physical Note is exchanged or transferred for part of such Global Note, the principal amount of such Global Note shall, in accordance with the standing procedures and instructions existing between the Depository and the Custodian, be appropriately reduced or increased, as the case may be, and an endorsement shall be made on such Global Note, by the Trustee or the Custodian, at the direction of the Trustee, to reflect such reduction or increase.

None of the Company, the Trustee or any agent of the Company or the Trustee shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Note or maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(d) Any Note that is repurchased or owned by any Affiliate of the Company (or any Person who was an Affiliate of the Company at any time during the three months immediately preceding) may not be resold by such Affiliate (or such Person, as the case may be) unless registered under the Securities Act or resold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act in a transaction that results in such Note no longer being a "restricted security" (as defined under Rule 144). The Company shall cause any Note that is repurchased or owned by it to be surrendered to the Trustee for cancellation in accordance with Section 2.08.

Section 2.06. *Mutilated, Destroyed, Lost or Stolen Notes.* In case any Note shall become mutilated or be destroyed, lost or stolen, the Company in its discretion may execute, and upon its written request the Trustee or an authenticating agent appointed by the Trustee shall authenticate and deliver, a new Note, bearing a registration number not contemporaneously outstanding, in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. In every case the applicant for a substituted Note shall furnish to the Company, to the Trustee and, if applicable, to such authenticating agent such security and/or

indemnity as may be required by them to save each of them harmless from any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company, to the Trustee and, if applicable, to such authenticating agent evidence to their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof.

The Trustee or such authenticating agent may authenticate any such substituted Note and deliver the same upon the receipt of such security and/or indemnity as the Trustee, the Company and, if applicable, such authenticating agent may require. No service charge shall be imposed by the Company, the Trustee, the Note Registrar, any co-Note Registrar or the Paying Agent upon the issuance of any substitute Note, but the Company may require a Holder to pay a sum sufficient to cover any documentary, stamp or similar issue or transfer tax required in connection therewith as a result of the name of the Holder of the new substitute Note being different from the name of the Holder of the old Note that became mutilated or was destroyed, lost or stolen. In case any Note that has matured or has been surrendered for required repurchase or has been selected for redemption in accordance with Article 16 or has been converted in accordance with Article 14 shall become mutilated or be destroyed, lost or stolen, the Company may, in its sole discretion, instead of issuing a substitute Note, pay or authorize the payment of or convert or authorize the conversion of the same (without surrender thereof except in the case of a mutilated Note), as the case may be, if the applicant for such payment or conversion shall furnish to the Company, to the Trustee and, if applicable, to such authenticating agent such security and/or indemnity as may be required by them to save each of them harmless for any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, evidence satisfactory to the Company, the Trustee and, if applicable, any Paying Agent or Conversion Agent evidence of their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof.

Every substitute Note issued pursuant to the provisions of this Section 2.06 by virtue of the fact that any Note is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Note shall be found at any time, and shall be entitled to all the benefits of (but shall be subject to all the limitations set forth in) this Indenture equally and proportionately with any and all other Notes duly issued hereunder. To the extent permitted by law, all Notes shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement, payment, redemption, conversion or repurchase of mutilated, destroyed, lost or stolen Notes and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement, payment, redemption, conversion or repurchase of negotiable instruments or other securities without their surrender.

Section 2.07. *Temporary Notes.* Pending the preparation of Physical Notes, the Company may execute and the Trustee or an authenticating agent appointed by the Trustee shall, upon written request of the Company, authenticate and deliver temporary Notes (printed or lithographed). Temporary Notes shall be issuable in any authorized denomination, and substantially in the form of the Physical Notes but with such omissions, insertions and variations as may be appropriate for temporary Notes, all as may be determined by the Company. Every such temporary Note shall be executed by the Company and authenticated by the Trustee or such authenticating agent upon the same conditions and in substantially the same manner, and with

the same effect, as the Physical Notes. Without unreasonable delay, the Company shall execute and deliver to the Trustee or such authenticating agent Physical Notes (other than any Global Note) and thereupon any or all temporary Notes (other than any Global Note) may be surrendered in exchange therefor, at each office or agency maintained by the Company pursuant to Section 4.02 and the Trustee or such authenticating agent shall authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of Physical Notes. Such exchange shall be made by the Company at its own expense and without any charge therefor. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits and subject to the same limitations under this Indenture as Physical Notes authenticated and delivered hereunder.

Section 2.08. *Cancellation of Notes Paid, Converted, Etc.* The Company shall cause all Notes surrendered for the purpose of payment, redemption, repurchase (but excluding Notes repurchased pursuant to cash-settled swaps or other derivatives), registration of transfer or exchange or conversion, if surrendered to any Person other than the Trustee (including any of the Company's agents, Subsidiaries or Affiliates), to be surrendered to the Trustee for cancellation and such Notes will no longer be considered outstanding under this Indenture. All Notes delivered to the Trustee shall be canceled promptly by it, and, except for Notes surrendered for registration of transfer or exchange, no Notes shall be issued to replace any such Notes except as expressly permitted by any of the provisions of this Indenture. The Trustee shall dispose of canceled Notes in accordance with its customary procedures and, after such disposition, shall deliver a certificate of such disposition to the Company, at the Company's written request in a Company Order.

Section 2.09. *CUSIP Numbers.* The Company in issuing the Notes may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in all notices issued to Holders as a convenience to such Holders; *provided* 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 on such notice and that reliance may be placed only on the other identification numbers printed on the Notes. The Company shall promptly notify the Trustee in writing of any change in the "CUSIP" numbers. Prior to the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes shall have different "CUSIP" numbers. Following the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes shall have the same "CUSIP" number.

Section 2.10. *Additional Notes; Repurchases.* The Company may, without the consent of, or notice to, the Holders and notwithstanding Section 2.01, issue additional Notes hereunder with the same terms as the Notes initially issued hereunder (except for any differences in issue price and interest accrued, if any) in an unlimited aggregate principal amount; *provided* that if any such additional Notes are not fungible with the Notes initially issued hereunder for U.S. federal income tax and securities law purposes, such additional Notes shall have a separate CUSIP number from both the Rule 144A Notes and the Regulation S Notes. The Notes initially issued hereunder and any such additional Notes shall rank equally and ratably and shall be treated as a single series for all purposes under this Indenture. Prior to the issuance of any such additional Notes, the Company shall deliver to the Trustee a Company Order, an Officer's Certificate and an Opinion of Counsel, such Officer's Certificate and Opinion of Counsel to cover such matters, in addition to those required by Section 17.05, as the Trustee shall reasonably request. In addition, the Company may, to the extent permitted by law, and directly

or indirectly (regardless of whether such Notes are surrendered to the Company), repurchase Notes in the open market or otherwise, whether by the Company or its Subsidiaries or through a private or public tender or exchange offer or through counterparties to private agreements, including by cash-settled swaps or other derivatives. The Company shall cause any Notes so repurchased (other than Notes repurchased pursuant to cash-settled swaps or other derivatives) to be surrendered to the Trustee for cancellation in accordance with Section 2.08, and such Notes (other than Notes repurchased pursuant to cash-settled swaps or other derivatives) will no longer be considered outstanding under this Indenture upon their repurchase.

ARTICLE 3  
SATISFACTION AND DISCHARGE

Section 3.01. *Satisfaction and Discharge.* This Indenture shall upon request of the Company contained in an Officer's Certificate cease to be of further effect, and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when (a) (i) all Notes theretofore authenticated and delivered (other than (x) Notes which have been destroyed, lost or stolen and which have been replaced, paid or converted as provided in Section 2.06 and (y) Notes for whose payment money has theretofore been irrevocably deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 4.04(d)) have been delivered to the Trustee for cancellation; or (ii) the Company has irrevocably deposited with the Trustee or paid to Holders, as applicable, after the Notes have become due and payable, whether on the Maturity Date, any Tax Redemption Date or any Fundamental Change Repurchase Date, and/or have been converted (and the related Settlement Amounts shall have been determined pursuant to Section 14.02), cash sufficient to pay all of the outstanding Notes or satisfy all conversions, as the case may be, and pay all other sums due and payable under this Indenture by the Company; and (b) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 7.06 shall survive.

ARTICLE 4  
PARTICULAR COVENANTS OF THE COMPANY

Section 4.01. *Payment of Principal and Interest.* The Company covenants and agrees that it will cause to be paid the principal (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, each of the Notes at the places, at the respective times and in the manner provided herein and in the Notes.

Section 4.02. *Maintenance of Office or Agency.* The Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where the Notes may be surrendered for registration of transfer or exchange or for presentation for payment, redemption or repurchase ("**Paying Agent**") or for conversion ("**Conversion Agent**") and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The

Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office or the office or agency of the Trustee in the Borough of Manhattan, The City of New York. The Company shall use commercially reasonable efforts to also maintain a Paying Agent in a Member State of the European Union that will not be obligated to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC regarding the taxation of savings income or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive.

The Company may also from time to time designate as co-Note Registrars one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided* that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency. The terms **“Paying Agent”** and **“Conversion Agent”** include any such additional or other offices or agencies, as applicable.

The Company hereby initially designates the Trustee as the Paying Agent, Note Registrar, Custodian and Conversion Agent and the Corporate Trust Office as the office or agency in the Borough of Manhattan, The City of New York, where Notes may be surrendered for registration of transfer or exchange or for presentation for payment, redemption or repurchase or for conversion and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served.

Section 4.03. *Appointments to Fill Vacancies in Trustee’s Office.* The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 7.09, a Trustee, so that there shall at all times be a Trustee hereunder.

Section 4.04. *Provisions as to Paying Agent.* (a) If the Company shall appoint a Paying Agent other than the Trustee, the Company will cause such Paying Agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 4.04:

(i) that it will hold all sums held by it as such agent for the payment of the principal (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Notes in trust for the benefit of the Holders of the Notes;

(ii) that it will give the Trustee prompt notice of any failure by the Company to make any payment of the principal (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Notes when the same shall be due and payable; and

(iii) that at any time during the continuance of an Event of Default, upon request of the Trustee, it will forthwith pay to the Trustee all sums so held in trust.

The Company shall, on or before each due date of the principal (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, or accrued and unpaid interest on, the Notes, deposit with the Paying Agent a sum sufficient to pay such principal (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable) or accrued and unpaid interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of any failure to take such action; *provided* that if such deposit is made on the due date, such deposit must be received by the Paying Agent by 11:00 a.m., New York City time, on such date.

(b) If the Company shall act as its own Paying Agent, it will, on or before each due date of the principal (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Notes, set aside, segregate and hold in trust for the benefit of the Holders of the Notes a sum sufficient to pay such principal (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable) and accrued and unpaid interest so becoming due and will promptly notify the Trustee in writing of any failure to take such action and of any failure by the Company to make any payment of the principal (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, or accrued and unpaid interest on, the Notes when the same shall become due and payable.

(c) Anything in this Section 4.04 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay or cause to be paid to the Trustee all sums or amounts held in trust by the Company or any Paying Agent hereunder as required by this Section 4.04, such sums or amounts to be held by the Trustee upon the trusts herein contained and upon such payment by the Company or any Paying Agent to the Trustee, the Company or such Paying Agent shall be released from all further liability but only with respect to such sums or amounts.

(d) Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, accrued and unpaid interest on, and cash due upon conversion of, any Note and remaining unclaimed for two years after such principal (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable), interest or cash due upon conversion has become due and payable shall be paid to the Company on request of the Company contained in an Officer's Certificate, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that, after a

date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 4.05. [Reserved].

Section 4.06. *Rule 144A Information Requirement and Annual Reports.* (a) If, at any time, the Company is not subject to the reporting requirements of the Exchange Act, the Company shall, so long as any of the Notes shall, at such time, constitute “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, upon the written request of any Holder, beneficial owner or prospective purchaser of Notes, promptly furnish such Holder, beneficial owner or prospective purchaser the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to facilitate the resale of the Notes pursuant to Rule 144A. The Company shall take such further action as any Holder or beneficial owner of the Notes may reasonably request to the extent from time to time required to enable such Holder or beneficial owner to sell such Notes in accordance with Rule 144A.

(b) The Company shall provide to the Trustee, within 15 days after the same are required to be filed with the Commission, copies of any documents or reports that the Company is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act (giving effect to any grace period provided by Rule 12b-25 under the Exchange Act). Any such document or report that the Company files with the Commission via the Commission’s EDGAR system shall be deemed to be provided to the Trustee for purposes of this Section 4.06(b) at the time such documents or reports are filed via the EDGAR system.

(c) Delivery of the documents and reports described in subsection (b) above to the Trustee is for informational purposes only, and the Trustee’s receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company’s compliance with any of its covenants hereunder (as to which the Trustee is entitled to conclusively rely on an Officer’s Certificate).

(d) If, at any time during the six-month period beginning on, and including, the date that is six months from the last date of original issuance of the Notes (such date, the “**Original Issuance Date**”), the Company fails to timely file any document or report that it is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act, as applicable (other than reports on Form 6-K), the Company shall pay Additional Interest on the Notes from, and including, the later of the date six months after the Original Issuance Date and the first date on which such failure to file exists until the earlier of (i) the one-year anniversary of the Original Issuance Date (the “**Scheduled Free Trade Date**”) and (ii) the date on which such failure to file has been cured (if applicable). Such Additional Interest shall accrue on the Notes at the rate of 0.50% per annum of the principal amount of the Notes outstanding. As used in this Section 4.06(d), documents or reports that the Company is required to “file” with the Commission pursuant to Section 13 or 15(d) of the Exchange Act does not include documents or reports that the Company furnishes to the Commission pursuant to Section 13 or 15(d) of the Exchange Act.

(e) If, and for so long as, the restrictive legend on the Notes specified in Section 2.05(c) has not been removed, the Notes are assigned a restricted CUSIP or the Notes are not otherwise freely tradable by Holders other than the Company’s Affiliates or Holders that were the

Company's Affiliates at any time during the three months immediately preceding (without restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes), the Company shall pay Additional Interest on the Notes at a rate equal to 0.50% per annum of the principal amount of Notes outstanding on or after the Scheduled Free Trade Date until the restrictive legend is removed from the Notes, the Notes are assigned an unrestricted CUSIP and the Notes are freely tradable by Holders other than the Company's Affiliates or Holders that were the Company's Affiliates at any time during the three months immediately preceding, as applicable.

(f) Additional Interest will be payable in arrears on each Interest Payment Date following accrual in the same manner as regular interest on the Notes.

(g) Subject to the immediately succeeding sentence, the Additional Interest that is payable in accordance with Section 4.06(d) or Section 4.06(e) shall be in addition to, and not in lieu of, any Additional Interest that may be payable as a result of the Company's election pursuant to Section 6.03. However, in no event shall Additional Interest accrue on any day under the terms of this Indenture (taking into consideration Additional Interest payable pursuant to Section 4.06(d), together with interest payable at the Company's election pursuant to Section 6.03) at a rate in excess of 0.50% per annum, in the aggregate, for any violation or default caused by the Company's failure to be current in respect of its Exchange Act reporting obligations.

(h) If Additional Interest is payable by the Company pursuant to Section 4.06(d) or Section 4.06(e), the Company shall deliver to the Trustee an Officer's Certificate to that effect stating (i) the amount of such Additional Interest that is payable and (ii) the date on which such Additional Interest is payable. Unless and until a Responsible Officer of the Trustee receives at the Corporate Trust Office such a certificate, the Trustee may assume without inquiry that no such Additional Interest is payable. If the Company has paid Additional Interest directly to the Persons entitled to it, the Company shall deliver to the Trustee an Officer's Certificate setting forth the particulars of such payment.

Section 4.07. *Stay, Extension and Usury Laws.* The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law that would prohibit or forgive the Company from paying all or any portion of the principal of or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of this Indenture; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 4.08. *Compliance Certificate; Statements as to Defaults.* The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company (beginning with the fiscal year ending on December 31, 2014) an Officer's Certificate stating (x) that in the course of the performance by the signers of their duties as Officers of the Company they would normally have knowledge of any Default and (y) whether the signers thereof have knowledge of any Default that occurred during such previous fiscal year and, if so, describing

each such Default, its status and what actions the Company is taking or proposing to take with respect thereto.

In addition, the Company shall deliver to the Trustee, within 30 days after the occurrence of any Event of Default or Default, an Officer's Certificate setting forth the details of such Event of Default or Default, its status and the action that the Company is taking or proposing to take in respect thereof; *provided* that no such Officer's Certificate shall be required to the extent that the event that constitutes a Default or an Event of Default has been cured or waived prior to the 30th day after the occurrence thereof.

Section 4.09. *Further Instruments and Acts.* Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

Section 4.10. *Additional Amounts.*

(a) All payments made by, or on behalf of, the Company under or with respect to the Notes, including, but not limited to, payments of principal (including, if applicable, the Redemption Price and the Fundamental Change Repurchase Price), payments of interest and payments of cash upon conversion of the Notes, shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such taxes, duties, assessments or governmental charges imposed or levied by or within any jurisdiction in which the Company or any successor are, for tax purposes, organized or resident or doing business or through which payment is made or deemed made (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a "**Relevant Taxing Jurisdiction**") are required to be withheld or deducted from any payments made by the Company or its Paying Agent with respect to the Notes, the Company shall pay to the Holder of each Note such additional amounts (the "**Additional Amounts**") as may be necessary to ensure that the net amount received by the beneficial owner after such withholding or deduction (and after deducting any taxes on the Additional Amounts) shall equal the amounts that would have been received by such beneficial owner had no such withholding or deduction been required; *provided* that no Additional Amounts shall be payable:

(i) for or on account of:

(A) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(1) the existence of any present or former connection between the Holder or beneficial owner of such Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction, other than merely holding or enforcing rights under such

Note or the receipt of payments thereunder, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(2) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable) and interest on, such Note or the payment of cash upon conversion of such Note became due and payable pursuant to the terms thereof or was made or duly provided for; or

(3) the failure of the Holder or beneficial owner to comply with a timely request from the Company, addressed to the Holder, to provide certification, information, documents or other evidence concerning such Holder's or beneficial owner's nationality, residence, identity or connection with the Relevant Taxing Jurisdiction, or to make any declaration or satisfy any other reporting requirement relating to such matters, if and to the extent that due and timely compliance with such request is required by statute, regulation or administrative practice of the Relevant Taxing Jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder or beneficial owner;

(B) any estate, inheritance, gift, value added, use, sales, transfer, excise, personal property or similar tax, assessment or other governmental charge;

(C) any tax, duty, assessment or other governmental charge that is payable otherwise than by withholding from payments under or with respect to the Notes;

(D) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA or any law enacted by such other jurisdiction to give effect to such agreement, or any agreement with the U.S. Internal Revenue Service under FATCA;

(E) any tax, assessment or other governmental charge that is required to be deducted or withheld on a payment to a Holder or beneficial owner and that is required to be made pursuant to the European Council Directive 2003/48/EC of June 3, 2003, Directive 2014/48/EU of March 24, 2014, or any other directive

implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on taxation of savings income or any law implementing or complying with, or introduced in order to conform to such directives;

(F) any tax, assessment or other governmental charge imposed in connection with a Note presented for payment (where presentation is required for payment) by or on behalf of a Holder or beneficial owner who would have been able to avoid such tax, assessment or governmental charge by presenting the relevant Note to, or otherwise accepting payment from, another Paying Agent; or

(G) any combination of taxes referred to in the preceding clauses (A), (B), (C), (D), (E) or (F), or

(ii) with respect to any payment of the principal of (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable) and interest on, such Note or the payment of cash upon conversion of such Note to a Holder, if the Holder is a fiduciary, partnership or person other than the sole beneficial owner of that payment to the extent that such payment would be required to be included in the income under the laws of the Relevant Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a partner or member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner, member or beneficial owner been the Holder thereof.

(b) If the Company is required to make any deduction or withholding from any payments with respect to the Notes, the Company shall deliver to the Trustee official tax receipts evidencing the remittance to the relevant tax authorities of the amounts so withheld or deducted.

(c) Any reference in this Indenture or the Notes in any context to the payment of principal of (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable), the payment of interest on, and the payment of cash upon conversion of, any Note or any other amount payable with respect to such Note, such mention shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to this Section 4.10.

## ARTICLE 5

### LISTS OF HOLDERS AND REPORTS BY THE COMPANY AND THE TRUSTEE

Section 5.01. *Lists of Holders.* The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee, semi-annually, not more than 15 days after each May 15 and November 15 in each year beginning with May 15, 2015, and at such other times as the Trustee may request in writing, within 30 days after receipt by the Company of any such request (or such lesser time as the Trustee may reasonably request in order to enable it to timely provide any notice to be provided by it hereunder), a list in such form as the Trustee may reasonably require of the names and addresses of the Holders as of a date not more than 15 days (or such other date as the Trustee may reasonably request in order to so provide any such notices) prior to the time

such information is furnished, except that no such list need be furnished so long as the Trustee is acting as Note Registrar.

Section 5.02. *Preservation and Disclosure of Lists.* The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the Holders contained in the most recent list furnished to it as provided in Section 5.01 or maintained by the Trustee in its capacity as Note Registrar, if so acting. The Trustee may destroy any list furnished to it as provided in Section 5.01 upon receipt of a new list so furnished.

ARTICLE 6  
DEFAULTS AND REMEDIES

Section 6.01. *Events of Default.* Each of the following events shall be an “**Event of Default**” with respect to the Notes:

(a) default in any payment of interest on any Note when due and payable, and the default continues for a period of 30 days;

(b) default in the payment of principal of any Note when due and payable on the Maturity Date, upon a Tax Redemption, upon any required repurchase, upon declaration of acceleration or otherwise;

(c) failure by the Company to comply with its obligation to pay the cash due upon conversion of the Notes in accordance with this Indenture upon exercise of a Holder’s conversion right and such failure continues for a period of five Business Days;

(d) failure by the Company to issue a Fundamental Change Company Notice in accordance with Section 15.02(c), notice of a Make-Whole Fundamental Change in accordance with Section 14.03(b) or notice of a Specified Corporate Event in accordance with Section 14.01(b)(ii) or Section 14.01(b)(iii), in each case, when due;

(e) failure by the Company to comply with its obligations under Article 11;

(f) failure by the Company for 60 days after written notice from the Trustee or the Holders of at least 25% in principal amount of the Notes then outstanding has been received by the Company to comply with any of its other agreements contained in the Notes or this Indenture;

(g) default by the Company or any Significant Subsidiary of the Company with respect to any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any indebtedness for money borrowed in excess of \$125,000,000 (or the foreign currency equivalent thereof) in the aggregate of the Company and/or any such Significant Subsidiary, whether such indebtedness now exists or shall hereafter be created (i) resulting in such indebtedness becoming or being declared due and payable prior to its stated maturity or (ii) constituting a failure to pay the principal of any such debt when due and payable (after the expiration of all applicable grace periods) at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise; *provided* that any such Event of

Default shall be deemed cured and not continuing upon payment of such indebtedness or rescission or annulment of such declaration;

(h) a final judgment or judgments entered by a court of competent jurisdiction for the payment of \$125,000,000 (or the foreign currency equivalent thereof) or more (excluding any amounts covered by insurance) in the aggregate rendered against the Company and/or any Significant Subsidiary of the Company, which judgment is not paid, bonded, discharged or stayed within 60 days after (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished; or

(i) the Company or a Significant Subsidiary 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 or such appointment is made without the application or consent of such Person (and such appointment without the application or consent of such Person continues undischarged or unstayed for 60 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 days, or an order for relief is entered in any such proceeding.

Section 6.02. *Acceleration; Rescission and Annulment.* If one or more Events of Default shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), then, and in each and every such case (other than an Event of Default specified in Section 6.01(i) with respect to the Company (and not with respect to a Significant Subsidiary)), unless the principal of all of the Notes shall have already become due and payable, either the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding determined in accordance with Section 8.04, in each case, by notice in writing to the Company (and to the Trustee if given by Holders), may declare 100% of the principal amount of, and accrued and unpaid interest, if any, on, all the Notes to be due and payable immediately, and upon any such declaration, the same shall become and shall automatically be immediately due and payable, anything contained in this Indenture or in the Notes to the contrary notwithstanding. If an Event of Default specified in Section 6.01(i) with respect to the Company (and not with respect to a Significant Subsidiary) occurs and is continuing, 100% of the principal amount of, and accrued and unpaid interest, if any, on, all Notes shall automatically become and shall automatically be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder of Notes.

The immediately preceding paragraph, however, is subject to the conditions that if, at any time after the principal of the Notes shall have been so declared due and payable (or have become immediately due and payable), but before any judgment or decree based on such declaration of acceleration shall have been obtained or entered as hereinafter provided, if (1) the Company shall have paid or deposited with the Trustee a sum sufficient to pay all matured installments of accrued and unpaid interest upon the Notes and the principal of any and all Notes that shall have become due otherwise than by acceleration (with interest on such principal and, to

the extent that such payment is enforceable under applicable law, on overdue installments of accrued and unpaid interest, at the rate borne by the Notes at such time, to the date of such payment or deposit) and amounts due to the Trustee pursuant to Section 7.06, (2) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (3) any and all existing Events of Default under this Indenture, other than the nonpayment of the principal of and accrued and unpaid interest, if any, on Notes that shall have become due solely by such declaration of acceleration, shall have been cured, remedied or waived pursuant to Section 6.09, then and in every such case (except as provided in the immediately succeeding sentence) the Holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Company and to the Trustee, may waive all Defaults or Events of Default with respect to the Notes and rescind and annul such declaration and its consequences and such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent Default or Event of Default, or shall impair any right consequent thereon. Notwithstanding anything to the contrary herein, no such waiver or rescission and annulment shall extend to or shall affect any Default or Event of Default resulting from (i) the nonpayment of the principal (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, or accrued and unpaid interest, if any, on, any Notes, or (ii) a failure to pay the cash due upon conversion of the Notes.

