As filed with the Securities and Exchange Commission on June 30, 2010

Registration No. 333-166128

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

AMENDMENT NO. 3
TO
FORM F-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

The Netherlands	3674	Not Applicable
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

High Tech Campus 60
5656 AG Eindhoven
The Netherlands
Tel: +31 40 2729233
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

James N. Casey
1109 McKay Drive
M/S 54SJ
San Jose, CA 95131-1706
United States
Tel: +1 408 434 3000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Nicholas J. Shaw
Simpson Thacher & Bartlett LLP
CityPoint
One Ropemaker Street
London EC2Y 9HU
England

Paul Etienne Kumleben
Davis Polk & Wardwell LLP
99 Gresham Street
London EC2V 7NG
England

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price(1)	Amount of registration fee(2)
Shares of common stock, par value € 0.20	—	—	$1,150,000,000	$81,995

(1) Estimated solely for purposes of determining the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.
(2) The registration fee of $81,995 was paid on April 16, 2010, prior to the initial filing of the registration statement.

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

[Table of Contents](#)

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

Subject to completion, dated , 2010.

NXP Semiconductors N.V.

Shares
Common Stock

We are offering shares of our common stock in this initial public offering of our common stock. Prior to this offering, there has been no public market for our common stock. We currently expect the initial public offering price to be between $ and $ per share. We intend to apply to list the common stock on the NASDAQ Global Market under the symbol "NXPI".

An investment in our common stock involves risks. See "Risk Factors" beginning on page 14 of this prospectus.

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

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

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

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

Credit Suisse **Goldman, Sachs & Co.** **Morgan Stanley**

BofA Merrill Lynch **Barclays Capital**

J.P. Morgan **KKR**

Fortis Bank Nederland **HSBC** **Rabo Securities**

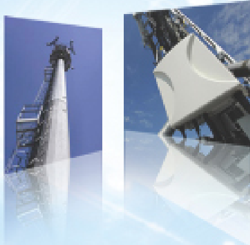
Prospectus dated , 2010

Table of Contents

Lighting

Automotive

Wireless Infrastructure



Identification

Consumer

Mobile

Computing

Industrial

TABLE OF CONTENTS

	Page
Prospectus Summary	1
Risk Factors	14
Special Note Regarding Forward-Looking Statements	33
Use of Proceeds	34
Dividend Policy	34
Capitalization	35
Exchange Rate Information	36
Dilution	37
Selected Historical Combined and Consolidated Financial Data	39
Management's Discussion and Analysis of Financial Condition and Results of Operations	42
Business	92
Management	117
Certain Relationships and Related Party Transactions	133
Principal Stockholders	138
Description of Capital Stock	141
Shares Eligible for Future Sale	144
Description of Indebtedness	146
Material Tax Considerations	156
Underwriting (including Conflict of Interest)	164
Legal Matters	172
Experts	172
Where You Can Find More Information	173
Glossary	174
Index to Consolidated Financial Statements	F-1

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

We obtained market data and certain industry data and forecasts included in this prospectus from internal company surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications and surveys. iSuppli, Gartner Dataquest, Strategy Analytics, Datapoint and ABI were the primary sources for third-party industry data and forecasts. Industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, internal surveys, industry forecasts and market research, which we believe to be reliable based upon our management's knowledge of the industry, have not been independently verified. Statements as to our market position are based on recently available data. While we are not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk Factors" appearing elsewhere in this prospectus. Where we refer to our position as the leading position, we mean we have the number 1 position; where we refer to our position as a leading position, we mean we have a top 2 position; where we refer to our position as a strong position, we mean we have a top 5 position.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. The information set forth in this summary does not contain all the information you should consider before making your investment decision. You should carefully read the entire prospectus, including the section "Risk Factors" and our consolidated financial statements and related notes, before making your investment decision. This summary contains forward-looking statements that contain risks and uncertainties. Our actual results may differ significantly from future results as a result of factors such as those set forth in "Risk Factors" and "Special Note Regarding Forward-Looking Statements".

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

A glossary of abbreviations and technical terms used in this prospectus is set forth on page 174.

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 Products solutions that leverage our deep application insight and our technology and manufacturing expertise in radio frequency ("RF"), analog, power management, interface, security and digital processing products. Our product solutions are used in a wide range of automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. We engage with leading original equipment manufacturers ("OEMs") worldwide and over 58% of our sales are derived from Asia Pacific (excluding Japan). As of April 4, 2010, we had approximately 28,000 full-time equivalent employees located in more than 25 countries, with research and development activities in Asia, Europe and the United States, and manufacturing facilities in Asia and Europe.

The NXP Solution

We design and manufacture High-Performance Mixed-Signal semiconductor solutions to meet the challenging requirements of systems and sub-systems in our target markets. High-Performance Mixed-Signal solutions are an optimized mix of analog and digital functionality integrated into a system or sub-system. These solutions are fine-tuned to meet the specific performance, cost, power, size and quality requirements of applications. High-Performance Mixed-Signal solutions alleviate the need for OEMs to possess substantial system, sub-system and component-level design expertise required to integrate discrete components into an advanced fully functional system. We have what we believe is an increasingly uncommon combination of capabilities in this area—our broad range of analog and digital technologies, application insights and world-class process technology and manufacturing capabilities—to provide our customers with differentiated solutions that serve their critical requirements. Customers often engage with us early, which allows us to hone our understanding of their application requirements and future product roadmaps and to become an integral partner in their system design process.

Our Strengths

We believe we have a number of strengths that create the opportunity for us to be a leader in our target markets. Some of these strengths include:

- ***Market-leading products.*** In 2009, approximately 68% of our High-Performance Mixed-Signal sales and 80% of our Standard Products sales were generated by products for which we held the number one or number two market position based on product sales.

- ***Large base of experienced High-Performance Mixed-Signal engineers and strong intellectual property portfolio.*** We have what we believe is one of the industry's largest pools of experienced High-Performance Mixed-Signal engineers, with over 2,600 engineers with an average of 14 years of experience. In addition, we have an extensive intellectual property portfolio of approximately 14,000 issued and pending patents covering the key technologies used in our target application areas.
- ***Deep applications expertise.*** We have built, and continue to build, through our relationships with leading OEMs and through internal development efforts in our advanced systems lab, deep insight into the component requirements and architectural challenges of electronic system solutions in our target end-market applications, thereby enhancing our engagement in our customers' product platforms.
- ***Strong, well-established customer relationships.*** We have strong, well-established relationships with almost every major automotive, identification, mobile handset, consumer electronics, mobile base station and lighting supplier in the world. We directly engage with over 1,000 customer design locations worldwide. Our top OEM customers, in terms of revenue, include Apple, Bosch, Continental Automotive, Delphi, Ericsson, Harman Becker, Huawei, Nokia, Nokia Siemens Networks, Oberthur, Panasonic, Philips, RIM, Samsung, Sony and Visteon. We also serve over 30,000 customers through our distribution partners.
- ***Differentiated process technologies and competitive manufacturing.*** We focus our internal and joint venture wafer manufacturing operations on running a portfolio of proprietary specialty process technologies that enable us to differentiate our products on key performance features. By concentrating our manufacturing activities in Asia and by significantly streamlining our operations through our Redesign Program, we believe we have a competitive manufacturing base.

NXP Repositioning and Redesign

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

Our Repositioning

- ***New leadership team.*** Nine of the twelve members of our executive management team are new to the Company or new in their roles since our separation from Philips in 2006, and six of the twelve have been recruited from outside NXP.
- ***Focus on High-Performance Mixed-Signal solutions.*** We have implemented our strategy of focusing on High-Performance Mixed-Signal solutions because we believe it to be an attractive market in terms of growth, barriers to entry, relative business and pricing stability, and capital intensity. We have exited all of our system-on-chip businesses over the past three years, and have significantly increased our research and development investments in the High-Performance Mixed-Signal applications on which we focus.
- ***New customer engagement strategy.*** We have implemented a new approach to serving our customers and have invested significant additional resources in our sales and marketing organizations, including hiring over 100 field application engineers in the past year. We have also created "application marketing" teams that focus on delivering solutions and systems reference designs that leverage our broad portfolio of products.

Table of Contents

Our Redesign Program

- ***Streamlined cost structure.*** As a result of the expanded Redesign Program, approximately $650 million in annual manufacturing and operating cost savings have been achieved as of the quarter ended April 4, 2010, compared to our annualized third quarter results for 2008, which was the quarter during which we contributed our wireless operations to ST-NXP Wireless. Further savings are expected to be realized as a consequence of our ongoing restructuring activities. We estimate the total costs of the accelerated and expanded Redesign Program to be no greater than $750 million by the end of 2011, compared with the original total cost estimate for the initial program of $700 million by the end of 2010.
- ***Leaner manufacturing base.*** As a part of our Redesign Program, we will have reduced the number of our front-end manufacturing facilities from 14 at the time of our separation from Philips in 2006 to six by the end of 2011.

Our Strategy

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

- ***Extend our leadership in High-Performance Mixed-Signal markets*.** We intend to leverage our industry-leading RF, analog, power management, interface, security and digital processing technologies and capabilities to extend our leadership positions in providing High-Performance Mixed-Signal solutions for automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. Based on a combination of external and internal sources, we estimate that the consolidated market size of these addressed High-Performance Mixed-Signal markets was $29.3 billion in 2009 and is expected to grow at a compounded annual growth rate of 15% from 2009 to 2012. We believe our scale and significant levels of research and development investments will enable our revenues to grow on an annual basis, during that same period, at approximately 1.4 times the growth rate of the specific High-Performance Mixed-Signal markets we address. See "Business" for a more detailed description of the expected size and growth of our addressed markets.
- ***Focus on significant, fast growing opportunities*.** We are focused on providing solutions that address the macro trends of energy efficiency, mobility and connected mobile devices, security and healthcare, as well as rapid growth opportunities in emerging markets given our strong position in Asia Pacific (excluding Japan), which represented 58% of our sales in 2009, compared to a peer average of 49% of sales. In particular, Greater China represented 40% of our sales in 2009.
- ***Deepen relationships with our key customers through our application marketing efforts*.** We intend to increase our market share by focusing on and deepening our customer relationships, further growing the number of our field application engineers at our customers' sites and increasing product development work we conduct jointly with our lead customers.
- ***Expand gross and operating margins.*** We continue to implement our comprehensive, multi-year operational improvement program aimed at accelerating revenue growth, expanding gross margins and improving overall profitability through better operational execution and streamlining of our cost structure.

Risks Affecting Us

Our business is subject to numerous risks, which are highlighted in the section entitled "Risk Factors." These risks represent challenges to the successful implementation of our strategy and to the growth and future profitability of our business. Some of these risks are:

- The semiconductor industry in which we operate is highly cyclical.
- 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.
- 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.
- The demand for our products depends to a significant degree on the demand for our customers' end products.
- The semiconductor industry is characterized by significant price erosion, especially after a product has been on the market for a significant period of time.
- Our substantial amount of debt could adversely affect our financial health, which could adversely affect our results of operations.

Recent Developments

Forward Start Revolving Credit Facility. On May 10, 2010, we entered into a €458 million "forward start" revolving credit facility (the "Forward Start Revolving Credit Facility") to refinance our existing senior secured revolving credit facility (the "Secured Revolving Credit Facility"). The Forward Start Revolving Credit Facility will become available to us on September 28, 2012, the maturity date of our current Secured Revolving Credit Facility, subject to specified terms and conditions, and will mature on September 28, 2015.

Tax Incentives for Research and Development in the Netherlands. Effective January 1, 2007, as further amended on January 1, 2010, Dutch corporate tax legislation provides for a specific tax benefit for research and development activities, generally referred to as the "Innovation Box". In April 2010, the Dutch tax authorities and NXP agreed on the applicability of this regime for NXP. Under the current Dutch tax regime, income that is attributable to patented technology and gains on the sale of patented technology is subject to an effective tax rate of 5% (10% prior to 2010), in lieu of the Dutch statutory corporate income tax rate of 25.5%. Residual income derived from "contract research and development" that has been performed for the risk and account of the Dutch patent owner also qualifies for the tax benefit. As we own and manage a portfolio of a large number of patents and patent applications, most of which are legally and beneficially owned by our Dutch entities, a substantial portion of our income is allocable to the Netherlands. For the quarter ended April 4, 2010, approximately 78% of our sales were earned by our Dutch sales entity. Going forward, between 70% and 80% of the income before taxes of our Dutch sales entity will be subject to this favorable tax regime.

We believe that our long-term effective cash tax rate (once our net operating losses have been utilized) will be in the range of 12% to 14% as a result of the combined effect of our operating model and the Dutch tax incentive for research and development activities. This estimate is based on the methodology that the Dutch tax authorities use to determine our income from technology, our assumptions with respect to growth of our earnings and the transfer pricing framework under which we expect the majority of our earnings before tax to be allocated to the Dutch sales entity. Our effective cash tax rate is subject to the uncertainties described under "Risk Factors—Risks Related to Our Business—We are exposed to a number of different tax uncertainties, which could have an impact on tax results" and the successful implementation of our Redesign Program. We currently expect our long-term effective cash tax rate, once our net operating losses have been utilized, to remain in this range for the foreseeable future.

Table of Contents

Company Information

We were incorporated in the Netherlands as a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the name KASLION Acquisition B.V. on August 2, 2006, in connection with the sale by Philips of 80.1% of its semiconductor business to a consortium of funds advised by Kohlberg Kravis Roberts & Co. L.P. ("KKR"), Bain Capital Partners, LLC ("Bain"), Silver Lake Management Company, L.L.C. ("Silver Lake"), Apax Partners LLP ("Apax") and AlpInvest Partners N.V. ("AlpInvest," and, collectively, the "Private Equity Consortium"). For a list of the specific funds that hold our common stock and their respective share ownership, see "Principal Stockholders" elsewhere in this prospectus. 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 public company with limited liability (*naamloze vennootschap*) and changed our name to NXP Semiconductors N.V.

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*).

Affiliates of Credit Suisse Securities (USA) LLC, Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated, who are participating in the underwriting of the shares of our common stock offered pursuant to this prospectus, have indirect interests in less than 1% of our capital stock through their investments in private equity funds, including the funds that form the Private Equity Consortium, which in turn have an indirect interest in our capital stock through their investments in KASLION Holding B.V. In addition, KKR Capital Markets LLC, an affiliate of the Company and of KKR, which in turn indirectly holds approximately 22% of our capital stock and shares voting control over our capital stock with other members of the Private Equity Consortium, will participate in the underwriting of the shares of our common stock offered pursuant to this prospectus.

Our corporate seat is in Eindhoven, the Netherlands. Our principal executive office is at High Tech Campus 60, 5656 AG Eindhoven, the Netherlands, and our telephone number is +31 40 2729233. Our website address is www.nxp.com. The information contained on our website or that can be accessed through our website neither constitutes part of this prospectus nor is incorporated by reference herein.

Corporate Conversion

In connection with this offering, we converted from a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) to a Dutch public company with limited liability (*naamloze vennootschap*) and changed our name from KASLION Acquisition B.V. to NXP Semiconductors N.V. In addition, prior to the consummation of this offering, we will amend our articles of association in order to effect a 1-for-20 reverse stock split of our shares of common stock.

We have one class of shares of common stock and, after the reverse stock split, we will have an aggregate of 215,251,500 shares of common stock. In addition, our board of directors will resolve to issue up to   new shares of common stock in this offering, including the underwriters' option to purchase additional shares.

THE OFFERING

Common stock offered by us	shares
Common stock to be outstanding after this offering	shares
Option to purchase additional shares of common stock	The underwriters have the option to purchase a maximum of an additional shares of common stock from us at the initial public offering price. The underwriters can exercise this option at any time within 30 days from the day of this prospectus.
Use of proceeds	We estimate that the net proceeds to us from this offering, after deducting $ million of underwriting discounts and commissions and estimated offering expenses of $ million payable by us, will be approximately $ million, assuming the shares are offered at $ per share, which is the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus. We currently intend to use the proceeds from the offering, net of underwriting fees and other offering expenses, to repay a portion of our long-term indebtedness, which consists of our euro-denominated 10% super priority notes due July 15, 2013 (the “Euro Super Priority Notes”), U.S. dollar-denominated 10% super priority notes due July 15, 2013 (the “Dollar Super Priority Notes” and, together with the Euro Super Priority Notes, the “Super Priority Notes”), euro-denominated floating rate senior secured notes due October 15, 2013 (the “Euro Floating Rate Secured Notes”), U.S. dollar-denominated floating rate senior secured notes due October 15, 2013 (the “Dollar Floating Rate Secured Notes”), U.S. dollar-denominated 7$^{7}/_{8}$% senior secured notes due October 15, 2014 (the “Dollar Fixed Rate Secured Notes” and together with the Euro Floating Rate Secured Notes and Dollar Floating Rate Secured Notes, the “Existing Secured Notes”), euro-denominated 8$^{5}/_{8}$% senior notes due October 15, 2015 (the “Euro Unsecured Notes”) and U.S. dollar-denominated 9 $^{1}/_{2}$% senior notes due October 15, 2015 (the “Dollar Unsecured Notes” and, together with our Euro Unsecured Notes, the “Existing Unsecured Notes”). The selection of which series of notes, the amounts to be repaid within a particular series, the timing of repayment and the particular method by which we effect repayment, which could include redemption calls, open market purchases, privately negotiated transactions or tender offers, or some combination thereof, have not yet been determined and will depend on, with respect to each series of notes, the yield to maturity at the time of repayment, the maturity date, the contractual redemption price and the currency exchange rates. We will consider each of these criteria with respect to each series of notes at any time of repayment. Certain underwriters or their affiliates are holders of certain of our existing notes. See “Underwriting”. As a result, some of the underwriters or their affiliates may receive part of the net proceeds of

	this offering by reason of the repayment of our indebtedness. In light of the amount of existing notes held, none of the underwriters and their respective affiliates are expected to receive 5% or more of the expected net proceeds of the offering, other than KKR Capital Markets LLC and its affiliates. Assuming that we apply the proceeds from this offering to repay a pro rata portion of each series of existing notes, KKR Capital Markets LLC and its affiliates would receive approximately 4.3% of the expected net proceeds.
Conflict of Interest	KKR Capital Markets LLC or its affiliates own (through their investment in KASLION Holding B.V.) in excess of 10% of our issued and outstanding common stock and hold certain of the existing notes and may receive 5% or more of the expected net proceeds of the offering. KKR Capital Markets LLC may therefore be deemed to be our "affiliate" and to have a "conflict of interest" with us within the meaning of NASD Conduct Rule 2720 ("Rule 2720") of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Therefore, this offering will be conducted in accordance with Rule 2720 and a qualified independent underwriter ("QIU") as defined in Rule 2720 will participate in the preparation of the registration statement of which this prospectus forms a part and perform its usual standard of due diligence with respect thereto. Goldman, Sachs & Co. has agreed to act as QIU for this offering.
Dividend policy	Our ability to pay dividends on our common stock is limited by the covenants of our Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, and the indentures governing the terms of our Super Priority Notes, Existing Secured Notes and Existing Unsecured Notes (collectively, the "Indentures") and may be further restricted by the terms of any future debt or preferred securities. As a result, we currently expect to retain future earnings for use in the operation and expansion of our business and the repayment of our debt and do not anticipate paying any cash dividends in the foreseeable future. See "Dividend Policy" and "Description of Indebtedness".
Proposed NASDAQ Global Market symbol	NXPI

The number of shares of common stock that will be outstanding after this offering is calculated based on 215,251,500 shares outstanding as of June 30, 2010, and excludes:

- 18,554,416 shares of common stock issuable upon the exercise of options outstanding as of June 30, 2010, at a weighted average exercise price of €23.46 per share (or $29.00 per share, based on the exchange rate in effect on June 18, 2010);
- 474,722 shares of common stock issuable upon the exercise of equity rights outstanding as of June 30, 2010 under our equity incentive program; and
- 3,195,584 shares of common stock reserved for issuance under our management equity plan.

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

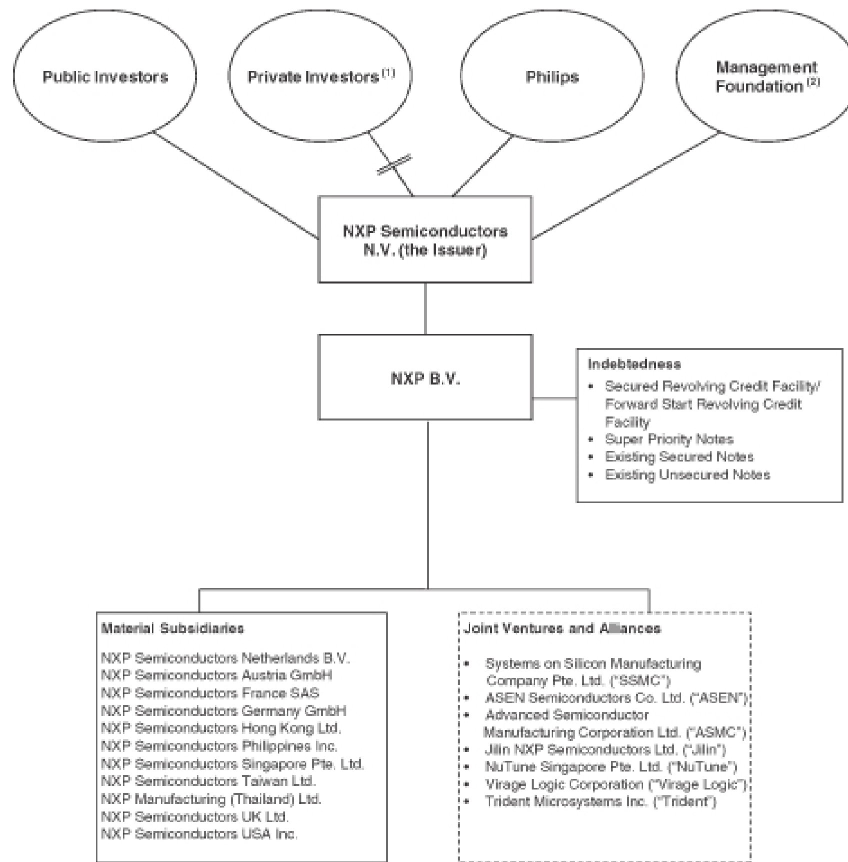
- assumes (1) no exercise of the underwriters' option to purchase additional shares of our common stock; and (2) an initial public offering price of $ per share, the midpoint of the initial public offering price range set forth on the cover of this prospectus; and
- gives effect to the 1-for-20 reverse stock split of our common stock, which will occur prior to the offering.

RISK FACTORS

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

CORPORATE STRUCTURE

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



(1) *Includes the Private Equity Consortium, as well as certain co-investors. The private investors hold an indirect interest in our capital stock through a holding company structure, while the public investors, Philips and the Stichting Management Co-Investment NXP (the "Management Foundation") hold a direct interest in our capital stock.*

(2) *Assuming no exercise of the underwriters' option to purchase additional shares of our common stock, the Management Foundation would have held % of the shares of our common stock. As of June 30, 2010, 18,554,416 shares of common stock were issuable upon the exercise of options outstanding under our management equity plan and 474,722 shares of common stock were issuable upon the exercise of equity rights under our equity incentive program. In addition, 3,195,584 shares of our common stock are reserved for issuance under our management equity plan. All such shares would be held by the Management Foundation on behalf of our employees and directors (until such employees and directors sell their shares) and only depository receipts, representing the economic rights of the underlying shares, would be held by the beneficial owners. None of these options or equity rights are exercisable currently or within 60 days from the date of this prospectus. However, at any time that the Private Equity Consortium reduces its shareholding in us or in the event that the Private Equity Consortium no longer holds in the aggregate at least 30% of our common stock, vested stock options granted under our stock option plans would become exercisable. In addition, if the Private Equity Consortium reduces its aggregate shareholding in us to below 30%, all outstanding and unvested stock options will vest. In such event, the Management Foundation would have held % of the shares of our common stock.*

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table summarizes our historical consolidated financial data at the dates and for the periods indicated. The summary historical consolidated financial data as of and for the years ended December 31, 2007, 2008 and 2009, have been derived from our historical financial statements, included elsewhere in this prospectus, except for the 2007 consolidated balance sheet data, which has been derived from the audited consolidated financial statements of NXP B.V. and its consolidated subsidiaries, not included in this prospectus. The summary historical consolidated financial data for the quarters ended March 29, 2009 and April 4, 2010 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus, which have been prepared on a basis consistent with our annual audited consolidated financial statements. In the opinion of management, such unaudited financial data reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results for those periods. The first fiscal quarter of 2009 consisted of 88 days and ended on March 29, 2009, compared to the first fiscal quarter of 2010, which consisted of 94 days and ended on April 4, 2010. The results of operations for prior years or the interim periods are not necessarily indicative of the results to be expected for the full year or any future period. We prepare our financial statements in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The summary historical consolidated financial data should be read in conjunction with "Selected Historical Combined and Consolidated Financial Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the accompanying notes included elsewhere in this prospectus.

	As of and for the year ended December 31,			As of and for the quarter ended	
($ in millions, except share and per share data and unless otherwise indicated)	**2007**	**2008**	**2009**	**March 29, 2009**	**April 4, 2010**
Consolidated Statements of Operations:					
Sales	6,321	5,443	3,843	702	1,165
Cost of sales	(4,276)	(4,225)	(2,874)	(634)	(737)
Gross profit	2,045	1,218	969	68	428
Selling expenses	(425)	(400)	(277)	(61)	(66)
Impairment charges	—	(714)	(69)	—	—
Other general and administrative expenses	(1,189)	(1,161)	(734)	(173)	(191)
Research and development expenses	(1,328)	(1,199)	(777)	(187)	(154)
Write-off of acquired in-process research and development	(15)	(26)	—	—	—
Other income (expense)	134	(364)	(12)	6	(17)
Income (loss) from operations	(778)	(2,646)	(900)	(347)	—
Extinguishment of debt	—	—	1,020	—	2
Other financial income (expense)	(181)	(614)	(338)	(309)	(304)
Income (loss) before taxes	(959)	(3,260)	(218)	(656)	(302)
Income tax benefit (expense)	396	(46)	(17)	(8)	(8)
Income (loss) after taxes	(563)	(3,306)	(235)	(664)	(310)
Results relating to equity-accounted investees	(40)	(268)	74	75	(26)
Net income (loss)	(603)	(3,574)	(161)	(589)	(336)
Other Operating Data:					
Capital expenditures	(549)	(379)	(96)	(37)	(51)
Depreciation and amortization(1)	1,547	2,010	938	211	193
Comparable sales growth(2)	1.4%	(6.6)%	(21.1)%	(43.4)%	69.7%
Net restructuring charges(3)	(218)	(594)	(103)	(35)	(14)
Other incidental items(4)	(41)	(528)	(241)	(30)	(45)
Consolidated Statements of Cash Flows Data:					
Net cash provided by (used in):					
Operating activities	533	(622)	(745)	(368)	(15)
Investing activities	(678)	1,015	78	105	(95)
Financing activities	(22)	316	(80)	208	(11)
Per Share Data:(5)					
Basic and diluted net income (loss) per share(6)	(237.80)	(19.83)	(0.75)	(2.74)	(1.56)
Basic and diluted net income (loss) per share attributable to common stockholders(6)	(247.20)	(19.98)	(0.81)	(2.69)	(1.60)
Basic and diluted weighted average number of shares of common stock outstanding during the year (in thousands)(7)	5,000	180,210	215,252	215,252	215,252
Consolidated Balance Sheet Data:					
Cash and cash equivalents	1,041	1,796	1,041		870
Total assets	13,816	10,327	8,673		8,111
Working capital(8)	1,081	1,355	870		647
Total debt(9)	6,078	6,367	5,283		5,177
Total stockholders' equity	4,528	1,075	930		613

(1) Depreciation and amortization include the cumulative net effect of purchase price adjustments related to a number of acquisitions and divestments, including the purchase by the Private Equity Consortium of an 80.1% interest in our business, described elsewhere in this prospectus as our "Formation". The cumulative net effects of purchase price adjustments in depreciation and amortization aggregated to $788 million in 2007, $713 million in 2008 and $391 million in 2009, and $85 million in the quarter ended March 29, 2009 and $85 million in the quarter ended April 4, 2010. In 2009, depreciation and amortization included $46 million related to depreciation of property, plant and equipment from exited product lines ($21 million) and depreciation and amortization due to disposals that occurred in connection with our restructuring activities ($4 million) and other incidental items ($21 million). Depreciation and amortization was $211 million, $253 million, $204 million, $201 million and $193 million for the first, second, third and fourth quarters of 2009 and first quarter of 2010, respectively. Depreciation and amortization included nil, $9 million, $18 million, $19 million and $21 million for the first, second, third and fourth quarters of 2009 and first quarter of 2010, respectively, related to depreciation of property, plant and equipment from exited product lines and from disposals that occurred in connection with our restructuring activities and other incidental items. For a detailed list of the acquisitions and the effect of acquisition accounting, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability—Effect of Acquisition Accounting" contained elsewhere in this prospectus. Depreciation and amortization also include impairments to goodwill and other intangibles, as well as write-offs in connection with acquired in-process research and development, if any.

(2) Comparable sales growth is a non-GAAP financial measure that reflects the relative changes in sales between periods adjusted for the effects of foreign currency exchange rate changes, and material acquisitions and divestments, combined with reclassified product lines (which we refer to as consolidation changes). Our sales are translated from foreign currencies into our reporting currency, the U.S. dollar, at monthly exchange rates during the respective years. As such, sales as reported are impacted by significant foreign currency movements year over year. In addition, sales as reported are also impacted by material acquisitions and divestments. We believe that an understanding of our underlying sales performance on a comparable basis year over year is enhanced after these effects are excluded. The use of comparable sales growth has limitations and you should not consider this performance measure in isolation from or as an alternative to U.S. GAAP measures such as nominal sales growth. Calculating comparable sales growth involves a degree of management judgment and management estimates and you are encouraged to evaluate the adjustments we make to nominal sales growth and the reasons we consider them appropriate. Comparable sales growth may be defined and calculated differently by other companies, thereby limiting its comparability with comparable sales growth used by such other companies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Use of Certain Non-U.S. GAAP Financial Measures" contained elsewhere in this prospectus for further information.

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

	For the year ended December 31,			For the quarter ended	
(in %)	**2007**	**2008**	**2009**	**March 29, 2009**	**April 4, 2010**
Nominal sales growth	1.3	(13.9)	(29.4)	(53.8)	66.0
Effects of foreign currency exchange rate changes	(2.2)	(1.7)	1.5	1.8	(3.1)
Consolidation changes	2.3	9.0	6.8	8.6	6.8
Comparable sales growth	1.4	(6.6)	(21.1)	(43.4)	69.7

(3) The components of restructuring charges recorded in 2007, 2008 and 2009 and the quarters ended March 29, 2009 and April 4, 2010 are as follows:

	For the year ended December 31,			For the quarter ended	
($ in millions)	**2007**	**2008**	**2009**	**March 29, 2009**	**April 4, 2010**
Cost of sales	173	348	(5)	17	(4)
Selling expenses	15	19	11	—	(2)
General and administrative expenses	18	124	36	12	19
Research and development expenses	12	97	61	6	1
Other income and expenses	—	6	—	—	—
Net restructuring charges	218	594	103	35	14

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

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

- gains related to the sale of our Cordless & VoIP terminal operations to DSP Group, Inc. (“DSPG”), amounting to $119 million;
- IT system reorganization costs, consequent to our separation from Philips, aggregating to $74 million;
- a write-down of assets as a result of the exit from the Crolles2 Alliance of $48 million;
- costs relating to the exit of product lines aggregating to $18 million;
- an aggregated cost of $15 million related to the acquisition of the mobile communications business of Silicon Laboratories Inc. (“Silicon Labs”), establishment of an assembly and test joint venture with ASE, and divestment of our Cordless & VoIP terminal operations; and
- litigation related costs aggregating to $5 million.

Due to the Formation in late 2006, certain financial reporting and accounting policies and procedures regarding these 2007 other incidental items were not implemented and effective until the beginning of the third fiscal quarter of 2007.

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

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

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

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

In the quarter ended March 29, 2009, the other incidental items amounted to an aggregate cost of $30 million and related to the following:

- process and product transfer costs, amounting to $24 million, related to the sale or closure of certain manufacturing facilities in connection with the Redesign Program and other restructuring activities;
- IT system reorganization costs aggregating to $4 million; and
- an aggregate cost of $2 million related to the divestment of our television systems and set top box business lines.

In the quarter ended April 4, 2010, the other incidental items amounted to an aggregate cost of $45 million and related to the following:

- process and product transfer costs, amounting to $8 million, related to the sale or closure of certain manufacturing facilities in connection with the Redesign Program and other restructuring activities;
- an aggregate cost of $31 million related to the transaction with Trident for divestment of our television and set top box business lines; and
- IT system reorganization costs aggregating to $6 million.

(5) On February 29, 2008, through a multi-step transaction, the nominal value of the common shares was decreased from €1.00 to €0.01 and all preference shares were converted into common shares, resulting in an increase of outstanding common shares from 100 million to 4.3 billion. Prior to consummation of this offering, we will amend 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 have been calculated to reflect the 1-for-20 reverse stock split.

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

(7) There is no difference between basic and diluted number of shares due to our net loss position in all periods presented. As a result, all potentially dilutive securities are anti-dilutive.

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

(9) As adjusted for our cash and cash equivalents as of December 31, 2007, 2008 and 2009 and April 4, 2010, our net debt was $5,037 million, $4,571 million, $4,242 million, and $4,307 million, respectively.

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risk factors described below and all other information contained in this prospectus, including the financial statements and related notes. The occurrence of the risks described below could have a material adverse impact on our business, financial condition or results of operations. In any such case, the trading price of our common stock could decline and you may lose part or all of your investment. Various statements in this prospectus, including the following risk factors, contain forward-looking statements.

Risks Related to Our Business

The semiconductor industry is highly cyclical.

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

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

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

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

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

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

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

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

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

We are highly leveraged. Our substantial indebtedness could have a material adverse effect on us by: making it more difficult for us to satisfy our payment obligations under our Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, and under the Super Priority Notes, the Existing Secured Notes and the Existing Unsecured Notes; limiting our ability to borrow money for working capital, restructurings, capital expenditures, research and development, investments, acquisitions or other purposes, if needed, and increasing the cost of any of these borrowings; requiring us to dedicate a substantial portion of our cash flow from operations to service our debt, which reduces the funds available for operations and future business opportunities; limiting our flexibility in responding to changing business and economic conditions, including increased competition and demand for new services; placing us at a disadvantage when compared to those of our competitors that have less debt; and making us more vulnerable than those of our competitors who have less debt to a downturn in our business, industry or the economy in general. Despite our substantial indebtedness, we may still incur significantly more debt, which could further exacerbate the risks described above.

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

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

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

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

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

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

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

- we could be forced into bankruptcy or liquidation.

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

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

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

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

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

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

- negative economic developments in economies around the world and the instability of governments, currently Thailand, including the threat of war, terrorist attacks in the United States or in Europe, epidemic or civil unrest;
- pandemics, which may adversely affect our workforce, as well as our local suppliers and customers, in particular in Asia;
- adverse changes in governmental policies, especially those affecting trade and investment;
- foreign currency exchange, in particular with respect to the U.S. dollar, and transfer restrictions, in particular in Greater China; and
- threats that our operations or property could be subject to nationalization and expropriation.

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

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

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

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

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

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

Restrictive covenants in our Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, and the Indentures limit our ability, among other things, to:

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

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

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

Our Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, and the Indentures require us to comply with various covenants. Even though we are currently in compliance with all of our covenants, if there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could terminate commitments to lend and cause all amounts

outstanding with respect to the debt to be due and payable immediately, which in turn could result in cross defaults under our other debt instruments. Our assets and cash flow may not be sufficient to fully repay borrowings under all of our outstanding debt instruments if some or all of these instruments are accelerated upon an event of default.

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

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

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

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

In connection with our separation from Philips in 2006, Philips transferred approximately 5,300 patent families to us subject to certain limitations, including (1) any prior commitments to and undertakings with third parties entered into prior to the separation and (2) certain licenses retained by Philips. The licenses retained by Philips give Philips the right to sublicense to third parties in certain circumstances, which may divert revenue opportunities from us. Approximately 800 of the patent families transferred from Philips were transferred to ST-NXP Wireless (and subsequently ST-Ericsson, its successor) in connection with the contribution of our wireless operations to ST-NXP Wireless in 2008. Approximately 400 of the patent families transferred from Philips were transferred to Trident in connection with the divestment of our television systems and set-top box business lines to Trident in 2010. Further, a number of other patent families have been transferred in the context of other transactions. Philips granted us a non-exclusive license (1) to all patents Philips holds but has not assigned to us, to the extent that they are entitled to the benefit of a filing date prior to the separation and for which Philips is free to grant licenses without the consent of or accounting to any third party and (2) to certain

know-how that is available to us, where such patents and know-how relate (i) to our current products and technologies, as well as successor products and technologies, (ii) to technology that was developed for us prior to the separation and (iii) to technology developed pursuant to contract research co-funded by us. Philips has also granted us a non-exclusive royalty-free and irrevocable license (1) under certain patents for use in giant magneto-resistive devices outside the field of healthcare and bio applications, and (2) under certain patents relevant to polymer electronics resulting from contract research work co-funded by us in the field of radio frequency identification tags. Such licenses are subject to certain prior commitments and undertakings. However, Philips retained ownership of certain intellectual property related to our business, as well as certain rights with respect to intellectual property transferred to us in connection with the separation. There can be no guarantee that the patents transferred to us will be sufficient to assert offensively against our competitors, to be used as leverage to negotiate future cross-licenses or to give us freedom to operate and innovate in the industry. The strength and value of our intellectual property may be diluted if Philips licenses or otherwise transfers such intellectual property or such rights to third parties, especially if those third parties compete with us. The foregoing risks could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

As part of our strategy, we have entered into a number of long-term strategic partnerships with other leading industry participants. For example, we have entered into a joint venture with Taiwan Semiconductor Manufacturing Company Limited (“TSMC”) called Systems on Silicon Manufacturing Company Pte. Ltd. (“SSMC”), and we operate jointly with Jilin Sino-Microelectronics Company Ltd. the joint venture, Jilin NXP Semiconductors Ltd. (“Jilin”). We established Advanced Semiconductor Manufacturing Corporation Limited (“ASMC”) together with a number of Chinese partners, and together with Advanced Semiconductor Engineering Inc. (“ASE”), we established the assembly and test joint venture, ASEN Semiconductors Co. Ltd. (“ASEN”). Further, we formed the NuTune joint venture with Technicolor. Under our alliance with Virage Logic, we transferred our advanced CMOS semiconductor horizontal intellectual property technology and the related development team to Virage Logic. As a result of the transfer of our television systems and set-top box business lines to Trident, we acquired an equity stake in Trident. We also engage in alliances with respect to other aspects of our business, such as product development.

If any of our strategic partners in industry groups or in any of the other alliances we engage with were to encounter financial difficulties or change their business strategies, they may no longer be able or willing to participate in these groups or alliances, which could have a material adverse effect on our business, financial condition and results of operations. We do not control some of these strategic partnerships, joint ventures and alliances in which we participate. Even though we own 60% of the outstanding stock of Trident, for instance, we only have a 30% voting interest in participatory rights and only have a 60% voting interest for certain protective rights. We may also have certain obligations, including some limited funding obligations or take or pay obligations, with regard to some of our strategic partnerships, joint ventures and alliances. For example, we have made certain commitments to SSMC, in which we have a 61.2% ownership share, whereby we are obligated to make cash payments to SSMC should we fail to utilize, and TSMC does not utilize, an agreed upon percentage of the total available capacity at SSMC's fabrication facilities if overall SSMC utilization levels drop below a fixed proportion of the total available capacity.

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

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

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

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

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

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

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

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

Our working capital needs are difficult to predict.

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

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

We make highly complex electronic components and, accordingly, there is a risk that defects may occur in any of our products. Such defects can give rise to significant costs, including expenses relating to recalling products, replacing defective items, writing down defective inventory and loss of potential sales. In addition, the occurrence of such defects may give rise to product liability and warranty claims, including liability for damages caused by such defects. If we release defective products into the market, our reputation could suffer and we could lose sales opportunities and become liable to pay damages. Moreover, since the cost of replacing defective semiconductor devices is often much higher than the value of the devices themselves, we may at times face damage claims from customers in excess of the amounts they pay us for our products, including consequential damages. We also face exposure to potential liability resulting from the fact that our customers typically integrate the semiconductors we sell into numerous consumer products, which are then sold into the marketplace. We are exposed to product liability claims if our semiconductors or the consumer products based on them malfunction and result in personal injury or death. We may be named in product liability claims even if there is no evidence that our products caused the damage in question, and such claims could result in significant costs and expenses

relating to attorneys' fees and damages. In addition, our customers may recall their products if they prove to be defective or make compensatory payments in accordance with industry or business practice or in order to maintain good customer relationships. If such a recall or payment is caused by a defect in one of our products, our customers may seek to recover all or a portion of their losses from us. If any of these risks materialize, our reputation would be harmed and there could be a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

We depend on our key management to run our business and on our senior engineers to develop new products and technologies. Our success will depend on the continued service of these individuals. In particular, if at any time the Private Equity Consortium reduces its shareholding in us or in the event the Private Equity Consortium no longer jointly holds at least 30% of our common stock, vested stock options granted under our stock option plans would become exercisable. Further, if the aggregate shareholding of the Private Equity Consortium in us is reduced to below 30%, all outstanding and unvested stock options will vest. Upon the exercise of stock options, stock option holders will acquire (depository receipts for) shares of our common stock and will have the right to sell these (depository receipts for) shares pro rata with the sale by the Private Equity Consortium. Approximately 135 current and former employees hold stock options. In addition to the stock option plans, we have an equity rights program in place, in which approximately 1,045 current and former employees participate. If the Private Equity Consortium reduces its aggregate shareholding in us to below 30%, equity rights holders will receive (depository receipts for) shares of our common stock, and may sell such (depository receipts for) shares of our common stock. We cannot predict the impact of such an event on our ability to retain key personnel. 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 sales is derived from our top customers, including our distributors. We cannot guarantee that we will be able to generate similar levels of sales from our largest customers in the future. Should one or more of these customers substantially reduce their purchases from us, this could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

We hold defined benefit pension plans in a number of countries and a significant number of our employees are covered by our defined-benefit pension plans. As of April 4, 2010, we had recognized a net accrued benefit liability of $174 million, representing the unfunded benefit obligations of our defined pension plan. The funding status and the liabilities and costs of maintaining such defined benefit pension plans may be impacted by

financial market developments. For example, the accounting for such plans requires determining discount rates, expected rates of compensation and expected returns on plan assets, and any changes in these variables can have a significant impact on the projected benefit obligations and net periodic pension costs. Negative performance of the financial markets could also have a material impact on funding requirements and net periodic pension costs. Our defined benefit pension plans may also be subject to demographic trends. Accordingly, our costs to meet pension liabilities going forward may be significantly higher than they are today, which could have a material adverse impact on our financial condition.

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

There is political discussion in the Netherlands on limiting the deductibility of interest on excessive acquisition debt incurred by acquisition holding companies. The current outgoing government (the date for election of the new Dutch lower house has been set for June 9, 2010) announced to submit a legislative proposal to that effect in December 2009. On April 7, 2010, a committee appointed by the Dutch ministry of finance published its report. This report contains a general description of potential measures that may effectively limit deductibility of interest, including interest on acquisition debt. It is currently unclear whether a legislative proposal will actually be submitted to parliament. Also, it is unclear whether such a legislative proposal would limit the tax deductibility of the interest payable by us under our indebtedness. However, if it does, this may adversely affect our financial position and our ability to service the obligations under our indebtedness.

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

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

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

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

We are required to establish and periodically assess the design and operating effectiveness of our internal control over financial reporting. In connection with our assessment of the internal control over financial reporting for the year ended December 31, 2009, we identified a deficiency related to the accounting and disclosure for income taxes, which we concluded constituted a material weakness. A material weakness is a deficiency, or a

combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness that we identified relates to the execution of the procedures surrounding the preparation and review of our income tax provision as of December 31, 2009. In particular, the execution of our controls did not ensure the accuracy and validity of our acquisition accounting adjustments and the determination of the valuation allowance for deferred tax assets. Part of the identified issue was caused by the complexity that resulted from the fact that step-ups from acquisitions are accounted for centrally.

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

Despite the compliance procedures that we adopted, there may from time to time exist flaws in our control systems that could adversely affect the accuracy and reliability of our periodic reporting. Our periodic reporting is the basis of investors' and other market professionals' understanding of our businesses. Imperfections in our periodic reporting could create uncertainty regarding the reliability of our results of operations and financial results, which in turn could have a material adverse impact on our reputation or share price.

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

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

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

Scientific examination of, political attention to and rules and regulations on issues surrounding the existence and extent of climate may result in an increase in the cost of production due to increase in the prices of energy and introduction of energy or carbon tax. A variety of regulatory developments have been introduced that focus

on restricting or managing the emission of carbon dioxide, methane and other greenhouse gasses. Enterprises may need to purchase at higher costs new equipment or raw materials with lower carbon footprints. These developments and further legislation that is likely to be enacted could affect our operations negatively. Changes in environmental regulations could increase our production costs, which could adversely affect our results of operations and financial condition.

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

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

Risks Related to this Offering and Ownership of Our Common Stock

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

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

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

The Private Equity Consortium controls us and, after this offering, will beneficially own % of our common stock, or % if the underwriters exercise their over-allotment option in full. As a result, the Private Equity Consortium will continue to be able to influence or control matters requiring approval by our stockholders, including the election and removal of our directors, our corporate and management policies, potential mergers or acquisitions, payment of dividends, asset sales and other significant corporate transactions. We cannot assure you that the interests of the Private Equity Consortium will coincide with the interests of other holders of our common stock, particularly if we encounter financial difficulties or are unable to pay our debts when due. The concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their shares as part of a sale of us and might ultimately affect the market price of our common stock. See “Principal Stockholders”.

Certain of our underwriters may have conflicts of interest because affiliates of these underwriters are expected to receive part of the proceeds of this offering and because affiliates of one of the underwriters share voting control, together with other members of the Private Equity Consortium, in the majority of our outstanding shares of common stock.

We are a subsidiary of KASLION Holding B.V., a Dutch private company with limited liability in which affiliates of KKR Capital Markets LLC, an underwriter of this offering, indirectly hold approximately 22% of the capital stock and share voting control over our common stock with other members of the Private Equity Consortium. Affiliates of KKR Capital Markets LLC also hold certain of our existing notes and may receive 5% or more of the expected net proceeds of the offering. KKR Capital Markets LLC may therefore be deemed to have a “conflict of interest” within the meaning of NASD Rule 2720 of FINRA. The offering will therefore be conducted in accordance with NASD Rule 2720 and a QIU as defined in NASD Rule 2720 will participate in the preparation of the registration statement of which this prospectus forms a part and perform its usual standard of due diligence with respect thereto. Goldman, Sachs & Co. has agreed to act as QIU for this offering.

Certain other underwriters or their affiliates are also holders of certain of our existing notes. In light of the amount of existing notes held, none of such other underwriters and their respective affiliates are expected to receive 5% or more of the expected net proceeds of the offering. Credit Suisse Securities (USA) LLC, Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated, and their respective affiliates, each have indirect interests in less than 1% of our capital stock through their investments in private equity funds, including the funds that form the Private Equity Consortium, which in turn have an indirect interest in our capital stock through their investments in KASLION Holding B.V. See “Underwriting”.

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

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

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

Following this offering, the Private Equity Consortium, Philips and certain other investors will own 215,251,500 shares of our common stock. The Private Equity Consortium, Philips and certain other investors will be able to sell their shares in the public market from time to time, although such sales may be subject to certain limitations on the timing, amount and method of those sales imposed by Securities and Exchange Commission (“SEC”) regulations. Philips has informed us that it does not view its investment in our common stock to be a strategic holding and it intends to divest its holdings of our common stock at such time or times as it considers appropriate, subject to market conditions and other factors. The Private Equity Consortium, Philips and the underwriters have agreed to a “lock-up” period, meaning that the Private Equity Consortium and Philips may not sell any of their shares without the prior consent of each of Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated for 180 days, subject to extension in certain events, after the date of this prospectus, subject to certain exceptions. The Private Equity Consortium and Philips have the right to cause us to register the sale of shares of common stock owned by them and to include their shares in future registration statements relating to our securities. If the Private Equity Consortium, Philips or certain other investors were to sell a large number of their shares, the market price of our stock could decline significantly. In addition, the perception in the public markets that sales by the Private Equity Consortium, Philips and/or certain other investors might occur could also adversely affect the market price of our common stock.

In addition to the lock-up period applicable to shares of our common stock held by the Private Equity Consortium and Philips, sales of our common stock held by our directors and officers are also restricted by the lock-up agreements that our directors and executive officers have entered into with the underwriters. The lock-up agreements restrict our directors and executive officers, subject to specified exceptions, from selling or otherwise disposing of any shares for a period of 180 days after the date of this prospectus, subject to extension in certain events, without the prior consent of each of Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated. Following this offering, our directors and executive officers will own options or equity rights representing approximately 291,625 shares of our common stock, none of which may be sold until the Private Equity Consortium sells a portion of shares of our common stock held by its members. Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated may, however, in their sole discretion and without notice, release all or any portion of the shares from the restrictions in the lock-up agreements.