Section 6.03. *Additional Interest.* Notwithstanding anything in this Indenture or in the Notes to the contrary, to the extent the Company elects, the sole remedy for an Event of Default relating to the Company's failure to comply with its obligations as set forth in Section 4.06(b) shall, after the occurrence of such an Event of Default (which shall be the 60th day after written notice is provided to the Company in accordance with Section 6.01(f)), consist exclusively of the right to receive Additional Interest on the Notes at a rate equal to (i) 0.25% per annum of the principal amount of Notes outstanding for each day during the period beginning on, and including, the date on which such Event of Default first occurs and ending on the earlier of (x) the date on which such Event of Default is cured or validly waived and (y) the 90th day immediately following, and including, the date on which such Event of Default first occurred and (ii) if such Event of Default has not been cured or validly waived prior to the 91st day immediately following, and including, the date on which such Event of Default first occurred, 0.50% per annum of the principal amount of Notes outstanding for each day during the period beginning on, and including, the 91st day immediately following, and including, the date on which such Event of Default first occurred and ending on the earlier of (x) the date on which such Event of Default is cured or validly waived and (y) the 180th day immediately following, and including, the date on which such Event of Default first occurred. Subject to the last paragraph of this Section 6.03, Additional Interest payable pursuant to this Section 6.03 shall be in addition to, not in lieu of, any Additional Interest payable pursuant to Section 4.06(d) or Section 4.06(e). If the Company so elects, such Additional Interest shall be payable in the same manner and on the same dates as the stated interest payable on the Notes. On the 181st day after such Event of Default (if the Event of Default relating to the Company's failure to comply with its obligations as set forth in Section 4.06(b) is not cured or waived prior to such 181st day), the Notes shall be subject to acceleration as provided in Section 6.02. The provisions of this Section 6.03 will not affect the rights of Holders of Notes in the event of the occurrence of any Event of Default other than the Company's failure to comply with its obligations as set forth in Section 4.06(b). In the event the Company does not elect to pay Additional Interest following

an Event of Default in accordance with this Section 6.03 or the Company elected to make such payment but does not pay the Additional Interest when due, the Notes shall be immediately subject to acceleration as provided in Section 6.02.

In order to elect to pay Additional Interest as the sole remedy during the first 180 days after the occurrence of any Event of Default described in the immediately preceding paragraph, the Company must notify all Holders of the Notes, the Trustee and the Paying Agent of such election prior to the beginning of such 180-day period. Upon the failure to timely give such notice, the Notes shall be immediately subject to acceleration as provided in Section 6.02.

In no event shall Additional Interest accrue on any day under the terms of this Indenture (taking into consideration any Additional Interest payable pursuant to this Section 6.03, together with interest payable pursuant to Section 4.06(d)) at a rate in excess of 0.50% per annum, in the aggregate, for any violation or default caused by the Company's failure to be current in respect of its Exchange Act reporting obligations.

Section 6.04. *Payments of Notes on Default; Suit Therefor.* If an Event of Default described in clause (a) or (b) of Section 6.01 shall have occurred, the Company shall, upon demand of the Trustee, pay to the Trustee, for the benefit of the Holders of the Notes, the whole amount then due and payable on the Notes for principal and interest, if any, with, to the extent lawful, interest on any overdue principal and interest, if any, at the rate borne by the Notes at such time, and, in addition thereto, such further amount as shall be sufficient to cover any amounts due to the Trustee under Section 7.06. If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon the Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Notes, wherever situated.

In the event there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Notes under Title 11 of the United States Code, or any other applicable law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequester or similar official shall have been appointed for or taken possession of the Company or such other obligor, the property of the Company or such other obligor, or in the event of any other judicial proceedings relative to the Company or such other obligor upon the Notes, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 6.04, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and accrued and unpaid interest, if any, in respect of the Notes, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents and to take such other actions as it may deem necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceedings relative to the Company or any other obligor on the Notes,

its or their creditors, or its or their property, and to collect and receive any monies or other property payable or deliverable on any such claims, and to distribute the same after the deduction of any amounts due to the Trustee under Section 7.06; and any receiver, assignee or trustee in bankruptcy or reorganization, liquidator, custodian or similar official is hereby authorized by each of the Holders to make such payments to the Trustee, as administrative expenses, 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 reasonable compensation, expenses, advances and disbursements, including agents and counsel fees, and including any other amounts due to the Trustee under Section 7.06, incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses, advances and disbursements out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, monies, securities and other property that the Holders of the Notes may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting such Holder or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes.

In any proceedings brought by the Trustee (and in any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the Holders of the Notes, and it shall not be necessary to make any Holders of the Notes parties to any such proceedings.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of any waiver pursuant to Section 6.09 or any rescission and annulment pursuant to Section 6.02 or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Holders and the Trustee shall, subject to any determination in such proceeding, be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the Holders and the Trustee shall continue as though no such proceeding had been instituted.

Section 6.05. *Application of Monies Collected by Trustee.* Any monies collected by the Trustee pursuant to this Article 6 with respect to the Notes shall be applied in the following order, at the date or dates fixed by the Trustee for the distribution of such monies, upon presentation of

the several Notes, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

**First**, to the payment of all amounts due to the Trustee and any predecessor Trustee under Section 7.06;

**Second**, in case the principal of the outstanding Notes shall not have become due and be unpaid, to the payment of interest on, and the cash due upon any conversion of, the Notes in default in the order of the date due of the payments of such interest and cash due upon conversion, as the case may be, with interest (to the extent that such interest has been collected by the Trustee) upon such overdue payments at the rate borne by the Notes at such time, such payments to be made ratably to the Persons entitled thereto;

**Third**, in case the principal of the outstanding Notes shall have become due, by declaration or otherwise, and be unpaid to the payment of the whole amount (including, if applicable, the payment of the Redemption Price and the Fundamental Change Repurchase Price and the cash due upon any conversion) then owing and unpaid upon the Notes for principal and interest, if any, with interest on the overdue principal and, to the extent that such interest has been collected by the Trustee, upon overdue installments of interest at the rate borne by the Notes at such time, and in case such monies shall be insufficient to pay in full the whole amounts so due and unpaid upon the Notes, then to the payment of such principal (including, if applicable, the Redemption Price and the Fundamental Change Repurchase Price and the cash due upon any conversion) and interest without preference or priority of principal over interest, or of interest over principal or of any installment of interest over any other installment of interest, or of any Note over any other Note, ratably to the aggregate of such principal (including, if applicable, the Redemption Price and the Fundamental Change Repurchase Price and the cash due upon any conversion) and accrued and unpaid interest; and

**Fourth**, to the payment of the remainder, if any, to the Company.

Section 6.06. *Proceedings by Holders*. Except to enforce the right to receive payment of principal (including, if applicable, the Redemption Price and the Fundamental Change Repurchase Price) or interest when due, or the right to receive payment of the cash due upon conversion, no Holder of any Note shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture or the Notes, or for the appointment of a receiver, trustee, liquidator, custodian or other similar official, or for any other remedy hereunder, unless:

(a) such Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof, as herein provided;

(b) Holders of at least 25% in aggregate principal amount of the Notes then outstanding shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder;

(c) such Holders shall have offered to the Trustee indemnity reasonably satisfactory to it against all loss and expenses to be incurred therein or thereby;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of such indemnity, shall have neglected or refused to institute any such action, suit or proceeding; and

(e) no direction that is inconsistent with such written request shall have been given to the Trustee by the Holders of a majority of the aggregate principal amount of the Notes then outstanding within such 60-day period pursuant to Section 6.09,

it being understood and intended, and being expressly covenanted by the taker and Holder of every Note with every other taker and Holder and the Trustee that no one or more Holders shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other Holder, or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders (except as otherwise provided herein). For the protection and enforcement of this Section 6.06, each and every Holder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Notwithstanding any other provision of this Indenture and any provision of any Note, the right of any Holder to receive payment of (x) the principal (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, (y) accrued and unpaid interest, if any, on, and (z) the cash due upon conversion of, such Note, on or after the respective due dates expressed or provided for in such Note or in this Indenture, or to bring suit for the enforcement of any such payment on or after such respective dates against the Company shall not be impaired or affected without the consent of such Holder.

Section 6.07. *Proceedings by Trustee.* In case of an Event of Default, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as are necessary to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

Section 6.08. *Remedies Cumulative and Continuing.* Except as provided in the last paragraph of Section 2.06, all powers and remedies given by this Article 6 to the Trustee or to the Holders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the Holders of the Notes, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder of any of the Notes to exercise any right or power accruing upon any Default or Event of Default shall impair any such right or power, or shall be construed to be a waiver of any such Default or Event of Default or any acquiescence therein; and, subject to the provisions of Section 6.06, every power and remedy given by this Article 6 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders.

Section 6.09. *Direction of Proceedings and Waiver of Defaults by Majority of Holders.* Subject to the Trustee's right to request a reasonable indemnity from the relevant Holders as described herein, the Holders of a majority of the aggregate principal amount of the Notes at the time outstanding determined in accordance with Section 8.04 shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Notes; *provided, however*, that (a) such direction shall not be in conflict with any rule of law or with this Indenture, and (b) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. The Trustee may refuse to follow any direction that would involve the Trustee in personal liability. The Holders of a majority in aggregate principal amount of the Notes at the time outstanding determined in accordance with Section 8.04 may on behalf of the Holders of all of the Notes waive (including consents to such waiver obtained in connection with a repurchase of, or tender or exchange offer for, Notes) any or all existing or past Defaults or Events of Default hereunder and their consequences except (i) a default in the payment of accrued and unpaid interest, if any, on, or the principal (including any Redemption Price and any Fundamental Change Repurchase Price) of, the Notes when due that has not been cured pursuant to the provisions of Section 6.01, (ii) a failure by the Company to pay the cash due upon conversion of the Notes, or (iii) a default in respect of a covenant or provision hereof which under Article 10 cannot be modified or amended without the consent of each Holder of an outstanding Note affected. Upon any such waiver, the Company, the Trustee and the Holders of the Notes shall be restored to their former positions and rights hereunder; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Whenever any Default or Event of Default hereunder shall have been waived as permitted by this Section 6.09, said Default or Event of Default shall for all purposes of the Notes and this Indenture be deemed to have been cured and to be not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

Section 6.10. *Notice of Defaults.* The Trustee shall, within 90 days after the occurrence and continuance of a Default of which the Trustee has actual knowledge, deliver to all Holders as the names and addresses of such Holders appear upon the Note Register, notice of all Defaults known to a Responsible Officer, unless such Defaults shall have been cured or waived before the giving of such notice; *provided that*, except in the case of a Default in the payment of the principal of (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable), or accrued and unpaid interest on, any of the Notes or a Default in the payment of the cash due upon conversion, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

Section 6.11. *Undertaking to Pay Costs.* All parties to this Indenture agree, and each Holder of any Note by its acceptance thereof shall be deemed to have agreed, that any court may, in its discretion, require, 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 Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; *provided that* the provisions of this Section

6.11 (to the extent permitted by law) shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Notes at the time outstanding determined in accordance with Section 8.04, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or accrued and unpaid interest, if any, on any Note (including, but not limited to, the Redemption Price and the Fundamental Change Repurchase Price with respect to the Notes being repurchased as provided in this Indenture, if applicable) on or after the due date expressed or provided for in such Note or to any suit for the enforcement of the right to convert any Note, or receive the cash due upon conversion, in accordance with the provisions of Article 14.

ARTICLE 7  
CONCERNING THE TRUSTEE

Section 7.01. *Duties and Responsibilities of Trustee.* The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In the event an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs; *provided* that if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee reasonable indemnity against any losses and expenses that might be incurred by it in compliance with such request or direction.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act or its own willful misconduct, except that:

(a) prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default that may have occurred:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations 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 and willful misconduct on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but, in the case of any such certificates or opinions that by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture (but need

not confirm or investigate the accuracy of any mathematical calculations or other facts stated therein);

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent facts;

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority of the aggregate principal amount of the Notes at the time outstanding determined as provided in Section 8.04 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;

(d) whether or not therein provided, every provision of this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of this Section 7.01;

(e) the Trustee shall not be liable in respect of any payment (as to the correctness of amount, entitlement to receive or any other matters relating to payment) or notice effected by the Company or any Paying Agent or any records maintained by any co-Note Registrar with respect to the Notes;

(f) if any party fails to deliver a notice relating to an event the fact of which, pursuant to this Indenture, requires notice to be sent to the Trustee, the Trustee may conclusively rely on its failure to receive such notice as reason to act as if no such event occurred, unless a Responsible Officer of the Trustee had actual knowledge of such event;

(g) in the absence of written investment direction from the Company, all cash received by the Trustee shall be placed in a non-interest bearing trust account, and in no event shall the Trustee be liable for the selection of investments or for investment losses incurred thereon or for losses incurred as a result of the liquidation of any such investment prior to its maturity date or the failure of the party directing such investments prior to its maturity date or the failure of the party directing such investment to provide timely written investment direction, and the Trustee shall have no obligation to invest or reinvest any amounts held hereunder in the absence of such written investment direction from the Company; and

(h) in the event that the Trustee is also acting as Custodian, Note Registrar, Paying Agent, Conversion Agent or transfer agent hereunder, the rights and protections afforded to the Trustee pursuant to this Article 7 shall also be afforded to such Custodian, Note Registrar, Paying Agent, Conversion Agent or transfer agent.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Section 7.02. *Reliance on Documents, Opinions, Etc.* Except as otherwise provided in Section 7.01:

(a) the Trustee may conclusively rely, and shall be fully protected in acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, note, coupon or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any Board Resolution may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

(c) the Trustee may consult with counsel and require an Opinion of Counsel and any advice of such counsel or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel; *provided* that no such Opinion of Counsel shall be required in connection with the authentication of the Notes issued on the date hereof;

(d) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture 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, at a reasonable time on any Business Day, to examine the books, records and premises of the Company, personally or by agent or attorney at the expense of the Company and shall incur no liability of any kind by reason of such inquiry or investigation;

(e) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, custodians, nominees or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, custodian, nominee or attorney appointed by it with due care hereunder;

(f) the permissive rights of the Trustee enumerated herein shall not be construed as duties; and

(g) 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.

In no event shall the Trustee be liable for any 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 other than any such loss or damage caused by the Trustee's willful misconduct or gross negligence. The Trustee shall not be charged with knowledge of any Default or Event of Default with respect to the Notes, unless either (1) a Responsible Officer shall have actual knowledge of such Default or Event of Default or (2) written notice of such Default or Event of Default shall have been given to the Trustee by the Company or by any Holder of the Notes.

Section 7.03. *No Responsibility for Recitals, Etc.* The recitals contained herein and in the Notes (except in the Trustee's certificate of authentication) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The

Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Notes. The Trustee shall not be accountable for the use or application by the Company of any Notes or the proceeds of any Notes authenticated and delivered by the Trustee in conformity with the provisions of this Indenture.

Section 7.04. *Trustee, Paying Agents, Conversion Agents, Bid Solicitation Agent or Note Registrar May Own Notes.* The Trustee, any Paying Agent, any Conversion Agent, Bid Solicitation Agent (if other than the Company) or Note Registrar, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not the Trustee, Paying Agent, Conversion Agent, Bid Solicitation Agent or Note Registrar.

Section 7.05. *Monies to Be Held in Trust.* All monies received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as may be agreed from time to time by the Company and the Trustee.

Section 7.06. *Compensation and Expenses of Trustee.* The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it hereunder in any capacity (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) as mutually agreed to in writing between the Trustee and the Company, and the Company will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances reasonably incurred or made by the Trustee in accordance with any of the provisions of this Indenture in any capacity hereunder (including the reasonable compensation and the expenses and disbursements of its agents and counsel and of all Persons not regularly in its employ) except any such expense, disbursement or advance as shall have been caused by its gross negligence, willful misconduct or bad faith. The Company also covenants to indemnify the Trustee in any capacity under this Indenture and any other document or transaction entered into in connection herewith and its agents and any authenticating agent for, and to hold them harmless against, any loss, claim, damage, liability or expense incurred without negligence, willful misconduct or bad faith on the part of the Trustee, its officers, directors, agents or employees, or such agent or authenticating agent, as the case may be, and arising out of or in connection with the acceptance or administration of this Indenture or in any other capacity hereunder, including the costs and expenses of defending themselves against any claim of liability in the premises. The obligations of the Company under this Section 7.06 to compensate or indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall be secured by a senior claim to which the Notes are hereby made subordinate on all money or property held or collected by the Trustee (and, with respect to any predecessor Trustee, the then current Trustee shall be deemed to be holding such money or property for the benefit of and subject to the continuing lien of such predecessor Trustee), except, subject to the effect of Section 6.05, funds held in trust herewith for the benefit of the Holders of particular Notes. The Trustee's right to receive payment of any amounts due under this Section 7.06 shall not be subordinate to any other liability or indebtedness of the Company. The obligation of the Company under this Section 7.06 shall survive the satisfaction and discharge of this Indenture and the earlier resignation or removal of the Trustee. The Company need not pay for any settlement made without its consent,

which consent shall not be unreasonably withheld. The indemnification provided in this Section 7.06 shall extend to the officers, directors, agents and employees of the Trustee.

Without prejudice to any other rights available to the Trustee under applicable law, when the Trustee and its agents and any authenticating agent incur expenses or render services after an Event of Default specified in Section 6.01(i) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy, insolvency or similar laws.

Section 7.07. *Officer's Certificate as Evidence.* Except as otherwise provided in Section 7.01, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence, willful misconduct, recklessness and bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officer's Certificate delivered to the Trustee, and such Officer's Certificate, in the absence of negligence, willful misconduct, recklessness and bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken or omitted by it under the provisions of this Indenture upon the faith thereof.

Section 7.08. *Eligibility of Trustee.* There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least \$50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section 7.08, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 7.08, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 7.09. *Resignation or Removal of Trustee.* (a) The Trustee may at any time resign by giving written notice of such resignation to the Company and by mailing notice thereof to the Holders at their addresses as they shall appear on the Note Register. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 60 days after the mailing of such notice of resignation to the Holders, the resigning Trustee may, upon ten Business Days' notice to the Company and the Holders, petition any court of competent jurisdiction for the appointment of a successor trustee, or any Holder who has been a bona fide holder of a Note or Notes for at least six months (or since the date of this Indenture) may, subject to the provisions of Section 6.11, on behalf of himself or herself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

- (i) the Trustee shall cease to be eligible in accordance with the provisions of Section 7.08 and shall fail to resign after written request therefor by the Company or by any such Holder, or
- (ii) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in either case, the Company may by a Board Resolution remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 6.11, any Holder who has been a bona fide holder of a Note or Notes for at least six months (or since the date of this Indenture) may, on behalf of himself or herself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Holders of a majority in aggregate principal amount of the Notes at the time outstanding, as determined in accordance with Section 8.04, may at any time remove the Trustee and nominate a successor trustee that shall be deemed appointed as successor trustee unless within ten days after notice to the Company of such nomination the Company objects thereto, in which case the Trustee so removed or any Holder, upon the terms and conditions and otherwise as in Section 7.09(a) provided, may petition any court of competent jurisdiction for an appointment of a successor trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 7.09 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 7.10.

Section 7.10. *Acceptance by Successor Trustee.* Any successor trustee appointed as provided in Section 7.09 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, the trustee ceasing to act shall, upon payment of any amounts then due it pursuant to the provisions of Section 7.06, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a senior claim to which the Notes are hereby made subordinate on all money or property held or collected by such trustee as such, except for funds held in trust for the benefit of Holders of particular Notes, to secure any amounts then due it pursuant to the provisions of Section 7.06.

No successor trustee shall accept appointment as provided in this Section 7.10 unless at the time of such acceptance such successor trustee shall be eligible under the provisions of Section 7.08.

Upon acceptance of appointment by a successor trustee as provided in this Section 7.10, each of the Company and the successor trustee, at the written direction and at the expense of the Company shall mail or cause to be mailed notice of the succession of such trustee hereunder to the Holders at their addresses as they shall appear on the Note Register. If the Company fails to mail such notice within ten days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be mailed at the expense of the Company.

Section 7.11. *Succession by Merger, Etc.* Any corporation or other entity into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation or other entity resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation or other entity succeeding to all or substantially all of the corporate trust business of the Trustee (including the administration of this Indenture), shall be the successor to the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto; *provided* that in the case of any corporation or other entity succeeding to all or substantially all of the corporate trust business of the Trustee such corporation or other entity shall be eligible under the provisions of Section 7.08.

In case at the time such successor 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 or authenticating agent appointed by such 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 or an authenticating agent appointed by such successor trustee may authenticate such Notes either in the name of any predecessor trustee hereunder or in the name of the successor 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; *provided, however*, that the right to adopt the certificate of authentication of any predecessor trustee or to authenticate Notes in the name of any predecessor trustee shall apply only to its successor or successors by merger, conversion or consolidation.

Section 7.12. *Trustee's Application for Instructions from the Company.* Any application by the Trustee for written instructions from the Company (other than with regard to any action proposed to be taken or omitted to be taken by the Trustee that affects the rights of the Holders of the Notes under this Indenture) may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable to the Company for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than three Business Days after the date any officer that the Company has indicated to the Trustee should receive such application actually receives such application, unless any such officer shall have consented in writing to any earlier date), unless, prior to taking any such action (or the effective date in the case of any omission), the Trustee shall have received

written instructions in accordance with this Indenture in response to such application specifying the action to be taken or omitted.

ARTICLE 8  
CONCERNING THE HOLDERS

Section 8.01. *Action by Holders.* Whenever in this Indenture it is provided that the Holders of a specified percentage of the aggregate principal amount of the Notes may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action, the Holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by Holders in person or by agent or proxy appointed in writing, or (b) by the record of the Holders voting in favor thereof at any meeting of Holders duly called and held in accordance with the provisions of Article 9, or (c) by a combination of such instrument or instruments and any such record of such a meeting of Holders. Whenever the Company or the Trustee solicits the taking of any action by the Holders of the Notes, the Company or the Trustee may, but shall not be required to, fix in advance of such solicitation, a date as the record date for determining Holders entitled to take such action. The record date if one is selected shall be not more than fifteen days prior to the date of commencement of solicitation of such action.

Section 8.02. *Proof of Execution by Holders.* Subject to the provisions of Section 7.01, Section 7.02 and Section 9.05, proof of the execution of any instrument by a Holder or its agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The holding of Notes shall be proved by the Note Register or by a certificate of the Note Registrar. The record of any Holders' meeting shall be proved in the manner provided in Section 9.06.

Section 8.03. *Who Are Deemed Absolute Owners.* The Company, the Trustee, any authenticating agent, any Paying Agent, any Conversion Agent and any Note Registrar may deem the Person in whose name a Note shall be registered upon the Note Register to be, and may treat it as, the absolute owner of such Note (whether or not such Note shall be overdue and notwithstanding any notation of ownership or other writing thereon made by any Person other than the Company or any Note Registrar) for the purpose of receiving payment of or on account of the principal of and (subject to Section 2.03) accrued and unpaid interest on such Note, for conversion of such Note and for all other purposes; and neither the Company nor the Trustee nor any Paying Agent nor any Conversion Agent nor any Note Registrar shall be affected by any notice to the contrary. All such payments so made to any Holder for the time being, or upon its order, shall be valid, and, to the extent of the sums so paid, effectual to satisfy and discharge the liability for monies payable upon any such Note. Notwithstanding anything to the contrary in this Indenture or the Notes following an Event of Default, any holder of a beneficial interest in a Global Note may directly enforce against the Company, without the consent, solicitation, proxy, authorization or any other action of the Depository or any other Person, such holder's right to exchange such beneficial interest for a Note in certificated form in accordance with the provisions of this Indenture.

Section 8.04. *Company-Owned Notes Disregarded.* In determining whether the Holders of the requisite aggregate principal amount of Notes have concurred in any direction, consent, waiver or other action under this Indenture, Notes that are owned by the Company, by any Subsidiary thereof or by any Affiliate of the Company or any Subsidiary thereof shall be disregarded and deemed not to be outstanding for the purpose of any such determination; *provided* that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent, waiver or other action only Notes that a Responsible Officer knows are so owned shall be so disregarded. Notes so owned that have been pledged in good faith may be regarded as outstanding for the purposes of this Section 8.04 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to so act with respect to such Notes and that the pledgee is not the Company, a Subsidiary thereof or an Affiliate of the Company or a Subsidiary thereof. In the case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Company shall furnish to the Trustee promptly an Officer's Certificate listing and identifying all Notes, if any, known by the Company to be owned or held by or for the account of any of the above described Persons; and, subject to Section 7.01, the Trustee shall be entitled to accept such Officer's Certificate as conclusive evidence of the facts therein set forth and of the fact that all Notes not listed therein are outstanding for the purpose of any such determination.

Section 8.05. *Revocation of Consents; Future Holders Bound.* At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 8.01, of the taking of any action by the Holders of the percentage of the aggregate principal amount of the Notes specified in this Indenture in connection with such action, any Holder of a Note that is shown by the evidence to be included in the Notes the Holders of which have consented to such action may, by filing written notice with the Trustee at its Corporate Trust Office and upon proof of holding as provided in Section 8.02, revoke such action so far as concerns such Note. Except as aforesaid, any such action taken by the Holder of any Note shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Note and of any Notes issued in exchange or substitution therefor or upon registration of transfer thereof, irrespective of whether any notation in regard thereto is made upon such Note or any Note issued in exchange or substitution therefor or upon registration of transfer thereof.