We also have an aggregate of approximately 18,554,416 shares of common stock underlying stock options outstanding as of June 30, 2010, at a weighted average exercise price of €23.46 per share (or $29.00 per share, based on the average exchange rate in effect on June 18, 2010). In addition, 474,722 shares of common stock issuable upon the exercise of equity rights are outstanding as of June 30, 2010 under our equity incentive program.

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.

United States civil liabilities may not be enforceable against us.

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

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

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

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

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 “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 amended articles of association will empower our board of directors to restrict or exclude pre-emptive rights on shares for a period of five years. Accordingly, an issue of new shares may make it more difficult for a stockholder to obtain control over our general meeting.

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

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

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

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

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

The market price of our common stock may be volatile, which could cause the value of your investment to decline.

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

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

Table of Contents

USE OF PROCEEDS

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

We currently intend to use the proceeds from the offering, net of underwriting fees and other offering expenses, to repay a portion of our long-term indebtedness, which consists of our euro-denominated 10% super priority notes due July 15, 2013, U.S. dollar-denominated 10% super priority notes due July 15, 2013, euro-denominated floating rate senior secured notes due October 15, 2013 U.S. dollar-denominated floating rate senior secured notes due October 15, 2013, U.S. dollar-denominated 7 7/8% senior secured notes due October 15, 2014, euro-denominated 8 5/8% senior notes due October 15, 2015 and U.S. dollar-denominated 9 1/2% senior notes due October 15, 2015. The selection of which series of notes, the amounts to be repaid within a particular series, the timing of repayment and the particular method by which we effect repayment, which could include redemption calls, open market purchases, privately negotiated transactions or tender offers, or some combination thereof, have not yet been determined and will depend on, with respect to each series of notes, the yield to maturity at the time of repayment, the maturity date, the contractual redemption price and the currency exchange rates. We will consider each of these criteria with respect to each series of notes at any time of repayment.

As of June 25, 2010, the weighted average interest rate to maturity of our euro-denominated floating rate senior secured notes due October 15, 2013, was 4.41%. As of June 25, 2010, the weighted average interest rate to maturity of our U.S. dollar-denominated floating rate senior secured notes due October 15, 2013 was 4.23%.

Certain underwriters or their affiliates are holders of certain of our existing notes. See “Underwriting”. As a result, some of the underwriters or their affiliates may receive part of the net proceeds of this offering by reason of the repayment of our indebtedness. In light of the amount of existing notes held, none of the underwriters and their respective affiliates are expected to receive 5% or more of the expected net proceeds of the offering, other than KKR Capital Markets LLC and its affiliates. Assuming that we apply the proceeds from this offering to repay a pro rata portion of each series of existing notes, KKR Capital Markets LLC and its affiliates would receive approximately 4.3% of the expected net proceeds.

DIVIDEND POLICY

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

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization as of April 4, 2010. Our capitalization is presented:

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

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

($ in millions)	Actual	As adjusted[1]
	As of April 4, 2010	
Total short-term debt	611	611
Total long-term debt	4,566	3,547
Total debt[2]	5,177	4,158
Total stockholders’ equity[3]	613	1,618
Total capitalization	5,790	5,776

(1) Reflects assumed net proceeds of $935 million from the sale of common stock in this offering, net of estimated underwriting commissions and offering expenses of $65 million, to repay on a pro rata basis an assumed $1,019 million aggregate principal amount of our outstanding long-term indebtedness, which consists of our Super Priority Notes, Existing Secured Notes and Existing Unsecured Notes. The actual selection of which series of notes, the amounts within a particular series, the timing of repayment and the particular method by which we effect repayment, which could include redemption calls, open market purchases, privately negotiated transactions or tender offers, or some combination thereof, have not yet been determined and will depend on, with respect to each series of notes, the yield to maturity at the time of repayment, the maturity date, the contractual redemption price and the currency exchange rates. We will consider these criteria with respect to each series of notes at any time of repayment.

(2) As adjusted for our cash and cash equivalents of $870 million as of April 4, 2010, our net debt was $4,307 million on an actual basis. Accrued interest of $24 million as of April 4, 2010 (based on the applicable interest rates for this period) relating to the portion of our long-term indebtedness being repaid or redeemed will be paid using cash on hand. As adjusted, our cash and cash equivalents would have been $846 million and our net debt would have been $3,311 million.

(3) On an adjusted basis, our equity position would have increased by $935 million and would have been negatively impacted by the acceleration of previously paid bond fees of $14 million. However, as a result of the repayment of long-term debt below par value, we would have realized a book gain of $84 million.

Table of Contents

EXCHANGE RATE INFORMATION

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

The table below shows the average noon buying rates for U.S. dollars per euro for the five years ended December 31, 2009 and the high, low and period end rates for each of those periods. The averages set forth in the table below have been computed using the noon buying rate on the last business day of each month during the periods indicated.

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

The following table shows the high and low noon buying rates for U.S. dollars per euro for each of the six months in the six-month period ended May 31, 2010 and for the period from June 1, 2010 through June 18, 2010:

Month	High	Low
	($ per €)	
2009		
December	1.5100	1.4243
2010		
January	1.4536	1.3870
February	1.3955	1.3476
March	1.3758	1.3344
April	1.3666	1.3130
May	1.3183	1.2224
June (through June 18)	1.2365	1.1959

On June 18, 2010, the noon buying rate was $1.2360 per €1.00.

Fluctuations in the value of the euro relative to the U.S. dollar have had a significant effect on the translation into U.S. dollar of our euro assets, liabilities, revenues and expenses, and may continue to do so in the future. For further information on the impact of fluctuations in exchange rates on our operations, see "Risk Factors—Risks Related to Our Business—Fluctuations in foreign exchange rates may have an adverse effect on our financial results" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Risks".

The foreign exchange rates used as of December 31, 2009 and April 4, 2010 were $1.4402 and $1.3580 per €1.00, respectively.

DILUTION

As of , 2010, we had a net tangible book deficit of $ million, or $ per share on an as adjusted basis. Net tangible book value per share on an as adjusted basis is equal to the total tangible assets (total assets less intangible assets) less total liabilities, divided by the number of shares of common stock on an as adjusted basis, reflecting the 1-for-20 reverse stock split in connection with this offering. Without taking into account any adjustment in net tangible book value attributable to operations after , 2010, after giving effect to the sale by us of shares in this offering at an assumed initial public offering price of $, the mid-point of the range set forth on the cover page of this prospectus, our as adjusted net tangible book deficit as of , 2010, after deduction of the underwriting discount and estimated offering expenses and the application of the estimated net proceeds as described under “Use of Proceeds”, would have been approximately $ million, or $ per share. This represents an immediate increase in net tangible book value of $ per share to stockholders.

The following table illustrates this per share dilution:

Assumed initial public offering price per share		$
As adjusted net tangible book value per share as of April 4, 2010, before giving effect to this offering	$	
Increase in as adjusted net tangible book value per share attributable to new investors	$	
As adjusted net tangible book value per share after giving effect to this offering		$
Dilution per share to new investors in this offering		$

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

The following table summarizes as of April 4, 2010 the relative investments of all existing stockholders and new investors, giving effect to our sale of shares in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover of this prospectus, after deduction of the underwriting discount and offering expenses payable by us:

	Shares purchased		Total consideration		Average price per share
	Number	Percent	Amount	Percent	
Existing stockholders		%	$	%	$
New investors		%	$	%	$
Total:		%	$	%	$

The number of shares of common stock that will be outstanding after this offering is calculated based on 215,251,500 shares outstanding as of June 30, 2010, and assuming the 1-for-20 reverse stock split in connection with this offering, and excludes:

- 18,554,416 shares of common stock issuable upon the exercise of options outstanding as of June 30, 2010 at a weighted average exercise price of €23.46 per share (or $29.00 per share, based on the exchange rate in effect on June 18, 2010);

- 474,722 shares of common stock issuable upon the exercise of equity rights outstanding as of June 30, 2010 under our equity incentive program; and
- 3,195,584 shares of common stock reserved for issuance under our management equity plan.

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

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

SELECTED HISTORICAL COMBINED AND CONSOLIDATED FINANCIAL DATA

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

We have derived the selected consolidated statement of operations and other financial data for the years ended December 31, 2007, 2008 and 2009 and the selected consolidated balance sheet data as of December 31, 2008 and 2009, from our audited consolidated financial statements, included elsewhere in this prospectus. We have derived the selected consolidated statement of operations and other financial data for the periods from September 29, 2006 (inception) to December 31, 2006 and the consolidated balance sheet data as of December 31, 2006 and 2007 from the audited consolidated financial statements of NXP B.V. and its consolidated subsidiaries, not included in this prospectus. We have derived the selected combined statement of operations and other financial data for the year ended December 31, 2005, and for the period from January 1, 2006 to September 28, 2006 and the balance sheet data as of December 31, 2005 and September 28, 2006, from the combined financial statements of the former semiconductor business of Philips and its consolidated subsidiaries, the "predecessor", not included in this prospectus.

The selected historical consolidated financial data for the quarters ended March 29, 2009 and April 4, 2010 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus, which have been prepared on a basis consistent with our annual audited consolidated financial statements. In the opinion of management, such unaudited financial data reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results for those periods. The first fiscal quarter of 2009 consisted of 88 days and ended on March 29, 2009, compared to the first fiscal quarter of 2010, which consisted of 94 days and ended on April 4, 2010.

The results of operations for prior years or the interim periods are not necessarily indicative of the results to be expected for the full year or any future period.

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

Table of Contents

($ in millions, except share and per share data and unless otherwise indicated)	Predecessor		NXP Semiconductors N.V.					
	As of and for the year ended December 31,	As of and for the period from January 1 to September 28	As of and for the period from September 29 to December 31,	As of and for the years ended December 31,			As of and for the quarter ended	
	2005	2006	2006	2007	2008	2009	March 29, 2009	April 4, 2010
Consolidated Statements of Operations:								
Sales	5,918	4,705	1,533	6,321	5,443	3,843	702	1,165
Cost of sales	(3,642)	(2,909)	(1,181)	(4,276)	(4,225)	(2,874)	(634)	(737)
Gross profit	2,276	1,796	352	2,045	1,218	969	68	428
Selling expenses	(377)	(343)	(114)	(425)	(400)	(277)	(61)	(66)
Impairment charges	—	—	—	—	(714)	(69)	—	—
Other general and administrative expenses	(540)	(382)	(250)	(1,189)	(1,161)	(734)	(173)	(191)
Research and development expenses	(1,277)	(920)	(332)	(1,328)	(1,199)	(777)	(187)	(154)
Write-off of acquired in-process research and development	—	—	(664)	(15)	(26)	—	—	—
Other income (expense)	45	22	4	134	(364)	(12)	6	(17)
Income (loss) from operations	127	173	(1,004)	(778)	(2,646)	(900)	(347)	—
Extinguishment of debt	—	—	—	—	—	1,020	—	2
Other financial income (expense)	(78)	(27)	(94)	(181)	(614)	(338)	(309)	(304)
Income (loss) before taxes	49	146	(1,098)	(959)	(3,260)	(218)	(656)	(302)
Income tax benefit (expense)	(126)	(81)	312	396	(46)	(17)	(8)	(8)
Income (loss) after taxes	(77)	65	(786)	(563)	(3,306)	(235)	(664)	(310)
Results relating to equity-accounted investees	(6)	4	(3)	(40)	(268)	74	75	(26)
Net income (loss)	(83)	69	(789)	(603)	(3,574)	(161)	(589)	(336)
Other Operating Data:								
Capital expenditures	(459)	(580)	(143)	(549)	(379)	(96)	(37)	(51)
Depreciation and amortization(1)	1,016	588	1,044	1,547	2,010	938	211	193
Consolidated Statements of Cash Flows Data:								
Net cash provided by (used in):								
Operating activities	984	584	376	533	(622)	(745)	(368)	(15)
Investing activities	(445)	(570)	(237)	(678)	1,015	78	105	(95)
Financing activities	(507)	60	905	(22)	316	(80)	208	(11)
Per Share Data:(2)								
Basic and diluted net income (loss) per share(3)	N.A.	N.A.	(185.40)	(237.80)	(19.83)	(0.75)	(2.74)	(1.56)
Basic and diluted net income (loss) per share attributable to common stockholders(3)	N.A.	N.A.	(186.40)	(247.20)	(19.98)	(0.81)	(2.69)	(1.60)
Basic and diluted weighted average number of shares of common stock outstanding during the year (in thousands)(4)	N.A.	N.A.	5,000	5,000	180,210	215,252	215,252	215,252
Consolidated balance sheet data:								
Cash and cash equivalents	131	204	1,232	1,041	1,796	1,041		870
Total assets	4,748	5,216	12,944	13,816	10,327	8,673		8,111
Working capital(5)	445	562	1,574	1,081	1,355	870		647
Total debt(6)	1,758	730	5,836	6,078	6,367	5,283		5,177
Total business/stockholders’ equity	1,335	2,532	4,834	4,528	1,075	930		613

---

* N.A. means not applicable.

(1) Depreciation and amortization include the cumulative net effect of purchase price adjustments related to a number of acquisitions and divestments, including the purchase by a consortium of private equity investors of an 80.1% interest in our business, described elsewhere in this prospectus as our "Formation". The cumulative net effects of purchase price adjustments in depreciation and amortization aggregated to $850 million in the period September 29 to December 31, 2006, $788 million in 2007, $713 million in 2008, $391 million in 2009, $85 million in the quarter ended March 29, 2009 and $85 million in the quarter ended April 4, 2010. In 2009, depreciation and amortization included $46 million related to depreciation of property, plant and equipment from exited product lines ($21 million) and depreciation and amortization due to disposals that occurred in connection with our restructuring activities ($4 million) and other incidental items ($21 million). In the quarter ended April 4, 2010, depreciation and amortization included $21 million related to depreciation of property, plant and equipment due to disposals that occurred in connection with our restructuring activities ($18 million) and other incidental items ($3 million). For a detailed list of the acquisitions and a discussion of the effect of acquisition accounting, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability—Effect of Acquisition Accounting" contained elsewhere in this prospectus. Depreciation and amortization also include impairments to goodwill and other intangibles, as well as write-offs in connection with acquired in-process research and development, if any.

(2) On February 29, 2008, through a multi-step transaction, the nominal value of the common shares was decreased from €1.00 to €0.01 and all preference shares were converted into common shares, resulting in an increase of outstanding common shares from 100 million into 4.3 billion. Prior to consummation of this offering, we will amend 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 have been calculated to reflect the 1-for-20 reverse stock split.

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

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

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

(6) Total debt includes external debt and, for predecessor periods, amounts due to Philips. As adjusted for our cash and cash equivalents as of December 31, 2007, 2008 and 2009 and April 4, 2010, our net debt was $5,037 million, $4,571 million and $4,242 million and $4,307 million, respectively.

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

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

Overview

We are a global semiconductor company and a long-standing supplier in the industry, with over 50 years of innovation and operating history. We are a leading provider of High-Performance Mixed-Signal and Standard Products solutions that leverage our deep application insight and our technology and manufacturing expertise in RF, analog, power management, interface, security and digital processing products. Our product solutions are used in a wide range of automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. We engage with leading OEMs worldwide and over 58% of our sales are derived from Asia Pacific (excluding Japan). Since our separation from Philips in 2006, we have significantly repositioned our business to focus on High-Performance Mixed-Signal solutions and have implemented a Redesign Program aimed at achieving a world-class cost structure and processes. As of April 4, 2010, we had approximately 28,000 full-time equivalent employees located in more than 25 countries, with research and development activities in Asia, Europe and United States, and manufacturing facilities in Asia and Europe.

Our History

We were incorporated in the Netherlands as a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) on August 2, 2006, in connection with the sale by Philips of 80.1% of its semiconductor businesses to the Private Equity Consortium. Prior to the separation, we had over 50 years of innovation and operating history with Philips. Since our separation from Philips in 2006, we have significantly repositioned our business and market strategy. Further, in September 2008, we launched our Redesign Program to better align our cost structure with our more focused business scope and to achieve a world-class cost structure and processes. In the first half of 2009, the Redesign Program was accelerated and expanded from its initial scope of reducing operating costs to being a fundamental aspect of our strategy of continuous improvement and renewal. Key elements of our repositioning and redesign are:

Our Repositioning

- ***New leadership team.*** Nine of the twelve members of our executive management team are new to the Company or new in their roles since our separation from Philips in 2006, and six of the twelve have been recruited from outside NXP. Our leadership team is comprised of experienced semiconductor and high-tech industry veterans with strong records of operational improvement.
- ***Focus on High-Performance Mixed-Signal solutions.*** We have implemented our strategy of focusing on High-Performance Mixed-Signal solutions because we believe it to be an attractive market in terms of growth, barriers to entry, relative business and pricing stability and capital intensity. Several transactions have been core to our strategic realignment and focus on High-Performance Mixed-Signal: in September 2007, we divested our cordless phone system-on-chip business to DSPG; in July 2008, we contributed our wireless activities to the ST-NXP Wireless joint venture (our stake in which was subsequently sold to STMicroelectronics, with the business being renamed "ST-Ericsson"); and in February 2010, we merged our television systems and set-top box business with Trident. Our primary motivation for exiting the system-on-chip markets for mobile and consumer applications was the significant research and development investment requirements and high customer concentration

inherent in these markets, which make these businesses less profitable than our High-Performance Mixed-Signal and Standard Products businesses. Over the same period, we significantly increased our research and development investments in the High-Performance Mixed-Signal applications on which we focus.

- ***New customer engagement strategy.*** We have implemented a new approach to serving our customers and have invested significant additional resources in our sales and marketing organizations. In spite of the recent economic downturn, we hired over 100 field application engineers in the past year in order to better serve our customers with High-Performance Mixed-Signal solutions. We have created “application marketing” teams that focus on delivering solutions and systems reference designs that leverage our broad portfolio of products, thereby increasing our revenue opportunities while accelerating our customers’ time to market. With the increased number of application engineers and our applications marketing approach, we are able to engage with more design locations ranging from our largest, highest volume customers to the mid-size customers who typically have lower volumes but attractive margins.
- ***New market-oriented segments.*** On January 1, 2010, we reorganized our prior segments into two market-oriented business segments, High-Performance Mixed-Signal and Standard Products, and two other reportable segments, Manufacturing Operations and Corporate and Other.

Our Redesign Program

- ***Streamlined cost structure.*** As a result of the expanded Redesign Program, approximately $650 million in annual savings have been achieved as of the quarter ended April 4, 2010, as compared to our annualized third quarter results for 2008, which was the quarter during which we contributed our wireless operations to ST-NXP Wireless (which ultimately became ST-Ericsson). These savings have been primarily achieved through a combination of headcount reductions, factory closings and restructuring of our IT infrastructure. We expect to realize additional annual savings from further restructuring our manufacturing base, central research and development and support functions. We estimate the total costs of the accelerated and expanded Redesign Program to be no greater than $750 million by the end of 2011. Since the beginning of the Redesign Program in September 2008 and through April 4, 2010, $519 million of cash restructuring costs related to the Redesign Program and other restructuring activities has been paid, of which $86 million relates to the quarter ended April 4, 2010.
- ***Lean manufacturing base.*** As a part of our Redesign Program, we have significantly reduced our overall manufacturing footprint, particularly in high cost geographies. Our current manufacturing strategy focuses on capabilities and assets that help differentiate NXP’s offerings to its customers in terms of product features, quality, cost and supply chain performance. Accordingly, our wafer factory in Caen, France was sold in June 2009, our production facility in Fishkill, New York was closed in July 2009, ahead of schedule, and in January 2010, we closed part of our front-end manufacturing facility in Hamburg, Germany. We have also initiated process and product transfer programs from our ICN5 and ICN6 facilities in Nijmegen, the Netherlands, which are scheduled to close in 2010 and 2011, respectively. As a result, we will have reduced the number of our front-end manufacturing facilities from 14 at the time of our separation from Philips in 2006 to six by the end of 2011.

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

Basis of Presentation

New Segments

On January 1, 2010, we reorganized our prior segments into four reportable segments in compliance with FASB ASC Topic 280 (formerly SFAS 131). We have two market-oriented business segments, High-

Performance Mixed-Signal and Standard Products and two other reportable segments, Manufacturing Operations and Corporate and Other. Our High-Performance Mixed-Signal businesses deliver High-Performance Mixed- Signal solutions to our customers to satisfy their system and sub systems needs across eight application areas: automotive, identification, mobile, consumer, computing, wireless infrastructure, lighting and industrial. Our Standard Products business segment offers standard products for use across many applications markets, as well as application-specific standard products predominantly used in application areas such as mobile handsets, computing, consumer and automotive. Our manufacturing operations are conducted through a combination of wholly owned manufacturing facilities, manufacturing facilities operated jointly with other semiconductor companies and third-party foundries and assembly and test subcontractors, which together form our Manufacturing Operations segment. While the main function of our Manufacturing Operations segment is to supply products to our High-Performance Mixed-Signal and Standard Products segments, sales and costs in this segment are to a large extent derived from sales of wafer foundry and packaging services to our divested businesses in order to support their separation and, on a limited basis, their ongoing operations. As these divested businesses develop or acquire their own foundry and packaging capabilities, our revenues from these sources are expected to decline. Our Corporate and Other segment includes unallocated research expenses not related to any specific business segment, unallocated corporate restructuring charges and other expenses, as well as some operations not included in our two business segments, such as manufacturing, marketing and selling of CAN tuners through our joint venture NuTune and software solutions for mobile phones, our "NXP Software" business. The presentation of our financial results and the discussion and analysis of our financial condition and results of operations have been restated to reflect the new segments.

Significant Divestments

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

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

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

Non-controlling Interests

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

Recent Developments

Forward Start Revolving Credit Facility

On May 10, 2010, we entered into a €458 million Forward Start Revolving Credit Facility, a "forward start" revolving credit facility to refinance our existing Secured Revolving Credit Facility. The Forward Start

Table of Contents

Revolving Credit Facility will become available to us on September 28, 2012, the maturity date of our current Secured Revolving Credit Facility, subject to specified terms and conditions, and will mature on September 28, 2015. The amounts committed are subject to certain financial conditions described under "—Liquidity and Capital Resources—Debt Position".

Tax Incentives for Research and Development in the Netherlands

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

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

We own and manage a portfolio of a large number of patents and patent applications, most of which are legally and beneficially owned by our Dutch entities. Research and development is conducted by us in our Dutch research and development centers and through contract research and development agreements between us, as principal, in the Netherlands and our research and development centers outside the Netherlands. Our operating model is such that the majority of our income is generated by our activities in the Netherlands. In the fourth quarter of 2009, we completed the transfer of most of our sales activities from our worldwide subsidiaries to the Dutch sales entity. As a result of this transfer, local in-house distributors have been transformed into local agents. Accordingly, most of our sales to our customers will be earned by our Dutch sales entity. For the quarter ended April 4, 2010, approximately 78% of our sales were earned by our Dutch sales entity. Going forward, between 70% and 80% of the income before taxes of our Dutch sales entity will be subject to this favorable tax regime.

The portion of our income that will be subject to the 5% tax rate for income from technology is directly related to the amount of our earnings in the Netherlands. Following discussions with the Dutch tax authorities on the application of the tax incentive to our Dutch operations, in April 2010, we received a private letter ruling from the Dutch tax authorities which confirms the application of the tax incentive to our Dutch operations and establishes the methodology to be used to determine our income from technology. The better we perform, the greater the income allocable to the Netherlands will be and thus the greater benefit we will realize from the described Dutch tax regime. In addition, we have current Dutch tax losses that will expire in 2017 and the tax incentive for research and development activities included in the Netherlands Corporate Tax Act (*Wet op de Vennootschapsbelasting 1969*) has an unlimited term. We believe that our long-term effective cash tax rate (once our net operating losses have been utilized) will be in the range of 12% to 14% as a result of the combined effect of our operating model and the Dutch tax incentive for research and development activities. This estimate is based on the methodology that the Dutch tax authorities use to determine our income from technology, our assumptions with respect to growth of our earnings and our transfer pricing framework under which we expect the majority of our earnings before tax to be allocated to the Dutch sales entity. Our effective cash tax rate is subject to the uncertainties described under "Risk Factors—Risks Related to Our Business—We are exposed to a number of different tax uncertainties, which could have an impact on tax results" and the successful implementation of our Redesign Program. We currently expect our long-term effective cash tax rate, once our net operating losses have been utilized, to remain in this range for the foreseeable future.

Moversa Merger

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

Trident Transaction

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

Factors Affecting Comparability

First Quarter Presentation

The first fiscal quarter of 2009 consisted of 88 days and ended on March 29, 2009, compared to the first fiscal quarter of 2010, which consisted of 94 days and ended on April 4, 2010.