#### ARTICLE 9 HOLDERS' MEETINGS

Section 9.01. *Purpose of Meetings.* A meeting of Holders may be called at any time and from time to time pursuant to the provisions of this Article 9 for any of the following purposes:

(a) to give any notice to the Company or to the Trustee or to give any directions to the Trustee permitted under this Indenture, or to consent to the waiving of any Default or Event of Default hereunder (in each case, as permitted under this Indenture) and its consequences, or to take any other action authorized to be taken by Holders pursuant to any of the provisions of Article 6;

(b) to remove the Trustee and nominate a successor trustee pursuant to the provisions of Article 7;

(c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 10.02; or

(d) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Notes under any other provision of this Indenture or under applicable law.

Section 9.02. *Call of Meetings by Trustee.* The Trustee may at any time call a meeting of Holders to take any action specified in Section 9.01, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Holders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting and the establishment of any record date pursuant to Section 8.01, shall be mailed to Holders of such Notes at their addresses as they shall appear on the Note Register. Such notice shall also be mailed to the Company. Such notices shall be mailed not less than twenty nor more than ninety days prior to the date fixed for the meeting.

Any meeting of Holders shall be valid without notice if the Holders of all Notes then outstanding are present in person or by proxy or if notice is waived before or after the meeting by the Holders of all Notes then outstanding, and if the Company and the Trustee are either present by duly authorized representatives or have, before or after the meeting, waived notice.

Section 9.03. *Call of Meetings by Company or Holders.* In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% of the aggregate principal amount of the Notes then outstanding, shall have requested the Trustee to call a meeting of Holders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within 20 days after receipt of such request, then the Company or such Holders may determine the time and the place for such meeting and may call such meeting to take any action authorized in Section 9.01, by mailing notice thereof as provided in Section 9.02.

Section 9.04. *Qualifications for Voting.* To be entitled to vote at any meeting of Holders a Person shall (a) be a Holder of one or more Notes on the record date pertaining to such meeting or (b) be a Person appointed by an instrument in writing as proxy by a Holder of one or more Notes on the record date pertaining to such meeting. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 9.05. *Regulations.* Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders, in regard to proof of the holding of Notes and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders as provided

in Section 9.03, in which case the Company or the Holders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in aggregate principal amount of the Notes represented at the meeting and entitled to vote at the meeting.

Subject to the provisions of Section 8.04, at any meeting of Holders each Holder or proxyholder shall be entitled to one vote for each \$1,000 principal amount of Notes held or represented by him or her; *provided, however*, that no vote shall be cast or counted at any meeting in respect of any Note challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Notes held by it or instruments in writing as aforesaid duly designating it as the proxy to vote on behalf of other Holders. Any meeting of Holders duly called pursuant to the provisions of Section 9.02 or Section 9.03 may be adjourned from time to time by the Holders of a majority of the aggregate principal amount of Notes represented at the meeting, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

Section 9.06. *Voting.* The vote upon any resolution submitted to any meeting of Holders shall be by written ballot on which shall be subscribed the signatures of the Holders or of their representatives by proxy and the outstanding aggregate principal amount of the Notes held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more Persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in Section 9.02. The record shall show the aggregate principal amount of the Notes voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 9.07. *No Delay of Rights by Meeting.* Nothing contained in this Article 9 shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Holders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders under any of the provisions of this Indenture or of the Notes.

ARTICLE 10  
SUPPLEMENTAL INDENTURES

Section 10.01. *Supplemental Indentures Without Consent of Holders.* The Company, when authorized by the resolutions of the Board of Directors and the Trustee, at the Company's expense, may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

- (a) to cure any ambiguity, omission, defect or inconsistency in a manner that does not adversely affect Holders;
- (b) to provide for the assumption by a Successor Corporation of the obligations of the Company under this Indenture and the Notes pursuant to Article 11;
- (c) to add guarantees with respect to the Notes;
- (d) to secure the Notes;
- (e) to add to the covenants of the Company or Events of Default for the benefit of the Holders or surrender any right or power conferred upon the Company;
- (f) to make any change that does not adversely affect the rights of any Holder;
- (g) to conform the provisions of this Indenture or the Notes to the "Description of Notes" section of the Offering Memorandum;
- (h) in connection with any Specified Corporate Event, to provide that the Notes are convertible into cash, based on the value of the Reference Property, and to effect related changes to the terms of the Notes to the extent required by Section 14.07; or
- (i) provide for a successor trustee.

Upon the written request of the Company, the Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to, but may in its discretion, enter into any supplemental indenture that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 10.01 may be executed by the Company and the Trustee without the consent of the Holders of any of the Notes at the time outstanding, notwithstanding any of the provisions of Section 10.02.

Section 10.02. *Supplemental Indentures with Consent of Holders.* With the consent (evidenced as provided in Article 8) of the Holders of at least a majority of the aggregate principal amount of the Notes then outstanding (determined in accordance with Article 8 and including, without limitation, consents obtained in connection with a repurchase of, or tender or exchange offer for, Notes), the Company, when authorized by the resolutions of the Board of Directors and the Trustee, at the Company's expense, may from time to time and at any time

enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or any supplemental indenture or of modifying in any manner the rights of the Holders; *provided, however*, that, without the consent of each Holder of an outstanding Note affected thereby, no such supplemental indenture shall:

- (a) reduce the consideration due upon conversion of the Notes;
- (b) reduce the rate of or extend the stated time for payment of interest on any Note;
- (c) reduce the principal of or change the Maturity Date of any Note;
- (d) make any change that adversely affects the conversion rights of any Notes other than as required by this Indenture;
- (e) reduce the Redemption Price or the Fundamental Change Repurchase Price of any Note or amend or modify in any manner adverse to the Holders the Company's obligation to make such payments, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;
- (f) make any Note payable in a currency other than U.S. dollars or at a place of payment other than that stated in the Note and in this Indenture;
- (g) change the ranking of the Notes in a manner adverse to the Holders;
- (h) impair the right of any Holder to receive payment of principal and interest on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Notes;
- (i) make any change to the provisions of Section 4.10 that adversely affects the Holders; or
- (j) make any change in this Article 10 that requires each Holder's consent or in the waiver provisions in Section 6.02 or Section 6.09.

Upon the written request of the Company, and upon the filing with the Trustee of evidence of the consent of Holders as aforesaid and subject to Section 10.05, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

Holders do not need under this Section 10.02 to approve the particular form of any proposed supplemental indenture. It shall be sufficient if such Holders approve the substance thereof. After any such supplemental indenture becomes effective, the Company shall mail to the Holders a notice briefly describing such supplemental indenture. However, the failure to give such notice to all the Holders, or any defect in the notice, will not impair or affect the validity of the supplemental indenture.

Section 10.03. *Effect of Supplemental Indentures.* Upon the execution of any supplemental indenture pursuant to the provisions of this Article 10, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the Holders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 10.04. *Notation on Notes.* Notes authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article 10 may, at the Company's expense, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may, at the Company's expense, be prepared and executed by the Company, authenticated by the Trustee (or an authenticating agent duly appointed by the Trustee pursuant to Section 17.10) and delivered in exchange for the Notes then outstanding, upon surrender of such Notes then outstanding.

Section 10.05. *Evidence of Compliance of Supplemental Indenture to Be Furnished Trustee.* In addition to the documents required by Section 17.05, the Trustee shall receive an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article 10 and is permitted or authorized by this Indenture.

ARTICLE 11  
CONSOLIDATION, MERGER, SALE, CONVEYANCE AND LEASE

Section 11.01. *Company May Consolidate, Etc. on Certain Terms.* Subject to the provisions of Section 11.02, the Company shall not consolidate with or merge with or into, or sell, convey, assign, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to another Person unless:

(a) the Company is the surviving corporation or the resulting, surviving or transferee Person shall be a corporation (a "**Successor Corporation**") organized and existing under the laws of any member state of the European Union as of January 1, 2004, the United States of America, any state thereof or the District of Columbia, Canada or any province of Canada, Norway or Switzerland;

(b) the Successor Corporation (if other than the Company) assumes all of the Company's obligations under this Indenture and the Notes (including, for the avoidance of doubt, the obligation to pay Additional Amounts as set forth in Section 4.10) pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee; and

(c) immediately after giving effect to such transaction, no Default shall have occurred and be continuing under this Indenture.

For purposes of this Section 11.01, the sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company to another Person, 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 sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the properties and assets of the Company to another Person.

Section 11.02. *Successor Corporation to Be Substituted.* In case of any such consolidation, merger, sale, conveyance, assignment, transfer, lease or other disposition and upon the assumption by the Successor Corporation (if not the Company), by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the due and punctual payment of the principal of and accrued and unpaid interest on all of the Notes, the due and punctual payment of the cash due upon any conversion of the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Company, such Successor Corporation (if not the Company) shall succeed to and, except in the case of a lease of all or substantially all of the Company's properties and assets, shall be substituted for the Company, with the same effect as if it had been named herein as the party of the first part and may exercise every right and power of the Company under the Notes and this Indenture. Such Successor Corporation thereupon may cause to be signed, and may issue either in its own name or in the name of the Company, any or all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such Successor Corporation instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver, or cause to be authenticated and delivered, any Notes that previously shall have been signed and delivered by the Officers of the Company to the Trustee for authentication, and any Notes that such Successor Corporation thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Notes so issued shall in all respects have the same legal rank and benefit under this Indenture as the Notes theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Notes had been issued at the date of the execution hereof. In the event of any such consolidation, merger, sale, conveyance, assignment, transfer, lease or other disposition (but not in the case of a lease), upon compliance with this Article 11 the Person named as the "Company" in the first paragraph of this Indenture (or any successor that shall thereafter have become such in the manner prescribed in this Article 11) may be dissolved, wound up and liquidated at any time thereafter and, except in the case of a lease, such Person shall be released from its liabilities as obligor and maker of the Notes and from its obligations under this Indenture and the Notes.

In case of any such consolidation, merger, sale, conveyance, assignment, transfer, lease or other disposition, such changes in phraseology and form (but not in substance) may be made in the Notes thereafter to be issued as may be appropriate.

Section 11.03. *Opinion of Counsel to Be Given to Trustee.* No such consolidation, merger, sale, conveyance, assignment, transfer, lease or other disposition shall be effective unless the Trustee shall receive an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, conveyance, assignment, transfer, lease or other disposition and any such assumption and, if a supplemental indenture is required in

connection with such transaction, such supplemental indenture, complies with the provisions of this Article 11.

ARTICLE 12  
IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

Section 12.01. *Indenture and Notes Solely Corporate Obligations.* No recourse for the payment of the principal of or accrued and unpaid interest on any Note, nor for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture or in any supplemental indenture or in any Note, nor because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, employee, agent, Officer or director or Subsidiary, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Notes.

ARTICLE 13  
[INTENTIONALLY OMITTED]

ARTICLE 14  
CONVERSION OF NOTES

Section 14.01. *Conversion Privilege.* (a) Subject to and upon compliance with the provisions of this Article 14, each Holder of a Note shall have the right, at such Holder's option, to convert all or any portion of such Note (if the portion to be converted is \$1,000 principal amount or an integral multiple thereof and if the portion of any Global Note or Physical Note, as applicable, not converted has a principal amount of at least \$200,000) solely into cash (i) only upon satisfaction of one or more of the conditions described in Section 14.01(b), at any time prior to the close of business on the Business Day immediately preceding September 1, 2019, and (ii) irrespective of the conditions described in Section 14.01(b), at any time during the period from, and including, September 1, 2019 to the close of business on the second Scheduled Trading Day immediately preceding the Maturity Date, in each case, at an initial conversion rate of 9.7236 shares of Common Stock (subject to adjustment as provided in this Article 14, the "**Conversion Rate**") per \$1,000 principal amount of Notes (subject to, and in accordance with, the settlement provisions of Section 14.02, the "**Conversion Obligation**"). The Notes shall not be convertible into shares of Common Stock or any other securities under any circumstances.

(b) (i) Prior to the close of business on the Business Day immediately preceding September 1, 2019, a Holder may surrender all or any portion of its Notes for conversion solely into cash at any time during the five Business Day period immediately after any five consecutive Trading Day period (the "**Measurement Period**") in which the Trading Price per \$1,000

principal amount of Notes, as determined following a request by a Holder of at least \$1,000,000 aggregate principal amount of Notes in accordance with this subsection (b)(i), for each Trading Day of the Measurement Period was less than 98% of the product of the Last Reported Sale Price of the Common Stock and the Conversion Rate on each such Trading Day. The Trading Prices shall be determined by the Bid Solicitation Agent pursuant to this subsection (b)(i) and the definition of Trading Price set forth in this Indenture. The Company shall provide written notice to the Bid Solicitation Agent (if other than the Company) of the three independent nationally recognized securities dealers selected by the Company pursuant to the definition of Trading Price, along with appropriate contact information for each. The Bid Solicitation Agent (if other than the Company) shall have no obligation to determine the Trading Price per \$1,000 principal amount of Notes unless the Company has requested such determination; and the Company shall have no obligation to make such request (or, if the Company is acting as Bid Solicitation Agent, the Company shall have no obligation to determine the Trading Price per \$1,000 principal amount of Notes) unless a Holder of at least \$1,000,000 aggregate principal amount of Notes provides the Company with reasonable evidence that the Trading Price per \$1,000 principal amount of Notes would be less than 98% of the product of the Last Reported Sale Price of the Common Stock and the Conversion Rate, at which time, the Company shall instruct the Bid Solicitation Agent (if other than the Company) to determine, or if the Company is acting as Bid Solicitation Agent, the Company shall determine, the Trading Price per \$1,000 principal amount of Notes beginning on the next Trading Day after the Company has received such evidence and on each successive Trading Day until the Trading Price per \$1,000 principal amount of Notes is greater than or equal to 98% of the product of the Last Reported Sale Price of the Common Stock and the Conversion Rate. If (x) the Company is not acting as Bid Solicitation Agent, and the Company does not instruct the Bid Solicitation Agent to determine the Trading Price per \$1,000 principal amount of Notes when obligated as provided in the preceding sentence, or if the Company instructs the Bid Solicitation Agent to obtain bids and the Bid Solicitation Agent fails to make such determination, or (y) the Company is acting as Bid Solicitation Agent and the Company fails to make such determination when obligated as provided in the preceding sentence, then, in either case, the Trading Price per \$1,000 principal amount of Notes shall be deemed to be less than 98% of the product of the Last Reported Sale Price of the Common Stock and the Conversion Rate on each Trading Day of such failure. If the Trading Price condition set forth above has been met on any Trading Day, the Company shall promptly so notify the Holders, the Trustee and the Conversion Agent (if other than the Trustee). If, at any time after the Trading Price condition set forth above has been met, the Trading Price per \$1,000 principal amount of Notes is greater than or equal to 98% of the product of the Last Reported Sale Price of the Common Stock and the Conversion Rate for such Trading Day, the Company shall promptly so notify the Holders of the Notes, the Trustee and the Conversion Agent (if other than the Trustee).

(ii) If, prior to the close of business on the Business Day immediately preceding September 1, 2019, the Company elects to:

(A) issue to all or substantially all holders of the Common Stock any rights, options or warrants entitling them, for a period of not more than 45 calendar days after the announcement date of such issuance, to subscribe for or purchase shares of the Common Stock at a price per share that is less than the average of the Last Reported Sale Prices of the Common Stock for the 10

consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance; or

(B) distribute to all or substantially all holders of the Common Stock the Company's assets, securities or rights, options or warrants to purchase securities of the Company, which distribution has a per share value, as reasonably determined by the Board of Directors, exceeding 10% of the Last Reported Sale Price of the Common Stock on the Trading Day immediately preceding the date of announcement of such distribution,

then, in either case, the Company shall notify all Holders of the Notes, the Trustee and the Conversion Agent (if other than the Trustee) at least 40 Scheduled Trading Days prior to the Ex-Dividend Date for such issuance or distribution. Once the Company has given such notice, a Holder may surrender all or any portion of its Notes for conversion solely into cash at any time until the earlier of (1) the close of business on the Business Day immediately preceding the Ex-Dividend Date for such issuance or distribution and (2) the Company's announcement that such issuance or distribution will not take place.

(iii) If, prior to the close of business on the Business Day immediately preceding September 1, 2019, (A) a transaction or event that constitutes a Fundamental Change or a Make-Whole Fundamental Change occurs or (B) the Company is a party to a Specified Corporate Event, then, in each case, all or any portion of a Holder's Notes may be surrendered for conversion solely into cash at any time from or after the effective date of the relevant transaction until 35 Trading Days after the effective date of such transaction or, if such transaction also constitutes a Fundamental Change, until the related Fundamental Change Repurchase Date. The Company shall notify Holders, the Trustee and the Conversion Agent (if other than the Trustee) no later than the effective date of such transaction.

(iv) Prior to the close of business on the Business Day immediately preceding September 1, 2019, a Holder may surrender all or any portion of its Notes for conversion solely into cash at any time during any fiscal quarter commencing after the fiscal quarter ending on December 31, 2014 (and only during such fiscal quarter), if the Last Reported Sale Price of the Common Stock for at least 20 Trading Days (whether or not consecutive) during the period of 30 consecutive Trading Days ending on the last Trading Day of the immediately preceding fiscal quarter is greater than or equal to 130% of the Conversion Price on each applicable Trading Day. The Conversion Agent will not be responsible for monitoring and determining whether the condition for conversion in this Section 14.01(b)(iv) has been satisfied.

(v) If the Company calls the Notes for Tax Redemption pursuant to Section 16.01, Holders may convert any or all of their Notes at any time from, and including, the date of the Tax Redemption Notice until the close of business on the Business Day immediately preceding the Tax Redemption Date, or, if the Company defaults in the payment of the Redemption Price, until such later date as the Redemption Price has been paid or duly provided for.

Section 14.02. *Conversion Procedure; Payment Upon Conversion.*

(a) Except as provided in Section 14.03(b) and Section 14.07(a), upon conversion of any Note, on the third Business Day immediately following the last VWAP Trading Day of the relevant Observation Period, the Company shall pay to the converting Holder, in respect of each \$1,000 principal amount of Notes being converted, a “**Settlement Amount**” in cash equal to the sum of the Daily Conversion Values for each of the 30 consecutive VWAP Trading Days during the relevant Observation Period for such Note. The Daily Conversion Values and the Settlement Amount shall be determined by the Company promptly following the last VWAP Trading Day of the relevant Observation Period. Promptly after such determination of the Daily Conversion Values and the Settlement Amount, the Company shall notify the Trustee and the Conversion Agent (if other than the Trustee) of the Daily Conversion Values and the Settlement Amount. The Trustee and the Conversion Agent (if other than the Trustee) shall have no responsibility for any such determination.

(b) Before any Holder of a Note shall be entitled to convert a Note as set forth above, such Holder shall (i) in the case of a Global Note, comply with the procedures of the Depository in effect at that time and, if required, pay funds equal to interest payable on the next Interest Payment Date to which such Holder is not entitled as set forth in Section 14.02(f) and (ii) in the case of a Physical Note (1) complete, manually sign and deliver a duly completed irrevocable notice to the Conversion Agent as set forth in the Form of Notice of Conversion (or a facsimile thereof) (a “**Notice of Conversion**”) at the office of the Conversion Agent and state in writing therein the principal amount of Notes to be converted, (2) surrender such Notes, duly endorsed to the Company or in blank (and accompanied by appropriate endorsement and transfer documents), at the office of the Conversion Agent, (3) if required, furnish appropriate endorsements and transfer documents and (4) if required, pay funds equal to interest payable on the next Interest Payment Date to which such Holder is not entitled as set forth in Section 14.02(f). The Trustee (and, if different, the Conversion Agent) shall notify the Company of any conversion pursuant to this Article 14 on the Conversion Date for such conversion. No Notice of Conversion with respect to any Notes may be surrendered by a Holder thereof if such Holder has also delivered a Fundamental Change Repurchase Notice to the Company in respect of such Notes and has not validly withdrawn such Fundamental Change Repurchase Notice in accordance with Section 15.03. If the Company has designated a Tax Redemption Date as described in, and pursuant to, Article 16, a Holder that complies with the requirements for conversion described in this Section 14.02 prior to the close of business on the Business Day immediately preceding the relevant Tax Redemption Date (unless the Company defaults in the payment of the Redemption Price, in which case each Holder shall have the right to convert its Notes until the Redemption Price for all Notes to be redeemed has been paid or duly provided for) shall be deemed to have validly delivered a notice of its election not to have its Notes so redeemed.

If more than one Note shall be surrendered for conversion at one time by the same Holder, the Conversion Obligation with respect to such Notes shall be computed on the basis of the aggregate principal amount of the Notes (or specified portions thereof to the extent permitted thereby) so surrendered.

(c) A Note shall be deemed to have been converted immediately prior to the close of business on the date (the “**Conversion Date**”) that the Holder has complied with the requirements set forth in subsection (b) above.

(d) In case any Note shall be surrendered for partial conversion, the Company shall execute and the Trustee shall authenticate and deliver to or upon the written order of the Holder of the Note so surrendered a new Note or Notes in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Note, without payment of any service charge by the converting Holder but, if required by the Company or Trustee, with payment of a sum sufficient to cover any documentary, stamp or similar issue or transfer tax or similar governmental charge required by law or that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such conversion being different from the name of the Holder of the old Notes surrendered for such conversion.

(e) Upon the conversion of an interest in a Global Note, the Trustee, or the Custodian at the direction of the Trustee, shall make a notation on such Global Note as to the reduction in the principal amount represented thereby. The Company shall notify the Trustee in writing of any conversion of Notes effected through any Conversion Agent other than the Trustee.

(f) Upon conversion, a Holder shall not receive any separate cash payment for accrued and unpaid interest, if any, except as set forth below. The Company’s payment of the full amount of cash due in respect of its Conversion Obligation shall be deemed to satisfy in full its obligation to pay the principal amount of the Note and accrued and unpaid interest, if any, to, but excluding, the relevant Conversion Date. As a result, accrued and unpaid interest, if any, to, but excluding, the relevant Conversion Date shall be deemed to be paid in full rather than cancelled, extinguished or forfeited. Notwithstanding the foregoing, if Notes are converted after the close of business on a Regular Record Date and prior to the open of business on the immediately following Interest Payment Date, Holders of such Notes as of the close of business on such Regular Record Date will receive the full amount of interest payable on such Notes on the corresponding Interest Payment Date notwithstanding the conversion. Notes surrendered for conversion during the period from the close of business on any Regular Record Date to the open of business on the immediately following Interest Payment Date must be accompanied by funds equal to the amount of interest payable on the Notes so converted (regardless of whether the converting Holder was the Holder on the corresponding Regular Record Date); *provided* that no such payment shall be required (1) for conversions following the Regular Record Date immediately preceding the Maturity Date; (2) if the Company has called the Notes for Tax Redemption pursuant to Article 16 on a Tax Redemption Date that is after a Regular Record Date and on or prior to the Business Day immediately following the date on which the corresponding Interest Payment is made; (3) if the Company has specified a Fundamental Change Repurchase Date that is after a Regular Record Date and on or prior to the Business Day immediately following the date on which the corresponding interest payment is made; or (4) to the extent of any overdue interest, if any overdue interest exists at the time of conversion with respect to such Note. Therefore, for the avoidance of doubt, all Holders of record on the Regular Record Date immediately preceding the Maturity Date shall receive the full interest payment due on the Maturity Date regardless of whether their Notes have been converted following such Regular Record Date.

Section 14.03. *Increased Conversion Rate Applicable to Certain Notes Surrendered for Conversion in Connection with Make-Whole Fundamental Changes or Tax Redemptions.* (a) If (i) (X) the Effective Date of a Make-Whole Fundamental Change occurs prior to the Maturity Date or (Y) the Company delivers a Tax Redemption Notice and, in either case, (ii) a Holder elects to convert its Notes in connection with such Make-Whole Fundamental Change or Tax Redemption, as the case may be, then the Company shall, under the circumstances described below, increase the Conversion Rate for the Notes so surrendered for conversion, as described below. A conversion of Notes shall be deemed for these purposes to be “in connection with” such Make-Whole Fundamental Change if the relevant Notice of Conversion is received by the Conversion Agent during the period from, and including, the Effective Date of the Make-Whole Fundamental Change to, and including, the close of business on the Business Day immediately prior to the related Fundamental Change Repurchase Date (or, in the case of a Make-Whole Fundamental Change that would have been a Fundamental Change but for the *proviso* in clause (b) of the definition thereof, the 35th Trading Day immediately following the Effective Date of such Make-Whole Fundamental Change). A conversion of Notes shall be deemed for these purposes to be “in connection with” a Tax Redemption if the relevant Notice of Conversion is received by the Conversion Agent during the period from, and including, the date of the Tax Redemption Notice to, and including, the close of business on the Business Day immediately prior to the related Tax Redemption Date.

(b) Upon surrender of Notes for conversion in connection with a Make-Whole Fundamental Change pursuant to Section 14.01(b)(iii) or a Tax Redemption, as the case may be, the Company shall satisfy the related Conversion Obligation in solely cash in accordance with Section 14.02 based on the Conversion Rate as increased pursuant to the table in Section 14.03(e); *provided, however*, that if, at the effective time of a Make-Whole Fundamental Change described in clause (b) of the definition of Fundamental Change, the Reference Property following such Make-Whole Fundamental Change is composed entirely of cash, for any conversion of Notes following the Effective Date of such Make-Whole Fundamental Change, the Conversion Obligation shall be calculated based solely on the Stock Price for the transaction and shall be deemed to be an amount of cash per \$1,000 principal amount of converted Notes equal to the Conversion Rate (including any adjustment pursuant to the table in Section 14.03(e)), *multiplied* by such Stock Price. In such event, the Conversion Obligation shall be paid to Holders in cash on the third Business Day following the Conversion Date. The Company shall notify the Trustee and the Holders of Notes of the Effective Date of any Make-Whole Fundamental Change and issue a press release announcing such Effective Date no later than five Business Days after such Effective Date.

(c) The amount, if any, by which the Conversion Rate shall be increased for conversions of Notes in connection with a Make-Whole Fundamental Change or a Tax Redemption shall be determined by reference to the table in Section 14.03(e), based on (i) in the case of a Make-Whole Fundamental Change, the date on which the Make-Whole Fundamental Change occurs or becomes effective or, in the case of a Tax Redemption, the date of the Tax Redemption Notice (in each case, the “**Effective Date**”) and (ii) in the case of a Make-Whole Fundamental Change, the price paid (or deemed to be paid) per share of the Common Stock in the Make-Whole Fundamental Change or, in the case of a Tax Redemption, the average of the Last Reported Sale Prices of the Common Stock over the five Trading Day period ending on, and including, the Trading Day immediately preceding the Effective Date (in each case, the “**Stock**”).

**Price”).** If the holders of the Common Stock receive in exchange for their Common Stock only cash in a Make-Whole Fundamental Change described in clause (b) of the definition of Fundamental Change, the Stock Price shall be the cash amount paid per share. In the case of any other Make-Whole Fundamental Change, the Stock Price shall be the average of the Last Reported Sale Prices of the Common Stock over the five Trading Day period ending on, and including, the Trading Day immediately preceding the Effective Date of the Make-Whole Fundamental Change. The Board of Directors shall make appropriate adjustments to the Stock Price to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Ex-Dividend Date, Effective Date (as such term is used in Section 14.04) or expiration date, as the case may be, of the event occurs, during such five consecutive Trading Day period.

(d) The Stock Prices set forth in the column headings of the table in Section 14.03(e) shall be adjusted as of any date on which the Conversion Rate of the Notes is otherwise adjusted. The adjusted Stock Prices shall equal the Stock Prices applicable immediately prior to such adjustment, *multiplied by* a fraction, the numerator of which is the Conversion Rate immediately prior to such adjustment giving rise to the Stock Price adjustment and the denominator of which is the Conversion Rate as so adjusted. The amounts by which the Conversion Rate shall be increased as set forth in the table in Section 14.03(e) shall be adjusted at the same time and in the same manner as the Conversion Rate as set forth in Section 14.04.

(e) The following table sets forth the amount, if any, by which the Conversion Rate shall be increased per \$1,000 principal amount of Notes pursuant to this Section 14.03 for each Stock Price and Effective Date set forth below:

Effective Date	Stock Price											
	\$76.18	\$80.00	\$90.00	\$102.84	\$110.00	\$125.00	\$150.00	\$175.00	\$200.00	\$250.00	\$300.00	\$400.00
December 1, 2014	3.4032	3.1266	2.3811	1.7195	1.4498	1.0354	0.6241	0.3979	0.2651	0.1296	0.0683	0.0194
December 1, 2015	3.4032	3.1590	2.3621	1.6632	1.3819	0.9572	0.5494	0.3352	0.2153	0.0998	0.0507	0.0133
December 1, 2016	3.4032	3.1597	2.3018	1.5615	1.2695	0.8389	0.4462	0.2550	0.1556	0.0678	0.0335	0.0082
December 1, 2017	3.4032	3.0944	2.1633	1.3796	1.0801	0.6573	0.3058	0.1566	0.0891	0.0376	0.0191	0.0045
December 1, 2018	3.4032	2.9159	1.8777	1.0431	0.7468	0.3706	0.1250	0.0535	0.0305	0.0156	0.0089	0.0019
December 1, 2019	3.4032	2.7764	1.3875	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The exact Stock Price and Effective Date may not be set forth in the table above, in which case:

(i) if the Stock Price is between two Stock Prices in the table above or the Effective Date is between two Effective Dates in the table, the amount of the Conversion Rate increase shall be determined by a straight-line interpolation between the amount of the Conversion Rate increase set forth for the higher and lower Stock Prices and the earlier and later Effective Dates based on a 365-day year, as applicable;

(ii) if the Stock Price is greater than \$400.00 per share (subject to adjustment in the same manner as the Stock Prices set forth in the column headings of the table above pursuant to subsection (d) above), the Conversion Rate shall not be increased; and

(iii) if the Stock Price is less than \$76.18 per share (subject to adjustment in the same manner as the Stock Prices set forth in the column headings of the table above pursuant to subsection (d) above), the Conversion Rate shall not be increased.

Notwithstanding the foregoing, in no event shall the Conversion Rate per \$1,000 principal amount of Notes exceed 13.1268 shares of Common Stock, subject to adjustment in the same manner as the Conversion Rate pursuant to Section 14.04.

(f) Nothing in this Section 14.03 shall prevent an adjustment to the Conversion Rate pursuant to Section 14.04 in respect of a Make-Whole Fundamental Change.

Section 14.04. *Adjustment of Conversion Rate.* The Conversion Rate shall be adjusted from time to time by the Company if any of the following events occurs, except that the Company shall not make any adjustments to the Conversion Rate if Holders of the Notes participate (other than in the case of (x) a share split or share combination or (y) a tender or exchange offer), at the same time and upon the same terms as holders of the Common Stock and solely as a result of holding the Notes, in any of the transactions described in this Section 14.04, without having to convert their Notes, as if they held a number of shares of Common Stock equal to the Conversion Rate, *multiplied by* the principal amount (expressed in thousands) of Notes held by such Holder.

(a) If the Company exclusively issues shares of Common Stock as a dividend or distribution on shares of the Common Stock, or if the Company effects a share split or share combination, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{OS'}{OS_0}$$

where,

CR<sub>0</sub> = the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date of such dividend or distribution, or immediately prior to the open of business on the Effective Date of such share split or share combination, as applicable;

CR' = the Conversion Rate in effect immediately after the open of business on such Ex-Dividend Date or Effective Date, as applicable;

OS<sub>0</sub> = the number of shares of Common Stock outstanding immediately prior to the open of business on such Ex-Dividend Date or Effective Date, as applicable, before giving effect to such dividend, distribution, share split or share combination; and

OS' = the number of shares of Common Stock outstanding immediately after giving effect to such dividend, distribution, share split or share combination.

Any adjustment to the Conversion Rate made under this Section 14.04(a) shall become effective immediately after the open of business on the Ex-Dividend Date for such dividend or distribution,

or immediately after the open of business on the Effective Date for such share split or share combination, as applicable. If any dividend or distribution of the type described in this Section 14.04(a) is declared but not so paid or made, the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(b) If the Company issues to all or substantially all holders of the Common Stock any rights, options or warrants entitling them, for a period of not more than 45 calendar days after the announcement date of such issuance, to subscribe for or purchase shares of the Common Stock at a price per share that is less than the average of the Last Reported Sale Prices of the Common Stock for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance, the Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR<sub>0</sub> = the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date for such issuance;

CR' = the Conversion Rate in effect immediately after the open of business on such Ex-Dividend Date;

OS<sub>0</sub> = the number of shares of Common Stock outstanding immediately prior to the open of business on such Ex-Dividend Date;

X = the total number of shares of Common Stock issuable pursuant to such rights, options or warrants; and

Y = the number of shares of Common Stock equal to the aggregate price payable to exercise such rights, options or warrants, *divided by* the average of the Last Reported Sale Prices of the Common Stock over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of the issuance of such rights, options or warrants.

Any increase to the Conversion Rate made under this Section 14.04(b) shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the open of business on the Ex-Dividend Date for such issuance. To the extent that shares of the Common Stock are not delivered after the expiration of such rights, options or warrants, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect had the increase with respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of shares of Common Stock actually delivered. If such rights, options or warrants are not so issued, the Conversion Rate shall be decreased to the

Conversion Rate that would then be in effect if the Ex-Dividend Date for such issuance had not occurred.

For purposes of this Section 14.04(b) and for the purpose of Section 14.01(b)(ii)(A), in determining whether any rights, options or warrants entitle the holders of the Common Stock to subscribe for or purchase shares of the Common Stock at less than such average of the Last Reported Sale Prices of the Common Stock for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement for such issuance, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received by the Company for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board of Directors.

(c) If the Company distributes shares of its Capital Stock, evidences of its indebtedness, other assets or property of the Company or rights, options or warrants to acquire shares of its Capital Stock or other securities, to all or substantially all holders of the Common Stock, excluding (i) dividends, distributions or issuances as to which an adjustment was effected pursuant to Section 14.04(a) or Section 14.04(b), (ii) dividends or distributions paid exclusively in cash as to which the provisions set forth in Section 14.04(d) shall apply, and (iii) Spin-Offs as to which the provisions set forth below in this Section 14.04(c) shall apply (any of such shares of Capital Stock, evidences of indebtedness, other assets or property or rights, options or warrants to acquire shares of Capital Stock or other securities, the “**Distributed Property**”), then the Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR<sub>0</sub> = the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date for such distribution;

CR' = the Conversion Rate in effect immediately after the open of business on such Ex-Dividend Date;

SP<sub>0</sub> = the average of the Last Reported Sale Prices of the Common Stock over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such distribution; and

FMV = the fair market value (as determined by the Board of Directors) of the Distributed Property with respect to each outstanding share of the Common Stock on the Ex-Dividend Date for such distribution.

Any increase to the Conversion Rate made under the portion of this Section 14.04(c) above shall become effective immediately after the open of business on the Ex-Dividend Date for such distribution. If such distribution is not so paid or made, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect if such distribution had not been declared.

Notwithstanding the foregoing, if “FMV” (as defined above) is equal to or greater than “SP<sub>0</sub>” (as defined above), in lieu of the foregoing increase, each Holder of a Note shall receive, in respect of each \$1,000 principal amount thereof, at the same time and upon the same terms as holders of the Common Stock receive the Distributed Property, the amount and kind of Distributed Property such Holder would have received if such Holder owned a number of shares of Common Stock equal to the Conversion Rate in effect on the Ex-Dividend Date for the distribution.

If the Board of Directors determines the “FMV” (as defined above) of any distribution for purposes of this Section 14.04(c) by reference to the actual or when-issued trading market for any securities, it shall in doing so consider the prices in such market over the same period used in computing the Last Reported Sale Prices of the Common Stock over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such distribution.

With respect to an adjustment pursuant to this Section 14.04(c) where there has been a payment of a dividend or other distribution on the Common Stock of shares of Capital Stock of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit of the Company, that are, or, when issued, will be, listed or admitted for trading on a U.S. national securities exchange (a “Spin-Off”), the Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR<sub>0</sub> = the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date for such Spin-Off;

CR' = the Conversion Rate in effect immediately after the open of business on the Ex-Dividend Date for such Spin-Off;

FMV<sub>0</sub> = the average of the Last Reported Sale Prices of the shares of Capital Stock or similar equity interest distributed to holders of the Common Stock applicable to one share of the Common Stock over the first 10 consecutive Trading Day period beginning on, and including, the Ex-Dividend Date of the Spin-Off (the “Valuation Period”); and

MP<sub>0</sub> = the average of the Last Reported Sale Prices of the Common Stock over the Valuation Period.

The increase to the Conversion Rate under the preceding paragraph shall be determined on the last Trading Day of the Valuation Period but shall be given effect at the open of business on the Ex-Dividend Date for such Spin-Off.

Notwithstanding the foregoing, in respect of any conversion of Notes during the Valuation Period, references in the portion of this Section 14.04(c) related to Spin-Offs with respect to 10 consecutive Trading Days shall be deemed to be replaced with such lesser number of Trading Days as have elapsed from, and including, the Ex-Dividend Date of such Spin-Off to, but excluding, the Conversion Date in determining the Conversion Rate. If the Ex-Dividend Date for the Spin-Off is less than 10 Trading Days prior to, and including, the end of the Observation Period in respect of any conversion of Notes, references in the second immediately preceding paragraph to 10 consecutive Trading Days will be deemed to be replaced, solely in respect of that conversion of Notes, with such lesser number of Trading Days as have elapsed from, and including, the Ex-Dividend Date for the Spin-Off to, and including, the last VWAP Trading Day of such Observation Period. If such Spin-Off does not occur, the Conversion Rate shall be decreased to be the Conversion Rate that would then be in effect if such distribution had not been declared, effective as of the date on which the Board of Directors determines not to consummate such Spin-Off.

For purposes of this Section 14.04(c) (and subject in all respect to Section 14.11), rights, options or warrants distributed by the Company to all holders of the Common Stock entitling them to subscribe for or purchase shares of the Company's Capital Stock, including Common Stock (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events ("**Trigger Event**"): (i) are deemed to be transferred with such shares of the Common Stock; (ii) are not exercisable; and (iii) are also issued in respect of future issuances of the Common Stock, shall be deemed not to have been distributed for purposes of this Section 14.04(c) (and no adjustment to the Conversion Rate under this Section 14.04(c) will be required) until the occurrence of the earliest Trigger Event, whereupon such rights, options or warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this Section 14.04(c). If any such right, option or warrant, including any such existing rights, options or warrants distributed prior to the date of this Indenture, are subject to events, upon the occurrence of which such rights, options or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Ex-Dividend Date with respect to new rights, options or warrants with such rights (in which case the existing rights, options or warrants shall be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any Trigger Event or other event (of the type described in the immediately preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 14.04(c) was made, (1) in the case of any such rights, options or warrants that shall all have been redeemed or purchased without exercise by any holders thereof, upon such final redemption or purchase (x) the Conversion Rate shall be readjusted as if such rights, options or warrants had not been issued and (y) the Conversion Rate shall then again be readjusted to give effect to such distribution, deemed distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or purchase price received by a holder or holders of Common Stock with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all holders of Common Stock as of the date of such redemption or purchase, and (2) in the case of such rights, options or warrants

that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights, options and warrants had not been issued.

For purposes of Section 14.04(a), Section 14.04(b) and this Section 14.04(c), if any dividend or distribution to which this Section 14.04(c) is applicable also includes one or both of:

(A) a dividend or distribution of shares of Common Stock to which Section 14.04(a) is applicable (the “**Clause A Distribution**”); or

(B) a dividend or distribution of rights, options or warrants to which Section 14.04(b) is applicable (the “**Clause B Distribution**”),

then, in either case, (1) such dividend or distribution, other than the Clause A Distribution and the Clause B Distribution, shall be deemed to be a dividend or distribution to which this Section 14.04(c) is applicable (the “**Clause C Distribution**”) and any Conversion Rate adjustment required by this Section 14.04(c) with respect to such Clause C Distribution shall then be made, and (2) the Clause A Distribution and Clause B Distribution shall be deemed to immediately follow the Clause C Distribution and any Conversion Rate adjustment required by Section 14.04(a) and Section 14.04(b) with respect thereto shall then be made, except that, if determined by the Company, (I) the “Ex-Dividend Date” of the Clause A Distribution and the Clause B Distribution shall be deemed to be the Ex-Dividend Date of the Clause C Distribution and (II) any shares of Common Stock included in the Clause A Distribution or Clause B Distribution shall be deemed not to be “outstanding immediately prior to the open of business on such Ex-Dividend Date or Effective Date, as applicable” within the meaning of Section 14.04(a) or “outstanding immediately prior to the open of business on such Ex-Dividend Date” within the meaning of Section 14.04(b).

(d) If any cash dividend or distribution is made to all or substantially all holders of the Common Stock, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where,

CR<sub>0</sub> = the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date for such dividend or distribution;

CR' = the Conversion Rate in effect immediately after the open of business on the Ex-Dividend Date for such dividend or distribution;

SP<sub>0</sub> = the Last Reported Sale Price of the Common Stock on the Trading Day immediately preceding the Ex-Dividend Date for such dividend or distribution; and

C = the amount in cash per share the Company distributes to all or substantially all holders of the Common Stock.

Any increase to the Conversion Rate pursuant to this Section 14.04(d) shall become effective immediately after the open of business on the Ex-Dividend Date for such dividend or distribution. If such dividend or distribution is not so paid, the Conversion Rate shall be decreased, effective as of the date the Board of Directors determines not to make or pay such dividend or distribution, to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if "C" (as defined above) is equal to or greater than "SP<sub>0</sub>" (as defined above), in lieu of the foregoing increase, each Holder of a Note shall receive, for each \$1,000 principal amount of Notes, at the same time and upon the same terms as holders of the Common Stock, the amount of cash that such Holder would have received if such Holder owned a number of shares of Common Stock equal to the Conversion Rate on the Ex-Dividend Date for such cash dividend or distribution.

(e) If the Company or any of its Subsidiaries make a payment in respect of a tender or exchange offer for the Common Stock, and the cash and value of any other consideration included in the payment per share of the Common Stock exceeds the Last Reported Sale Price of the Common Stock on the Trading Day next succeeding the last date (the "Expiration Date") on which tenders or exchanges may be made pursuant to such tender or exchange offer, the Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{AC + (SP' \times OS')}{OS_0 \times SP'}$$

where,

- CR<sub>0</sub> = the Conversion Rate in effect immediately prior to the open of business on the Trading Day next succeeding the Expiration Date;
- CR' = the Conversion Rate in effect immediately after the open of business on the Trading Day next succeeding the Expiration Date;
- AC = the aggregate value of all cash and any other consideration (as determined by the Board of Directors) paid or payable for shares of Common Stock purchased or exchanged in such tender or exchange offer;
- OS<sub>0</sub> = the number of shares of Common Stock outstanding immediately prior to the time such tender or exchange offer expires (prior to giving effect to the purchase or exchange of all shares of Common Stock accepted for purchase or exchange in such tender or exchange offer);
- OS' = the number of shares of Common Stock outstanding immediately after the time such tender or exchange offer expires (after giving effect to the purchase or exchange of all shares of Common Stock accepted for purchase or exchange in such tender or exchange offer); and

SP' = the average of the Last Reported Sale Prices of the Common Stock over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the Expiration Date.

The increase to the Conversion Rate under this Section 14.04(e) shall be determined at the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the Expiration Date but shall be given effect at the open of business on the Trading Day next succeeding the Expiration Date. Notwithstanding the foregoing, in respect of any conversion of Notes within the 10 Trading Days immediately following, and including, the Trading Day next succeeding the Expiration Date of any tender or exchange offer, references in the preceding paragraph with respect to 10 consecutive Trading Days shall be deemed replaced with such lesser number of Trading Days as have elapsed between the Expiration Date of such tender or exchange offer and the Conversion Date in determining the Conversion Rate. In addition, if the Trading Day next succeeding the Expiration Date is less than 10 Trading Days prior to, and including, the end of the Observation Period in respect of any conversion of Notes, references in the preceding paragraph to 10 consecutive Trading Days shall be deemed to be replaced, solely in respect of that conversion of Notes, with such lesser number of Trading Days as have elapsed from, and including, the Trading Day next succeeding the Expiration Date to, and including, the last VWAP Trading Day of such Observation Period. For the avoidance of doubt, no adjustment under this Section 14.04(e) shall be made if such adjustment would result in a decrease in the Conversion Rate.

(f) Except as stated herein, the Company shall not adjust the Conversion Rate for the issuance of shares of the Common Stock or any securities convertible into or exchangeable for shares of the Common Stock or the right to purchase shares of the Common Stock or such convertible or exchangeable securities.

(g) In addition to those adjustments required by clauses (a), (b), (c), (d) and (e) of this Section 14.04, and to the extent permitted by applicable law and subject to the applicable rules of any exchange on which any of the Company's securities are then listed, the Company from time to time may increase the Conversion Rate by any amount for a period of at least 20 Business Days if the Board of Directors determines that such increase would be in the Company's best interest. In addition, to the extent permitted by applicable law and subject to the applicable rules of any exchange on which any of the Company's securities are then listed, the Company may (but is not required to) increase the Conversion Rate to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock in connection with a dividend or distribution of shares of Common Stock (or rights to acquire shares of Common Stock) or similar event. Whenever the Conversion Rate is increased pursuant to either of the preceding two sentences, the Company shall mail to the Holder of each Note at its last address appearing on the Note Register a notice of the increase at least 15 days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

(h) Notwithstanding anything to the contrary in this Article 14, the Conversion Rate shall not be adjusted:

(i) upon the issuance of any shares of Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in shares of Common Stock under any plan;

(ii) upon the issuance of any shares of Common Stock or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of the Company's Subsidiaries;

(iii) upon the issuance of any shares of Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in clause (ii) of this subsection and outstanding as of the date the Notes were first issued;

(iv) for the repurchase of any shares of Common Stock that is not a tender offer or exchange offer of the nature described in Section 14.04(e), including, but not limited to, pursuant to an open-market share repurchase program or a structured or derivative transaction;

(v) solely for a change in the par value (or lack of par value) of the Common Stock; or

(vi) for accrued and unpaid interest, if any.

(i) All calculations and other determinations under this Article 14 shall be made by the Company and shall be made to the nearest one-ten thousandth (1/10,000th) of a share. Notwithstanding anything in this Article 14 to the contrary, the Company shall not be required to adjust the Conversion Rate unless the adjustment would result in a change of at least 1% of such Conversion Rate. However, the Company shall carry forward any adjustments that are less than 1% of such Conversion Rate and take them into account when determining subsequent adjustments. In addition, the Company shall make any carried-forward adjustments not otherwise effected (i) upon any conversion of the Notes; (ii) on the Effective Date of any Fundamental Change or Make-Whole Fundamental Change; (iii) on the date of a Tax Redemption Notice; and (iv) on each VWAP Trading Day during any Observation Period.

(j) Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly file with the Trustee (and the Conversion Agent if not the Trustee) an Officer's Certificate setting forth the Conversion Rate after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Unless and until a Responsible Officer of the Trustee shall have received such Officer's Certificate, the Trustee shall not be deemed to have knowledge of any adjustment of the Conversion Rate and may assume without inquiry that the last Conversion Rate of which it has knowledge is still in effect. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Conversion Rate setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Rate to each Holder at its last address appearing on the Note Register of this Indenture. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(k) For purposes of this Section 14.04, the number of shares of Common Stock at any time outstanding shall not include shares of Common Stock held in the treasury of the Company so long as the Company does not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company, but shall include shares of Common Stock issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock.

Section 14.05. *Adjustments of Prices.* Whenever any provision of this Indenture requires the Company to calculate the Last Reported Sale Prices, the Daily VWAPs or the Daily Conversion Values over a span of multiple days (including an Observation Period and, if applicable, the period for determining the Stock Price for purposes of a Make-Whole Fundamental Change or a Tax Redemption), the Board of Directors shall make appropriate adjustments to each to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Ex-Dividend Date, Effective Date (as such term is used in Section 14.04) or Expiration Date, as the case may be, of the event occurs at any time during the period when the Last Reported Sale Prices, the Daily VWAPs or the Daily Conversion Values are to be calculated.

Section 14.06. *[Reserved].*

Section 14.07. *Effect of Recapitalizations, Reclassifications and Changes of the Common Stock.*

(a) In the case of:

- (i) any recapitalization, reclassification or change of the Common Stock (other than changes resulting from a subdivision or combination),
- (ii) any consolidation, merger, combination or similar transaction involving the Company,
- (iii) any sale, lease or other transfer to a third party of the consolidated assets of the Company and the Company's Subsidiaries substantially as an entirety or
- (iv) any statutory share exchange,

in each case, as a result of which the Common Stock would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) (any such event, a "**Specified Corporate Event**" and any such stock, other securities, other property or assets (including cash or any combination thereof), "**Reference Property**," and the amount of Reference Property that a holder of one share of Common Stock immediately prior to such Specified Corporate Event would have been entitled to receive upon the occurrence of such Specified Corporate Event, a "**unit of Reference Property**"), then the Company or the successor or acquiring corporation, as the case may be, shall execute with the Trustee, without the consent of the Holders, a supplemental indenture permitted under Section 10.01(h) providing that, at and after the effective time of such Specified Corporate Event, the right to convert each \$1,000 principal amount of Notes shall be changed into a right to convert such principal amount of Notes into the cash value of the amount of Reference Property as determined by the Company that a holder of a number of shares of Common Stock equal to the Conversion Rate immediately

prior to such Specified Corporate Event would have been entitled to receive; *provided* that the Settlement Amount due upon conversion of the Notes shall continue to be paid solely in cash; *provided further*, that the Daily VWAP shall be calculated based on the value of a unit of Reference Property.

For purposes of the foregoing, if the Specified Corporate Event causes the Common Stock to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of shareholder election), the Reference Property used to determine the amount of cash into which the Notes will be convertible shall be deemed to be (x) the weighted average of the types and amounts of consideration received by the holders of Common Stock that affirmatively make such an election or (y) if no holders of Common Stock affirmatively make such an election, the types and amounts of consideration actually received by the holders of Common Stock. The Company shall notify Holders, the Trustee and the Conversion Agent (if other than the Trustee) of such weighted average as soon as practicable after such determination is made. If holders of Common Stock receive only cash in such Specified Corporate Event, then for all conversions of Notes that occur after the effective date of such Specified Corporate Event (A) the consideration due upon conversion of each \$1,000 principal amount of Notes shall be solely cash in an amount equal to the Conversion Rate in effect on the Conversion Date (as may be increased pursuant to Section 14.03), *multiplied* by the price paid per share of Common Stock in such Specified Corporate Event and (B) the Company shall satisfy the Conversion Obligation by paying such cash amount to converting Holders on the third Business Day immediately following the Conversion Date.