Economic and Financial Crisis

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

Restructuring and Redesign Program

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

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

As a result of the expanded Redesign Program, approximately $650 million in annual savings have been achieved as of the quarter ended April 4, 2010, as compared to our annualized third quarter results for 2008, which was the quarter during which we contributed our wireless operations to ST-NXP Wireless. We expect to

realize additional annual savings from further restructuring our manufacturing base, central research and development and support functions. We estimate the total costs of the accelerated and expanded Redesign Program to be no greater than $750 million by the end of 2011, compared with the original total cost estimate for the initial program of $700 million by the end of 2010.

Since the beginning of the Redesign Program in September 2008 and through April 4, 2010, $519 million of restructuring costs related to the Redesign Program and other restructuring activities has been paid, of which $86 million was paid in the first quarter of 2010. In the quarter ended April 4, 2010, we recorded $14 million of restructuring charges, of which $5 million were related to employee termination costs. The remainder was largely related to closure of businesses such as the front-end manufacturing facility in Hamburg, Germany and the release of provisions. In 2009, a restructuring charge of $112 million was recorded as a result of the new restructuring projects during the year, which included the closure of the additional wafer fab in Nijmegen scheduled for early 2011, and employee termination costs consequent to the transaction with Trident. This charge was offset by release of restructuring liabilities of $92 million related to earlier announced restructuring projects. In addition, we incurred $83 million of cash restructuring costs in 2009. In the aggregate, the net restructuring charges that affected our income from operations for 2009 amounted to $103 million. In 2008, a charge of $594 million was recorded for restructuring, of which $443 million was related to employee termination costs from the Redesign Program, which was announced in September 2008. The remainder was largely related to the write downs of assets, costs related to the closure of businesses and various other restructuring charges.

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

	For the year ended December 31,		For the quarter ended	
($ in millions)	**2008**	**2009**	**March 29, 2009**	**April 4, 2010**
Cost of sales	348	(5)	17	(4)
Selling expenses	19	11	—	(2)
General and administrative expenses	124	36	12	19
Research and development expenses	97	61	6	1
Other income and expenses	6	—	—	—
Net restructuring charges	594	103	35	14

As of April 4, 2010, the total restructuring liability was $226 million, which consisted of $186 million of short-term provisions and $29 million of long-term provisions, both of which related to employee termination costs, and $11 million of accrued liabilities. As of March 29, 2009, the total restructuring liability was $440 million, which consisted of $87 million of short-term provisions and $290 million of long-term provisions, both of which related to employee termination costs, and $63 million of accrued liabilities. As of December 31, 2009, the total restructuring liability was $313 million, which consisted of $257 million of short-term provisions and $43 million of long-term provisions, both of which related to employee termination costs, and $13 million of accrued liabilities. As of December 31, 2008, the total restructuring liability was $498 million, which consisted of $98 million of short-term provisions and $322 million of long-term provisions, both of which related to employee termination costs, and $78 million of accrued liabilities.

Capital Structure

As of April 4, 2010, the book value of our total debt was $5,177 million and included $611 million of short-term debt and $4,566 million of long-term debt. This is $1,190 million lower than the book value of our total debt of $6,367 million as of December 31, 2008.

In 2009, through a combination of cash buy-backs and debt exchange offers, we were able to reduce the book value of our total long-term debt by $1,331 million. This was partially offset by the negative impact of foreign exchange of $32 million and an $8 million accrual of debt discount in 2009. In 2009, the reduction in

total debt was also partially offset by an increase of $207 million in short-term debt, of which $200 million consisted of a drawdown under our Secured Revolving Credit Facility. In addition, in the quarter ended April 4, 2010, we purchased through a privately negotiated transaction our outstanding debt with a book value of $14 million for a consideration of $12 million (including accrued interest). In the quarter ended April 4, 2010, debt was also reduced by the impact of foreign exchange of $92 million, offset by a $2 million accrual of debt discount. See "—Liquidity and Capital Resources—Debt Position".

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

The total amount of cash used in 2009 as a result of the debt buy-backs amounted to $286 million. The total gain on these transactions recognized in 2009 (net of issuance costs) was $1,020 million, of which $507 million was recognized in our second fiscal quarter and $513 million in our third fiscal quarter.

Impairment of Goodwill and Other Intangibles

Our goodwill is tested for impairment on an annual basis in accordance with ASC 350 (FASB Statement 142). To test our goodwill for impairment, the fair value of each "reporting unit" that has goodwill is determined. If the carrying value of the net assets in the "reporting unit" exceeds the fair value of the "reporting unit", there is an additional assessment performed to determine the implied fair value of the goodwill. If the carrying value of the goodwill exceeds this implied fair value, we record impairment for the difference between the carrying value and the implied fair value. In 2009, we distinguished five segments as "reporting units", as referred to in ASC 350, for the purpose of testing our goodwill for impairment. At the time of testing, we were structured in three market-oriented business segments: Automotive & Identification, Multi-Market Semiconductors and Home, each of which represented a reportable operating segment. We also had two other reportable segments: Manufacturing Operations and Corporate and Other.

The determination of the fair value of the reporting unit requires us to make significant judgments and estimates including projections of future cash flows from the business. We base our estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, we make judgments and assumptions in allocating assets and liabilities to each of our reporting units. The key assumptions considered for computing the fair value of reporting units include: (a) cash flows based on financial projections for periods ranging from 2009 through 2012 and which were extrapolated until 2020, (b) terminal values based on terminal growth rates not exceeding 4% and (c) discount rates based on the weighted average cost of capital ranging from 12.8% to 16.8%. An increase in the weighted average cost of capital of approximately 1.0% would have resulted in an impairment in both our former reporting units Automotive & Identification and Home and a decrease of 1% in the terminal growth rate would have resulted in an impairment in the former reporting unit Automotive & Identification. The assumptions for the former reporting unit Automotive & Identification were closely reviewed since the percentage of fair value exceeding the carrying value was the lowest among the reporting units. Sales and profitability in the fourth quarter of 2009 and the outlook for the Automotive & Identification businesses had improved significantly compared to the time the impairment analysis was executed. For the former reporting unit Home, following the announcement to sell the television and set-top box business lines to Trident, the assets and liabilities to be divested were reported as held for sale at fair value less cost to sell.

Based on the goodwill impairment analysis performed in 2009, management concluded that there is no additional impairment required, there was no impairment of goodwill and other intangibles recognized during the quarter ended April 4, 2010.

The application of the impairment test resulted in the write-down of goodwill and intangibles of $714 million in 2008 ($340 million under the Divested Home Activities segment, $218 million under the High-Performance Mixed Signal segment and $156 million under the Corporate and Other segment). For the Divested

Home Activities segment, the assets and liabilities to be divested were reported as held for sale at fair value less cost to sell, for which an impairment of $69 million was recorded in 2009, which included $33 million of goodwill impairment related to the Divested Home Activities.

Effect of Acquisition Accounting

Our Formation

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

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

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

An amount of $3,096 million, being the excess of the purchase price over the estimated fair value of the net assets acquired, was allocated to goodwill. This goodwill is not amortized, but is tested for impairment at least annually. In 2009, we concluded that no additional impairment charge was necessary, other than the impairment charge recognized as a result of the transaction with Trident, amounting to $33 million, which was included in the $69 million of impairment of "assets held for sale". However, the goodwill impairment analysis in 2008 led to an impairment of $430 million, of which $381 million related to our former Home segment, which amount was subsequently re-allocated to our new segments as follows: $144 million was transferred to the High-Performance Mixed-Signal segment, $160 million was transferred to the Divested Home Activities and $77 million was transferred to the Corporate and Other segment. The remaining goodwill impairment of $49 million in 2008 related to the Corporate and Other segment. In 2007, there was no impairment charge.

Other Significant Acquisitions and Divestments

- ***2009.*** On November 16, 2009, we completed our strategic alliance with Virage Logic and obtained approximately 9.8% of Virage Logic's outstanding common stock. This transaction included the transfer of our advanced CMOS horizontal intellectual property and development team in exchange for the rights to use Virage Logic's intellectual property and services. Virage Logic is a provider of both functional and physical semiconductor intellectual property for the design of complex integrated circuits. The shares of Virage Logic are listed on the NASDAQ Global Market. Considering the terms and conditions agreed between the parties, we will account for our investment in Virage at cost.
- ***2008.*** On September 1, 2008, we completed the combination of our CAN tuner modules operation with those of Technicolor (formerly Thomson S.A.), operating in a new joint venture named NuTune. We have a 55% ownership stake in NuTune, which is fully consolidated in our Corporate and Other segment. Technicolor holds the remaining 45%.

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

  On July 28, 2008, we combined our key wireless operations with those of STMicroelectronics to form a new joint-venture company, at that time named ST-NXP Wireless, into which we contributed businesses and assets forming a substantial portion of our former Mobile & Personal segment (our sound solutions, mobile infrastructure and amplifiers businesses were not contributed and are now part

of our High-Performance Mixed-Signal and Standard Products segments). We received a 20% ownership interest in the joint venture and a cash consideration of $1.55 billion in connection with the divestment. Effective February 2, 2009, STMicroelectronics purchased our remaining stake in the joint venture (subsequently renamed “ST-Ericsson”) for a purchase price of $92 million.

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

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

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

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

The acquisitions described above have been accounted for using the acquisition method. Accordingly, the respective purchase prices have been “pushed down” within the NXP group and allocated to the fair value of assets acquired and liabilities assumed. Adjustments in fair values associated with our Formation and these acquisitions had a negative impact on our 2009 income from operations of $391 million (compared to $713 million in 2008 and $791 million in 2007) due to additional amortization and depreciation charges. This was partly offset in our 2009 net income by the tax effect on the purchase price adjustments amounting to $189 million (compared to $349 million in 2008 and $247 million in 2007).

As used in this discussion, the term “PPA effect” includes the cumulative net effect of acquisition accounting applied to these acquisitions, as well as the Formation. Certain PPA effects are recorded in our cost of sales, which affect our gross profit and income from operations, and other PPA effects are recorded in our operating expenses, which only affect our income from operations.

Restructuring and Other Incidental Items

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

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

Due to the Formation in late 2006, certain financial reporting and accounting policies and procedures regarding these 2007 other incidental items were not implemented and effective until the beginning of the third fiscal quarter of 2007.

Research and Development

The divestment of our Divested Wireless Activities and Home Activities in 2008 and 2009 resulted in a reduction of our research and development expenses. These divested activities accounted for $538 million of

research and development expenses in 2008 (of which $319 million related to our Divested Wireless Activities and $219 million related to our Divested Home Activities) and $239 million in 2009 (all of which related to our Divested Home Activities). This reduction in research and development expenses is in addition to our cost savings from the Redesign Program.

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

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

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

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

Statement of Operations Items

Sales

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

Cost of Sales

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

Gross Profit

Gross profit is our sales less our cost of sales, and gross margin is our gross profit as a percentage of our sales. Our revenues include sales from wafer foundry and packaging services to our divested businesses, which are reported under our segment Manufacturing Operations. In accordance with the terms of our divestment

agreements, because the sales to our divested businesses are at a level approximately equal to their associated cost of sales, there is not a significant contribution to our gross profit from these specific sales and hence they are dilutive to our overall company gross margin. As these divested businesses develop or acquire their own foundry and packaging capabilities, our sales from these sources are expected to decline, and, therefore, the dilutive impact on gross profit is expected to decrease over time.

Selling Expenses

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

General and Administrative Expenses

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

Research and Development Expenses

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

Other Income (Expense)

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

Income (Loss) from Operations

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

Extinguishment of Debt

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

Other Financial Income (Expense)

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

Income Tax Benefit (Expense)

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

Results Relating to Equity-Accounted Investees

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

Net Income (Loss)

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

Quarter Ended April 4, 2010 Compared to Quarter Ended March 29, 2009 for the Group

The first fiscal quarter of 2009 consisted of 88 days and ended on March 29, 2009, compared to the first fiscal quarter of 2010, which consisted of 94 days and ended on April 4, 2010.

Sales

The following table presents the aggregate sales and income from operations (IFO) by segment for the quarters ended April 4, 2010 and March 29, 2009.

	For the quarter ended					
	March 29, 2009			April 4, 2010		
($ in millions)	Sales	IFO	% of sales	Sales	IFO	% of sales
High-Performance Mixed-Signal	373	(133)	(35.7)	695	51	7.3
Standard Products	151	(62)	(41.1)	279	24	8.6
Manufacturing Operations	61	(49)	(80.3)	109	(16)	(14.7)
Corporate and Other	40	(27)	NM	35	(28)	NM
Divested Home Activities	77	(76)	(98.7)	47	(31)	(66.0)
Total	702	(347)	(49.4)	1,165	0	0

NM: Not meaningful

The following table presents the reconciliation from nominal sales growth to comparable sales growth for the quarter ended April 4, 2010, compared to the quarter ended March 29, 2009.

(In %)	Nominal Growth	Consolidation Changes	Currency Effects	Comparable Growth
High-Performance Mixed-Signal	86.3	—	(3.8)	82.5
Standard Products	84.8	—	(3.2)	81.6
Manufacturing Operations	78.7	(62.4)	—	16.3
Corporate and Other	(12.5)	—	(0.3)	(12.8)
Divested Home Activities	NM			
Total	66.0	6.8	(3.1)	69.7

NM: Not meaningful

Sales were $1,165 million in the first quarter of 2010, compared to $702 million in the first quarter of 2009, a nominal increase of 66.0%, and a comparable increase of 69.7%. Our sales in the first quarter of 2009 were severely affected by the economic and financial crisis. Sales improved in the first quarter of 2010, compared to the first quarter of 2009, due to our market share gains and increased sales volumes driven by design wins across a wide range of our business lines, our responsive manufacturing operations and the economic recovery. The sales increase was partly offset by the divestment of a major portion of our former Home segment to Trident on February 8, 2010. The sales of these Divested Home Activities amounted to $47 million until February 8, 2010, compared to $77 million for the whole first quarter of 2009. Sales in the first quarter of 2010 were also affected by favorable currency movements of $20 million, compared to the first quarter of 2009.

Gross Profit

Our gross profit was $428 million, or 36.7% of our sales, in the first quarter of 2010, compared to $68 million, or 9.7% of our sales, in the first quarter of 2009. The PPA effects that were included in gross profit amounted to $12 million in the first quarter of 2010, compared to $4 million in the first quarter of 2009. Also included in our gross profit were restructuring and other incidental items, mainly related to process and product transfer costs in connection with our Redesign Program, which amounted to an aggregate cost of $5 million in the first quarter of 2010. Restructuring and other incidental items included in our gross profit in the first quarter of 2009 amounted to an aggregate cost of $41 million and were largely related to process and product transfer costs and restructuring charges related to our Redesign Program.

The increase in our gross profit in the first quarter of 2010 was largely due to higher sales, as well as to the cost reductions that we achieved as a result of the ongoing Redesign Program. The utilization of our factories, based on ‘wafer outs,’ increased to an average of 85% in the first quarter of 2010, compared to an average of 36% in the first quarter of 2009. Based on ‘wafer starts,’ the utilization of our factories improved from 35% in the first quarter of 2009 to 93% in the first quarter of 2010. The divestment of a major portion of our former Home segment to Trident also had an impact on our gross profit. These Divested Home Activities achieved a gross profit of $16 million until February 8, 2010, compared to a gross profit of $4 million for the whole first quarter of 2009.

Selling Expenses

Our selling expenses were $66 million, or 5.7% of our sales, in the first quarter of 2010, compared to $61 million, or 8.7% of our sales, in the first quarter of 2009. The increase in our selling expenses is in line with our overall strategy to better serve our customers with High-Performance Mixed-Signal solutions, whereby we have created “application marketing” teams that focus on delivering solutions and systems reference designs that leverage our broad portfolio of products. The additional investment of resources in our sales and marketing organizations was partly offset by the effect of the divestment of a major portion of our former Home segment to Trident, which contributed $8 million to selling expenses in the first quarter of 2009, compared to $3 million in the first quarter of 2010. Our selling expenses also include certain restructuring and other incidental items, which in the first quarter of 2010 resulted in an aggregate income of $2 million mainly due to the release of certain restructuring liabilities related to restructuring projects announced earlier. There were no restructuring or other incidental items included in the selling expenses in the first quarter of 2009.

General and Administrative Expenses

General and administrative expenses amounted to $191 million, or 16.4% of our sales, in the first quarter of 2010, compared to $173 million, or 24.6% of our sales, in the first quarter of 2009. The PPA effects that were included in our general and administrative expenses amounted to $73 million in the first quarter of 2010, compared to $81 million in the first quarter of 2009. In the first quarter of 2010 our general and administrative expenses also included restructuring and other incidental items for a total amount of $33 million. Those restructuring and other incidental items were largely related to the restructuring costs, IT system reorganization costs and certain merger and acquisition costs. In the first quarter of 2009, the restructuring and other incidental items that impacted on our general and administrative expenses amounted to an aggregate cost of $21 million and

were largely related to restructuring costs, IT system reorganization costs and certain merger and acquisition costs. The increase in general and administrative expenses, compared to the first quarter of 2009, is largely due to higher incidental costs, $4 million in unfavorable currency effects and $2 million in higher costs for the share-based compensation program, the effects of which are partly offset by reductions due to divestment of a major portion of our former Home segment. These divested activities amounted to $13 million in the first quarter of 2009, compared to $3 million in the first quarter of 2010.

Research and Development Expenses

Our research and development expenses amounted to $154 million, or 13.2% of our sales, in the first quarter of 2010, compared to $187 million, or 26.6% of our sales, in the first quarter of 2009. Our research and development expenses included restructuring and other incidental items amounting to an aggregate cost of $3 million in the first quarter of 2010, compared to $8 million in the first quarter of 2009, and were largely related to restructuring costs as a part of the Redesign Program. The reduction in our research and development expenses was largely due to the divestment of a major portion of our former Home segment to Trident. The Divested Home Activities amounted to an aggregate cost of $59 million in the first quarter of 2009, compared to $16 million in the first quarter of 2010. Further reductions in our research and development expenses were achieved as a result of our strategic alliance with Virage Logic Corporation and our ongoing Redesign Program. However, these reductions were partly offset by increased investments in the High-Performance Mixed-Signal applications on which we focus.

Other Income (Expense)

Other income and expense was a loss of $17 million in the first quarter of 2010, compared to a gain of $6 million in the first quarter of 2009. Included are incidental items, amounting to an aggregate cost of $20 million in the first quarter of 2010 and an aggregate income of $5 million in the first quarter of 2009, which were related to gains and losses realized on the completed divestment transactions.

In the first quarter of 2010 a loss of $25 million was included in incidental items relating to the disposal of net assets to Trident, recorded under the segment Divested Home Activities.

Restructuring Charges

In the first quarter of 2010, restructuring charges were recorded as a result of the ongoing restructuring projects initiated in September 2008.

In the aggregate, the net restructuring charges that affected our income from operations in the first quarter of 2010 amounted to $14 million, against $35 million in the same period of 2009, of which $5 million were related to employee termination costs from the Redesign Program. The remainder was largely related to costs related to the closure of businesses, such as the front-end manufacturing facility in Hamburg, Germany and the release of provisions.

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

	For the quarter ended	
($ in millions)	March 29, 2009	April 4, 2010
Cost of sales	17	(4)
Selling expenses	—	(2)
General and administrative expenses	12	19
Research & development expenses	6	1
Other income and expenses	—	—
Net restructuring charges	35	14

As of April 4, 2010, the total restructuring liability was $226 million, which consisted of $186 million of short-term provisions and $29 million of long-term provisions, both of which related to employee termination costs, and $11 million of accrued liabilities.

Income (Loss) from Operations

The following tables present the aggregate income (loss) from operations by segment for the quarters ended April 4, 2010 and March 29, 2009, which includes the effects of PPA, restructuring and other incidental items:

($ in millions)	For the quarter ended April 4, 2010			
	Income (Loss) from Operations	Effects of PPA[1]	Restructuring	Other Incidental Items
High-Performance Mixed-Signal	51	(63)	1	(1)
Standard Products	24	(16)	2	(1)
Manufacturing Operations	(16)	(6)	(2)	(6)
Corporate and Other	(28)	—	(11)	(11)
Divested Home Activities	(31)	—	(4)	(26)
Total	0	(85)	(14)	(45)

(1) Effects of PPA includes $9 million (HPMS: $6 million and Manufacturing Operations: $3 million) additional write-down of a site in Germany.

($ in millions)	For the quarter ended March 29, 2009			
	Income (Loss) from Operations	Effects of PPA	Restructuring	Other Incidental Items
High-Performance Mixed-Signal	(133)	(55)	(2)	(8)
Standard Products	(62)	(19)	—	(1)
Manufacturing Operations	(49)	(7)	(16)	(18)
Corporate and Other	(27)	(1)	(16)	(2)
Divested Home Activities	(76)	(3)	(1)	(1)
Total	(347)	(85)	(35)	(30)

Financial Income (Expense)

($ in millions)	For the quarter ended	
	March 29, 2009	April 4, 2010
Interest income	3	—
Interest expense	(104)	(80)
Foreign exchange results	(201)	(222)
Extinguishment of debt	—	2
Other	(7)	(2)
Total	(309)	(302)

Financial income and expenses was a net expense of $302 million in the first quarter of 2010, compared to a net expense of $309 million in the first quarter of 2009. The net interest expense amounted to $80 million in the first quarter of 2010, compared to $101 million in the first quarter of 2009. Financial income and expenses also included a loss of $222 million in the first quarter of 2010, as a result of a change in foreign exchange rates mainly applicable to our U.S. dollar-denominated notes and short-term loans, compared to a loss of $201 million in the first quarter of 2009. In addition, financial income and expense included a gain of $2 million in the first

quarter of 2010, resulting from the extinguishment of debt, compared to nil in the first quarter of 2009. The net cash utilized for the extinguishment of debt amounted to $12 million in the first quarter of 2010.

Income Tax Benefit (Expenses)

The effective income tax rates for the quarters ended April 4, 2010 and March 29, 2009 were (2.6%) and (1.2%) respectively. The higher effective tax rate for the quarter ended April 4, 2010 compared to the same period in the prior year was primarily due to a decrease in losses in tax jurisdictions for which a full valuation allowance is recorded in both the quarters ended April 4, 2010 and March 29, 2009.

Results Relating to Equity-accounted Investees

Results relating to the equity-accounted investees amounted to a loss of $26 million in the first quarter of 2010, compared to a gain of $75 million in the first quarter of 2009. The loss in the first quarter of 2010 was related to our investment in Trident. The gain in the first quarter of 2009 was largely due to the release of translation differences related to the sale of our 20% share in ST-NXP Wireless (subsequently renamed "ST-Ericsson").

Net Income

The net income for the first quarter of 2010 amounted to a loss of $336 million, compared to a loss of $589 million in the first quarter of 2009. The decrease in net loss was largely attributable to improved income from operations.

Non-controlling Interests

The share of non-controlling interests amounted to a profit of $9 million in the first quarter of 2010, compared to a loss of $10 million in the first quarter of 2009. This mostly related to the third-party share in the results of consolidated companies, predominantly SSMC and NuTune.

Quarter Ended April 4, 2010 Compared to Quarter Ended March 29, 2009 by Segment

High-Performance Mixed-Signal

	For the quarter ended	
($ in millions)	March 29, 2009	April 4, 2010
Sales	373	695
% nominal growth	(43.5)	86.3
% comparable growth	(40.9)	82.5
Gross profit	98	330
Income (loss) from operations	(133)	51
Effects of PPA	(55)	(63)
Restructuring charges	(2)	1
Other incidental items	(8)	(1)

Sales

Sales in the first quarter of 2010 were $695 million, compared to $373 million in the first quarter of 2009, a nominal increase of 86.3%, and a comparable increase of 82.5%. The first quarter of 2009 was severely affected by the economic crisis. The increase in sales, compared to the first quarter of 2009, was largely due to increased sales volumes attributable to the global economic recovery supported by market share gains driven by various design wins, over the past quarters, across a wide range of our business lines, and our responsive manufacturing operations. Furthermore, sales for the first quarter of 2010 were affected by favorable currency effects of $14 million, compared to the first quarter of 2009.

Gross Profit

Gross profit in the first quarter of 2010 was $330 million, or 47.5% of sales, compared to $98 million, or 26.3% of sales, in the first quarter of 2009. Included are PPA effects of $10 million in the first quarter of 2010, compared to $1 million in the first quarter of 2009. The restructuring and other incidental items included a release of provision for restructuring of $1 million in the first quarter of 2010 offset by an incidental cost of $1 million, compared to an aggregate cost of $10 million in the first quarter of 2009. The restructuring and other incidental items in the first quarter of 2010 were mainly related to process and product transfer costs offset by a release of restructuring liabilities. The increase in gross profit was largely due to the higher sales supported by cost savings resulting from the ongoing Redesign Program.