Such supplemental indenture described in the second immediately preceding paragraph shall provide for (x) anti-dilution adjustments that shall be as nearly equivalent as practicable to the adjustments provided for in this Article 14, with respect to any Reference Property consisting of shares of Common Equity, and (y) with respect to any other Reference Property, such adjustments (if any) that the Board of Directors reasonably determines in good faith are appropriate.

(b) When the Company executes a supplemental indenture pursuant to subsection (a) of this Section 14.07, the Company shall promptly file with the Trustee an Officer's Certificate briefly stating the reasons therefor, the kind or amount of cash, securities or property or asset that will comprise the Reference Property after any such Specified Corporate Event, any adjustment to be made with respect thereto and that all conditions precedent have been complied with, and shall promptly mail notice thereof to all Holders. The Company shall cause notice of the execution of such supplemental indenture to be mailed to each Holder, at its address appearing on the Note Register provided for in this Indenture, within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

(c) The Company shall not become a party to any Specified Corporate Event unless its terms are consistent with this Section 14.07. None of the foregoing provisions shall affect the right of a holder of Notes to convert its Notes into cash as set forth in Section 14.01 and Section 14.02 prior to the effective date of such Specified Corporate Event.

(d) The above provisions of this Section 14.07 shall similarly apply to successive Specified Corporate Events.

Section 14.08. *[Reserved]*.

Section 14.09. *Responsibility of Trustee.* The Trustee and any other Conversion Agent shall not at any time be under any duty or responsibility to any Holder to determine the Conversion Rate (or any adjustment thereto) or whether any facts exist that may require any adjustment (including any increase) of the Conversion Rate, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee and any other Conversion Agent shall not be accountable with respect to the amount of any cash that may at any time be paid upon the conversion of any Note; and the Trustee and any other Conversion Agent make no representations with respect thereto. Without limiting the generality of the foregoing, neither the Trustee nor any Conversion Agent shall be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 14.07 relating either to the kind or amount of shares of stock or securities or property (including cash) upon which the Conversion Obligation of a Holder's Notes may be based after any event referred to in such Section 14.07 or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 7.01, may accept (without any independent investigation) as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officer's Certificate (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto. Neither the Trustee nor the Conversion Agent shall be responsible for determining whether any event contemplated by Section 14.01(b) has occurred that makes the Notes eligible for conversion or no longer eligible therefor until the Company has delivered to the Trustee and the Conversion Agent the notices referred to in Section 14.01(b) with respect to the commencement or termination of such conversion rights, on which notices the Trustee and the Conversion Agent may conclusively rely, and the Company agrees to deliver such notices to the Trustee and the Conversion Agent immediately after the occurrence of any such event or at such other times as shall be provided for in Section 14.01(b).

Section 14.10. *Notice to Holders Prior to Certain Actions.* In case of any:

- (a) action by the Company or one of its Subsidiaries that would require an adjustment in the Conversion Rate pursuant to Section 14.04 or Section 14.11;
- (b) Specified Corporate Event; or
- (c) voluntary or involuntary dissolution, liquidation or winding-up of the Company or any of its Subsidiaries;

then, in each case (unless notice of such event is otherwise required pursuant to another provision of this Indenture), the Company shall cause to be filed with the Trustee and the Conversion Agent (if other than the Trustee) and to be mailed to each Holder at its address appearing on the Note Register, as promptly as possible but in any event at least 20 days prior to the applicable date hereinafter specified, a notice stating (i) the date on which a record is to be

taken for the purpose of such action by the Company or one of its Subsidiaries or, if a record is not to be taken, the date as of which the holders of Common Stock of record are to be determined for the purposes of such action by the Company or one of its Subsidiaries, or (ii) the date on which such Specified Corporate Event, dissolution, liquidation or winding-up is expected to become effective or occur, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other property deliverable upon such Specified Corporate Event, dissolution, liquidation or winding-up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such action by the Company or one of its Subsidiaries, Specified Corporate Event, dissolution, liquidation or winding-up.

Section 14.11. *Stockholder Rights Plans.* If, at any time, the Company has a rights plan in effect and prior to any conversion of Notes the rights have separated from the shares of Common Stock in accordance with the provisions of the applicable rights plan, the Conversion Rate shall be adjusted at the time of separation as if the Company distributed to all or substantially all holders of the Common Stock Distributed Property as provided in Section 14.04(c), subject to readjustment in the event of the expiration, termination or redemption of such rights.

Section 14.12. *Exchange in Lieu of Conversion.* Notwithstanding anything herein to the contrary, when a Holder surrenders Notes for conversion, the Company may, at its election, direct the Conversion Agent to surrender, on or prior to the Scheduled Trading Day immediately preceding the first VWAP Trading Day of the applicable Observation Period, such Notes to a financial institution designated by the Company for exchange in lieu of conversion. In order to accept any Notes surrendered for conversion, the designated financial institution must agree to timely pay to the Conversion Agent for payment to such Holder, in exchange for such Notes, all of the cash due upon conversion, as provided under this Article 14. By the close of business on the Scheduled Trading Day immediately preceding the first VWAP Trading Day of the applicable Observation Period, the Company shall notify the Holder surrendering Notes for conversion that it has directed the designated financial institution to make an exchange in lieu of conversion.

If the designated financial institution accepts any such Notes, it will pay the cash due upon conversion to the Conversion Agent, and the Conversion Agent will pay such cash to such Holder on the third Business Day immediately following the last VWAP Trading Day of the applicable Observation Period. Any Notes exchanged by the designated financial institution will remain outstanding. If the designated financial institution agrees to accept any Notes for exchange but does not timely pay the related cash, or if such designated financial institution does not accept the Notes for exchange, the Company shall convert the Notes and pay the cash due on the third Business Day immediately following the last VWAP Trading Day of the applicable Observation Period, in accordance with this Article 14.

The Company's designation of a financial institution to which the Notes may be submitted for exchange does not require the financial institution to accept any Notes (unless the financial institution has separately made an agreement with the Company). The Company may, but is not obligated to, enter into a separate agreement with any designated financial institution that would compensate it for any such transactions.

Section 15.01. *[Reserved]*.

Section 15.02. *Repurchase at Option of Holders Upon a Fundamental Change.* (a) If a Fundamental Change occurs at any time, each Holder shall have the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes, or any portion thereof that is equal to \$1,000 or an integral multiple of \$1,000 (so long as the portion of any Global Note or Physical Note, as applicable, not tendered for repurchase has a principal amount of at least \$200,000), on the date (the "**Fundamental Change Repurchase Date**") specified by the Company that is not less than 20 calendar days or more than 35 calendar days following the date of the Fundamental Change Company Notice at a repurchase price equal to 100% of the principal amount thereof, *plus* accrued and unpaid interest thereon to, but excluding, the Fundamental Change Repurchase Date (the "**Fundamental Change Repurchase Price**"), unless the Fundamental Change Repurchase Date falls after a Regular Record Date but on or prior to the Interest Payment Date to which such Regular Record Date relates, in which case the Company shall instead pay the full amount of accrued and unpaid interest to Holders of record as of such Regular Record Date, and the Fundamental Change Repurchase Price shall be equal to 100% of the principal amount of Notes to be repurchased pursuant to this Article 15.

(b) Repurchases of Notes under this Section 15.02 shall be made, at the option of the Holder thereof, upon:

(i) delivery to the Paying Agent by a Holder of a duly completed notice (the "**Fundamental Change Repurchase Notice**") in the form set forth in Attachment 2 to the Form of Note attached hereto as Exhibit A, if the Notes are Physical Notes, or in compliance with the Depository's procedures for surrendering interests in Global Notes, if the Notes are Global Notes, in each case prior to the close of business on the Business Day immediately preceding the Fundamental Change Repurchase Date; and

(ii) delivery of the Notes, if the Notes are Physical Notes, to the Paying Agent at any time after delivery of the Fundamental Change Repurchase Notice (together with all necessary endorsements for transfer) at the Corporate Trust Office of the Paying Agent, or book-entry transfer of the Notes, if the Notes are Global Notes, in compliance with the procedures of the Depository, in each case, such delivery being a condition to receipt by the Holder of the Fundamental Change Repurchase Price therefor.

The Fundamental Change Repurchase Notice in respect of any Notes to be repurchased shall state:

(i) in the case of Physical Notes, the certificate numbers of the Notes to be delivered for repurchase;

(ii) the portion of the principal amount of Notes to be repurchased, which must be \$1,000 or an integral multiple thereof; and

(iii) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes and this Indenture;

*provided, however,* that if the Notes are Global Notes, the Fundamental Change Repurchase Notice must comply with appropriate Depository procedures.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Fundamental Change Repurchase Notice contemplated by this Section 15.02 shall have the right to withdraw, in whole or in part, such Fundamental Change Repurchase Notice at any time prior to the close of business on the Business Day immediately preceding the Fundamental Change Repurchase Date by delivery of a duly completed written notice of withdrawal to the Paying Agent in accordance with Section 15.03.

The Paying Agent shall promptly notify the Company of the receipt by it of any Fundamental Change Repurchase Notice or written notice of withdrawal thereof.

(c) On or before the 20th calendar day after the occurrence of the effective date of a Fundamental Change, the Company shall provide to all Holders of Notes and the Trustee and the Paying Agent (in the case of a Paying Agent other than the Trustee) a notice (the "**Fundamental Change Company Notice**") of the occurrence of the effective date of the Fundamental Change and of the repurchase right at the option of the Holders arising as a result thereof. In the case of Physical Notes, such notice shall be by first class mail or, in the case of Global Notes, such notice shall be delivered in accordance with the applicable procedures of the Depository. Simultaneously with providing such notice, the Company shall issue a press release containing the information set forth in the Fundamental Change Company Notice and make such press release available on the Company's website (or through such other public medium as the Company may use at that time). Each Fundamental Change Company Notice shall specify:

- (i) the events causing the Fundamental Change;
- (ii) the date of the Fundamental Change;
- (iii) the last date on which a Holder may exercise the repurchase right pursuant to this Article 15;
- (iv) the Fundamental Change Repurchase Price;
- (v) the Fundamental Change Repurchase Date;
- (vi) the name and address of the Paying Agent and the Conversion Agent;
- (vii) the Conversion Rate and any adjustments to the Conversion Rate;
- (viii) that the Notes with respect to which a Fundamental Change Repurchase Notice has been delivered by a Holder may be converted only if the Holder withdraws the Fundamental Change Repurchase Notice in accordance with the terms of this Indenture; and

(ix) the procedures that Holders must follow to require the Company to repurchase their Notes.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Holders' repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 15.02.

At the Company's request, the Trustee shall give such notice in the Company's name and at the Company's expense; *provided, however*, that, in all cases, the text of such Fundamental Change Company Notice shall be prepared by the Company.

(d) Notwithstanding the foregoing, no Notes may be repurchased by the Company on any date at the option of the Holders upon a Fundamental Change if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date (except in the case of an acceleration resulting from a Default by the Company in the payment of the Fundamental Change Repurchase Price with respect to such Notes). The Paying Agent will promptly return to the respective Holders thereof any Physical Notes held by it during the acceleration of the Notes (except in the case of an acceleration resulting from a Default by the Company in the payment of the Fundamental Change Repurchase Price with respect to such Notes), or any instructions for book-entry transfer of the Notes in compliance with the procedures of the Depository shall be deemed to have been cancelled, and, upon such return or cancellation, as the case may be, the Fundamental Change Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 15.03. *Withdrawal of Fundamental Change Repurchase Notice.* (a) A Fundamental Change Repurchase Notice may be withdrawn (in whole or in part) by means of a duly completed written notice of withdrawal delivered to the Corporate Trust Office of the Paying Agent in accordance with this Section 15.03 at any time prior to the close of business on the Business Day immediately preceding the Fundamental Change Repurchase Date, specifying:

- (i) the principal amount of the Notes with respect to which such notice of withdrawal is being submitted,
- (ii) if Physical Notes have been issued, the certificate number of the Note in respect of which such notice of withdrawal is being submitted, and
- (iii) the principal amount, if any, of such Note that remains subject to the original Fundamental Change Repurchase Notice, which portion must be in principal amounts of \$1,000 or an integral multiple of \$1,000;

*provided, however*, that if the Notes are Global Notes, the notice must comply with appropriate procedures of the Depository.

Section 15.04. *Deposit of Fundamental Change Repurchase Price.* (a) The Company will deposit with the Trustee (or other Paying Agent appointed by the Company, or if the Company is acting as its own Paying Agent, set aside, segregate and hold in trust as provided in Section 4.04) at or prior to 11:00 a.m., New York City time, on the Fundamental Change Repurchase Date an amount of money sufficient to repurchase all of the Notes to be repurchased

at the appropriate Fundamental Change Repurchase Price. Subject to receipt of funds and/or Notes by the Trustee (or other Paying Agent appointed by the Company), payment for Notes surrendered for repurchase (and not withdrawn prior to the close of business on the Business Day immediately preceding the Fundamental Change Repurchase Date) will be made on the later of (i) the Fundamental Change Repurchase Date (*provided* the Holder has satisfied the conditions in Section 15.02) and (ii) the time of book-entry transfer or the delivery of such Note to the Trustee (or other Paying Agent appointed by the Company) by the Holder thereof in the manner required by Section 15.02 by mailing checks for the amount payable to the Holders of such Notes entitled thereto as they shall appear in the Note Register; *provided, however*, that payments to the Depository shall be made by wire transfer of immediately available funds to the account of the Depository or its nominee. The Trustee shall, promptly after such payment and upon written demand by the Company, return to the Company any funds in excess of the Fundamental Change Repurchase Price.

(b) If by 11:00 a.m. New York City time, on the Fundamental Change Repurchase Date, the Trustee (or other Paying Agent appointed by the Company) holds money sufficient to make payment on all the Notes or portions thereof that are to be repurchased on such Fundamental Change Repurchase Date, then, with respect to the Notes that have been properly surrendered for repurchase and not validly withdrawn, (i) such Notes will cease to be outstanding and interest will cease to accrue on such Notes (whether or not book-entry transfer of the Notes has been made or the Notes have been delivered to the Trustee or Paying Agent) and (ii) all other rights of the Holders of such Notes will terminate (other than the right to receive the Fundamental Change Repurchase Price and, if the Fundamental Change Repurchase Date falls after a Regular Record Date but on or prior to the related Interest Payment Date, the right of the Holder of record on such Regular Record Date to receive the related interest payment).

(c) Upon surrender of a Note that is to be repurchased in part pursuant to Section 15.02, the Company shall execute and the Trustee shall authenticate and deliver to the Holder a new Note in an authorized denomination equal in principal amount to the unrepurchased portion of the Note surrendered.

Section 15.05. *Covenant to Comply with Applicable Laws Upon Repurchase of Notes.* In connection with any repurchase offer, the Company will, if required:

- (a) comply with the provisions of the tender offer rules under the Exchange Act that may then be applicable;
- (b) file a Schedule TO or any other required schedule under the Exchange Act; and
- (c) otherwise comply with all federal and state securities laws in connection with any offer by the Company to repurchase the Notes;

in each case, so as to permit the rights and obligations under this Article 15 to be exercised in the time and in the manner specified in this Article 15.

ARTICLE 16  
TAX REDEMPTION

Section 16.01. *No Redemption Except for Taxation Reasons.* The Notes shall not be redeemable by the Company prior to the Maturity Date, except as described in this Article 16, and no sinking fund is provided for the Notes. The Notes may be redeemed, for cash, at the Company's option, as a whole but not in part (a "**Tax Redemption**"), at the Redemption Price, if (x) on the next date on which any amount would be payable in respect of the Notes, the Company is or would be required to pay Additional Amounts, (y) the Company cannot avoid any such payment obligation by taking commercially reasonable measures available to it and (z) the requirement arises as a result of:

(a) any amendment to, or change in, the laws or any regulations or rulings promulgated thereunder of a Relevant Taxing Jurisdiction, which change or amendment is announced on or after the first issuance date of the Notes (or, if the Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the first issuance date of the Notes, such later date); or

(b) any amendment to, or change in, an official interpretation or application or administration of such laws, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice), which amendment or change is announced on or after the first issuance date of the Notes (or, if the Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the first issuance date of the Notes, such later date) (each of the foregoing clauses (a) and (b), a "**Change in Tax Law**").

Section 16.02. *Notice of Tax Redemption.*

(a) In the event that the Company exercises its Tax Redemption right pursuant to Section 16.01, it shall fix a date for redemption (the "**Tax Redemption Date**") and it or, at its written request received by the Trustee, the Trustee, in the name of and at the expense of the Company, shall mail or cause to be mailed a notice of such Tax Redemption (a "**Tax Redemption Notice**") not less than 40 nor more than 70 Scheduled Trading Days prior to the Tax Redemption Date to each Holder of Notes so to be redeemed at its last address as the same appears on the Note Register; *provided* that if the Company shall give such notice, it shall also give a written notice of the Tax Redemption Date to the Trustee. The Tax Redemption Date must be a Business Day. For the avoidance of doubt, if the Tax Redemption Date falls after a Regular Record Date but on or prior to the immediately succeeding Interest Payment Date, interest accrued (but unpaid) to the Interest Payment Date will be paid to Holders of record as of the close of business on such Regular Record Date. Simultaneously with providing a Tax Redemption Notice, the Company shall issue a press release containing the information in Section 16.02(d) and make the press release available on its website (or through such other public medium as the Company may use at that time).

(b) The Company shall not give any Tax Redemption Notice earlier than 90 Scheduled Trading Days prior to the earliest date on which the Company would be obligated to make such payment or withholding if a payment in respect of the Notes were then due. Prior to the

publication or, where relevant, mailing of any Tax Redemption Notice pursuant to the foregoing, the Company shall deliver to the Trustee (a) an Officer's Certificate stating that the obligation to pay such Additional Amounts cannot be avoided by the Company taking commercially reasonable measures available to it; and (b) a written opinion of independent tax counsel to the effect that the Company has or will become obligated to pay such Additional Amounts as a result of a Change in Tax Law. The Trustee shall accept and shall be entitled to rely on such Officer's Certificate and such opinion of independent tax counsel as sufficient evidence of the existence and satisfaction of the conditions precedent set forth in Section 16.01, in which event it shall be conclusive and binding on the Holders of the Notes.

(c) The Tax Redemption Notice, if mailed in the manner herein provided, shall be conclusively presumed to have been given duly, whether or not the Holder receives such notice. In any case, failure to give such Tax Redemption Notice by mail or any defect in the Tax Redemption Notice to the Holder of any Note designated for redemption shall not affect the validity of the proceedings for the redemption of any other Note.

(d) Each Tax Redemption Notice shall specify:

- (i) the Tax Redemption Date;
- (ii) the Redemption Price;
- (iii) the place or places where such Notes are to be surrendered for payment of the Redemption Price;
- (iv) that on the Tax Redemption Date, the Redemption Price will become due and payable upon each Note to be redeemed, and that the interest thereon, if any, shall cease to accrue on and after the Tax Redemption Date;
- (v) that Holders may surrender their Notes for conversion at any time prior to the close of business on the Business Day immediately preceding the Tax Redemption Date;
- (vi) the procedures a converting Holder must follow to convert its Notes;
- (vii) that Holders have the right to elect not to have their Notes redeemed by delivery to the Trustee written notice to that effect not later than the 15th calendar day prior to the Tax Redemption Date;
- (viii) that Holders who wish to elect not to have their Notes redeemed must satisfy the requirements set forth herein and in the Indenture;
- (ix) that, on and after the Tax Redemption Date, Holders who elect not to have their Notes redeemed will not receive any Additional Amounts on any payments with respect to such Notes solely as a result of the change or amendment in the tax laws of the Relevant Taxing Jurisdiction that caused such Additional Amounts to be paid (whether upon conversion, repurchase, maturity or otherwise), and all subsequent payments with respect to the Notes will be subject to the deduction or withholding of such Relevant

Taxing Jurisdiction taxes required by law to be deducted or withheld as a result of such change or amendment;

(x) the Conversion Rate and, if applicable, the amount by which the Conversion Rate shall be increased in accordance with Section 14.03; and

(xi) the CUSIP, ISIN or other similar numbers, if any, assigned to such Notes.

A Tax Redemption Notice shall be irrevocable. In the case of a Tax Redemption, a Holder may convert its Notes at any time until the close of business on the Business Day immediately preceding the Tax Redemption Date.

Section 16.03. *Payment of Notes Called for Tax Redemption.*

(a) If any Tax Redemption Notice has been given in respect of the Notes in accordance with Section 16.02, the Notes shall become due and payable on the Tax Redemption Date at the place or places stated in the Tax Redemption Notice and at the applicable Redemption Price. On presentation and surrender of the Notes at the place or places stated in the Tax Redemption Notice, the Notes shall be paid and redeemed by the Company at the applicable Redemption Price.

(b) Prior to 11:00 a.m., New York City time, on the Tax Redemption Date, the Company shall deposit with the Paying Agent or, if the Company or a Subsidiary of the Company is acting as the Paying Agent, shall segregate and hold in trust as provided in Section 4.04 an amount of cash, sufficient to pay the Redemption Price of all of the Notes to be redeemed on such Tax Redemption Date. Subject to receipt of funds by the Paying Agent, payment for the Notes to be redeemed shall be made on the Tax Redemption Date for such Notes. The Trustee (or other Paying Agent appointed by the Company) shall, promptly after such payment and upon written demand by the Company, return to Company any funds in excess of the Redemption Price.

Section 16.04. *Holder's Right to Avoid Redemption.* Notwithstanding anything to the contrary in this Article 16, if the Company has given a Tax Redemption Notice as described in Section 16.02, each Holder of Notes will have the right to elect that such Holder's Notes will not be subject to Tax Redemption. If a Holder elects not to be subject to a Tax Redemption, the Company will not be required to pay Additional Amounts with respect to payments made in respect of such Holder's Notes following the Tax Redemption Date, and all subsequent payments in respect of such Holder's Notes will be subject to any tax required to be withheld or deducted under the laws of a Relevant Taxing Jurisdiction, in each case, as a result of the change or amendment in the tax laws of the Relevant Taxing Jurisdiction that caused such Additional Amounts to be paid. The obligation to pay Additional Amounts to any electing Holder for payments made in periods prior to the Tax Redemption Date shall remain subject to the exceptions set forth under Section 4.07. Holders must exercise their option to elect to avoid a Tax Redemption by written notice to the Trustee no later than the 15th calendar day prior to the Tax Redemption Date; *provided* that a Holder that complies with the requirements for conversion of its Notes as described in Article 14 before the close of business on the Business Day immediately preceding the Tax Redemption Date shall be deemed to have validly delivered

a notice of election to avoid a Tax Redemption. If a Holder electing not to have its Notes redeemed converts its Notes in connection with the Company's election to redeem the Notes as described in Section 14.03, the Company shall be obligated to pay Additional Amounts, if any, with respect to such conversion.

Section 16.05. *Restrictions on Tax Redemption.* The Company may not redeem any Notes on any date if the principal amount of the Notes has been accelerated in accordance with the terms of this Indenture, and such acceleration has not been rescinded, on or prior to the Tax Redemption Date (except in the case of an acceleration resulting from a Default by the Company in the payment of the Redemption Price with respect to such Notes).

ARTICLE 17  
MISCELLANEOUS PROVISIONS

Section 17.01. *Provisions Binding on Company's Successors.* All the covenants, stipulations, promises and agreements of the Company contained in this Indenture shall bind its successors and assigns whether so expressed or not.

Section 17.02. *Official Acts by Successor Corporation.* Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or Officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation or other entity that shall at the time be the lawful sole successor of the Company.

Section 17.03. *Addresses for Notices, Etc.* Any notice or demand that by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Holders on the Company shall be deemed to have been sufficiently given or made, for all purposes if given or served by being deposited postage prepaid by registered or certified mail in a post office letter box addressed (until another address is filed by the Company with the Trustee) to NXP Semiconductors N.V., High Tech Campus 60, 5656 AG Eindhoven, The Netherlands, Attention: Legal Department, Fax Number: +31 40 2520447. Any notice, direction, request or demand hereunder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or served by being deposited postage prepaid by registered or certified mail in a post office letter box addressed to Deutsche Bank Trust Company Americas, Trust and Agency Services, 60 Wall Street, 16th Floor, Mail Stop: NYC60-1630, New York, New York 10005, Attention: Corporates Team, NXP, Facsimile: (732) 578-4635, with a copy to Deutsche Bank National Trust Company for Deutsche Bank Trust Company Americas, Trust and Agency Services, 100 Plaza One – 6th Floor, MSJCY03-0699, Jersey City, New Jersey 07311-3901, Attention: Corporates Team, NXP, Facsimile: (732) 578-4635.

The Trustee, by notice to the Company, may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Holder shall be mailed to it by first class mail, postage prepaid, at its address as it appears on the Note Register and shall be sufficiently given to it if so mailed within the time prescribed.

So long as and to the extent that the Notes are represented by Global Notes and such Global Notes are held by the Depositary, notices to owners of beneficial interests in the Global Notes may be given by delivery of the relevant notice to the Depositary for communication by it to entitled account holders.

Failure to mail 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 in the manner provided above, it is duly given, whether or not the addressee receives it.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Section 17.04. *Governing Law; Jurisdiction.* THIS INDENTURE AND EACH NOTE, AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS INDENTURE AND EACH NOTE, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

The Company irrevocably consents and agrees, for the benefit of the Holders from time to time of the Notes and the Trustee, that any legal action, suit or proceeding against it with respect to obligations, liabilities or any other matter arising out of or in connection with this Indenture or the Notes may be brought in the courts of the State of New York or the courts of the United States located in the Borough of Manhattan, New York City, New York and, until amounts due and to become due in respect of the Notes have been paid, hereby irrevocably consents and submits to the non-exclusive jurisdiction of each such court *in personam*, generally and unconditionally with respect to any action, suit or proceeding for itself in respect of its properties, assets and revenues.

The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions, suits or proceedings arising out of or in connection with this Indenture brought in the courts of the State of New York or the courts of the United States located in the Borough of Manhattan, New York City, New York and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

Section 17.05. *Evidence of Compliance with Conditions Precedent; Certificates and Opinions of Counsel to Trustee.* Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall, if requested by the Trustee, furnish to the Trustee an Officer's Certificate stating that such action is permitted by the terms of this Indenture.

Each Officer's Certificate or Opinion of Counsel provided for, by or on behalf of the Company in this Indenture and delivered to the Trustee with respect to compliance with this Indenture (other than the Officer's Certificates provided for in Section 4.08) shall include (a) a statement that the person signing such certificate or opinion is familiar with the requested action

and this Indenture; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statement contained in such certificate or opinion is based; (c) a statement that, in the judgment of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed judgment as to whether or not such action is permitted by this Indenture; and (d) a statement as to whether or not, in the judgment of such person, such action is permitted by this Indenture.

Notwithstanding anything to the contrary in this Section 17.05, if any provision in this Indenture specifically provides that the Trustee shall or may receive an Opinion of Counsel in connection with any action to be taken by the Trustee or the Company hereunder, the Trustee shall be entitled to, or entitled to request, such Opinion of Counsel.

Section 17.06. *Legal Holidays.* In any case where any Interest Payment Date, Tax Redemption Date, Fundamental Change Repurchase Date, Conversion Date or Maturity Date is not a Business Day, then any action to be taken on such date need not be taken on such date, but may be taken on the next succeeding Business Day with the same force and effect as if taken on such date, and no interest shall accrue in respect of the delay.

Section 17.07. *No Security Interest Created.* Nothing in this Indenture or in the Notes, expressed or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect, in any jurisdiction.

Section 17.08. *Benefits of Indenture.* Nothing in this Indenture or in the Notes, expressed or implied, shall give to any Person, other than the Holders, the parties hereto, any Paying Agent, any Conversion Agent, any authenticating agent, any Note Registrar and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 17.09. *Table of Contents, Headings, Etc.* The table of contents and the titles and headings of the articles and sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 17.10. *Authenticating Agent.* The Trustee may appoint an authenticating agent that shall be authorized to act on its behalf and subject to its direction in the authentication and delivery of Notes in connection with the original issuance thereof and transfers and exchanges of Notes hereunder, including under Section 2.04, Section 2.05, Section 2.06, Section 2.07, Section 10.04 and Section 15.04 as fully to all intents and purposes as though the authenticating agent had been expressly authorized by this Indenture and those Sections to authenticate and deliver Notes. For all purposes of this Indenture, the authentication and delivery of Notes by the authenticating agent shall be deemed to be authentication and delivery of such Notes "by the Trustee" and a certificate of authentication executed on behalf of the Trustee by an authenticating agent shall be deemed to satisfy any requirement hereunder or in the Notes for the Trustee's certificate of authentication. Such authenticating agent shall at all times be a Person eligible to serve as trustee hereunder pursuant to Section 7.08.

Any corporation or other entity into which any authenticating agent may be merged or converted or with which it may be consolidated, or any corporation or other entity resulting from any merger, consolidation or conversion to which any authenticating agent shall be a party, or any corporation or other entity succeeding to the corporate trust business of any authenticating agent, shall be the successor of the authenticating agent hereunder, if such successor corporation or other entity is otherwise eligible under this Section 17.10, without the execution or filing of any paper or any further act on the part of the parties hereto or the authenticating agent or such successor corporation or other entity.

Any authenticating agent may at any time resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time terminate the agency of any authenticating agent by giving written notice of termination to such authenticating agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any authenticating agent shall cease to be eligible under this Section 17.10, the Trustee may appoint a successor authenticating agent (which may be the Trustee), shall give written notice of such appointment to the Company and shall mail notice of such appointment to all Holders as the names and addresses of such Holders appear on the Note Register.

The Company agrees to pay to the authenticating agent from time to time reasonable compensation for its services although the Company may terminate the authenticating agent, if it determines such agent's fees to be unreasonable.

The provisions of Section 7.02, Section 7.03, Section 7.04, Section 8.03 and this Section 17.10 shall be applicable to any authenticating agent.

If an authenticating agent is appointed pursuant to this Section 17.10, the Notes may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

\_\_\_\_\_  
as Authenticating Agent, certifies that this is one of the Notes described in the within-named Indenture.

By: \_\_\_\_\_  
Authorized Officer

Section 17.11. *Execution in Counterparts.* This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument. The exchange of copies of this Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

Section 17.12. *Severability.* In the event any provision of this Indenture or in the Notes shall be invalid, illegal or unenforceable, then (to the extent permitted by law) the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired.

Section 17.13. *Waiver of Jury Trial.* EACH OF THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 17.14. *Force Majeure.* In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts that are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 17.15. *Calculations.* Except as otherwise provided herein, the Company shall be responsible for making all calculations called for under the Notes. These calculations include, but are not limited to, determinations of the Stock Price, the Last Reported Sale Prices of the Common Stock, the Daily VWAPs, the Daily Conversion Values, the Settlement Amounts, accrued interest payable on the Notes and the Conversion Rate of the Notes. The Company shall make all these calculations in good faith and, absent manifest error, the Company's calculations shall be final and binding on Holders of Notes. The Company shall provide a schedule of its calculations to each of the Trustee and the Conversion Agent, and each of the Trustee and Conversion Agent is entitled to rely conclusively upon the accuracy of the Company's calculations without independent verification. The Trustee will forward the Company's calculations to any Holder of Notes upon the request of that Holder at the sole cost and expense of the Company.

None of the Trustee, Conversion Agent, Note Registrar, Custodian or Paying Agent (in each case, if different from the Company) shall have any responsibility for making any calculations, for determining amounts to be paid or for monitoring stock price, or be charged with any knowledge of or have any duties to monitor any measurement period. These calculations include, but are not limited to, determinations of the Last Reported Sale Prices of the Common Stock, and the Conversion Rate of the Notes.

Section 17.16. *USA PATRIOT Act.* In order to comply with the laws, rules, regulations and executive orders in effect from time to time applicable to banking institutions, including, without limitation, those relating to the funding of terrorist activities and money laundering, including Section 326 of the USA PATRIOT Act of the United States ("**Applicable Law**"), the Trustee is required to obtain, verify, record and update certain information relating to individuals and entities which maintain a business relationship with the Trustee. Accordingly, each of the parties agree to provide to the Trustee, upon its request from time to time, such identifying information and documentation as may be available for such party in order to enable the Trustee to comply with Applicable Law.

Section 17.17. *Service Of Process.* The Company irrevocably appoints James Casey, VP & General Counsel Americas, 411 E. Plumeria Drive, San Jose, CA 95134, United States as its

authorized agent in the Borough of Manhattan in the City of New York upon which process may be served in any such suit or proceeding in New York, and agrees that service of process upon such agent, and written notice of said service to the Company by the person serving the same to NXP Semiconductors N.V., High Tech Campus 60, 5656 AG Eindhoven, The Netherlands, Attention: Legal Department, Fax Number: +31 40 2520447, shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding. The Company further agrees to take any and all action as may be necessary to maintain such designation and appointment of such agent in full force and effect for a period of five and a half years from the date of this Indenture. If for any reason such agent shall cease to be such agent for service of process, the Company shall forthwith appoint a new agent of recognized standing for service of process in the State of New York and deliver to the Trustee a copy of the new agent's acceptance of that appointment within five Business Days of such acceptance. Nothing herein shall affect the right of the Trustee, any agent or any Holder to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Company in any other court of competent jurisdiction. To the extent that the Company has or hereafter may acquire any sovereign or other immunity from jurisdiction of any court or from any legal process with respect to itself or its property, the Company irrevocably waives such immunity in respect of its obligations hereunder or under any Note.

Section 17.18. *Waiver Of Immunity.* To the extent that the Company may be entitled in any jurisdiction in which judicial proceedings may at any time be commenced hereunder, to claim for itself or its revenues or assets any immunity, including sovereign immunity, from suit, jurisdiction, attachment in aid of execution of a judgment or prior to a judgment, execution of a judgment or any other legal process with respect to its obligations hereunder and to the extent that in any such jurisdiction there may be attributed to the Company such an immunity (whether or not claimed), the Company hereby irrevocably agrees not to claim and irrevocably waives such immunity to the maximum extent permitted by law. As a matter of Dutch law, the Company's assets are not intended for public use (*openbare dienst*) and as a result the Company is not entitled to immunity from legal proceedings, nor are its assets immune from execution.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date first written above.

NXP SEMICONDUCTORS N.V.

By: \_\_\_\_\_  
Name:  
Title:

DEUTSCHE BANK TRUST COMPANY AMERICAS, as Trustee

By: Deutsche Bank National Trust Company

By: /s/ ROBERT S. PESCHLER  
Name: ROBERT S. PESCHLER  
Title: VICE PRESIDENT

By: /s/ RODNEY GAUGHAN  
Name: RODNEY GAUGHAN  
Title: VICE PRESIDENT

[FORM OF FACE OF NOTE]

[INCLUDE FOLLOWING LEGEND IF A GLOBAL NOTE]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“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 IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREUNDER IS MADE TO CEDE & CO. 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, CEDE & CO., HAS AN INTEREST HEREIN.]

[INCLUDE FOLLOWING LEGEND IF A RULE 144A NOTE OR A REGULATION S NOTE]

[THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS [A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT)]<sup>1</sup> [NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT)]<sup>2</sup> AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF NXP SEMICONDUCTORS N.V. (THE “COMPANY”), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERE TO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

<sup>1</sup> Include for a Rule 144A Note.

<sup>2</sup> Include for a Regulation S Note.

- (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR
- (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR
- (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR
- (D) TO A NON-U.S. PERSON OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR
- (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

[PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(D) ABOVE, THE TRANSFEROR SHALL FIRST DELIVER TO THE TRUSTEE A WRITTEN CERTIFICATE STATING THAT SUCH TRANSFER IS BEING MADE IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT.]<sup>3</sup>

[PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(C) ABOVE, THE TRANSFEROR SHALL FIRST DELIVER TO THE TRUSTEE A WRITTEN CERTIFICATE STATING THAT THE SECURITIES ARE BEING TRANSFERRED TO A PERSON (1) WHO THE TRANSFEROR REASONABLY BELIEVES TO BE A QUALIFIED INSTITUTIONAL BUYER, (2) PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND (3) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.]<sup>4</sup>

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

EXCEPT AS DESCRIBED IN CLAUSE (2)(A) ABOVE, NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR

<sup>3</sup> Include for a Rule 144A Note.

<sup>4</sup> Include for a Regulation S Note.

PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS SECURITY OR A BENEFICIAL INTEREST HEREIN.

EACH PURCHASER AND TRANSFEREE OF A NOTE WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING OF THE NOTE THAT (A) ITS PURCHASE AND HOLDING OF THE NOTE IS NOT MADE ON BEHALF OF OR WITH "PLAN ASSETS" OF ANY (I) EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (II) PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR ANY OTHER FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE (COLLECTIVELY, "SIMILAR LAW"), OR (III) ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF ANY SUCH PLAN, ACCOUNT OR ARRANGEMENT DESCRIBED IN CLAUSE (I) OR (II) ABOVE OR (B) ITS PURCHASE AND HOLDING OF THE NOTE WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION OF ANY APPLICABLE SIMILAR LAW.]

No. [ ]

[Initially]<sup>5</sup> \$[ ]

CUSIP No. [ ]

NXP Semiconductors N.V., a public company with limited liability (*naamloze vennootschap*) incorporated under Dutch law (the “**Company**,” which term includes any successor corporation or other entity under the Indenture referred to on the reverse hereof), for value received hereby promises to pay to [CEDE & CO.]<sup>6</sup> [ ]<sup>7</sup>, or registered assigns, the principal sum [as set forth in the “Schedule of Exchanges of Notes” attached hereto]<sup>8</sup> [of \$[ ]<sup>9</sup>], which amount, taken together with the principal amounts of all other outstanding Notes, shall not, unless permitted by the Indenture, exceed \$1,150,000,000 in aggregate at any time, in accordance with the rules and procedures of the Depository, on December 1, 2019, and interest thereon as set forth below.

This Note shall bear interest at the rate of 1.00% per year from December 1, 2014, or from the most recent date to which interest had been paid or provided for to, but excluding, the next scheduled Interest Payment Date until December 1, 2019, unless earlier converted, redeemed or repurchased. Interest is payable semi-annually in arrears on each June 1 and December 1, commencing on June 1, 2015, to Holders of record at the close of business on the preceding May 15 and November 15 (whether or not such day is a Business Day), respectively. Additional Interest will be payable as set forth in Section 4.06(d), Section 4.06(e) and Section 6.03 of the within-mentioned Indenture, and any reference to interest on, or in respect of, any Note therein shall be deemed to include Additional Interest if, in such context, Additional Interest is, was or would be payable pursuant to any of such Section 4.06(d), Section 4.06(e) or Section 6.03, and any express mention of the payment of Additional Interest in any provision therein shall not be construed as excluding Additional Interest in those provisions thereof where such express mention is not made.

Any Defaulted Amounts shall accrue interest per annum at the rate per annum borne by the Notes, subject to the enforceability thereof under applicable law, from, and including, the relevant payment date to, but excluding, the date on which such Defaulted Amounts shall have been paid by the Company, at its election, in accordance with Section 2.03(c) of the Indenture.

The Company shall pay the principal of and interest on this Note, if and so long as such Note is a Global Note, in immediately available funds to the Depository or its nominee, as the case may be, as the registered Holder of such Note. As provided in and subject to the provisions of the Indenture, the Company shall pay the principal of any Notes (other than Notes that are

---

5 Include if a global note.  
 6 Include if a global note.  
 7 Include if a physical note.  
 8 Include if a global note.  
 9 Include if a physical note.

Global Notes) at the office or agency designated by the Company for that purpose. The Company has initially designated the Trustee as its Paying Agent, Conversion Agent and Note Registrar in respect of the Notes and its office in the Borough of Manhattan, The City of New York, as a place where Notes may be presented for payment or for registration of transfer and exchange.

Reference is made to the further provisions of this Note set forth on the reverse hereof, including, without limitation, provisions giving the Holder of this Note the right to convert this Note solely into cash on the terms and subject to the limitations set forth in the Indenture. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

**This Note, and any claim, controversy or dispute arising under or related to this Note, shall be construed in accordance with and governed by the laws of the State of New York.**

In the case of any conflict between this Note and the Indenture, the provisions of the Indenture shall control and govern.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed manually or by facsimile by the Trustee or a duly authorized authenticating agent under the Indenture.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

NXP SEMICONDUCTORS N.V.

By: \_\_\_\_\_

Name:

Title:

Dated: December 1, 2014

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

DEUTSCHE BANK TRUST COMPANY AMERICAS  
as Trustee, certifies that this is one of the Notes described  
in the within-named Indenture.

By: \_\_\_\_\_  
Authorized Officer

NXP Semiconductors N.V.  
1.00% Cash Convertible Senior Note due 2019

This Note is one of a duly authorized issue of Notes of the Company, designated as its 1.00% Cash Convertible Senior Notes due 2019 (the “Notes”), limited to the aggregate principal amount of \$1,150,000,000 all issued or to be issued under and pursuant to an Indenture dated as of December 1, 2014 (the “Indenture”), between the Company and Deutsche Bank Trust Company Americas (the “Trustee”), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Notes. Additional Notes may be issued in an unlimited aggregate principal amount, subject to certain conditions specified in the Indenture. The Rule 144A Notes and the Regulation S Notes initially have separate CUSIP numbers and will initially not be fungible.

In case certain Events of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of, and interest on, all Notes may be declared, by either the Trustee or Holders of at least 25% in aggregate principal amount of Notes then outstanding, and upon said declaration shall become, due and payable, in the manner, with the effect and subject to the conditions and certain exceptions set forth in the Indenture.

Subject to the terms and conditions of the Indenture, the Company will make all payments in respect of the Redemption Price on the Tax Redemption Date, the Fundamental Change Repurchase Price on the Fundamental Change Repurchase Date and the principal amount on the Maturity Date, as the case may be, to the Holder who surrenders a Note to the Paying Agent to collect such payments in respect of the Note. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts.

The Indenture contains provisions permitting the Company and the Trustee in certain circumstances, without the consent of the Holders of the Notes, and in certain other circumstances, with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding, evidenced as in the Indenture provided, to execute supplemental indentures modifying the terms of the Indenture and the Notes as described therein. It is also provided in the Indenture that, subject to certain exceptions, the Holders of a majority in aggregate principal amount of the Notes at the time outstanding may on behalf of the Holders of all of the Notes waive any past Default or Event of Default under the Indenture and its consequences.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal (including the Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, accrued and unpaid interest on, and the cash due upon conversion of, this Note at the place, at the respective times, at the rate and in the lawful money herein prescribed.

The Notes are issuable in registered form without coupons in minimum denominations of \$200,000 principal amount, and in any integral multiple of \$1,000 in excess thereof. At the office or agency of the Company referred to on the face hereof, and in the manner and subject to the limitations provided in the Indenture, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations, without payment of any service charge but, if required by the Company or Trustee, with payment of a sum sufficient to cover any transfer or similar tax that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such exchange of Notes being different from the name of the Holder of the old Notes surrendered for such exchange.

The Notes are not subject to redemption through the operation of any sinking fund or otherwise, except in the limited circumstances described in the Indenture.

Upon the occurrence of a Fundamental Change, the Holder has the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes or any portion thereof (in principal amounts of \$1,000 or integral multiples thereof, so long as the portion not tendered for repurchase has a principal amount of at least \$200,000) on the Fundamental Change Repurchase Date at a price equal to the Fundamental Change Repurchase Price.

Subject to the provisions of the Indenture, the Holder hereof has the right, at its option, during certain periods and upon the occurrence of certain conditions specified in the Indenture, prior to the close of business on the second Scheduled Trading Day immediately preceding the Maturity Date, to convert any Notes or portion thereof that is \$1,000 or an integral multiple thereof (so long as the portion not converted has a principal amount of at least \$200,000), solely into cash at the Conversion Rate specified in the Indenture, as adjusted from time to time as provided in the Indenture.

Terms used in this Note and defined in the Indenture are used herein as therein defined.

## ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this Note, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM = as tenants in common

UNIF GIFT MIN ACT = Uniform Gifts to Minors Act

CUST = Custodian

TEN ENT = as tenants by the entireties

JT TEN = joint tenants with right of survivorship and not as tenants in common

Additional abbreviations may also be used though not in the above list.

SCHEDULE OF EXCHANGES OF NOTES

NXP Semiconductors N.V.  
 1.00% Cash Convertible Senior Notes due 2019

The initial principal amount of this Global Note is DOLLARS (\$ [            ] ). The following increases or decreases in this Global Note have been made:

<u>Date of exchange</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 or Custodian</u>
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<sup>10</sup> Include if a global note.

[FORM OF NOTICE OF CONVERSION]

NXP Semiconductors N.V.  
1.00% Cash Convertible Senior Notes due 2019

To: Deutsche Bank Trust Company Americas  
Trust and Agency Services  
60 Wall Street, 16th Floor  
Mail Stop: NYC60-1630  
New York, New York 10005  
Attn: Corporates Team, NXP  
Facsimile: (732) 578-4635

The undersigned registered owner of this Note hereby exercises the option to convert this Note, or the portion hereof (that is \$1,000 principal amount or an integral multiple thereof) below designated, so long as the portion not converted has a principal amount of not less than \$200,000, solely into cash in accordance with the terms of the Indenture referred to in this Note, and directs that all cash payable upon such conversion, and any Notes representing any unconverted principal amount hereof, be issued and delivered to the registered Holder hereof unless a different name has been indicated below. Any amount required to be paid to the undersigned on account of interest accompanies this Note. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

In connection with the conversion of this Note, or the portion hereof below designated, the undersigned acknowledges, represents to and agrees with the Company that the undersigned is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Company and has not been an "affiliate" (as defined in Rule 144 under the Securities Act) during the three months immediately preceding the date hereof.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

\_\_\_\_\_  
Signature Guarantee

Signature(s) must be guaranteed  
by an eligible Guarantor Institution  
(banks, stock brokers, savings and

loan associations and credit unions)  
with membership in an approved  
signature guarantee medallion program  
pursuant to Securities and Exchange  
Commission Rule 17Ad-15 if Notes are to  
be delivered, other than  
to and in the name of the  
registered holder.

Fill in if Notes to  
be delivered, other than to and in the  
name of the registered holder:

---

(Name)

---

(Street Address)

---

(City, State and Zip Code)

Please print name and address

Principal amount to be converted (if less than all):  
\$       ,000

NOTICE: The above signature(s) of the Holder(s) hereof  
must correspond with the name as written upon the face of  
the Note in every particular without alteration or  
enlargement or any change whatever.

---

Social Security or Other Taxpayer  
Identification Number

[FORM OF FUNDAMENTAL CHANGE REPURCHASE NOTICE]

NXP Semiconductors N.V.  
1.00% Cash Convertible Senior Notes due 2019

To: Deutsche Bank Trust Company Americas  
Trust and Agency Services  
60 Wall Street, 16th Floor  
Mail Stop: NYC60-1630  
New York, New York 10005  
Attn: Corporates Team, NXP  
Facsimile: (732) 578-4635

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from NXP Semiconductors N.V. (the "Company") as to the occurrence of a Fundamental Change with respect to the Company and specifying the Fundamental Change Repurchase Date and requests and instructs the Company to pay to the registered holder hereof in accordance with Section 15.02 of the Indenture referred to in this Note (1) the entire principal amount of this Note, or the portion thereof (that is \$1,000 principal amount or an integral multiple thereof, so long as the portion not tendered for repurchase has a principal amount of at least \$200,000) below designated, and (2) if such Fundamental Change Repurchase Date does not fall during the period after a Regular Record Date and on or prior to the corresponding Interest Payment Date, accrued and unpaid interest, if any, thereon to, but excluding, such Fundamental Change Repurchase Date. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

In the case of Physical Notes, the certificate numbers of the Notes to be repurchased are as set forth below:

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

\_\_\_\_\_  
Social Security or Other Taxpayer  
Identification Number

Principal amount to be repaid (if less than all):  
\$ \_\_\_\_\_,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

## [FORM OF ASSIGNMENT AND TRANSFER]

NXP Semiconductors N.V.  
1.00% Cash Convertible Senior Notes due 2019

For value received hereby sell(s), assign(s) and transfer(s) unto (Please insert social security or Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with any transfer of the within Note occurring prior to the Resale Restriction Termination Date, as defined in the Indenture governing such Note, the undersigned confirms that such Note is being transferred:

To NXP Semiconductors N.V. or a subsidiary thereof; or

Pursuant to a registration statement that has become or been declared effective under the Securities Act of 1933, as amended; or

To a transferee that the undersigned reasonably believes is a "qualified institutional buyer" (within the meaning of Rule 144A) that is purchasing for its own account or for the account of another qualified institutional buyer and the undersigned has provided such transferee notice that the transfer is being made in reliance on Rule 144A, all in compliance with Rule 144A; or

To a non-U.S. person outside the United States in accordance with Regulation S under the Securities Act of 1933, as amended; or

Pursuant to and in compliance with Rule 144 under the Securities Act of 1933, as amended (if available).

Dated: \_\_\_\_\_

\_\_\_\_\_

Signature(s) \_\_\_\_\_

Signature Guarantee \_\_\_\_\_

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if Notes are to be delivered, other than to and in the name of the registered holder.

NOTICE: The signature on the assignment must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

## [FORM OF CERTIFICATE RE: EXCHANGE FOR REGULATION S NOTE]

NXP Semiconductors N.V.  
1.00% Cash Convertible Senior Notes due 2019

To: Deutsche Bank Trust Company Americas  
Trust and Agency Services  
60 Wall Street, 16th Floor  
Mail Stop: NYC60-1630  
New York, New York 10005  
Attn: Corporates Team, NXP  
Facsimile: (732) 578-4635

In connection with the requested exchange of the within Note (or a portion thereof) for a Regulation S Note with like aggregate principal amount (or an increase in the aggregate principal amount represented by a Global Note that constitutes a Regulation S Note) prior to the Notes Fungibility Date, as defined in the Indenture governing such Note, the undersigned confirms that the Note (or a beneficial interest therein) has been transferred in accordance with Rule 903 or 904 of Regulation S under the U.S. Securities Act of 1933, as amended.

<sup>11</sup> To be included for Rule 144A Notes.