Operating Expenses

Operating expenses amounted to $279 million in the first quarter of 2010, or 40.3% of sales, compared to $231 million in the first quarter of 2009, or 61.9% of sales. Operating expenses included PPA effects of $53 million in the first quarter of 2010, compared to $54 million in the first quarter of 2009. The increase in operating expenses was largely due to higher research and development costs and higher selling expenses, in line with our strategy of creating "application marketing" teams to better serve our customers. The increase in research and development costs was mainly due to the redirecting of our research and development resources after the divestment of a major portion of our former Home segment to Trident. The increase in operating expense was partly offset by the cost savings resulting from the ongoing Redesign Program.

Income (Loss) from Operations

We had an income from operations of $51 million in the first quarter of 2010, compared to a loss from operations of $133 million in the first quarter of 2009. Included are PPA effects of $63 million in the first quarter of 2010, compared to $55 million in the first quarter of 2009. The restructuring and other incidental items in the first quarter of 2010 were mainly related to process and product transfer costs offset by a release of restructuring liabilities. Restructuring and other incidental items, mainly related to process transfer costs and restructuring costs as part of the Redesign Program, amounted to an aggregate cost of $10 million in the first quarter of 2009. The increase in income from operations, compared to first quarter of 2009, was largely due to higher gross profit, resulting from higher sales and redesign savings, partly offset by the higher operating expenses.

Standard Products

	For the quarter ended	
($ in millions)	March 29, 2009	April 4, 2010
Sales	151	279
% nominal growth	(45.1)	84.8
% comparable growth	(42.9)	81.6
Gross profit	(11)	77
Income (loss) from operations	(62)	24
Effects of PPA	(19)	(16)
Restructuring charges	—	2
Other incidental items	(1)	(1)

Sales

Sales in the first quarter of 2010 were $279 million, compared to $151 million in the first quarter of 2009, a nominal increase of 84.8%, and a comparable increase of 81.6%. The first quarter of 2009 was severely affected by the economic downturn, which in turn resulted in lower end customer demand. The increase in sales, compared to the first quarter of 2009, was largely due to increased sales volumes attributable to the global

economic recovery and our ability to ramp up production in response to increase in demand. Furthermore, sales for the first quarter of 2010 were affected by favorable currency effects of $5 million, compared to the first quarter of 2009.

Gross Profit

Gross profit in the first quarter of 2010 was $77 million, or 27.6% of sales, compared to a gross loss of $11 million, or (7.3%) of sales, in the first quarter of 2009. There were no PPA effects included in the gross profit for the first quarter of 2010 and 2009. The restructuring and other incidental items amounted to an aggregate income of $1 million in the first quarter of 2010 and a cost of $1 million in the first quarter of 2009. The increase in gross profit was largely due to the higher sales supported by cost savings resulting from the ongoing Redesign Program.

Operating Expenses

Operating expenses amounted to $53 million in the first quarter of 2010, or 19.0% of sales, compared to $51 million in the first quarter of 2009, or 34.4% of sales. Operating expenses included PPA effects of $16 million in the first quarter of 2010, compared to $19 million in the first quarter of 2009. The selling costs, general and administrative costs and research and development costs were lower in the first quarter of 2010, as a percentage of sales, compared to the first quarter of 2009, largely due to higher sales and the effects of the ongoing Redesign Program.

Income (Loss) from Operations

We had an income from operations of $24 million in the first quarter of 2010, compared to a loss of $62 million in the first quarter of 2009. Included are PPA effects of $16 million in the first quarter of 2010, compared to $19 million in the first quarter of 2009. The increase in income from operations was mainly due to the higher gross profit. The restructuring and other incidental items amounted to an aggregate income of $1 million in the first quarter of 2010 and an aggregate cost of $1 million in 2009.

Manufacturing Operations

Sales

Sales of our Manufacturing Operations segment were $109 million in the first quarter of 2010, compared to $61 million in the first quarter of 2009. The sales in the first quarter of 2010 included sales to Trident, which amounted to $38 million, compared to nil in the first quarter of 2009. The remaining increase in sales, compared to the first quarter of 2009, was largely due to increased sales volumes attributable to the increase in demand as a result of the global economic recovery. The factory utilization rate based on ‘wafer starts’ also improved from 35% in the first quarter of 2009 to 93% in the first quarter of 2010. The factory utilization rate was at 85% in the first quarter of 2010, compared to 36% based on “wafer outs” in the first quarter of 2009.

Operating Expenses

Operating expenses amounted to $9 million in the first quarter of 2010, compared to $21 million in the first quarter of 2009. Operating expenses were mainly related to the real estate and facility management costs and the management fee allocated to our Manufacturing Operations segment.

Income (Loss) from Operations

We had a loss from operations of $16 million in the first quarter of 2010, compared to a loss of $49 million in the first quarter of 2009. Included are PPA effects of $6 million in the first quarter of 2010, compared to $7 million in the first quarter of 2009. The restructuring and other incidental items amounted to an aggregate cost of $8 million in the first quarter of 2010 and $34 million in the first quarter of 2009. Those costs were mainly related to the process and product transfer costs as part of the Redesign Program.

Corporate and Other

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

Sales

Sales in the first quarter of 2010 were $35 million, which primarily related to NuTune, compared to $40 million in the first quarter of 2009. The first quarter of 2009 included sales of certain exited businesses.

Operating Expenses

Operating expenses amounted to $48 million in the first quarter of 2010, compared to $37 million in the first quarter of 2009. Included are the restructuring and other incidental items which amounted to an aggregate cost of $22 million in the first quarter of 2010, compared to $25 million in the first quarter of 2009. The other incidental items are largely related to IT system reorganization costs and merger and acquisition related costs.

Divested Home Activities

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

Sales in the first quarter of 2010 amounted to $47 million until February 8, 2010, compared to $77 million in the entire first quarter of 2009. The operating expenses amounted to $21 million in the first quarter of 2010, compared to $80 million in the first quarter of 2009.

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

Sales

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

	For the year ended December 31,					
	2008			2009		
($ in millions, unless otherwise stated)	Sales	% nominal growth	% comparable growth	Sales	% nominal growth	% comparable growth
High-Performance Mixed-Signal	2,511	(4.3)	(7.4)	2,011	(19.9)	(18.2)
Standard Products	1,095	5.5	3.5	891	(18.6)	(17.1)
Manufacturing Operations	324	51.4	10.7	324	—	(29.0)
Corporate and Other	219	(45.9)	(28.4)	165	(24.7)	(58.3)
Divested Wireless Activities	792	(45.6)	NM	—	—	—
Divested Home Activities	502	(13.7)	(25.0)	452	(10.0)	(22.7)
Total	5,443	(13.9)	(6.6)	3,843	(29.4)	(21.1)

NM: Not meaningful

Sales were $3,843 million in 2009 compared to $5,443 million in 2008, a nominal decrease of 29.4%, and a comparable decrease of 21.1%. Of the $1,600 million total decline in sales in 2009, $792 million were due to the divestment of our wireless operations, which we combined in the joint venture, ST-NXP Wireless, with

STMicroelectronics on July 28, 2008. The remaining decline in sales was mainly attributable to the global economic and financial crisis and the weak economic environment, which affected all our business segments, primarily because of the negative impact on our sales volume, but also because of price erosion. Our sales were severely affected by the crisis, especially in the first and second quarters of 2009. Our sales in the third and fourth quarters of 2009 partly recovered due to increasing sales volumes attributable to the replenishment of inventory at customers, our responsive manufacturing operations and the economic recovery. However, our sales were still lower than in the pre-crisis period. Further, our 2009 sales were affected by unfavorable currency movements of $66 million.

Gross Profit

Our gross profit was $969 million, or 25.2% of our sales, in 2009, compared to $1,218 million, or 22.4% of our sales, in 2008. Our gross profit as a percentage of sales was impacted by the dilutive effect of our Manufacturing Operations segment. The PPA effects that were included in gross profit amounted to $69 million in 2009, compared to $151 million in 2008. Also included in our gross profit were restructuring and other incidental items, which amounted to an aggregate cost of $158 million in 2009 and were mainly related to process and product transfer costs and our exit of certain product lines in connection with our Redesign Program, whereas restructuring and other incidental items included in our gross profit in 2008 amounted to an aggregate cost of $402 million and were largely related to the restructuring charge of $348 million related to the Redesign Program and other costs associated with exiting product lines.

The decline in gross profit was largely due to the significantly lower sales during the first half of 2009 resulting from the economic downturn. This also reduced our factory utilization to an average of 56% in 2009, compared to 72% in 2008. The divestment of our wireless operations in July 2008 also resulted in a lower gross profit. The divested wireless activities had a gross profit of $222 million in the year 2008 (which includes PPA effects and incidental items amounting to an aggregate cost of $14 million). Furthermore, our gross profit was affected by an unfavorable currency effect of $48 million in 2009, compared to 2008. However, the decline in our gross profit was mitigated to some extent by cost reductions, which we achieved as a result of the ongoing Redesign Program. The cost reductions realized in 2009 were approximately $200 million as compared to 2008 (realized mainly in the second half of 2009), which were to a large extent related to the closure of the Caen, France, and Fishkill, New York, factories.

Despite the decline in gross profit, our gross profit as a percentage of sales increased by 2.8% in 2009, compared to 2008, as a result of the cost reductions in connection with the ongoing Redesign Program.

Selling Expenses

Our selling expenses were $277 million, or 7.2% of our sales, in 2009, compared to $400 million, or 7.3% of our sales, in 2008. The decline in selling expenses was mainly due to the divestment of our wireless activities ($66 million in 2008) and restructuring and other incidental items of $19 million (related to our Redesign Program) in 2008, compared to $9 million of restructuring and other incidental items in 2009. The remaining reduction in our selling expenses was mainly the result of the ongoing Redesign Program, as we have streamlined and strategically repositioned our sales force and marketing programs, and favorable currency effects.

General and Administrative Expenses

General and administrative expenses amounted to $803 million, or 20.9% of sales, in 2009, compared to $1,875 million, or 34.4% of sales, in 2008. The decline in general and administrative expenses resulted from the lower PPA amortization of $322 million in 2009 compared to $536 million in 2008, lower impairment charges of $69 million in 2009 compared to $714 million in 2008, lower restructuring and other incidental costs, the divestment of our wireless activities (which amounted to $223 million in 2008, including PPA effects and restructuring and other incidental items amounting to an aggregate cost of $139 million) and as a result of the

ongoing Redesign Program. The decline in PPA amortization is mainly due to the divestment of our wireless activities in 2008. In addition, the general and administrative expenses were impacted by higher costs in 2009 as a result of higher bonuses accrued for employees due to our performance. In 2009, general and administrative expenses also included restructuring and other incidental items amounting to an aggregate cost of $88 million, compared to $207 million in 2008. The restructuring and other incidental items in 2009 were mainly related to restructuring costs of $36 million, IT system reorganization costs of $35 million and merger and acquisition related costs. Restructuring and other incidental items in 2008 included $124 million of restructuring costs, of which $83 million related to the Redesign Program, and $79 million related to IT system reorganization costs.

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

Research and Development Expenses

Our research and development expenses and write-off of acquired in-process research and development were $777 million in 2009, compared to $1,225 million in 2008. Our research and development expenses for 2009 did not include any write-off of acquired in-process research and development costs, compared to $26 million in 2008. In 2009, our research and development expenses included restructuring and other incidental items amounting to an aggregate cost of $69 million. These were mainly related to restructuring costs and merger and acquisition related costs. The restructuring and other incidental items in 2008 amounted to an aggregate cost of $107 million and were mainly related to the Redesign Program. In 2009, the divested business accounted for $239 million of research and development costs, compared to $538 million in 2008, of which $319 million was in connection with our Divested Wireless Activities and $219 million in connection with our Divested Home Activities. Our research and development expenses and write-off of acquired in-process research and development were 20.2% of sales in 2009, compared to 22.5% in 2008.

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

Other Income (Expense)

Other income and expense was a loss of $12 million in 2009, compared to a loss of $364 million in 2008. Included are incidental items, amounting to an aggregate cost of $20 million in 2009 and an aggregate cost of $387 million in 2008. The loss in 2009 was related to the losses on the sale of various smaller businesses and gains on disposal of various tangible fixed assets. The loss in 2008 was due to a loss of $413 million related to the sale of our wireless activities, partly offset by gains from divestments of other activities and various tangible fixed assets.

Restructuring Charges

In 2009, a restructuring charge of $112 million was recorded, resulting from the new restructuring projects in 2009, which included the closure of one of the wafer factories in Nijmegen, the Netherlands, scheduled for

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

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

Income (Loss) from Operations

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

	For the year ended December 31, 2009			
($ in millions)	Income (Loss) from Operations	Effects of PPA	Restructuring and Other Incidental Items	Impairment Charges
High-Performance Mixed-Signal	(193)	(224)	(84)	—
Standard Products	(83)	(75)	(15)	—
Manufacturing Operations	(175)	(83)	(101)	—
Corporate and Other	(188)	(2)	(127)	—
Divested Wireless Activities	—	—	—	—
Divested Home Activities	(261)	(7)	(17)	(69)
Total	(900)	(391)	(344)	(69)

	For the year ended December 31, 2008			
($ in millions)	Income (Loss) from Operations	Effects of PPA	Restructuring and Other Incidental Items	Impairment Charges
High-Performance Mixed-Signal	(236)	(265)	(45)	(218)
Standard Products	9	(79)	(3)	—
Manufacturing Operations	(544)	(134)	(367)	—
Corporate and Other	(504)	(12)	(266)	(156)
Divested Wireless Activities	(785)	(154)	(414)	—
Divested Home Activities	(586)	(69)	(27)	(340)
Total	(2,646)	(713)	(1,122)	(714)

Financial Income (Expense)

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

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

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

Income Tax Benefit (Expenses)

Income tax expense for 2009 was $17 million, compared to $46 million in 2008, and our effective income tax expense rate was (7.8)% in 2009, compared to (1.4)% in 2008. The change in the effective tax rate was primarily attributable to the non-recognition of $43 million of our 2009 net operating losses as a deferred tax asset, withholding tax expense of $17 million in 2009 related to current and future repatriations of earnings to the Netherlands, non-deductible expenses and a net prior year adjustment in 2009 of $15 million benefit resulting from tax filings and assessments.

Results Relating to Equity-accounted Investees

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

Net Income

Net income for the year 2009 amounted to a loss of $161 million compared to a loss of $3,574 million in 2008. The decrease in net loss was attributable to:

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

Non-controlling Interests

The share of non-controlling interests in the 2009 results amounted to a profit of $14 million compared to $26 million in 2008 related to the third-party share in the results of consolidated companies, predominantly SSMC and NuTune. As a result, the net loss attributable to our stockholders amounted to $175 million in 2009, compared to $3,600 million in 2008.

Table of Contents

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

Sales

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

(In %)	Nominal Growth	Consolidation Changes(1)	Currency Effects(2)	Comparable Growth(3)
High-Performance Mixed-Signal	(19.9)	—	1.7	(18.2)
Standard Products	(18.6)	—	1.5	(17.1)
Manufacturing Operations	—	(29.0)	—	(29.0)
Corporate and Other	(24.7)	(33.8)	0.2	(58.3)
Divested Wireless Activities	—	—	—	—
Divested Home Activities	(10.0)	(13.1)	0.4	(22.7)
Total Group	(29.4)	6.8	1.5	(21.1)

(1) Reflect the relative changes in sales between periods arising from the effects of material acquisitions and divestments and reclassified product lines. For an overview of our significant acquisitions and divestments, see “—Factors affecting comparability—Effect of Acquisition Accounting”.
(2) Reflects the currency effects that result from the translation of our sales from foreign currencies into our reporting currency, the U.S. dollar, at the monthly exchange rates during the respective years.
(3) Comparable sales growth reflects the relative changes in sales between periods adjusted for the effects of foreign currency exchange rate changes, material acquisitions and divestments and reclassified product lines. Our sales are translated from foreign currencies into our reporting currency, the U.S. dollar, at the monthly exchange rates during the respective years. As a result of significant currency movements throughout the year and the impact of material acquisitions and divestments on comparable sales figures, we believe that an understanding of our sales performance is enhanced after these effects are excluded.

High-Performance Mixed-Signal

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

Sales

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

Gross Profit

Gross profit in 2009 was $785 million, compared to $1,065 million in 2008. Included are the PPA effects of $2 million in 2009, compared to $23 million in 2008. Restructuring and other incidental items amounted to an

aggregate cost of $61 million in 2009, compared to $33 million in 2008. The restructuring and other incidental items in 2009 were mainly related to process and product transfer costs and restructuring costs as part of the Redesign Program. The lower gross profit in 2009 was largely due to the lower sales resulting from the economic crisis that particularly affected the sales in the first half of the year 2009. However, the decline in gross profit was partly offset by the cost savings resulting from the ongoing Redesign Program.

Operating Expenses

Operating expenses amounted to $985 million in 2009, compared to $1,309 million in 2008. Operating expenses included the PPA effects of $222 million in 2009, compared to $242 million in 2008. In addition, operating expenses for 2008 included an impairment charge of $218 million related to goodwill and other intangibles. The selling costs, research and development costs and general and administrative costs were lower in 2009 compared to 2008, largely as a result of the ongoing Redesign Program and favorable currency effects compared to 2008.

Income (Loss) from Operations

We had a loss from operations of $193 million in 2009, compared to a loss from operations of $236 million in 2008. Included are the PPA effects of $224 million in 2009 compared to $265 million in 2008 and restructuring and other incidental items which amounted to an aggregate cost of $84 million in 2009 compared to $45 million in 2008. The restructuring and other incidental items in 2009 were mainly related to process and product transfer costs and restructuring costs as part of the Redesign Program. In 2008, restructuring and other incidental items were mainly related to process and product transfer costs in relation to the closure of our factory in Boeblingen in Germany and restructuring costs. Also, the loss from operations was higher in 2008 due to an impairment charge of $218 million. The remaining decline in income from operations was mainly due to the lower sales resulting from the economic downturn, which affected the overall semiconductor industry, partly offset by a decline in operating expenses as a result of the ongoing Redesign Program.

Standard Products

	For the year ended December 31,	
($ in millions)	**2008**	**2009**
Sales	1,095	891
% nominal growth	5.5	(18.6)
% comparable growth	3.5	(17.1)
Gross profit	254	145
Income (loss) from operations	9	(83)
Effects of PPA	(79)	(75)
Total restructuring charges	(9)	(9)
Total other incidental items	6	(6)

Sales

Sales in 2009 were $891 million, compared to $1,095 million in 2008, a nominal decrease of 18.6% and a comparable decrease of 17.1%. Sales, especially during first half of the year, were severely affected by the lower end-customer demand and tight inventory controls at our distribution partners in an overall weak market. The decrease was visible across the whole Standard Products portfolio and was primarily driven by decreasing sales volumes, but also due to price erosion. However, our sales in the third and fourth quarters of 2009 partly recovered due to increasing sales volumes attributable to the replenishment of inventory at customers, an increase in end-customer demand and the economic recovery. The sales in 2009 were also affected by unfavorable currency effects of $18 million compared to 2008.

Gross Profit

Gross profit in 2009 was $145 million, compared to $254 million in 2008. Included are the PPA effects of $1 million in 2009, compared to $12 million in 2008. Restructuring and other incidental items amounted to an aggregate cost of $14 million in 2009, compared to $3 million in 2008. The restructuring and other incidental items in 2009 and 2008 were mainly related to restructuring costs. The decline in gross profit was largely due to the decline in sales and the related lower factory utilization, partly compensated by the cost savings resulting from the ongoing Redesign Program.

Operating Expenses

Operating expenses amounted to $229 million in 2009, compared to $245 million in 2008. Operating expenses included PPA effects of $74 million in 2009, compared to $67 million in 2008. The selling costs, general and administrative costs and research and development costs were lower in 2009 compared to 2008, largely due to effects of the ongoing Redesign Program.

Income (Loss) from Operations

We had a loss from operations of $83 million in 2009, compared to a profit of $9 million in 2008. Included are the PPA effects of $75 million in 2009 compared to $79 million in 2008. The decline in income from operations was mainly due to the lower gross profit resulting from lower sales. This decline was partly offset by the reduction of operating expenses resulting from the ongoing Redesign Program. The restructuring and other incidental items in 2009 amounted to an aggregate cost of $15 million, compared to $3 million in 2008, both primarily related to restructuring costs.

Manufacturing Operations

Sales

Sales of our Manufacturing Operations segment were $324 million in 2009 (including wafer sales of $149 million to ST-Ericsson), compared to $324 million in 2008 (including wafer sales of $85 million to ST-Ericsson). Excluding wafer sales to ST-Ericsson, the sales in 2009 declined due to the lower demand as a result of the economic downturn, which affected the semiconductor industry and negatively impacted on our sales volume. The factory utilization rate for 2009 was reduced to 56% compared to 72% in 2008 due to the poor demand, mainly during the first half of the year.

Operating Expenses

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

Corporate and Other

Sales

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

Operating Expenses

Operating expenses amounted to $178 million in 2009, compared to $568 million in 2008. In 2009, restructuring and other incidental items amounted to an aggregate cost of $118 million and were mainly related

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

Divested Wireless Activities

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

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

Divested Home Activities

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

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

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

Sales

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

	For the year ended December 31,					
	2007			2008		
($ in millions, unless otherwise stated)	Sales	% Nominal Growth	% Comparable Growth	Sales	% Nominal Growth	% Comparable Growth
High-Performance Mixed-Signal	2,625	31.0	28.4	2,511	(4.3)	(7.4)
Standard Products	1,038	(3.9)	(6.2)	1,095	5.5	3.5
Manufacturing Operations	214	1.4	(15.6)	324	51.4	10.7
Corporate and Other	405	(10.2)	6.4	219	(45.9)	(28.4)
Divested Wireless Activities	1,457	(32.9)	(33.4)	792	(45.6)	NM
Divested Home Activities	582	(10.3)	(9.5)	502	(13.7)	(25.0)
Total	6,321	1.3	1.4	5,443	(13.9)	(6.6)

NM: Not meaningful

Sales were $5,443 million in 2008, compared to $6,321 million in 2007, a nominal decrease of 13.9% and a comparable decrease of 6.6%. The change was primarily due to a decrease of $665 million associated with the

divestment of our wireless activities in 2008 and the full year impact of the sale of the Cordless & VoIP terminal operations in 2007. The remaining decline in sales reflected the weakening economic environment in the second half of the year, which impacted each of our segments in that period, primarily because of decreasing sales volumes, although we also experienced some pricing pressure.

Gross Profit

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

Approximately $295 million of the decrease in gross profit was attributable to lower sales and related lower factory utilization, and the decrease was also caused by an unfavorable currency effect of $40 million compared to 2007. Factory utilization decreased to 72% in 2008, compared to 79% in 2007. Approximately $151 million of costs in 2008 was related to the depreciation of tangible fixed assets and the write-off of stepped-up inventories, compared to $140 million in 2007.

Selling Expenses

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

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

General and Administrative Expenses

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

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

Research and Development Expenses

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

Other Income (Expense)

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

Restructuring Charges

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

Income (Loss) from Operations

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

	For the year ended December 31, 2008			
($ in millions)	Income (Loss) from Operations	Effects of PPA	Restructuring and Other Incidental Items	Impairment Charges
High-Performance Mixed-Signal	(236)	(265)	(45)	(218)
Standard Products	9	(79)	(3)	—
Manufacturing Operations	(544)	(134)	(367)	—
Corporate and Other	(504)	(12)	(266)	(156)
Divested Wireless Activities	(785)	(154)	(414)	—
Divested Home Activities	(586)	(69)	(27)	(340)
Total	(2,646)	(713)	(1,122)	(714)

($ in millions)	For the year ended December 31, 2007 Income (Loss) from Operations	Effects of PPA	Restructuring and Other Incidental Items	Impairment Charges
High-Performance Mixed-Signal	63	(305)	(18)	—
Standard Products	(37)	(112)	(10)	—
Manufacturing Operations	(264)	(116)	(146)	—
Corporate and Other	(100)	(14)	(61)	—
Divested Wireless Activities	(201)	(181)	(10)	—
Divested Home Activities	(239)	(63)	(14)	—
Total	(778)	(791)	(259)	—

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

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

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

Financial Income (Expense)

($ in millions)	For the year ended December 31, 2007	2008
Interest income	43	27
Interest expense	(495)	(502)
Impairment loss securities	(21)	(38)
Foreign exchange results	300	(87)
Extinguishment of debt	—	—
Other	(8)	(14)
Total	(181)	(614)

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

Income Tax Benefit (Expenses)

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

Results Relating to Equity-accounted Investees

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

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

Net Income (Loss)

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

Non-controlling Interests

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

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007 by Segment

High-Performance Mixed-Signal

	For the year ended December 31,	
($ in millions)	**2007**	**2008**
Sales	2,625	2,511
% nominal growth	31.0	(4.3)
% comparable growth	28.4	(7.4)
Gross profit	1,317	1,065
Income (loss) from operations	63	(236)
Effects of PPA	(305)	(265)
Total restructuring charges	—	(8)
Total other incidental items	(18)	(37)
Impairment goodwill and other intangibles	—	(218)

Sales

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

Gross Profit

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

Operating Expenses

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

Income (Loss) from Operations

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

Standard Products

	For the year ended December 31,	
($ in millions)	**2007**	**2008**
Sales	1,038	1,095
% nominal growth	(3.9)	5.5
% comparable growth	(6.2)	3.5
Gross profit	285	254
Income (loss) from operations	(37)	9
Effects of PPA	(112)	(79)
Total restructuring charges	(22)	(9)
Total other incidental items	12	6

Sales

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

Gross Profit

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

Operating Expenses

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

Income (Loss) from Operations

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

Manufacturing Operations

Sales

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

Operating Expenses

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

Corporate and Other

Sales

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

Operating Expenses

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

Divested Wireless Activities

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

Divested Home Activities

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

Quarterly Presentation of 2009 Results

The following tables set forth unaudited quarterly consolidated statement of operations data for 2009 for NXP Semiconductors N.V. and our two market-oriented business segments, High-Performance Mixed-Signal and Standard Products. We have prepared the statement of operations for each of these quarters on the same basis as the audited consolidated financial statements included elsewhere in this prospectus and, in the opinion of our management, each statement of operations includes all adjustments, consisting solely of recurring adjustments, necessary for the fair statement of the results of operations for these periods. Our fiscal quarters generally consist of 13 week periods. Our first fiscal quarter ends on the Sunday nearest the date that is 13 weeks following January 1 and our fourth fiscal quarter ends on December 31. As a result, there are often differences in the number of days within the first and fourth quarters as compared to the same quarters in other years or as compared to other quarters in the same year. The first fiscal quarter of 2009 consisted of 88 days and ended on March 29, 2009; the second fiscal quarter of 2009 consisted of 91 days and ended on June 28, 2009; the third fiscal quarter of 2009 consisted of 91 days and ended on September 27, 2009; the fourth fiscal quarter of 2009 consisted of 95 days and ended in December 31, 2009; and the first fiscal quarter of 2010 consisted of 94 days and ended on April 4, 2010. This information should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this prospectus. These quarterly operating results are not necessarily indicative of our operating results for any future period and, except for the fiscal quarter of 2010, were not subject to an interim review in accordance with SAS 100 by our auditors.

The Group

($ in millions)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Sales	702	903	1,077	1,161	1,165
Gross profit	68	186	322	393	428
Operating expenses and other business income (expense)	(415)	(403)	(453)	(598)	(428)
Income (loss) from operations	(347)	(217)	(131)	(205)	—
Effects of PPA	(85)	(131)	(88)	(87)	(85)
Restructuring charges	(35)	(26)	2	(44)	(14)
Other incidental items	(30)	(36)	(94)	(81)	(45)
Impairment of assets held for sale	—	—	—	(69)	—

High-Performance Mixed-Signal

($ in millions)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Sales	373	454	547	637	695
Gross profit	98	174	242	271	330
Income (loss) from operations	(133)	(43)	6	(23)	51
Effects of PPA	(55)	(55)	(58)	(56)	(63)
Total restructuring charges	(2)	(3)	(5)	(43)	1
Total other incidental items	(8)	(3)	(5)	(15)	(1)

Standard Products

($ in millions)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Sales	151	207	256	277	279
Gross profit	(11)	43	50	63	77
Income (loss) from operations	(62)	(12)	(5)	(4)	24
Effects of PPA	(19)	(19)	(20)	(17)	(16)
Total restructuring charges	—	(1)	(2)	(6)	2
Total other incidental items	(1)	(1)	(4)	—	(1)

The Group

Sales were $1,165 million in the first quarter of 2010, compared to $702 million in the first quarter of 2009. Our sales in the first and second quarter of 2009 were severely affected by the economic and financial crisis. Our sales in the third and fourth quarters of 2009 partly recovered due to increasing sales volumes attributable to the replenishment of inventory at customers, our responsive manufacturing operations and the economic recovery.

Our gross profit improved from $68 million, or 9.7% of total sales, in the first quarter of 2009 to $428 million, or 36.7% of total sales, in the first quarter of 2010. Our gross profit included PPA effects of $4 million, $54 million, $3 million and $8 million in the first, second, third and fourth quarters of 2009, respectively, and $12 million in the first quarter of 2010. The PPA effects in the second quarter of 2009 included an additional write-down arising from the closure of our Fishkill factory. Our gross profit included restructuring and other incidental items of $41 million, $37 million, $45 million and $35 million in the first, second, third and fourth quarters of 2009, respectively, and $5 million in the first quarter of 2010. These restructuring and other incidental items were mainly related to the product and process transfer costs and closure of our factories in Fishkill and Caen, in connection with our Redesign Program.

Our income from operations was a loss of $347 million in the first quarter of 2009, primarily due to the lower sales resulting from the economic and financial crisis. Our income from operations improved in the second and third quarter of 2009 mainly due to the increase in our gross profit. In the fourth quarter of 2009, the increase in our gross profit was offset by the increase in our operating expenses which resulted in a higher loss from operations in the fourth quarter of 2009, compared to third quarter of 2009. Our income from operations in the first quarter of 2010 was nil, which represented a sizeable improvement compared to all the previous quarters of 2009. This improvement was mainly caused by an improved gross profit and cost savings achieved as a result of the ongoing Redesign Program.

High-Performance Mixed-Signal

Sales in the first quarter of 2010 were $695 million, compared to $373 million in the first quarter of 2009. The increase in sales, compared to the first quarter of 2009, was largely due to increased sales volumes. Our gross profit in the first quarter of 2010 was $330 million, or 47.5% of sales, and included PPA effects of $10 million. Gross profit in the first quarter of 2010 was also impacted by the restructuring and other incidental items, which included a release of provisions for restructuring of $1 million offset by an incidental cost of $1 million and were mainly related to process and product transfer costs offset by a release of restructuring liabilities. Sales in the first half of 2009 were affected by the economic crisis. However, sales improved in the second half of 2009, driven by the economic recovery, including replenishment of inventory at customers, and by market share gains driven by design wins across a wide range of our business lines and our responsive manufacturing operations. Our gross margin also improved from 26.3% in first quarter of 2009 to 42.5% in the fourth quarter of 2009 due to improved sales volumes and cost savings achieved as a result of the ongoing Redesign Program. However, our gross profit for the full year 2009 was 39.0% of sales. Gross profit included PPA effects of $0.5 million in each of the quarters, as well as restructuring and other incidental items which amounted to an aggregate cost of $10 million in the first quarter and $6 million in the second quarter of 2009, $9 million in the third quarter and $37 million in the fourth quarter of 2009. The restructuring and other incidental items in the fourth quarter were mainly related to the Redesign Program which was expanded to include, among others, closure of an additional wafer fab in Nijmegen, scheduled for early 2011.

We had an income from operations of $51 million in the first quarter of 2010. Our loss from operations improved from a loss of $133 million in the first quarter of 2009 to a loss of $23 million in the fourth quarter of 2009. The improvement in gross profit was partly offset by an increase in operating expenses, especially due to additional research and development expenses.

Standard Products

Sales in the first quarter of 2010 were $279 million, compared to $151 million in the first quarter of 2009. The increase in sales, compared to the first quarter of 2009, was largely due to increased sales volumes. Our gross profit in the first quarter of 2010 was $77 million, or 27.6% of sales. There were no PPA effects included in gross profit in the first quarter of 2010. Gross profit in the first quarter of 2010 was also impacted by the restructuring and other incidental items which amounted to an aggregate income of $1 million.

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

We had an income from operations of $24 million in the first quarter of 2010. We had a loss from operations of $62 million in the first quarter of 2009, which improved to a loss of $4 million in the fourth quarter of 2009. The improvement in the gross profit was partly offset by the increase in operating expenses, mainly in selling and general and administrative expenses. The increase in operating expenses was mainly due to higher bonuses accrued for employees due to our performance.

Liquidity and Capital Resources

At April 4, 2010 and at December 31, 2009, our cash balances were $870 million and $1,041 million, respectively. Taking into account the available undrawn amount of the Secured Revolving Credit Facility, we had access to $944 million of liquidity as of April 4, 2010 and $1,161 million as of December 31, 2009. We started 2009 with a cash balance of $1,796 million, which decreased to $1,706 million at March 29, 2009. However, during the last 12 months, our cash decreased by $836 million. Operationally, our business improved, but cash spent on the Redesign Program and bond buy-backs resulted in cash outflows of $379 million and $298 million, respectively, in the 12 months ended April 4, 2010.

Capital expenditures increased in first quarter of 2010 compared to the first quarter of 2009 due to increased business activity. We completed the sale of our television systems and set-top box business lines to Trident on February 8, 2010. As part of this transaction, we contributed $47 million to Trident which resulted in an outflow of cash during the quarter. Capital expenditures were lower in the 2009 fiscal year due to the closure and sale of factories, the relocation of equipment of the closed factories to our remaining factories and our prudence over investments in fixed assets. In the first quarter of 2009, we received cash of $92 million from the sale of the remaining part of our stake in the ST-NXP Wireless joint venture, $20 million from the sale of our shares in the DSP Group and $18 million as a result of a loan repayment.

On a going-forward basis, as a result of our Redesign Program and our efforts to streamline our fixed assets related to our manufacturing operations, we expect our capital expenditures to be less than historical levels. We expect our capital expenditures to be in the range of 5% of our sales. In addition, for the foreseeable future, we expect our capital expenditures as a percent of sales from our business segments (High-Performance Mixed-Signal and Standard Products) to generally be consistent with our expected capital expenditures for 2010.

Since December 31, 2008, the book value of our total debt has reduced from $6,367 million to $5,177 million at April 4, 2010. A combination of cash buy-backs and exchange offers resulted in a total long-term debt reduction of $1,345 million. This reduction was partially offset by the impact of foreign exchange of $32 million and an $8 million accrual of debt discount in 2009. In 2009, the reduction in total debt was also partially offset by an increase of $207 million in short-term debt, of which $200 million consisted of a drawdown

under our Secured Revolving Credit Facility. The total amount of cash used for the debt buy-backs in 2009 amounted to $286 million. In addition, in the quarter ended April 4, 2010, we purchased through a privately negotiated transaction our outstanding debt with a book value of $14 million for a consideration of $12 million (including accrued interest). In the quarter ended April 4, 2010, debt was also reduced by the negative impact of foreign exchange of $95 million, offset by a $2 million accrual of debt discount.

For the year ended December 31, 2009, we incurred a total net interest expense of $359 million and the weighted average interest rate on our debt instruments was 6%. On an adjusted basis to give effect to the sale of shares of common stock by us in this offering (at an assumed initial public offering price of $ per share, the mid-point of the range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and estimated offering expenses payable by us) and the use of proceeds therefrom (at an assumed interest rate of %), our interest expense would have been reduced by $ million.

At April 4, 2010 we still had a remaining capacity of $74 million left under our Secured Revolving Credit Facility, after taking into account the outstanding bank guarantees, based on the end of the quarter exchange rates. However, the amount of this availability varies with fluctuations between the Euro and the U.S. dollar as the total amount of the facility, €500 million, is denominated in Euro, and the amounts presently drawn ($600) are denominated in U.S. dollars.

At April 4, 2010 and at December 31, 2009, our cash balances were $870 million and $1,041 million, respectively, of which $262 million and $236 million, respectively, were held by SSMC, our joint venture company with TSMC. A portion of this cash can be distributed by way of a dividend to us, but 38.8% of the dividend will be paid to our joint venture partner, as well. In 2009, SSMC distributed $73 million of cash, of which $28 million was distributed to TSMC, our joint venture partner, all of which was paid during the first quarter of 2009.

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 first quarter of 2010, these sources of liquidity will be sufficient to fund our operations, capital expenditures, and debt service for at least the next twelve months.

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

Cash Flows

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

($ in millions)	For the year ended December 31, 2007	2008	2009	For the quarter ended March 29, 2009	April 4, 2010
Cash flow from operating activities:					
Net income (loss)	(603)	(3,574)	(161)	(589)	(336)
Adjustments to reconcile net income (loss) to net cash provided by operating activities	1,136	2,952	(584)	221	321
Net cash provided by (used for) operating activities	533	(622)	(745)	(368)	(15)
Net cash (used for) provided by investing activities	(678)	1,015	78	105	(95)
Net cash (used for) provided by financing activities	(22)	316	(80)	208	(11)
Total change in cash and cash equivalents	(167)	709	(747)	(55)	(121)
Effect of changes in exchange rates on cash positions	(24)	46	(8)	(35)	(50)
Cash and cash equivalents at beginning of period	1,232	1,041	1,796	1,796	1,041
Cash and cash equivalents at end of period	1,041	1,796	1,041	1,706	870

Cash Flow from Operating Activities

We used $15 million of cash to fund our operations in the quarter ended April 4, 2010, compared to $368 million in the quarter ended March 29, 2009.

An improved economic environment and improved operational business performance were the main drivers behind this improvement. Restructuring payments of $86 million in the quarter ended April 4, 2010 were slightly lower, compared to the $92 million paid in the quarter ended March 29, 2009. Cash interest payments of $35 million in the quarter ended April 4, 2010 were lower, compared to cash interest payments of $57 million in the quarter ended March 29, 2009. Additionally, the lower net cash outflow in the quarter ended April 4, 2010 compared to a cash outflow in the quarter ended March 29, 2009, primarily resulted from higher cash receipts from customers of approximately $1,170 million in the quarter ended April 4, 2010, offset by a tax receipt of $27 million in the same quarter. This was partly offset by increased cash payments to suppliers and staff of approximately $1,175 million.

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

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

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

Cash Flow from Investing Activities

Net cash used for investing activities in the quarter ended April 4, 2010 amounted to $95 million, compared to a positive cash flow of $105 million in the quarter ended March 29, 2009. Net cash used for investing activities in the quarter ended April 4, 2010 included gross capital expenditures of $51 million and a cash transfer of $47 million to Trident.

The cash generated from investing activities in the quarter ended March 29, 2009 primarily related to the net proceeds from the sale of the remaining part of our wireless activities and our remaining share in DSPG amounting to $110 million. The gross capital expenditure for the quarter ended March 29, 2009 was $37 million. The cash from investing activities also included an $18 million cash receipt related to a loan repayment from the T3G development joint venture. Proceeds from the disposals of property, plant and equipment amounted to $5 million in the quarter ended March 29, 2009.

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

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

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

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

Cash Flow from Financing Activities

Net cash used for financing activities in the quarter ended April 4, 2010 was $11 million, compared to net cash provided by financing activities of $208 million in the quarter ended March 29, 2009.

The net cash outflow from financing activities in the quarter ended April 4, 2010 mainly consisted of a $12 million outflow related to an open market buy-back of unsecured bonds with a nominal value of $14 million. The $208 million net cash inflow in the quarter ended March 29, 2009 mainly consisted of a $200 million draw from the Secured Revolving Credit Facility.

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

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

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

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

Debt Position

Short-term Debt

	As of December 31,			As of April 4,
($ in millions)	2007	2008	2009	2010
Short-term bank borrowings	—	400	600	600
Other short-term loans	6	3	10	11
Current portion of long-term debt	—	—	—	—
Total	6	403	610	611

Short-term bank borrowings for the periods presented mainly consisted of borrowings under our Secured Revolving Credit Facility. The weighted average interest rate under the Secured Revolving Credit Facility was 3.0% for the quarter ended April 4, 2010 and 3.5% and 5.0% for the years ended December 31, 2009 and 2008, respectively. We had no borrowings under the Secured Revolving Credit Facility in 2007.

We have a Secured Revolving Credit Facility of €500 million ($679 million at April 4, 2010 based on exchange rates on that date, $720 million at December 31, 2009 based on exchange rates on that date, $703 million at December 31, 2008 based on exchange rates on that date and $737 million at December 31, 2007 based on exchange rates on that date) that we entered into on September 29, 2006 in order to finance our working capital requirements and general corporate purposes. At April 4, 2010 and December 31, 2009, we had remaining borrowing capacity of an additional $74 million and $120 million, respectively, under that facility. The Secured Revolving Credit Facility expires in 2012. Although the Secured Revolving Credit Facility expires in 2012, because we have the flexibility of drawing and repaying under this facility, the amounts drawn are classified as short-term debt.

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

Long-term Debt

As of April 4, 2010, the euro-denominated notes and U.S. dollar-denominated notes represented 34% and 66%, respectively, of the total principal amount of the notes outstanding. The fixed rate notes and floating rate notes represented 51% and 49%, respectively, of the total principal amount of the notes outstanding at April 4, 2010.

($ in millions)	December 31, 2008	Currency Effects	Accrual of Debt Discount	Debt Exchanges and Repurchases	April 4, 2010
Euro-denominated 10% super priority notes due July 2013[1] [2]	—	1	2	21	24
U.S. dollar-denominated 10% super priority notes due July 2013[2]	—	—	8	160	168
Euro-denominated floating rate senior secured notes due October 2013[1][3]	1,406	(45)	—	(217)	1,144
U.S. dollar-denominated floating rate senior secured notes due October 2013[3]	1,535	—	—	(334)	1,201
U.S. dollar-denominated 7 7/8% senior secured notes due October 2014	1,026	—	—	(181)	845
Euro-denominated 8 5/8% senior notes due October 2015[1]	738	(17)	—	(318)	403
U.S. dollar-denominated 9 1/2% senior notes due October 2015	1,250	—	—	(476)	774
	5,955	(61)	10	(1,345)	4,559
Other long-term debt	9	—	—	(2)	7
Total long-term debt	5,964	(61)	10	(1,347)	4,566

(1) Converted into U.S. dollar at $1.3580 per €1.00, the exchange rate in effect at April 4, 2010.
(2) Balance at April 4, 2010 is at the fair value of debt issued, which differs from the principal amount outstanding. The principal amounts outstanding at April 4, 2010 were $39 million of Euro-denominated 10% super priority notes due July 2013 and $221 million of U.S. dollar-denominated 10% super priority notes due July 2013.
(3) Interest accrues at a rate of three-month EURIBOR plus 2.75%.

In the second quarter of 2009, we reduced our overall debt level by $517 million through a private offer to exchange existing unsecured and secured notes for Super Priority Notes. This transaction resulted in a reduction of $595 million of our outstanding long-term existing debt, offset by the issuance of the Super Priority Notes of $78 million and a write off of debt issuance cost of $10 million. New debt issuance costs of $12 million were capitalized in conjunction with the issuance of the Super Priority Notes. We recognized a net gain on this transaction of $507 million. The Super Priority Notes issued were recorded on the balance sheet at a $50 million discount, which is subject to accretion to par value over the term of these notes using the effective interest method. The Super Priority Notes are initially measured at fair value based upon the public trading prices of the notes exchanged immediately prior to the launch of the debt exchange.

In the third quarter of 2009, our overall debt level further reduced by $814 million as a result of our offer to purchase unsecured and secured notes for cash, a privately negotiated transaction to purchase secured notes for cash, and a privately negotiated transaction in which a purchase of secured notes for cash was combined with a purchase of unsecured notes against the issuance of Super Priority Notes. This transaction included a reduction of $916 million of our outstanding long-term existing debt, offset by the issuance of Super Priority Notes of $102 million, a cash expense of $286 million and a write off of debt issuance cost of $15 million. New debt issuance costs of $3 million were capitalized in conjunction with the issuance of the Super Priority Notes. On these transactions, we recognized a net gain of $513 million. The Super Priority Notes issued were recorded in the balance sheet at a $29 million discount, which is subject to accretion to par value over the term of these notes using the effective interest method. The Super Priority Notes were initially measured at fair value based upon the public trading prices of the existing notes exchanged immediately prior to the launch of the debt exchange.

In the first quarter of 2010, we purchased through a privately negotiated transaction our outstanding debt with a book value of $14 million for a consideration of $12 million. In the quarter ended April 4, 2010, debt was also reduced by the impact of foreign exchange of $95 million, offset by a $2 million accrual of debt discount.

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

Certain Terms and Covenants of the Notes

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

The indentures governing the Super Priority Notes, the Existing Secured Notes and the Existing Unsecured Notes contain covenants that, among other things, limit our ability and that of our restricted subsidiaries to incur additional indebtedness, create liens, pay dividends, redeem capital stock, make certain other restricted payments or investments, enter into agreements that restrict dividends from restricted subsidiaries, sell assets, including capital stock of restricted subsidiaries, engage in transactions with affiliates, and effect a consolidation or merger.

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

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

Contractual Obligations

Presented below is a summary of our contractual obligations as at December 31, 2009.[1]

($ in millions)	Total	2010	2011	2012	2013	2014	2015 and thereafter
Long-term debt	4,669	—	—	—	2,607	845	1,217
Capital lease obligations	4	—	1	1	—	1	1
Short-term debt[2]	610	610	—	—	—	—	—
Operating leases	195	33	29	28	26	25	54
Interest on the notes[3]	1,580	291	322	323	350	183	111
Long-term purchase contracts	115	52	41	15	7	—	—
Total contractual cash obligations[3][4]	7,173	986	393	367	2,990	1,054	1,383

(1) This table does not reflect uncertain tax positions, amounting to $59 million, payments associated with our defined benefit plans, restructuring obligations and any obligations contingent on future events. In addition, this does not include purchase orders entered into in the normal course of business.

(2) Short-term debt consists of outstanding borrowings and guarantees under our Secured Revolving Credit Facility as of December 31, 2009. Although the Secured Revolving Credit Facility expires in 2012, the amount drawn is classified as short-term debt because we have the flexibility of drawing and repaying under this facility. Any amount still outstanding under the Secured Revolving Credit Facility on September 28, 2012 will be due in full immediately on that date. The Forward Start Revolving Credit Facility will become available to us on September 28, 2012, the maturity date of our current Secured Revolving Credit Facility, subject to customary terms and conditions and certain financial conditions.

(3) The interest on the notes was determined on the basis of LIBOR and EURIBOR interest rates and USD/Euro balance sheet rates as at December 31, 2009. We have also drawn amounts under our Secured Revolving Credit Facility, but have not included these interest amounts due to the revolving nature of the debt.

(4) Certain of these obligations are denominated in currencies other than U.S. dollars, and have been translated from foreign currencies into U.S. dollars based on an aggregate average rate of $1.3978 per €1.00, in effect at December 31, 2009. As a result, the actual payments will vary based on any change in exchange rate.

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

Certain contingent contractual obligations, which are not reflected in the table above, include (a) contractual agreements, such as supply agreements, containing provisions that certain penalties may be charged if we do not fulfill our commitments, (b) a contractual agreement to contribute $18 million in our joint venture called ASEN Semiconductors Co. Ltd. if our venture partner also contributes its contractually agreed amounts, which may occur in 2010.

We sponsor pension plans in many countries in accordance with legal requirements, customs and the local situation in the countries involved. These are defined-benefit pension plans, defined contribution pension plans and multi-employer plans. Contributions to funded pension plans are made as necessary, to provide sufficient assets to meet future benefits payable to plan participants. These contributions are determined by various factors, including funded status, legal and tax considerations and local customs. We currently estimate contributions to pension plans will be $90 million in 2010, consisting of $4 million in employer contributions to defined-benefit pension plans and $86 million in employer contributions to defined-contribution pension plans and multi-employer plans. The expected cash outflows in 2010 and subsequent years are uncertain and may change as a consequence of statutory funding requirements as well as changes in actual versus currently assumed discount rates, estimations of compensation increases and returns on pension plan assets. In addition, we have made certain commitments to SSMC, in which we have a 61.2% ownership share, whereby we are obligated to make cash payments to SSMC should we fail to utilize, and if TSMC does not utilize, an agreed upon percentage of the total available capacity at SSMC's fabrication facilities and overall SSMC utilization levels drop below a fixed proportion of the total available capacity.

Off-balance Sheet Arrangements

As of April 4, 2010, we had no off-balance sheet arrangements.

Material Weakness

We are required to establish and periodically assess the design and operating effectiveness of our internal control over financial reporting. In connection with our assessment of the internal control over financial reporting for the year ended December 31, 2009, we identified a deficiency related to the accounting and disclosure for income taxes, which we concluded constituted a material weakness. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness that we identified relates to the execution of the procedures surrounding the preparation and review of our income tax provision as of December 31, 2009. In particular, the execution of our controls did not ensure the accuracy and validity of our acquisition accounting adjustments and the determination of the valuation allowance for deferred tax assets. Part of the identified issue was caused by the complexity that resulted from the fact that step-ups from acquisitions are accounted for centrally.

We are actively remediating the identified material weakness. Additional review was undertaken to ensure our financial statements were prepared in accordance with U.S. GAAP and, as a result, adjustments to deferred

tax assets, income tax (benefit) and footnote disclosures were made in our financial statements for that period. We are also taking the following measures to address the material weakness identified and to improve our internal control over these reporting procedures:

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

Legal Proceedings

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

For a summary of the material legal proceedings to which we are subject, see "Business—Legal Proceedings" contained elsewhere in this prospectus.