Dated: \_\_\_\_\_

\_\_\_\_\_

Signature(s)

## [FORM OF CERTIFICATE RE: EXCHANGE FOR RULE 144A NOTE]

NXP Semiconductors N.V.  
1.00% Cash Convertible Senior Notes due 2019

To: Deutsche Bank Trust Company Americas  
Trust and Agency Services  
60 Wall Street, 16th Floor  
Mail Stop: NYC60-1630  
New York, New York 10005  
Attn: Corporates Team, NXP  
Facsimile: (732) 578-4635

In connection with the requested exchange of the within Note (or a portion thereof) for a Rule 144A Note with like aggregate principal amount (or an increase in the aggregate principal amount represented by a Global Note that constitutes a Rule 144A Note) prior to the Notes Fungibility Date, as defined in the Indenture governing such Note, the undersigned confirms that:

- (1) such exchange occurs in connection with a transfer of such Note (or a beneficial interest therein) under Rule 144A (as defined in the Indenture); and
- (2) such Note (or a beneficial interest therein) is being transferred to a Person:
  - (a) who the undersigned reasonably believes to be a QIB (as defined in the Indenture);
  - (b) purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A; and
  - (c) in accordance with all securities laws of the states of the United States and other jurisdictions.

<sup>12</sup> To be included for Regulation S Notes.

Dated: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Signature(s)

Global NXP Stock Option Program 2014/15

**TERMS AND CONDITIONS  
OF  
GLOBAL NXP STOCK OPTION PROGRAM 2014/15**

**Article 1  
Definitions**

In this Global NXP Stock Option Program the following definitions shall apply:

1. **Board:** The board of directors of NXP.
2. **Change of Control:** a transaction or series of transactions or the conclusion of an agreement, which alone or taken together has the effect that as a result thereof a third party, or third parties acting in concert obtains, whether directly or indirectly, Control of NXP.
3. **Closing Price:** the price of a Share listed at the NASDAQ Global Select Market ("NASDAQ") with dividend, if any, at closing of NASDAQ . If on the date of receipt of an Exercise Notice, Shares have not been traded at NASDAQ, the Closing Price will be the opening price of the first subsequent trading day at NASDAQ.
4. **Control:** (i) the ownership, whether direct or indirect, of a party or parties acting in concert, of more than 50.1% percent of (a) the issued Share capital and/or (b) the voting rights in the general meeting of shareholders; or (ii) the right, whether direct or indirect, of a party or parties acting in concert to control the composition of the majority of the Board of NXP, or the majority of its voting rights, by contract or otherwise.
5. **Custody Account:** a custody account maintained in the name of an Option Holder.
6. **Date of Grant:** the date at which the Options shall be deemed granted to the Option Holder pursuant to this Program. The Dates of Grant shall be the same dates as the dates of publication of NXP annual and/or quarterly results. The relevant Date of Grant with respect to any grant hereunder shall be determined by NXP.
7. **Eligible Individual:** means an employee of the group of which NXP forms part or such other person as determined by or on behalf of the Board.
8. **Employing Company:** any company within the group of which NXP forms part and such other company as designated by or on behalf of the Board.

9. Exercise Notice: a notice in which an Option Holder indicates that he will exercise his vested Options.
10. Exercise Period: the term during which an Option can be exercised.
11. Exercise Price: the price to be paid by the Option Holder to acquire a Share upon exercising an Option. Such price will be equal to the Closing Price on the applicable Date of Grant.
12. Grant: a grant of an Option to any Eligible Individual by NXP.
13. Grant Letter the letter in which Options are granted to an Eligible Individual.
14. NXP: NXP Semiconductors N.V.
15. Option: a right granted by NXP under this Program to acquire one Share or the value in cash thereof, subject to this Program.
16. Option Holder: a person holding any Options under this Program.
17. Program: this Global NXP Stock Option Program.
18. Share: a common share in the share capital of NXP.

## **Article 2 Grant of Options**

1. Any Options may be granted by or on behalf of the Board to an Eligible Individual, subject to the terms and conditions of this Program and any other NXP policies or guidelines that may apply to such individual. Any Options granted to any such individual and the terms and conditions governing such Options shall be deemed accepted by such individual with effect from the applicable Date of Grant in case NXP has not received, in accordance with a procedure established by NXP, a notice of rejection of such Options within fourteen (14) days following the Grant Letter or such later date as may be determined by NXP.
2. The Grant Letter shall reflect, inter alia, the Date of Grant, the number of Options awarded, the Exercise Price and the vesting schedule.

## **Article 3 Vesting**

Options will vest over a four-year vesting period as indicated in the Grant Letter, whereby any 1/4 of the Options will vest at each anniversary of the Date of Grant, subject to Article 9

(Termination of Employment). In case of a Change of Control, an Option will fully (for 100%) vest (accelerated vesting), unless the Grant Letter stipulates differently.

**Article 4**  
**Exercise of Options**

1. Vested Options can only be exercised during the Exercise Period. Unvested or lapsed Options cannot be exercised.
2. The Exercise Period commences on the vesting of the relevant Options and terminates on the tenth anniversary of the Date of Grant, subject to Article 8(2)(e).
3. Vested Options can only be exercised by (i) submitting an Exercise Notice, and (ii) payment of the Exercise Price. Vested Options may in principle only be exercised subject to a minimum of ten (10) units.
4. The Exercise Notice should contain (i) the Date of Grant of the Options an Option Holder wishes to exercise and (ii) the number of Options to be exercised and whether Shares to be obtained upon such exercise:
  - a. be sold, on behalf of the Option Holder as soon as possible. Upon such sale, the aggregate revenue of the Shares sold upon exercise of the Options less the Exercise Price multiplied by the number of such Options, and further costs and Taxes, will be paid to the Option Holder in accordance with a procedure determined by NXP; or
  - b. be delivered to the Option Holder as provided for in Article 10. In case the Option Holder elects to have the Shares to be delivered to him, the Exercise Notice shall contain the details of the Custody Account to which the Shares shall be delivered, and shall be accompanied by the payment in full of the Exercise Price, multiplied by the number of Options so being exercised, and further costs and Taxes. Such payment shall be made: (a) in cash, (b) through simultaneous sale through a broker of Shares acquired on exercise, subject to it being permitted under the applicable regulations, (c) through additional methods prescribed by NXP or (d) by a combination of any such method.

**Article 5**  
**Cash Alternative**

In exceptional circumstances, at the sole discretion of the Board, upon receipt of an Exercise Notice NXP may advise an Option Holder resident outside the Netherlands to request in writing an amount in cash as an alternative to Shares. Upon such request the Option Holder is entitled to receive an amount in U.S. Dollars, equal to the Closing Price minus the Exercise Price, multiplied by the number Options being exercised. Any costs to be paid and any applicable Taxes due shall be deducted from the amount to be received by the Option Holder.

**Article 6**  
**Non-transferability**

The Options are strictly personal, and may not be assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of in any manner nor may any

transaction be entered into with the same effect. For the avoidance of doubt, in case of death of the Option Holder during the Exercise Period, all vested Options held by such Option Holder at the date of his death shall pass to such Option Holder's heirs or legatees in accordance with applicable inheritance laws. The Option Holder may not engage in any transactions on any exchange on the basis of any Options.

**Article 7**  
**Capital Adjustments in corporate events**

NXP may make any equitable adjustment or substitution of (a) the number or kind of Shares subject to the Options, and/or (b) the Exercise Price, as it, in its sole discretion, deems equitable to reflect any significant corporate event of or by NXP, for example a change in the outstanding Shares by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other corporate change, or any distribution to holders of Shares other than regular cash dividends.

The effect of the adjustment or substitution shall be to preserve both the aggregate difference and the aggregate ratio between the Exercise Price and the fair market value of the Shares to be acquired upon exercise of the Options. The Option Holder shall be notified promptly of such adjustment or substitution.

**Article 8**  
**Costs and Taxes**

1. All costs of delivering any Shares under this Program to an Option Holder's Custody Account and any other costs connected with the Shares shall be borne by the Option Holder.
2. Any and all taxes, duties, levies, charges or social security contributions ("Taxes") which arise under any applicable national, state, local or supra-national laws, rules or regulations, whether already effective on the Date of Grant of any Options or becoming effective thereafter, and any changes or modifications therein and termination thereof which may result for the Option Holder in connection with this Program (including, but not limited to, the grant, the ownership and/or the exercise of the Options, and/or the delivery, ownership and/or the sale of any Shares acquired under this Program) shall be for the sole risk and account of the Option Holder.
3. NXP and its subsidiaries shall have the right to deduct or withhold (or cause to be deducted or withheld) from any salary payment or other sums due by NXP or any of its subsidiaries to an Option Holder, or requiring the Option Holder or beneficiary of the Option Holder, to pay to NXP or any of its subsidiaries as indicated by NXP an amount necessary to settle any Taxes and any costs determined by NXP necessary to be withheld in connection with this Program (including, but not limited to, the grant of the Options or the delivery of any Shares under this Program).
4. NXP shall not be required to deliver any Shares and NXP may delay (or cause to be delayed) the transfer of any Shares to a Custody Account, until NXP has received an amount, or the Option Holder has made such arrangements, required by NXP necessary to satisfy any withholding of any Taxes and any costs to be borne by the Option Holder in connection with this Program as determined by NXP.

**Article 9**  
**Lapse of Options at termination of employment**

1. Unvested Options shall lapse, on the earliest of the following occasions, without notice and without any compensation:
  - a. if an Option Holder's employment terminates and such Option Holder is no longer employed by any Employing Company;
  - b. upon violation by the Option Holder of any provision of this Program or the Grant Letter in which case the Options shall lapse on the date of such violation (rather than the date on which such violation comes to the attention of NXP).
2. Vested Options shall lapse on the earliest of the following occasions, without notice and without any compensation:
  - a. the tenth anniversary of the Date of Grant, subject to Article 9(2)(e);
  - b. if an Option Holder becomes a Bad Leaver (as defined in Article 9(4));
  - c. if an Option Holder becomes a Good Leaver (as defined in Article 9(3)), in which case the Options lapse on the earlier of (i) 10 years of the Date of Grant, or (ii) 5 years from the date on which the Option Holder's employment terminates;
  - d. If an Option Holder becomes an Ordinary Leaver, in which case the Options lapse after 6 months from the date on which the Option Holder's employment terminates;
  - e. If an Option Holder becomes a Good Leaver by reason of death or legal incapability, and the remaining Exercise Period with respect to the relevant Options is less than 12 months, the Options shall remain exercisable for a period of 12 months as of the date the Option Holder dies or becomes legal incapable;
  - f. if an Option Holder is a Good Leaver or an Ordinary Leaver and after termination of his employment breaches any of the covenants of his employment or service contract or the termination thereof, in each case relating to non-competition, confidentiality, non-solicitation or any other provision of his employment or the aforementioned agreements that survive the termination of his employment, in which case the Options lapse on the date of such breach (rather than the date on which such breach comes to the attention of NXP). In any event, if an Option Holder is a Good Leaver or an Ordinary Leaver and - directly or indirectly and in any capacity whatsoever - personally actively solicits or personally actively endeavors to entice away or personally actively recruits any NXP employees, the Options lapse with immediate effect (rather than the date on which such breach comes to the attention of NXP);
  - g. upon violation by the Option Holder of any provision of this Program or the Grant Letter, in which case the Options shall lapse on the date of such violation (rather than the date on which such violation comes to the attention of NXP);
  - h. when an Option is exercised in accordance with this Program; and,
  - i. at the end of the Exercise Period.

3. For purposes of this Program, a “Good Leaver” shall be an Option Holder whose employment with NXP or an Employing Company is terminated due to:
  - a. death;
  - b. disability (i.e., the incapacity to continue employment due to ill health or disability under applicable local employment and social security legislation and regulations);
  - c. retirement in accordance with Article 9(6); or
  - d. legal incapability.
4. For purposes of this Program, a “Bad Leaver” shall be an Option Holder whose employment with NXP or an Employing Company is terminated (i) following the Option Holder committing an act of theft, fraud or deliberate falsification of records in relation to his duties for NXP or the Employing Company, (ii) following the Option Holder being convicted of or pleading guilty to a serious criminal offence (*misdrijf*) relating to his duties for NXP or the Employing Company (excluding any motoring or non-duty related minor offence), which act or criminal offence referred to in (i) and/or (ii) has a material adverse effect upon NXP or the Employing Company, (iii) with immediate effect because of an urgent cause (*dringende reden*) as referred to in article 7:678 of the Dutch Civil Code for cause, or (iv) an Option Holder twelve (12) months period following the termination of employment, directly or indirectly and in any capacity whatsoever engage in any activities in competition with the activities of any member of the NXP group, including the Option Holder personally actively soliciting or personally actively endeavoring to entice away or personally actively recruiting any NXP employees in said period.
5. For purposes of this Program, an “Ordinary Leaver” shall be an Option Holder whose employment with NXP or an Employing Company is terminated and who is not a Bad Leaver or a Good Leaver.
6. For purposes of Article 9(3)(c), an Option Holder’s is deemed to be retired if his employment is terminated and he is eligible to receive an immediate (early) retirement benefit under an (early) retirement plan of an Employing Company under which such Option Holder was covered, provided that payment of such (early) retirement benefit commences immediately following such termination and subject to the terms, conditions or guidelines that NXP may apply to such Option Holder. In case no retirement plan is provided by NXP in the country where the Option Holder resides, retirement will be determined in the context of local practice, including, but not limited to, eligibility to a state retirement plan. With respect to an Option Holder who is eligible to participate in a U.S. retirement or pension plan and who is a not a party to a contract governing employment conditions or benefits with an entity which is domiciled outside of the United States, the Option Holder’s employment shall be deemed terminated as a result of retirement if such Option Holder’s employment is terminated and, at the time of his or her termination of employment the Option Holder has at least five (5) years of service with an U.S. Employing Company and has attained the age of fifty-five (55) years.

**Article 10**  
**Delivery and Custody Account**

1. NXP may require an Option Holder to maintain a Custody Account in connection with this Program. Nothing contained in this Program shall obligate NXP to establish or maintain or cause to establish or maintain a Custody Account for any Option Holder. The Option Holder will provide NXP with the details thereof.
2. Shares obtained upon exercise of Options, will be delivered by NXP, as soon as reasonably practical after the exercise, to the Option Holder's Custody Account.
3. In case the Option Holder has failed to notify NXP with the details of his Custody Account, the Option Holder shall be deemed to have requested NXP to sell or cause to sell such corresponding Shares in accordance with Article 4(4)(a).

## **Article 11**

### **General Provisions**

#### ***Insider trading rules***

1. Each Option Holder shall comply with any applicable "insider trading" laws and regulations, including the "NXP Semiconductor N.V. rules on holding and trading in NXP Securities".

#### ***Authority for this Program***

2. NXP shall have the authority to interpret this Program, to establish, amend, and rescind any rules and regulations relating to this Program, to determine and - if deemed necessary or advisable - amend the terms and conditions of any agreements entered into hereunder, to make all other determinations necessary or advisable for the administration of this Program. To the extent required by law, the general meeting of shareholders of NXP will be requested to adopt or approve such changes.
3. The terms and conditions in force from time to time are published on the NXP' intranet and on the website of the administrator of this Program and apply to all Options granted and the Shares obtained under this Program. NXP may delegate the authority to perform administrative and operational functions with respect to this Program to officers or employees of subsidiaries of NXP and to service providers.

#### ***Shareholder rights***

4. No Option Holder shall have any rights or privileges of shareholders (including the right to receive dividends and to vote) with respect to Shares to be delivered pursuant to the exercise of any Options until such Shares are actually delivered to him in accordance with Article 10 of this Program.

***Non-recurring discretionary grant***

5. Eligibility and participation shall be at the sole discretion of NXP or the Employing Company and as such do not qualify as terms and conditions of employment. The Grant in one year does not create rights for future years.
6. Options granted, Shares obtained or cash received under this Program shall not be considered as compensation in determining an Option Holder's benefits under any benefit plan of an Employing Company, including but not limited to, group life insurance, long-term disability, family survivors, or any retirement, pension or savings plan.
7. Nothing contained in this Program, Grant Letter or any agreement entered into pursuant hereto shall confer upon any Option Holder any right to be retained employed with any Employing Company, or to be entitled to any remuneration or benefits not set forth in this Program or interfere with or limit in any way with the right of any Employing Company or any of its subsidiaries to terminate such Option Holder's employment or to discharge or retire any Option Holder at any time.

***Miscellaneous***

8. If a provision of this Program is deemed illegal or invalid, the illegality or invalidity shall not affect the remaining parts of this Program, this Program shall be construed as if the illegal or invalid provisions had not been included in this Program.
9. Where the context requires, words in either gender shall include also the other gender.

***Choice of law and forum***

10. This Program shall be governed by and construed in accordance with the laws of The Netherlands, without regard to its principles of conflict of laws. Any dispute arising under or in connection with this Program shall be settled by the competent courts in Amsterdam, The Netherlands.

— — — — —

**NXP Performance Stock Units Plan 2014/15**

**TERMS AND CONDITIONS****OF****NXP PERFORMANCE STOCK UNITS PLAN 2014/15****Article 1  
Definitions**

In this NXP Performance Stock Units Plan the following definitions shall apply:

1. **Board:** the board of directors of NXP.
2. **Change of Control:** a transaction or series of transactions or the conclusion of an agreement, which alone or taken together has the effect that as a result thereof a third party, or third parties acting in concert, obtains, whether directly or indirectly, Control of NXP.
3. **Control:** (i) the ownership, whether direct or indirect, of a party or parties acting in concert, of more than 50.1% percent of (a) the issued Share capital and/or (b) the voting rights in the general meeting of shareholders; or (ii) the right, whether direct or indirect, of a party or parties acting in concert to control the composition of the majority of the Board of NXP, or the majority of its voting rights, by contract or otherwise.
4. **Custody Account:** a custody account maintained in the name of a Participant.
5. **Date of Grant:** the date at which a Performance Stock Unit is granted pursuant to this Plan. The Dates of Grant of any Performance Stock Units shall be the same dates as the dates of publication of the NXP' annual and/or quarterly results. The relevant Date of Grant and categorization of any Performance Stock Unit with respect to any grant hereunder shall be determined by NXP.
6. **Date of Vesting:** The date at which the relevant performance conditions and requisite service period, if any, as indicated in the Grant Letter, for the relevant Performance Stock Unit is met, subject to confirmation by NXP in accordance with a procedure established by NXP. In case performance conditions are combined with a requisite service period, the Date of Vesting will be the date at which both the performance conditions and the requisite service period have been met,
7. **Eligible Individual:** means an employee of the group of which NXP forms part or such other person as determined by or on behalf of the Board.
8. **Employing Company:** any company within the group of which NXP forms part and

- such other company as designated by or on behalf of the Board.
9. Grant Letter: the letter in which Performance Stock Units are granted to an Eligible Individual.
10. NXP: NXP Semiconductors N.V.
11. Participant: an individual who has accepted any Performance Stock Units under this Plan.
12. Performance Stock Unit: the conditional right granted to a Participant to receive one Share, subject to the terms and conditions of this Plan.
13. Plan: this NXP Performance Stock Units Plan.
14. Share: a common share in the share capital of NXP (to be) delivered under this Plan.

**Article 2**  
**Grant of Performance Stock Units**

1. Any Performance Stock Units may be granted by or on behalf of the Board to an Eligible Individual, subject to the terms and conditions of this Plan and any other NXP policies or guidelines that may apply to such individual. Any Performance Stock Units offered to any such individual and the terms and conditions governing such rights shall be deemed accepted by such individual with effect from the applicable Date of Grant in case NXP has not received, in accordance with a procedure established by NXP, a notice of rejection of such rights within fourteen (14) days of the Grant Letter or such later date as may be determined by NXP.
2. The Grant Letter shall reflect, inter alia, the Date of Grant, the number and category of Performance Stock Units awarded, the vesting schedule, the performance conditions and requisite service period, if any.

**Article 3**  
**Vesting of a Performance Stock Unit**

1. A Performance Stock Unit will vest (i.e. become unconditional and the corresponding Shares will be delivered to the relevant Participant) on the relevant Date of Vesting subject to (i) any relevant performance conditions, if and when indicated in the Grant Letter, being met, (ii) the relevant Participant still being employed by any Employing Company upon expiration of the relevant vesting period (at the time the corresponding Shares be delivered to the relevant Participant), and (iii) 0 (Termination of Employment). In case of a Change of Control, a Performance Stock Unit will fully (for 100%) vest (accelerated vesting), unless the Grant Letter stipulates differently.

2. Whether any performance conditions are met, and whether the relevant Participant is still employed by an Employing Company at the relevant time, will be established by NXP in accordance with a procedure established by NXP.

**Article 4**  
**Termination of Employment**

Unvested Performance Stock Units shall lapse, on the earliest of the following occasions, without notice and without any compensation:

- a. if a Participant's employment terminates and such Participant is no longer employed by any Employing Company;
- b. upon violation by the Participant of any provision of this Plan or the Grant Letter in which case the Performance Stock Units shall lapse on the date of such violation (rather than the date on which such violation comes to the attention of NXP).

**Article 5**  
**Non-transferability**

The Performance Stock Units are strictly personal, and may not be assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of in any manner nor may any transaction be entered into with the same effect. The Participant may not engage in any transactions on any exchange on the basis of any Performance Stock Units.

**Article 6**  
**Delivery and Holding of Shares**

1. NXP may require a Participant to maintain a Custody Account in connection with this Plan. Nothing contained in this Plan shall obligate NXP to establish or maintain or cause to establish or maintain a Custody Account for any Participant. The Participant will provide NXP with the details thereof.
2. Subject to the terms and conditions of this Plan, and further to the Participants election via the website, NXP will deliver a Share to a Participant on or as soon as reasonably practicable, and in any event within 2.5 months, after the relevant Date of Vesting. In no event shall NXP have any obligation to deliver any Shares to a Participant prior to the relevant Date of Vesting.
3. Any Shares to be delivered pursuant to Article 6(2) will be credited to the Custody Account.

**Article 7**  
**Capital Dilution**

NXP may make any equitable adjustment or substitution of the number or kind of Shares subject to the Performance Stock Units, as it, in its sole discretion, deems equitable to reflect any significant corporate event of or by NXP, for example a change in the outstanding Shares by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other corporate change, or any distribution to holders of Shares other than regular cash dividends.

**Article 8**  
**Costs and Taxes**

1. All costs of delivering any Shares under this Plan to a Participant's Custody Account and any other costs connected with the Shares shall be borne by the Participant.
2. Any and all taxes, duties, levies, charges or social security contributions ("Taxes") which arise under any applicable national, state, local or supra-national laws, rules or regulations, whether already effective on the Date of Grant of any Performance Stock Units or becoming effective thereafter, and any changes or modifications therein and termination thereof which may result for the Participant in connection with this Plan (including, but not limited to, the grant of the Performance Stock Units, the ownership of the Performance Stock Units and/or the delivery of any Shares under this Plan, the ownership and/or the sale of any Shares acquired under this Plan) shall be for the sole risk and account of the Participant.
3. NXP and any other Employing Company shall have the right to deduct or withhold (or cause to be deducted or withheld) from any salary payment or other sums due by NXP or any other Employing Company to Participant, or requiring the Participant or beneficiary of the Participant, to pay to NXP an amount necessary to settle any Taxes and any costs determined by NXP necessary to be withheld in connection with this Plan (including, but not limited to, the grant of the Performance Stock Units or the delivery of any Shares under this Plan).

**Article 9**  
**Cash Alternative**

In exceptional circumstances, at the sole discretion of the Board, upon the Date of Vesting, NXP may advise a Participant resident outside the Netherlands to request in writing an amount in cash as an alternative to Shares. Upon such request the Participant is entitled to receive an amount in U.S. Dollars, equal to the price of a Share listed at the NASDAQ Global Select Market with dividend, if any, at closing of NASDAQ, multiplied by the relevant number of vested Performance Stock Units. If on the date of receipt of the request from the Participant, Shares have not been traded at NASDAQ, the price of a Share will be the opening price of the first subsequent trading day at NASDAQ. Any costs to be paid and any applicable Taxes due shall be deducted from the amount to be received by the Participant.

**Article 10**  
**General Provisions**

***Insider trading rules***

1. Each Participant shall comply with any applicable "insider trading" laws and regulations, including the "NXP Semiconductor N.V. rules on holding and trading in NXP Securities".

***Authority for this Plan***

2. NXP shall have the authority to interpret this Plan, to establish, amend, and rescind any rules and regulations relating to this Plan, to determine and - if deemed necessary or advisable - amend the terms and conditions of any agreements entered into hereunder, to make all other determinations necessary or advisable for the administration of this Plan. To the extent required

by law, the general meeting of shareholders of NXP will be requested to adopt or approve such changes.

3. The terms and conditions in force from time to time are published on the NXP' intranet and on the website of the administrator of this Plan and apply to all Performance Stock Units granted and the Shares obtained under this Plan. NXP may delegate the authority to perform administrative and operational functions with respect to this Plan to officers or employees of subsidiaries of NXP and to service providers.

#### **Shareholder rights**

4. No Participant shall have any rights or privileges of shareholders (including the right to receive dividends and to vote) with respect to Shares to be delivered pursuant to the Performance Stock Units until such Shares are actually delivered to him in accordance with Article 6 of this Plan. The Shares delivered shall carry the same rights as common shares of NXP traded at NASDAQ on the day on which these Shares are delivered.