Quantitative and Qualitative Disclosures about Market Risk

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

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

Interest Rate Risk

Given the leveraged nature of our company, we have inherent exposure to changes in interest rates. We had $2,346 million floating rate notes outstanding as of April 4, 2010. Our Secured Revolving Credit Facility has a floating rate interest and so will our Forward Start Revolving Credit Facility. From time to time, we may execute a variety of interest rate derivative instruments to manage interest rate risk. Consistent with our risk management objective and strategy, we have no interest rate risk hedging transactions in place.

A sensitivity analysis in relation to our long-term debt shows that if interest rates were to increase/decrease instantaneously by 1% from the level of April 4, 2010, all other variables held constant, the annualized interest expense would increase/decrease by $23 million. This impact is based on the outstanding net debt position as of April 4, 2010.

Foreign Currency Risks

We are also exposed to market risk from changes in foreign currency exchange rates, which could affect operating results as well as our financial position and cash flows. We monitor our exposures to these market risks and generally employ operating and financing activities to offset these exposures where appropriate. If we do not have operating or financing activities to sufficiently offset these exposures, from time to time, we may employ derivative financial instruments such as swaps, collars, forwards, options or other instruments to limit the volatility to earnings and cash flows generated by these exposures. Derivative financial instruments are only used for hedging purposes and not for trading or speculative purposes. The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate and record these as assets or liabilities in the balance sheet. Changes in the fair values are recognized in the statement of operations immediately unless cash flow hedge accounting is applied.

Our primary foreign currency exposure relates to the U.S. dollar to euro exchange rate. However, our foreign currency exposures also relate, but are not limited, to the Chinese Yuan, the Japanese Yen, the Pound Sterling, the Malaysian Ringit, the Singapore Dollar, the Taiwan Dollar and the Thailand Baht.

It is our policy that transaction exposures are hedged. Accordingly, our organizations identify and measure their exposures from transactions denominated in other than their own functional currency. We calculate our net exposure on a cash flow basis considering balance sheet items, actual orders received or made and anticipated revenues and expenses. Committed foreign currency exposures are required to be fully hedged using forward contracts. The net exposures related to anticipated transactions are hedged with a combination of forward transactions up to a maximum tenor of 12 months and a cash position in both euro and dollar. The currency exposure related to our bonds has not been hedged.

The table below outlines the foreign currency transactions outstanding per April 4, 2010:

($ in millions)	Aggregate Contract Amount buy/(sell)[1]	Weighted Average Tenor (in months)	Fair Value
Foreign currency/ forward contracts[1]			
Euro (U.S. dollar)	(71)	2	(1.5)
U.S. dollar (Japanese Yen)	(1)	1	—
Great Britain Pound Sterling (U.S. dollar)	(19)	2	(0.2)
(U.S. dollar) Singapore dollar	(18)	1.5	0.13

(1) USD equivalent

Critical Accounting Policies

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

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

Inventories

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

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

Impairment of Long-Lived Assets

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

  The determination of the fair value of the "reporting unit" requires us to make significant judgments and estimates including projections of future cash flows from the business. These estimates and required assumptions include estimated revenues and revenue growth rate, operating margins used to calculate projected future cash flows, estimated future capex investments, future economic and market conditions, determination of market comparables and the estimated weighted average cost of capital ("WACC"). We base our estimates on assumptions we believe to be reasonable but any such estimates are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, we make judgments and assumptions in allocating assets and liabilities to each of our reporting segments.

  In 2008, as a result of our goodwill impairment analysis, we were required to recognize a $381 million impairment related to the former segment Home, which is now part of our segment High-Performance Mixed-Signal ($144 million), Divested Home Activities ($160 million) and Corporate and Other ($77 million). In addition, $49 million related to Corporate and Other. This impairment resulted from significantly reduced estimated fair values that were directly attributable to the significant economic downturn in 2008. The key assumptions used to determine the fair value of our "reporting units" included (a) cash flows based on financial projections for periods ranging from 2008 through 2011 and which were extrapolated until 2020, (b) terminal values based on terminal growth rates not exceeding 3%, (c) discount rates, based on WACC, ranging from 12.5% to 15.0% in 2008 (WACC was business segment specific and was based on the WACC of peer companies in the relevant industries). A change in WACC of approximately 0.5% would have resulted in an impairment loss in both our former Multimedia semiconductors segment, which is now part of our Standard Products segment, and our segment Manufacturing Operations; and a decrease of more than 1% in the terminal growth rate would have resulted in an impairment in our former Multimedia semiconductors segment.

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

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

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

  If the initial assessment based on undiscounted projected cash flows indicates a potential impairment, the fair value of the assets is determined. We generally estimate fair value based on discounted cash flows. The discount rates applied to the estimated cash flows are generally based on the business segment specific WACC, which ranged between 12.8% and 16.8% in 2009. An impairment loss is recognized for the difference between the carrying value and the estimated fair value. An indication of impairment exists, similar to goodwill, based on the unfavorable developments in the economic climate.

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

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

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

  At December 31, 2009, we had $2.0 billion of other intangible assets and $1.4 billion of remaining long-lived tangible assets.

Restructuring

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

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

Revenue Recognition

Our revenues are primarily derived from sales to OEMs and similar customers. A smaller portion of our revenues is derived from sales to distributors.

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

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

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

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

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

Income Taxes

Income taxes in the consolidated financial statements are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and any tax loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We operate in numerous countries where our income tax returns are subject to audits and adjustments. Because we operate globally, the nature of the audit items are often very complex. We employ internal and external tax professionals to minimize audit adjustment amounts where possible. We have applied the provisions of FASB ASC Topic 740 "Income Taxes" (formerly FIN 48 "Accounting for Uncertainty in Income Taxes") with regard to uncertain tax positions and have recognized a liability for the income tax positions taken that do not have a cumulative realizability of more than 50%.

We have significant deferred tax assets primarily related to net operating losses in the Netherlands, France, Germany, the USA and other countries. At December 31, 2009, tax loss carryforwards amounted to $2,816 million and tax credit carryforwards, which are available to offset future tax, if any, amounted to $69 million. The realization of deferred tax assets is not assured and is dependent on the generation of sufficient taxable income in the future. We have exercised judgment in determining whether it is more likely than not that we will realize the benefit of these net operating losses and other deductible temporary differences, based upon estimates of future taxable income in the various jurisdictions and any feasible tax planning strategies. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that a portion or all of the deferred tax assets will not be realized.

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

At December 31, 2009 we had $66 million of deferred tax assets recognized in our balance sheets based on our determination that it is more likely than not that these assets will be realized. This determination is also taking into account the scheduling of existing taxable temporary differences. If the actual results differ from these estimates, or to the extent that these estimates are adjusted in the future, any changes to the valuation allowance could materially impact the Company’s financial position and results.

Benefit Accounting

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

Our employees participate in pension and other postretirement benefit plans in many countries. The costs of pension and other post retirement benefits and related assets and liabilities with respect to our employees participating in defined-benefit plans have been based upon actuarial valuations and recorded each period. We record the unfunded status associated with these plans in accordance with the requirements of Topic 715 “Compensation-Retirement Benefits” (formerly SFAS No. 158) measured as the difference between plan assets at fair value and the defined-benefit obligation as an assets or liability. The offset of the recognized funded states is recorded in accumulated other comprehensive income (within equity). Pension costs in respect of defined-benefit pension plans primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets.

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

Share-based Compensation

Share-based compensation plans were introduced in 2007. Under these plans, certain members of our management have the right to purchase depository receipts of our shares of common stock upon exercise and payment of the exercise price, after these rights have vested and only upon a sale of shares by the Private Equity Consortium or upon a change of control (in particular, the Private Equity Consortium no longer jointly holding at least 30% of our common stock). The exercise prices of stock options granted in 2007 and 2008 range from €20.00 to €50.00. This offering does not trigger these acquisition rights. Also, equity rights were granted to certain non-executive employees containing the right to acquire our shares of common stock for no consideration after the rights have vested and upon a change of control (in particular, the Private Equity Consortium no longer jointly holding 30% of our common stock).

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

Since neither our stock options nor our equity rights and shares of common stock were traded on any stock exchange, and exercise is dependent upon certain conditions, employees can receive no value nor derive any benefit from holding these options or rights without the fulfillment of the conditions for exercise. We have concluded that the fair value of the share-based payments can best be estimated by the use of a binomial option-

pricing model because such model takes into account the various conditions and subjective assumptions that determine the estimated value. In addition to the estimated value of the Company based on projected cash flows, the assumptions used are:

- expected life of the options and equity rights is calculated as the difference between the grant dates and an exercise triggering event occurring not before the end of 2011. For the options granted in 2007, 2008 and 2009, expected lives of 4.25, 3.25 and 3 years, respectively, have been assumed;
- risk-free interest rate was 4.1% for 2007 awards, 3.8% for 2008 awards and 1.6% for 2009 awards;
- expected asset volatility is approximately 27% for 2007 and 2008 and approximately 38% in 2009 (based on the average volatility of comparable companies over an equivalent period from valuation date to exit date);
- dividend pay-out ratio of nil;
- lack of marketability discount was 35% for 2007 awards, 26% for 2008 awards and 28% for 2009 awards; and
- the Business Economic Value of the NXP group, based on projected discounted cash flows as derived from our business plan for the next 3 years, extrapolated until 2020 and using terminal growth rates from 3-4% (the discount factor was based on a weighted average cost of capital of approximately 14%).

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

In May 2009, we executed a stock option exchange program for stock options granted in 2007 and 2008, and which were estimated to be deeply out of the money. Under this stock option exchange program, stock options with new exercise prices, different volumes and, in certain cases, revised vesting schedules, were granted to eligible individuals, in exchange for their owned stock options. By accepting the new stock options all stock options (vested and unvested) owned by the eligible individuals were cancelled. The number of employees eligible for and affected by the stock option exchange program was approximately 120. Since May 2009, stock options have been granted to eligible individuals under the revised stock options program. The exercise prices of these stock options ranged from €2.00 to €40.00. No modifications occurred with respect to the equity rights of the non-executive employees.

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

We performed the valuation of the underlying shares for the 2009 grant as of September 30, 2009. The resulting outcome of this valuation served as the basis for the valuation of the equity instruments by an unrelated valuation specialist for all instruments granted in 2009.

Our retrospective valuation of the stock was based on the latest three-year business plan that became available around the fourth quarter of 2009. Since the business plan is only prepared once per year, this valuation of the underlying shares was also utilized to determine the value of the equity instruments granted in 2009, of which the majority was granted in the second quarter of 2009, as part of the stock option exchange program.

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

BUSINESS

Our Company

We are a global semiconductor company and a long-standing supplier in the industry, with over 50 years of innovation and operating history. We provide leading High-Performance Mixed-Signal and Standard Product solutions that leverage our deep application insight and our technology and manufacturing expertise in RF, analog, power management, interface, security and digital processing products. Our product solutions are used in a wide range of automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. We engage with leading OEMs worldwide and over 58% of our sales are derived from Asia Pacific (excluding Japan). Since our separation from Philips in 2006, we have significantly repositioned our business to focus on High-Performance Mixed-Signal solutions and have implemented a Redesign Program aimed at achieving a world-class cost structure and processes. As of April 4, 2010, we had approximately 28,000 full-time equivalent employees located in more than 25 countries, with research and development activities in Asia, Europe and the United States, and manufacturing facilities in Asia and Europe.

Industry Background

Digital and Analog Semiconductors

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

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

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

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

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

The Need for High-Performance Mixed-Signal Solutions

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

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

The NXP Solution

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

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

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

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

Our Strengths

We believe we have a number of strengths that create the opportunity for us to be a leader in our target markets and applications. We believe that our key strengths include the following:

- ***Market-leading products.*** In 2009, approximately 68% of our High-Performance Mixed-Signal sales were generated by products for which we held the number one or number two market share position, and an additional 17% of our High-Performance Mixed-Signal sales were from product areas or businesses where we are an innovation leader in specific niche segments of the larger microcontroller, power analog and interface markets. In 2009, we held the number one or number two positions in key High-Performance Mixed-Signal markets that included virtually all of our identification application businesses, our CAN/LIN/FlexRay in-vehicle networking, car passive keyless entry and immobilizer, car radio businesses in automotive applications, and our high-performance RF and TV front-end products in wireless infrastructure and consumer applications. In our Standard Products business, we generated 80% of our sales in 2009 from products for which we held the number one or number two market share position, specifically in mobile speakers and receivers and small signal discretes products, including integrated discretes. Our products often represent critical components of our customers' end products, and in many cases enable our customers to differentiate themselves based on feature performance, functionality, cost or time-to-market.
- ***Large base of experienced High-Performance Mixed-Signal engineers and strong intellectual property portfolio.*** We are a technology leader in our industry, with a strong innovation track record dating back more than 50 years. We have what we believe is one of the industry's largest pools of experienced High-Performance Mixed-Signal engineers, with over 2,600 engineers with an average of 14 years of experience. Our technology leadership is supported by our focused investment of over $600 million per year in research and development. We have an extensive intellectual property portfolio of approximately 14,000 issued and pending patents covering the key technologies used in our target application areas, including RF, analog, power management, interface, security and digital processing.
- ***Deep applications expertise.*** We have built, and continue to build, deep insight into the component requirements and architectural challenges of electronic system solutions in automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. We have

achieved this insight through our relationships with leading OEMs, as a former supplier of system-on-chip ICs for mobile handsets, cordless phones and consumer audio/video equipment, and through internal development efforts in our advanced systems lab. This application insight enables us to engage with market-shaping OEMs in the preliminary stages of their product development process, thereby allowing us to be early to market with new and innovative products. In addition, because of the complex nature of our application system solutions and the continuity we provide between successive generations of our customers' products, once our products are designed into our customers' product platforms, referred to as "design wins", it is substantially more difficult for a competitor to displace us as a supplier; changing suppliers requires our customers to incur significant cost, time, effort and technology and product risk.

- ***Strong, well-established customer relationships.*** We have strong, well-established relationships with our customers, many of which are leaders in their respective industries. We directly engage with over 1,000 customer design locations worldwide, and our customers include almost every major automotive, identification, mobile handset, consumer electronics, mobile base station and lighting supplier in the world. For example, our top OEM customers, in terms of revenue, include Apple Inc. ("Apple"), Bosch Corporation ("Bosch"), Continental Automotive GmbH ("Continental"), Delphi Corporation ("Delphi"), Ericsson AB ("Ericsson"), Harman Becker Automotive Systems Inc. ("Harman Becker"), Huawei Technologies Co. Ltd ("Huawei"), Nokia Corporation ("Nokia"), Nokia Siemens Networks B.V. ("Nokia Siemens Networks"), Oberthur Technologies S.A. ("Oberthur"), Panasonic Corporation ("Panasonic"), Philips, Research In Motion Limited ("RIM"), Samsung Electronics Co. Ltd. ("Samsung"), Sony and Visteon Corporation ("Visteon"). A significant and increasing portion of our revenues are from products that are "designed-in" to our customers' end products, resulting in close relationships with our customers' design engineers. As part of the design-in process, we collaborate closely with our customers on product development, which we believe enhances our competitiveness by enabling us to anticipate our customers' requirements and industry trends. We also serve over 30,000 customers through our distribution partners, including Arrow Electronics Inc. ("Arrow"), Avnet, Inc. ("Avnet"), Future Electronic Inc. ("Future") and World Peace Industrial Co., Ltd. ("World Peace Group"). We have a powerful distribution channel and, based on 2009 data, believe we are the number two worldwide supplier of semiconductors (other than microprocessors) through distribution.
- ***Differentiated process technologies and competitive manufacturing.*** We focus our internal and joint venture wafer manufacturing operations on running a portfolio of proprietary specialty process technologies that enable us to differentiate our products on key performance features. We generally outsource wafer manufacturing in process technologies that are available at third-party wafer foundries when it is economical to do so. In addition, we increasingly focus our in-house manufacturing on our competitive 8-inch facilities, which predominantly run manufacturing processes in the 140 nanometer, 180 nanometer and 250 nanometer process nodes. We have developed a leading-edge portfolio of specialty manufacturing process technologies that enable us to differentiate our RF products (LDMOS, SiGe and BiCMOS process families), high-voltage power analog products (EZ-HV and HVDMOS families), automotive products (BCD-SOI and MR sensors process families), and products that leverage our non-volatile memory options in CMOS identification applications and microcontrollers. Our Standard Products business delivers manufacturing scale advantages and drives innovation in packaging technologies that are implemented across our entire product portfolio. Given our scale and operational performance in assembly and test, we achieve a significant cost advantage over outsourcing options in most package types by maintaining such operations in-house. In addition, control over these processes enables us to deliver better supply chain performance to our customers than our competitors who rely significantly on outsourcing partners. By concentrating our manufacturing activities in Asia and streamlining our operations through our Redesign Program, we believe we have a competitive manufacturing base.
- ***Experienced management team with significant industry knowledge.*** We have a highly experienced management team with deep industry knowledge and a strong execution track record. The 12 members

of our executive management team have an average of 24 years of experience in the high-tech industry. Since our separation from Philips, we strengthened our management team with six executives from outside our group who have strong change management track records in the industry.

NXP Repositioning and Redesign

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

Our Repositioning

- ***New leadership team.*** Nine of the twelve members of our executive management team are new to the Company or new in their roles since our separation from Philips in 2006, and six of the twelve have been recruited from outside NXP. Prior to joining NXP, our chief executive officer and chief financial officer, Rick Clemmer and Karl-Henrik Sundström, played leading roles in programs that significantly enhanced the performance of their previous companies, Agere Systems Inc. ("Agere") and Ericsson, respectively. Mike Noonen, our executive vice president of Sales, joined us from National Semiconductor Corporation ("National Semiconductor"), where he led global sales and marketing during a period of significant gross margin expansion. Chris Belden, our executive vice president of Operations, implemented the manufacturing redesign program of Freescale Semiconductor, Inc. ("Freescale"), formerly part of Motorola, Inc. ("Motorola"), between 2002 and 2005, that resulted in significant margin improvement. Ruediger Stroh joined us from LSI and previously Agere, where he helped to turn its hard disk-drive business into a market leader with strong profitability, and within NXP now manages our High-Performance Mixed-Signal businesses focused on identification applications. Alexander Everke came to NXP from Infineon Technologies AG ("Infineon"), where he led its global sales organization and helped to restructure the company's go-to-market model while driving significant top-line growth and within NXP now manages our High-Performance Mixed-Signal businesses, focusing on wireless infrastructure, lightning, industrial, mobile, consumer and computing applications.
- ***Focus on High-Performance Mixed-Signal solutions.*** We have implemented our strategy of focusing on High-Performance Mixed-Signal solutions because we believe it to be an attractive market in terms of growth, barriers to entry, relative business and pricing stability, and capital intensity. Several transactions have been core to our strategic realignment and focus on High-Performance Mixed-Signal: in September 2007, we divested our cordless phone system-on-chip business to DSPG; in July 2008, we contributed our wireless activities to the ST-NXP Wireless joint venture (our stake in which was subsequently sold, with the business being renamed "ST-Ericsson"); and in February 2010, we merged our television systems and set-top box business with Trident. Our primary motivations for exiting the system-on-chip markets for wireless activities and consumer applications were the significant research and development investment requirements and high customer concentration inherent in these markets, which make these businesses less profitable and predictable than our High-Performance Mixed-Signal and Standard Products businesses. Over the same period, we significantly increased our research and development investments in the High-Performance Mixed-Signal applications on which we focus.
- ***New customer engagement strategy.*** We have implemented a new approach to serving our customers and have invested in significant additional resources in our sales and marketing organizations. In spite of the recent economic downturn, we hired over 100 additional field application engineers over the past year in order to better serve our customers with High-Performance Mixed-Signal solutions. We have also created "application marketing" teams that focus on delivering solutions that include as many suitable NXP components as possible in their system reference designs, which helps us achieve greater cross-selling between our various product lines, while helping our customers accelerate their time to

market. With the increased number of application engineers and our applications marketing approach, we are able to engage with more design locations ranging from our largest, highest volume customers to the mid-size customers who typically have lower volumes but attractive margins.

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

Our Redesign Program

- ***Streamlined cost structure.*** As a result of the expanded Redesign Program, approximately $650 million in annual savings have been achieved as of the quarter ended April 4, 2010, as compared to our annualized third quarter results for 2008, which was the quarter during which we contributed our wireless operations to ST-NXP Wireless GmbH (which ultimately became ST-Ericsson). We expect to realize additional annual savings from further restructuring our manufacturing base, central research and development and support functions. We estimate the total costs of the accelerated and expanded Redesign Program to be no greater than $750 million. Since the beginning of the Redesign Program in September 2008 and through April 4, 2010, $519 million of cash restructuring costs related to the Redesign Program has been paid.
- ***Leaner manufacturing base.*** As a part of our Redesign Program, we have significantly reduced our overall manufacturing footprint, particularly in high cost geographies. Our current manufacturing strategy focuses on capabilities that differentiate NXP in terms of product features, process capabilities, cost, supply chain and quality. Accordingly, our wafer factory in Caen, France was sold in June 2009, our production facility in Fishkill, New York was closed in July 2009, ahead of schedule, and in January 2010, we closed part of our front-end manufacturing in Hamburg, Germany. We have also initiated process and product transfer programs from our ICN5 and ICN6 facilities in Nijmegen, the Netherlands, which are scheduled to close in 2010 and 2011, respectively. As a result, we will have reduced the number of our front-end manufacturing facilities from 14 at the time of our separation from Philips in 2006 to six by the end of 2011.

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

Our Strategy

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

- ***Extend leadership in High-Performance Mixed-Signal markets*****.** We intend to extend our leadership positions in providing High-Performance Mixed-Signal solutions for automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications by leveraging our industry-leading RF, analog, power management, interface, security and digital processing technologies. Based on a combination of external and internal sources, we estimate that the consolidated market size of these addressed High-Performance Mixed-Signal markets was $29.3 billion in 2009 and is expected to grow at a compounded annual growth rate of 15% from 2009 to 2012. We believe that our scale and significant level of research and development investments will enable our revenues to grow on an annual basis, during that same period, at approximately 1.4 times the growth rate of the specific High-Performance Mixed-Signal markets we address. In High-Performance Mixed-Signal markets where we already have a strong number one market leadership position, such as CAN/LIN/FlexRay in-vehicle networking, e-passports and most of our other identification businesses, we will continue to invest to extend our market positions and to outpace market growth in terms of revenue. In High-Performance Mixed-Signal markets where we are the leader, but with a smaller

market share lead over our competition, such as car access and immobilizers, car radio, TV front-end and radio frequency identification, and in High-Performance Mixed-Signal markets where we are not the market share leader, we are investing to grow significantly faster than the market and improve our relative market positions. In addition, we have targeted investments in several attractive, emerging applications that represent significant future growth potential. We also support our Standard Products business with the investment levels required to sustain market share while focusing our investment on expanding our share of sales from higher gross margin products, thereby expanding the overall gross margin of the business.

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

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

  We believe that we are strategically positioned to capture rapid growth in emerging markets through our strong position in Asia Pacific (excluding Japan), which represented 58% of our sales in 2009, compared to a peer average of 49% of sales. In particular, Greater China represented 40% of our sales in 2009.

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

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

- ***Improve and expand gross and operating margins.*** We continue to implement our comprehensive, multi-year operational improvement program aimed at accelerating revenue growth, expanding gross margin and improving overall profitability through better operational execution and streamlining our organizational cost structure. As a result of the expanded Redesign Program, approximately $650 million in annual savings have been achieved as of the quarter ended April 4, 2010, as compared to our annualized third quarter results for 2008, which was the quarter during which we contributed our wireless operations to ST-NXP Wireless. We expect to realize additional annual savings from further restructuring our manufacturing base, central research and development, and support functions. In addition, we continue to work on improving our manufacturing and supply chain performance, effectiveness in research and development, time-to-market of new products, product quality, customer service and working capital management.

Markets, applications and products

We sell two categories of products. The first category, High-Performance Mixed-Signal product solutions, accounted for 66% of our total product sales in 2009, excluding the divestiture of our television systems and

set-top box business to Trident, and consists of highly differentiated application-specific High-Performance Mixed-Signal semiconductors and system solutions. We believe that High-Performance Mixed-Signal is an attractive market in terms of growth, barriers to entry, relative business and pricing stability and capital intensity. The second of our product categories, Standard Products, accounted for 29% of our total product sales in 2009, excluding the divestiture of our television systems and set-top box business to Trident, and consists of devices that can be incorporated in many different types of electronics equipment and that are typically sold to a wide variety of customers, both directly and through distributors. Manufacturing cost, supply chain efficiency and continuous improvement of manufacturing processes drive the profitability of our Standard Products. The remaining 5% of total product sales was generated by our NuTune joint venture and our NXP Software business.