#### **Non-recurring discretionary grant**

5. Eligibility and participation shall be at the sole discretion of NXP or the Employing Company and as such do not qualify as terms and conditions of employment. The Grant in one year does not create rights for future years.
6. The (value of) Performance Stock Units granted to, or Shares acquired by a Participant pursuant to such Performance Stock Unit under this Plan shall not be considered as compensation in determining a Participant's benefits under any benefit plan of an Employing Company, including but not limited to, group life insurance, long-term disability, family survivors, or any retirement, pension or savings plan.
7. Nothing contained in this Plan, Grant Letter or any agreement entered into pursuant hereto shall confer upon any Participant any right to be retained employed with any Employing Company, or to be entitled to any remuneration or benefits not set forth in this Plan or interfere with or limit in any way with the right of any Employing Company or any of its subsidiaries to terminate such Participant's employment or to discharge or retire any Participant at any time.

#### **Miscellaneous**

8. If a provision of this Plan is deemed illegal or invalid, the illegality or invalidity shall not affect the remaining parts of this Plan, this Plan shall be construed as if the illegal or invalid provisions had not been included in this Plan.
9. Where the context requires, words in either gender shall include also the other gender.

#### **Choice of law and forum**

10. This Plan shall be governed by and construed in accordance with the laws of The Netherlands, without regard to its principles of conflict of laws. Any dispute arising under or in connection with this Plan shall be settled by the competent courts in Amsterdam, The Netherlands.

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NXP Restricted Stock Units Plan 2014/15

**TERMS AND CONDITIONS****OF****NXP RESTRICTED STOCK UNITS PLAN 2014/15****Article 1  
Definitions**

In this NXP Restricted Stock Units Plan the following definitions shall apply:

1. **Board:** the board of directors of NXP.
2. **Change of Control:** a transaction or series of transactions or the conclusion of an agreement, which alone or taken together has the effect that as a result thereof a third party, or third parties acting in concert, obtains, whether directly or indirectly, Control of NXP.
3. **Control:** (i) the ownership, whether direct or indirect, of a party or parties acting in concert, of more than 50.1% percent of (a) the issued Share capital and/or (b) the voting rights in the general meeting of shareholders; or (ii) the right, whether direct or indirect, of a party or parties acting in concert to control the composition of the majority of the Board of NXP, or the majority of its voting rights, by contract or otherwise.
4. **Custody Account:** a custody account maintained in the name of a Participant.
5. **Date of Grant:** the date at which a Restricted Stock Unit is granted pursuant to this Plan. The Dates of Grant of any Restricted Stock Units shall be the same dates as the dates of publication of the NXP' annual and/or quarterly results. The relevant Date of Grant and categorization of any Restricted Stock Unit with respect to any grant hereunder shall be determined by NXP.
6. **Date of Vesting:** the date of vesting shall be the first, second or third anniversary of the Date of Grant of such Restricted Stock Unit as specified in the Grant Letter. For this purpose, Restricted Stock Units may be categorized as "1 Year Term Restricted Stock Units", "2 Year Term Restricted Stock Units" or "3 Year Term Restricted Stock Units".
7. **Eligible Individual:** means an employee of the group of which NXP forms part or such other person as determined by or on behalf of the Board.

8. Employing Company: any company within the group of which NXP forms part and such other company as designated by or on behalf of the Board.
9. Grant Letter: the letter in which Restricted Stock Units are granted to an Eligible Individual.
10. NXP: NXP Semiconductors N.V.
11. Participant: an individual who has accepted any Restricted Stock Units under this Plan.
12. Plan: this NXP Restricted Stock Units Plan.
13. Restricted Stock Unit: the conditional right granted to a Participant to receive one Share, subject to the terms and conditions of this Plan. Restricted Stock Units may be categorized as "1 Year Term Restricted Stock Units", "2 Year Term Restricted Stock Units" or "3 Year Term Restricted Stock Units", as applicable.
14. Share: a common share in the share capital of NXP (to be) delivered under this Plan.

**Article 2**  
**Grant of Restricted Stock Units**

1. Any Restricted Stock Units may be granted by or on behalf of the Board to an Eligible Individual, subject to the terms and conditions of this Plan and any other NXP policies or guidelines that may apply to such individual. Any Restricted Stock Units offered to any such individual and the terms and conditions governing such rights shall be deemed accepted by such individual with effect from the applicable Date of Grant in case NXP has not received, in accordance with a procedure established by NXP, a notice of rejection of such rights within fourteen (14) days of the Grant Letter or such later date as may be determined by NXP.
2. The Grant Letter shall reflect, inter alia, the Date of Grant, the number and category of Restricted Stock Units awarded, the vesting schedule and the performance conditions, if any.

**Article 3**  
**Vesting of a Restricted Stock Unit**

1. A Restricted Stock Unit will vest (i.e. become unconditional and the corresponding Shares will be delivered to the relevant Participant) on the relevant Date of Vesting subject to (i) any relevant performance conditions, if and when indicated in the Grant

Letter, being met and (ii) 0 (Termination of Employment). In case of a Change of Control, a Restricted Stock Unit will fully (for 100%) vest (accelerated vesting), unless the Grant Letter stipulates differently.

2. Whether any performance conditions are met, and whether the relevant Participant is still employed by an Employing Company at the relevant time, will be established by NXP in accordance with a procedure established by NXP.

**Article 4**  
**Termination of Employment**

Unvested Restricted Stock Units shall lapse, on the earliest of the following occasions, without notice and without any compensation:

- a. if a Participant's employment terminates and such Participant is no longer employed by any Employing Company;
- b. upon violation by the Participant of any provision of this Plan or the Grant Letter in which case the Restricted Stock Units shall lapse on the date of such violation (rather than the date on which such violation comes to the attention of NXP).

**Article 5**  
**Non-transferability**

The Restricted Stock Units are strictly personal, and may not be assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of in any manner nor may any transaction be entered into with the same effect. The Participant may not engage in any transactions on any exchange on the basis of any Restricted Stock Units.

**Article 6**  
**Delivery and Holding of Shares**

1. NXP may require a Participant to maintain a Custody Account in connection with this Plan. Nothing contained in this Plan shall obligate NXP to establish or maintain or cause to establish or maintain a Custody Account for any Participant. The Participant will provide NXP with the details thereof.
2. Subject to the terms and conditions of this Plan, and further to the Participants election via the website, NXP will deliver a Share to a Participant on or as soon as reasonably practicable, and in any event within 2.5 months, after the relevant Date of Vesting. In no event shall NXP have any obligation to deliver any Shares to a Participant prior to the relevant Date of Vesting.
3. Any Shares to be delivered pursuant to Article 6( 2) will be credited to the Custody Account.

**Article 7**  
**Capital Dilution**

NXP may make any equitable adjustment or substitution of the number or kind of Shares subject to the Restricted Stock Units, as it, in its sole discretion, deems equitable to reflect any significant corporate event of or by NXP, for example a change in the outstanding Shares by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other corporate change, or any distribution to holders of Shares other than regular cash dividends.

**Article 8**  
**Costs and Taxes**

1. All costs of delivering any Shares under this Plan to a Participant's Custody Account and any other costs connected with the Shares shall be borne by the Participant.
2. Any and all taxes, duties, levies, charges or social security contributions ("Taxes") which arise under any applicable national, state, local or supra-national laws, rules or regulations, whether already effective on the Date of Grant of any Restricted Stock Units or becoming effective thereafter, and any changes or modifications therein and termination thereof which may result for the Participant in connection with this Plan (including, but not limited to, the grant of the Restricted Stock Units, the ownership of the Restricted Stock Units and/or the delivery of any Shares under this Plan, the ownership and/or the sale of any Shares acquired under this Plan) shall be for the sole risk and account of the Participant.
3. NXP and any other Employing Company shall have the right to deduct or withhold (or cause to be deducted or withheld) from any salary payment or other sums due by NXP or any other Employing Company to Participant, or requiring the Participant or beneficiary of the Participant, to pay to NXP an amount necessary to settle any Taxes and any costs determined by NXP necessary to be withheld in connection with this Plan (including, but not limited to, the grant of the Restricted Stock Units or the delivery of any Shares under this Plan).

**Article 9**  
**Cash Alternative**

In exceptional circumstances, at the sole discretion of the Board, upon the Date of Vesting, NXP may advise a Participant resident outside the Netherlands to request in writing an amount in cash as an alternative to Shares. Upon such request the Participant is entitled to receive an amount in U.S. Dollars, equal to the price of a Share listed at the NASDAQ Global Select Market with dividend, if any, at closing of NASDAQ, multiplied by the relevant number of vested Restricted Stock Units. If on the date of receipt of the request from the Participant, Shares have not been traded at NASDAQ, the price of a Share will be the opening price of the first subsequent trading day at NASDAQ. Any costs to be paid and any applicable Taxes due shall be deducted from the amount to be received by the Participant.

**General Provisions**

***Insider trading rules***

1. Each Participant shall comply with any applicable "insider trading" laws and regulations, including the "NXP Semiconductor N.V. rules on holding and trading in NXP Securities".

***Authority for this Plan***

2. NXP shall have the authority to interpret this Plan, to establish, amend, and rescind any rules and regulations relating to this Plan, to determine and—if deemed necessary or

advisable—amend the terms and conditions of any agreements entered into hereunder, to make all other determinations necessary or advisable for the administration of this Plan. To the extent required by law, the general meeting of shareholders of NXP will be requested to adopt or approve such changes.

3. The terms and conditions in force from time to time are published on the NXP' intranet and on the website of the administrator of this Plan and apply to all Restricted Stock Units granted and the Shares obtained under this Plan. NXP may delegate the authority to perform administrative and operational functions with respect to this Plan to officers or employees of subsidiaries of NXP and to service providers.

#### ***Shareholder rights***

4. No Participant shall have any rights or privileges of shareholders (including the right to receive dividends and to vote) with respect to Shares to be delivered pursuant to the Restricted Stock Units until such Shares are actually delivered to him in accordance with Article 6 of this Plan. The Shares delivered shall carry the same rights as common shares of NXP traded at NASDAQ on the day on which these Shares are delivered.

#### ***Non-recurring discretionary grant***

5. Eligibility and participation shall be at the sole discretion of NXP or the Employing Company and as such do not qualify as terms and conditions of employment. The Grant in one year does not create rights for future years.
6. The (value of) Restricted Stock Units granted to, or Shares acquired by a Participant pursuant to such Restricted Stock Unit under this Plan shall not be considered as compensation in determining a Participant's benefits under any benefit plan of an Employing Company, including but not limited to, group life insurance, long-term disability, family survivors, or any retirement, pension or savings plan.
7. Nothing contained in this Plan, Grant Letter or any agreement entered into pursuant hereto shall confer upon any Participant any right to be retained employed with any Employing Company, or to be entitled to any remuneration or benefits not set forth in this Plan or interfere with or limit in any way with the right of any Employing Company or any of its subsidiaries to terminate such Participant's employment or to discharge or retire any Participant at any time.

#### ***Miscellaneous***

8. If a provision of this Plan is deemed illegal or invalid, the illegality or invalidity shall not affect the remaining parts of this Plan, this Plan shall be construed as if the illegal or invalid provisions had not been included in this Plan.
9. Where the context requires, words in either gender shall include also the other gender.

#### ***Choice of law and forum***

10. This Plan shall be governed by and construed in accordance with the laws of The Netherlands, without regard to its principles of conflict of laws. Any dispute arising

under or in connection with this Plan shall be settled by the competent courts in Amsterdam, The Netherlands.

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NXP KEEP Restricted Stock Units Plan 2014/15

**TERMS AND CONDITIONS****OF****NXP KEEP RESTRICTED STOCK UNITS PLAN 2014/15****Article 1  
Definitions**

In this NXP KEEP Restricted Stock Units Plan the following definitions shall apply:

1. Board: the board of directors of NXP.
2. Change of Control: a transaction or series of transactions or the conclusion of an agreement, which alone or taken together has the effect that as a result thereof a third party, or third parties acting in concert, obtains, whether directly or indirectly, Control of NXP.
3. Control: (i) the ownership, whether direct or indirect, of a party or parties acting in concert, of more than 50.1% percent of (a) the issued Share capital and/or (b) the voting rights in the general meeting of shareholders; or (ii) the right, whether direct or indirect, of a party or parties acting in concert to control the composition of the majority of the Board of NXP, or the majority of its voting rights, by contract or otherwise.
4. Custody Account: a custody account maintained in the name of a Participant.
5. Date of Grant: the date at which a Restricted Stock Unit is granted pursuant to this Plan. The Dates of Grant of any Restricted Stock Units shall be the same dates as the dates of publication of the NXP' annual and/or quarterly results. The relevant Date of Grant and categorization of any Restricted Stock Unit with respect to any grant hereunder shall be determined by NXP.
6. Date of Vesting: the date of vesting shall be the third, fourth or fifth anniversary of the Date of Grant of such Restricted Stock Unit as specified in the Grant Letter. For this purpose, Restricted Stock Units may be categorized as "3 Year Term Restricted Stock Units", "4 Year Term Restricted Stock Units" or "5 Year Term Restricted Stock Units".
7. Eligible Individual: means an employee of the group of which NXP forms part or such other person as determined by or on behalf of the Board.
8. Employing Company: any company within the group of which NXP forms part and such other company as designated by or on behalf of the Board.
9. Grant Letter: the letter in which Restricted Stock Units are granted to an

- Eligible Individual.
10. NXP: NXP Semiconductors N.V.
11. Participant: an individual who has accepted any Restricted Stock Units under this Plan.
12. Plan: this NXP KEEP Restricted Stock Units Plan.
13. Restricted Stock Unit: the conditional right granted to a Participant to receive one Share, subject to the terms and conditions of this Plan. Restricted Stock Units may be categorized as “3 Year Term Restricted Stock Units”, “4 Year Term Restricted Stock Units” or “5 Year Term Restricted Stock Units”, as applicable.
14. Share: a common share in the share capital of NXP (to be) delivered under this Plan.

**Article 2**  
**Grant of Restricted Stock Units**

1. Any Restricted Stock Units may be granted by or on behalf of the Board to an Eligible Individual, subject to the terms and conditions of this Plan and any other NXP policies or guidelines that may apply to such individual. Any Restricted Stock Units offered to any such individual and the terms and conditions governing such rights shall be deemed accepted by such individual with effect from the applicable Date of Grant in case NXP has not received, in accordance with a procedure established by NXP, a notice of rejection of such rights within fourteen (14) days of the Grant Letter or such later date as may be determined by NXP.
2. The Grant Letter shall reflect, inter alia, the Date of Grant, the number and category of Restricted Stock Units awarded, the vesting schedule and the performance conditions, if any.

**Article 3**  
**Vesting of a Restricted Stock Unit**

1. A Restricted Stock Unit will vest (i.e. become unconditional and the corresponding Shares will be delivered to the relevant Participant) on the relevant Date of Vesting subject to (i) any relevant performance conditions, if and when indicated in the Grant Letter, being met and (ii) Article 4 (Termination of Employment). In case of a Change of Control, a Restricted Stock Unit will fully (for 100%) vest (accelerated vesting), unless the Grant Letter stipulates differently.
2. Whether any performance conditions are met, and whether the relevant Participant is still employed by an Employing Company at the relevant time, will be established by NXP in accordance with a procedure established by NXP.

**Article 4**  
**Termination of Employment**

Unvested Restricted Stock Units shall lapse, on the earliest of the following occasions, without notice and without any compensation:

- a. if a Participant's employment terminates and such Participant is no longer employed by any Employing Company;
- b. upon violation by the Participant of any provision of this Plan or the Grant Letter in which case the Restricted Stock Units shall lapse on the date of such violation (rather than the date on which such violation comes to the attention of NXP).
- c.

**Article 5**  
**Non-transferability**

The Restricted Stock Units are strictly personal, and may not be assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of in any manner nor may any transaction be entered into with the same effect. The Participant may not engage in any transactions on any exchange on the basis of any Restricted Stock Units.

**Article 6**  
**Delivery and Holding of Shares**

1. NXP may require a Participant to maintain a Custody Account in connection with this Plan. Nothing contained in this Plan shall obligate NXP to establish or maintain or cause to establish or maintain a Custody Account for any Participant. The Participant will provide NXP with the details thereof.
2. Subject to the terms and conditions of this Plan, and further to the Participants election via the website, NXP will deliver a Share to a Participant on or as soon as reasonably practicable, and in any event within 2.5 months, after the relevant Date of Vesting. In no event shall NXP have any obligation to deliver any Shares to a Participant prior to the relevant Date of Vesting.
3. Any Shares to be delivered pursuant to Article 6(2) will be credited to the Custody Account.

**Article 7**  
**Capital Dilution**

NXP may make any equitable adjustment or substitution of the number or kind of Shares subject to the Restricted Stock Units, as it, in its sole discretion, deems equitable to reflect any significant corporate event of or by NXP, for example a change in the outstanding Shares by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other corporate change, or any distribution to holders of Shares other than regular cash dividends.

**Article 8**  
**Costs and Taxes**

1. All costs of delivering any Shares under this Plan to a Participant's Custody Account and any other costs connected with the Shares shall be borne by the Participant.
2. Any and all taxes, duties, levies, charges or social security contributions ("Taxes") which arise under any applicable national, state, local or supra-national laws, rules or regulations, whether already effective on the Date of Grant of any Restricted Stock Units or becoming effective thereafter, and any changes or modifications therein and termination thereof which may result for the Participant in connection with this Plan (including, but not limited to, the grant of the Restricted Stock Units, the ownership of the Restricted Stock Units and/or the delivery of any Shares under this Plan, the ownership and/or the sale of any Shares acquired under this Plan) shall be for the sole risk and account of the Participant.
3. NXP and any other Employing Company shall have the right to deduct or withhold (or cause to be deducted or withheld) from any salary payment or other sums due by NXP or any other Employing Company to Participant, or requiring the Participant or beneficiary of the Participant, to pay to NXP an amount necessary to settle any Taxes and any costs determined by NXP necessary to be withheld in connection with this Plan (including, but not limited to, the grant of the Restricted Stock Units or the delivery of any Shares under this Plan).

**Article 9**  
**Cash Alternative**

In exceptional circumstances, at the sole discretion of the Board, upon the Date of Vesting, NXP may advise a Participant resident outside the Netherlands to request in writing an amount in cash as an alternative to Shares. Upon such request the Participant is entitled to receive an amount in U.S. Dollars, equal to the price of a Share listed at the NASDAQ Global Select Market with dividend, if any, at closing of NASDAQ, multiplied by the relevant number of vested Restricted Stock Units. If on the date of receipt of the request from the Participant, Shares have not been traded at NASDAQ, the price of a Share will be the opening price of the first subsequent trading day at NASDAQ. Any costs to be paid and any applicable Taxes due shall be deducted from the amount to be received by the Participant.

**Article 10**  
**General Provisions**

**Insider trading rules**

1. Each Participant shall comply with any applicable “insider trading” laws and regulations, including the “NXP Semiconductor N.V. rules on holding and trading in NXP Securities”.

**Authority for this Plan**

2. NXP shall have the authority to interpret this Plan, to establish, amend, and rescind any rules and regulations relating to this Plan, to determine and—if deemed necessary or advisable—amend the terms and conditions of any agreements entered into hereunder, to make all other determinations necessary or advisable for the administration of this Plan. To the extent required by law, the general meeting of shareholders of NXP will be requested to adopt or approve such changes.
3. The terms and conditions in force from time to time are published on the NXP’ intranet and on the website of the administrator of this Plan and apply to all Restricted Stock Units granted and the Shares obtained under this Plan. NXP may delegate the authority to perform administrative and operational functions with respect to this Plan to officers or employees of subsidiaries of NXP and to service providers.

**Shareholder rights**

4. No Participant shall have any rights or privileges of shareholders (including the right to receive dividends and to vote) with respect to Shares to be delivered pursuant to the Restricted Stock Units until such Shares are actually delivered to him in accordance with Article 6 of this Plan. The Shares delivered shall carry the same rights as common shares of NXP traded at NASDAQ on the day on which these Shares are delivered.

**Non-recurring discretionary grant**

5. Eligibility and participation shall be at the sole discretion of NXP or the Employing Company and as such do not qualify as terms and conditions of employment. The Grant in one year does not create rights for future years.
6. The (value of) Restricted Stock Units granted to, or Shares acquired by a Participant pursuant to such Restricted Stock Unit under this Plan shall not be considered as compensation in determining a Participant’s benefits under any benefit plan of an Employing Company, including but not limited to, group life insurance, long-term disability, family survivors, or any retirement, pension or savings plan.
7. Nothing contained in this Plan, Grant Letter or any agreement entered into pursuant hereto shall confer upon any Participant any right to be retained employed with any Employing Company, or to be entitled to any remuneration or benefits not set forth in this Plan or interfere with or limit in any way with the right of any Employing Company or any of its subsidiaries to terminate such Participant’s employment or to discharge or retire any Participant at any time.

**Miscellaneous**

8. If a provision of this Plan is deemed illegal or invalid, the illegality or invalidity shall not affect the remaining parts of this Plan, this Plan shall be construed as if the illegal or invalid provisions had not been included in this Plan.
9. Where the context requires, words in either gender shall include also the other gender.

**Choice of law and forum**

10. This Plan shall be governed by and construed in accordance with the laws of The Netherlands, without regard to its principles of conflict of laws. Any dispute arising under or in connection with this Plan shall be settled by the competent courts in Amsterdam, The Netherlands.

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**Certification of R. Clemmer filed pursuant to 17 CFR 240. 13a-14(a)**

## CERTIFICATION

I, Rick Clemmer, certify that:

1. I have reviewed this annual report on Form 20-F of NXP Semiconductors N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: March 6, 2015

/s/ Rick Clemmer

Rick Clemmer

Executive Director, President and Chief Executive Officer

**Certification of P. Kelly filed pursuant to 17 CFR 240. 13a-14(a)**

## CERTIFICATION

I, Peter Kelly, certify that:

1. I have reviewed this annual report on Form 20-F of NXP Semiconductors N.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 6, 2015

/s/ Peter Kelly

Peter Kelly

Executive Vice President and Chief Financial Officer

**Certification of R. Clemmer filed pursuant to 17 CFR 240.13a-14(b)**

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of NXP Semiconductors N.V. (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2014 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 6, 2015

/s/ Rick Clemmer

Rick Clemmer

Executive Director, President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

**Certification of P. Kelly filed pursuant to 17 CFR 240. 13a-14(b)**

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of NXP Semiconductors N.V. (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2014 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 6, 2015

/s/ Peter Kelly

Peter Kelly

Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

## LIST OF SIGNIFICANT SUBSIDIARIES OF THE REGISTRANT.

List of direct and indirect subsidiaries as of December 31, 2014

Country of incorporation	Name legal entity
Australia	Cohda Wireless Pty Ltd. (23.1%)
Austria	NXP Semiconductors Austria GmbH
Austria	Catena DSP GmbH
Belgium	NXP Semiconductors Belgium N.V.
Canada	NXP Semiconductors Canada Inc.
China	NXP Semiconductors Guangdong Ltd.
China	NXP Semiconductors (Shanghai) Ltd.
China	Jilin NXP Semiconductors Ltd.
China	Suzhou ASEN Semiconductors Co., Ltd. (40%)*
China	Advanced Semiconductor Manufacturing Corporation Ltd (27.47%)*
China	Datang NXP Semiconductors Co., Ltd (49%)*
Finland	NXP Semiconductors Finland Oy
France	NXP Semiconductors France SAS
Germany	SMST Unterstützungskasse GmbH
Germany	NXP Semiconductors Germany GmbH
Germany	NXP Stresemannallee 101 Dritte Verwaltungs GmbH
Hong Kong	NXP Semiconductors Hong Kong Ltd.
Hong Kong	Semiconductors NXP Ltd.

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Hungary	NXP Semiconductors Hungary Ltd.
India	NXP Semiconductors India Pvt. Ltd.
Ireland	GloNav Ltd.
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 Software B.V.
Netherlands	Catena Holding B.V.
Netherlands	Catena Microelectronics B.V.
Netherlands	Catena Radio Design B.V.
Philippines	NXP Semiconductors Philippines, Inc.
Philippines	NXP Semiconductors Cabuyao, Inc.
Philippines	Laguna Ventures, Inc. (39.9%)*
Poland	NXP Semiconductors Poland Sp.z.o.o.
Russia	NXP Semiconductors Russia O.O.O.
Singapore	NXP Semiconductors Singapore Pte. Ltd.
Singapore	Systems on Silicon Manufacturing Company Pte Ltd (61.2%)*
Sweden	NXP Semiconductors Sweden AB
Sweden	Catena Wireless Electronics AB
Switzerland	NXP Semiconductors Switzerland AG
Taiwan	NXP Semiconductors Taiwan Ltd.
Thailand	NXP Manufacturing (Thailand) Co., Ltd.

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Thailand	NXP Semiconductors (Thailand) Co., Ltd.
Turkey	NXP Semiconductors Elektronik Ticaret A.S.
United Kingdom	NXP Semiconductors UK Ltd.
United Kingdom	NXP Laboratories UK Holding Ltd.
United Kingdom	NXP Laboratories UK Ltd.
United Kingdom	Code Red Technologies Limited
USA	NXP Semiconductors USA, Inc.
USA	NXP Funding LLC

\* = joint venture

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
NXP Semiconductors N.V.:

We consent to the incorporation by reference in the registration statements on Form S-8 (No. 333-172711 and No. 333-190472) of NXP Semiconductors N.V. of our report dated March 6, 2015, with respect to the consolidated balance sheets of NXP Semiconductors N.V. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, cash flows and changes in equity for each of the years in the three-year period ended December 31, 2014, and the effectiveness of internal control over financial reporting as of December 31, 2014, which report appears in the December 31, 2014 Annual Report on Form 20-F of NXP Semiconductors N.V.

/s/ KPMG Accountants N.V.  
Amstelveen, The Netherlands  
March 6, 2015