High-Performance Mixed-Signal

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

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

Table of Contents

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

	Automotive	Identification	Wireless infrastructure	Lighting	Industrial	Mobile	Consumer	Computing
Key applications	• Car access & immobilizers • In vehicle networking • Car entertainment • Telematics • ABS • Transmission/ throttle control • Lighting	• Secure identity • Secure transactions • Tagging & authentication	• Wireless base stations • Satellite • CATV infra • Radar	• CFL Lighting • LED Lighting • Back-lighting	• Smart metering • White goods & home appliances • Pachinko machines • Medical • Industrial • ATE	• Mobile handset • Portable power supplies • Hearing aids	• TV • Satellite, Cable, Terrestrial and IP Set-top boxes • Satellite outdoor units	• Monitor • Power supplies • Personal computer television
Selected market leading positions	• #1 CAN/LIN/FlexRay in-vehicle networking • #1 passive keyless entry and immobilizers • #1 car radio • #3 magnetic sensors	• #1 e-Government • #1 Transport & Access management • #3/4 Banking • #1 NFC • #1 Radio frequency identification	• #2 HP RF	• Strong in lighting drivers	• Leader in 32-bit ARM micro-controllers	• #2 Digital Logic	• #1 TV and set-top-box tuners	• Leader in notebook AC-DC power adaptors • Top 3 in interface, leader in specific niches
Key OEM customers	• Alpine • Bosch • Bose • Clarion • Continental • Daewoo • Delphi • Harman/ Becker • Hella • Hyundai • Johnson Controls • Magneti Marelli • Mitsubishi • Panasonic • Sony • Valeo • Visteon	• Assa Abloy • Bundesdruckerei • Comvision • Gemalto • Giesecke & Devrient • Nokia • Oberthur • Sagem • Samsung • SDU Identification • Sony • SPSL • Smartrac • Yuban	• Alcatel Lucent • Ericsson • Huawei • LGE • Motorola • Nokia Siemens Networks • Samsung • ZTE	• B&S Baishi • FEIT • Panasonic • Philips • Sharp • TCP	• Bosch • Diehl • Emerson • Haier • ISKRAE- MECO • Landis & Gyr • LGE • Midea • Panasonic • Philips • Rhode & Schwartz • Samsung • Schneider Electric • Siemens • Whirlpool	• Apple • Creative • SEMC • Motorola • Nokia • RIM • Samsung	• Changhong • Cisco • DirecTV • FTY 8800 • Humax • LGE • Motorola • Pace • Panasonic • Philips • Sagem • Samsung • Sharp • Sony • Technicolor • TCL	• Apple • Asustek • Chicony • Dell • Delta • HP • IBM • LiteOn • Samsung • TPV Technology Ltd. • VICOR

The customers listed above represent key OEM customers based on three criteria: (1) top ten OEM customers (if ten customers meet the criteria) in terms of sales in 2009 in the specific application market with sales of at least $3 million, plus any customer with sales of over $10 million in that market, (2) top ten existing OEM customers (if ten customers meet the criteria) in terms of realized and targeted design wins in 2010 in that application market with a minimum design win value of $5 million, and (3) if such customers do not qualify under the first two criteria, our top overall OEM customers, as listed earlier under the heading "—Our Strengths", in product markets that are core to their business and where we have continuing business with them.

Key distributors across these applications are Arrow, Avnet, Future, and World Peace Group. These distributors represent our top four distributors in terms of sales in 2009. In addition, our three catalog and web-based distributors, Digi-key, Mouser, Premier Farrell, are included based on their strategic positions, as they engage early with all of our customers, thereby enabling us to engage early with customers with whom we may not have direct relationships. Also, because of their internet presence and focus, they are the fastest growing segment of distribution and our fastest growing distributors.

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, a strong technology position in magnetic sensors and an emerging business in telematics.

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

For the full year 2009 and the first quarter of 2010, we had High-Performance Mixed-Signal revenues of $616 million and $228 million in automotive applications, respectively. Strategy Analytics estimates the total market for automotive semiconductors was $16.5 billion in 2009, and projects it will grow at a compounded annual growth rate of 16% between 2009 and 2012. According to Strategy Analytics, we were the fifth largest supplier of automotive semiconductors worldwide in 2009, and we have increased our market share from 5.8% in 2005 to 6.4% in 2009.

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

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

For the full year 2009 and the first quarter of 2010, we had High-Performance Mixed-Signal revenues of $381 million and $135 million in identification applications, respectively. According to iSuppli research for smart cards and ABI for radio frequency identification, the market size for identification ICs was $2.2 billion in 2009, and is expected to grow at a compounded annual rate of 13% to $3.1 billion in 2012.

Wireless infrastructure, lighting and industrial. We have leading market positions in high-performance radio frequency solutions and 32-bit ARM microcontrollers, a strong portfolio of lighting drivers and an emerging business in high-speed data converters. Our overall revenues in these businesses were $371 million in 2009 and $131 million in the first quarter of 2010.

Our leading high-performance radio frequency products mainly provides RF front-end solutions for markets, such as mobile base stations, satellite and CATV infrastructure and receivers, industrial and medical applications, and to a lesser extent addresses the military and aerospace markets. We have a leading position in Power Amplifiers and a top 3 position in Small Signal RF discretes and RF ICs for consumer electronics and cable television infrastructure, while we have emerging businesses in RF ICs for mobile base stations, monolithic microwave ICs ("MMICs") and low noise amplifiers ("LNAs"). Our leadership is based on our world-class proprietary RF process technologies and technology advancements that drive overall system performance, such as power scaling in mobile base stations. We are engaged with the majority of the largest customers in mobile base stations and in several other application areas. Key growth drivers for our high-performance RF business include infrastructure build-outs driven by the substantial growth in mobile data use and digital broadcast adoption, infrastructure development of developing countries, including China, new radar implementations, and our expansion into new product markets such as mobile base station RF ASICs, and wireless communications infrastructure MMICs and LNAs. iSuppli estimates the market for RF and microwave components, excluding handsets, computing and automotive, which we believe corresponds best with the high-performance RF market, to be $1.6 billion in 2009. iSuppli projects this market to grow at a compounded annual growth rate of 10% to $2.1 billion in 2012.

In lighting, we are the leader in high-intensity discharge drivers, have a strong position in CFL drivers and have an emerging position in LED drivers. In CFL, we are helping to create an entirely new market for lighting ICs by developing a dimmable CFL lighting driver that replaces existing solutions based on discrete components. Our solution allows midsize lighting OEMs and ODMs to eliminate most of the quality issues that have historically plagued CFL light bulbs, while offering a smaller form factor and new features, such as deep dimming and fast start-up time. Our strength in lighting ICs is based on our leading-edge high-voltage power analog process technologies and system optimization concepts, such as our patented technology to develop sensors-less temperature-controlled LED drivers. According to Datapoint (2008), the lighting control and power supply/output IC market (excluding microcontrollers) will grow from $0.8 billion in 2009 to $1.2 billion in 2012, which corresponds to an 18% compounded annual growth rate. The lighting IC market is a high growth market, partly driven by government regulations around the world that ban or discourage the use of incandescent light bulbs and encourage or mandate CFL and LED lighting solutions and by energy-savings conscious customers.

In microcontrollers, we are a leader in multi-purpose 32-bit ARM microcontrollers serving a broad array of applications, including smart metering, white goods, home appliances and various industrial applications. ARM processor cores have been gaining momentum in the general purpose MCU market during the past few years, including in 2008. The ARM-based 32-bit MCU market grew at a compounded annual growth rate of 37% between 2006 and 2008 compared to an overall annual 32-bit market growth of 8%, according to Gartner Dataquest. Our competitive advantage is based on our strategic relationship with ARM, which often makes us the launching partner for its new ARM microcontroller cores, our rich portfolio of analog and security IP, which we integrate with the ARM core into a family of microcontroller products, and our distribution leverage based on our ability to offer a full microcontroller software development kit on a USB stick for approximately $30, compared to traditional software development kits which cost hundreds to thousands of dollars. Our latest ARM Cortex M0-based product achieves pricing levels that places it squarely in competition with 8-bit microcontrollers, while offering better performance in terms of processing speed and system power consumption. This should start expanding the addressable market for 32-bit ARM microcontrollers at the expense of 8-bit ARM microcontrollers. Gartner Dataquest estimates the market for 32-bit microcontrollers to be $3.4 billion in 2009, and expects a compounded annual growth rate of 15% between 2009 and 2012.

In high-speed data converters, we have developed a high-performance 14/16-bit data converter platform, and were the first to implement the JEDEC high-speed digital serial interface in our products. Our innovative data converter solutions enable our customers to achieve significant breakthroughs in system performance, size and cost reduction, and time-to-market. Due to our strength in small-signal RF products, RF power amplifiers and high-speed data converters, we are unique in covering all component markets involved in designing RF front-end solutions for the wireless communications infrastructure market. Beyond this market segment, our

high-speed data converters can be used in a broad range of industrial equipment designs, including medical imaging. iSuppli projects the market for data converters for industrial and mobile communications infrastructure to grow at a compounded annual growth rate of 14% between 2009 to 2012, from $0.52 billion to $0.77 billion.

Mobile, Consumer and Computing. We are the market leader in TV front-end solutions, a top three supplier in the fragmented interface market and a leader in digital logic. In addition, we have strong positions in selected niche segments of AC-DC power conversion and personal healthcare markets. We are engaged in development activities and standard setting initiatives with many of the innovation leaders in each of these markets. Our overall High-Performance Mixed-Signal revenues in these businesses were $643 million and $201 million in 2009 and in the first quarter of 2010, respectively.

We have a leading position in high efficiency AC-DC power conversion ICs for notebook personal computers (our “green chip” solutions), and are expanding our offering into mobile device chargers. Our strength in AC-DC power conversion is based on our leading edge high-voltage power analog process technologies and engineering capabilities in designing high efficiency power conversion products. Due to worldwide conservation efforts, many countries, states and local governments have adopted regulations that increase the demand for higher power efficiency solutions in computing and consumer applications, especially in power conversion. According to iSuppli, the market for power analog ICs for battery chargers for data processing and portable devices is expected to grow at a compounded annual rate of 16%, from $0.42 billion in 2009 to $0.65 billion in 2012.

Our TV front-end products are used in the TV reception and tuning sub-systems of televisions and set-top boxes. We are the leader in the mature markets for IF and MOPLL IC products, which are placed into traditional CAN tuner modules, and the growing market for silicon tuner products, which are replacing CAN tuners. In addition, we are pursuing new businesses such as digital outdoor units and full spectrum radio solutions. Our market strengths are our specialty RF process technology, decades of experience in designing tuners that work under all broadcasting standards and conditions across the world, and our innovations in new broadcasting standards. Key growth drivers for our products in these markets include the adoption of silicon tuners by TV manufacturers, penetration of new broadcast standards such as DVB-T2, DVC-C2 and DOCSIS 3.0, and the adoption of multi-tuner applications. With the transition of outdoor satellite units from analog to digital, we are succeeding in replacing incumbent suppliers in those solutions, and we expect customers in the United States to start adopting wide spectrum reception solutions. We estimate the market for silicon tuners and TV front-end products to grow at a compounded annual growth rate of 6% between 2009 and 2012, from $0.61 billion to $0.72 billion, according to an internal company model that takes into account a declining market for ICs incorporated in CAN tuners and a growing market for silicon tuners, outdoor units and full spectrum radios.

The interface products market is highly fragmented with niche markets around each of the established interface standards, where overall we are a top 3 player. Our products address 11 of the 17 interface standards segments that we define to encompass the interface products market and we serve various applications across the mobile, computing, pachinko, e-metering and automotive markets. We have broad product portfolios in five of our 11 addressed interface segments, being UARTs and bridges, I^2C and SPI LED controllers, low power real-time clocks and watch ICs, HDMI switches and transceivers, and display port multiplexers. Our core competencies are the design of high speed interfaces, high voltage design needed for LED and LCD drivers, ultra low power design for real-time clocks and watch ICs, and our ability to engage with leading OEMs in defining new interface standards and product designs. While we engage with leading OEMs to drive our innovation roadmaps, we generate the majority of our revenues by subsequently selling these products to a very broad customer base, which we serve through our distribution channel. Key growth drivers will be the adoption rate of new high-speed interface standards such as display port, and LED, smart meter and display card market growth. Specifically, in display port, we are engaged in development activities and standard setting initiatives with many of the innovation leaders in this market. iSuppli projects the interface products market to grow at an 13% compounded annual rate between 2009 and 2012, from a revenue base of $2.0 billion in 2009 to $2.9 billion in 2012.

We have a leading digital logic components business, which we leverage in a large number of our High-Performance Mixed-Signal solutions. We offer several product families for low-voltage applications in communication equipment, personal computers, personal computer peripherals and consumer and portable electronics. Our 3V and 5V CMOS families hold a leading share of the logic market. We are currently expanding the higher margin product range in this business by expanding, among others, our switches and translators (or custom logic) portfolio and optimizing our manufacturing. Gartner Dataquest sizes this market at $1.3 billion in 2009, estimated to grow to $1.8 billion in 2012, which corresponds to a compounded annual growth rate of 12%.

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

Standard Products

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

Our products are sold both directly to OEMs as well as through distribution, and are primarily differentiated on cost, packaging type and miniaturization, and supply chain performance. Alternatively, our sounds solutions and integrated discretes businesses offer “design-in” products, which require significant engineering effort to be designed into an application solution. For these products, our efforts make it more difficult for a competitor to easily replace our product, which makes these businesses more predictable in terms of sales and pricing than is typical for standard products. The products we “design-in” represented approximately 45% of our Standard Products business in 2009. Our key product applications, markets and customers are described in the table below.

	Sound Solutions	Integrated Discretes	Discretes
Key applications	• Mobile device speakers and receivers • MEMS microphones	• ESD protection devices	• SS Transistors and Diodes • SS MOS • Power MOS • Bipolar Power Transistors • Thyristors • Rectifiers
Key product markets	• Mobile handsets • Notebooks and Netbooks	• Mobile handsets • Personal computers • Consumer electronics	• All applications
Key OEM and electronic manufacturing services (EMS) customers	• Apple • Dell • Nokia • RIM • Samsung • Sony Ericsson	• Apple • Dell • Hewlett Packard • LG • Nokia • Samsung • Sony Ericsson • TCL	• Asus • Bosch • Continental • Delta • Foxconn • Philips • Samsung

The customers listed above represent our largest OEM and electronic manufacturing services customers based on 2009 sales in the specified key product markets. For Sound Solutions, the list includes our top five mobile handset customers and our largest personal computers customer. For Integrated Discretes, it includes our top four mobile handset customers, our top two OEM customers who use our products in consumer applications and our top two personal computers customers. For Discretes, the list includes all our OEM and EMS customers with sales of over $10 million.

Key distributors across these applications are Arrow, Avnet, Future and World Peace Group. These distributors represent our top four distributors in terms of sales in 2009. In addition, our three catalog and web-based distributors, Digi-key, Mouser, Premier Farrell, are included based on their strategic positions, as they engage early with all of our customers, thereby enabling us to engage early with customers with whom we may not have direct relationships. Also, because of their internet presence and focus, they are the fastest growing segment of distribution and our fastest growing distributors.

In 2009 and the first quarter of 2010, our Standard Products business generated net sales of $891 million and $279 million, respectively. According to iSuppli, the market for discretes, excluding RF & Microwave, is expected to grow at a compounded annual rate of 16%, from $13.4 billion in 2009 to $21.2 billion in 2012. We estimate, based on internal company estimates, the market for our sound solutions business to be approximately $1.4 billion in 2009, growing to $2.0 billion in 2012, which corresponds to a compounded annual growth rate of 13%. The sound solutions market consists of a $1.2 billion mobile and computing speakers and receivers market and a fast growing MEMS microphone market, which we estimate will grow from $0.16 billion in 2009 to $0.7 billion in 2012, which corresponds to a compounded annual growth rate of 64%.

Sound Solutions. Our deep acoustics know-how and miniaturization skills, developed over decades through our collaboration with our largest customers in designing mobile speakers and receiver solutions, enable us to be

an innovation leader in this market. Our high-volume, reliable manufacturing operations deliver the cost leadership and supply chain performance we believe is required to make us the market leader in mobile sound solutions and we believe position us well to become a leading supplier in the notebook and emerging netbook market. In 2009, we were the global market leader in mobile phone handset speakers and receivers, and we are building a new business in MEMS microphones with the support of a large handset OEM. We are also further expanding our customer base in mobile handsets, and are starting to address the personal computer market with our products.

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

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

Other Products

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

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

The NXP Software solutions business develops audio and video multimedia solutions that enable mobile device manufacturers to produce differentiated hand held products that enhance the end-user experience. Our software has been incorporated into over 650 million mobile devices produced by the world’s leading mobile device manufacturers.

Manufacturing

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

In addition, on a limited basis, we also produce and sell wafers and packaging services to our divested businesses (currently Trident, ST-Ericsson and DSPG) in order to support their separation and, on a limited basis, their ongoing operations. As these divested businesses develop or acquire their own foundry and packaging capabilities, our revenues from these sources are expected to decline.

The main function of our Manufacturing Operations segment is to supply products to our High-Performance Mixed-Signal and Standard Products segments. However, we also derive external revenues and costs from sales from wafer foundry and packaging services to our divested businesses in order to support their separation and, on a limited basis, their ongoing operations. As these divested businesses develop or acquire their own foundry and packaging capabilities, our revenues from these sources are expected to decline. We currently have three agreements relating to servicing our divested businesses. The term of the agreements in each case is three years. Our agreement with DSPG expires in December 2010 (although we have an ongoing obligation to supply services relating to certain specialty processes until December 2014), our agreement with ST-Ericsson expires in August 2011 and our agreement with Trident expires in January 2013. Assuming the full contracted utilization under these agreements until their respective expirations, our Manufacturing Operations segment currently has the capacity to support approximately 12% of additional annual sales for our High-Performance Mixed-Signal 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 complementary metal on silicon oxide semiconductor (CMOS), bipolar, bipolar CMOS (BiCMOS) and double-diffused metal on silicon oxide semiconductor (DMOS) technologies. Our wafer fabs produce semiconductors with line widths ranging from 140 nanometers to 3 microns for integrated circuits and 0.5 microns to greater than 4 microns for discretes. This broad technology portfolio enables us to meet increasing demand from customers for system solutions, which require a variety of technologies.

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

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

Site	Ownership	Wafer sizes used	Linewidths used (vm) (Microns)	Technology
Front-end				
Singapore[1]	61.2%	8”	0.14-0.25	CMOS
Jilin, China[2]	60%	5”	>4	Bipolar
Nijmegen, the Netherlands	100%	8”	0.14-0.80	CMOS, BiCMOS, LDMOS
Nijmegen, the Netherlands[3]	100%	6”	0.50-3.0	CMOS
Nijmegen, the Netherlands[4]	100%	5”	1.0-3.0	Bipolar, BCDMOS
Nijmegen, the Netherlands	100%	4”	0.5-3.0	RF processes
Hamburg, Germany	100%	6”/8”	0.5-3.0	Discretes, Bipolar
Manchester, United Kingdom	100%	6”	0.5	Power discretes
Back-end[5]				
Kaohsiung, Taiwan	100%	—	—	Leadframe-based packages and ball grid arrays
Bangkok, Thailand	100%	—	—	Low-pin count leadframes
Hong Kong, China	100%	—	—	Pilot factory discrete devices
Guangdong, China	100%	—	—	Discrete devices
Seremban, Malaysia	100%	—	—	Discrete devices
Cabuyao, Philippines	100%	—	—	Power discretes, sensors and RF modules processes

(1) Joint venture with TSMC; we are entitled to 60% of the joint venture’s annual capacity.
(2) Joint venture with Jilin Sino-Microelectronics Co. Ltd.; we own 60% of the joint venture’s annual capacity.
(3) Announced to close in 2011.
(4) Announced to close in the second half of 2010.
(5) In back-end manufacturing we entered into a joint venture with ASE in Suzhou (ASEN), in which we currently hold a 40% interest.

We use a large number of raw materials in our front- and back-end manufacturing processes, including silicon wafers, chemicals, gases, lead frames, substrates, molding compounds and various types of precious and other metals. Our most important raw materials are the raw, or substrate, silicon wafers we use to make our semiconductors. We purchase these wafers, which must meet exacting specifications, from a limited number of suppliers in the geographic region in which our fabrication facilities are located. At our wholly owned fabrication plants, we use raw wafers ranging from 4 inches to 8 inches in size, while our joint venture plants use wafers ranging from 5 inches to 8 inches. In addition, our SSMC wafer fab facility, which produces 8 inch wafers, is jointly owned by TSMC and ourselves. We are leveraging our experience in that fab facility in optimizing our remaining wholly owned Nijmegen and Hamburg wafer fabs. Our other two remaining fabs are small and are focused exclusively on manufacturing power discretes. Emerging fabrication technologies employ larger wafer sizes and, accordingly, we expect that our production requirements will in the future shift towards larger substrate wafers.

We typically source our other raw materials in a similar fashion as our wafers, although our portfolio of suppliers is more diverse. Some of our suppliers provide us with materials on a just-in-time basis, which permits us to reduce our procurement costs and the negative cash flow consequences of maintaining inventories, but

exposes us to potential supply chain interruptions. We purchase most of our raw materials on the basis of fixed price contracts, but generally do not commit ourselves to long-term purchase obligations, which permits us to renegotiate prices periodically.

In addition to our semiconductor fabrication facilities, we also operate certain non-semiconductor manufacturing plants, which produce mobile speakers for our sound solutions business and CAN tuners for our NuTune joint-venture with Technicolor.

Sales, Marketing and Customers

We market our products worldwide to a variety of OEMs, ODMs, contract manufacturers and distributors. We generate demand for our products by delivering High-Performance Mixed-Signal solutions to our customers, and supporting their system design-in activities by providing application architecture expertise and local field application engineering support. We have 40 sales offices in 22 countries.

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

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

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

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

Research and Development

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 April 4, 2010, we had approximately 3,200 employees in research and development, of which over 2,600 support our High-Performance Mixed-Signal businesses and approximately 300 support our Standard Products businesses. Our engineering design teams are located in India (Bangalore), China (Beijing, Shanghai), the United States (San Jose, San Diego, Tempe, Bellevue), France (Caen, Suresnes, Sophia Antipolis), Germany (Hamburg, Dresden, Villingen), Austria (Gratkorn, Vienna), the Netherlands (Nijmegen, Eindhoven), Hong Kong, Singapore, the UK (Hazelgrove, Southampton), Switzerland (Zurich) and Belgium (Leuven). Our research and development expense was $777 million in 2009, 53% of which related to our High-Performance Mixed-Signal businesses, and we expect to incur approximately $625 million of research and development expenses in 2010, 80% of which is expected to relate to our High-Performance Mixed-Signal businesses. Our research and development investments in High-Performance Mixed-Signal have more than doubled between 2006 and 2010.

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

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

Alliances and Investments

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

Systems on Silicon Manufacturing Company Pte. Ltd.

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

We use SSMC to augment our wholly owned eight-inch wafer CMOS capability. We presently make use of approximately 85% of our entitlement to 60% of the capacity of SSMC, with our joint venture partner TSMC taking the remainder. If we so require, we can increase our load and use all of the capacity to which we are entitled at any given time. This would provide us with substantial additional capacity. On the other hand, we have made certain commitments to SSMC, whereby we are obligated to make, as cost compensation, payments to SSMC should we fail to utilize, on an annual basis, at least 42% (approximately 7.5 million mask steps) of the total available capacity at SSMC’s fabrication facilities, but only in case TSMC does not utilize our shortfall and the overall SSMC utilization levels drop below 70% of the total available capacity. In the event that we and TSMC fail to utilize at least 70% of SSMC’s total available capacity, we would be required to compensate SSMC for full coverage of all unavoidable costs associated with what we fail to utilize below 42% of the total available capacity. No such payments have been made since 2002 and we do not expect to make any such payment in 2010. In the event that our demand for production from SSMC falls in the future, we may be required to make such payment, which could be significant. We also use SSMC to jointly develop and share technological advances with TSMC. In November 2006, we purchased approximately 10.7% of the SSMC shares held by EDB for a purchase price of approximately $118 million in cash with the balance of the SSMC shares held by EDB being acquired by TSMC.

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

Other Alliances and Investments

- ***ASEN.*** ASEN Semiconductors Co. Ltd. (“ASEN”), is an assembly and test joint venture, established by us, together with Advanced Semiconductor Engineering Inc. (“ASE”), in Suzhou, China, in September 2007. We hold a 40% interest in ASEN, and ASE holds the remaining 60%.
- ***Advanced Semiconductor Manufacturing Corporation Limited.*** We established ASMC in Shanghai, China, in 1995 together with a number of Chinese joint venture partners. ASMC currently operates three wafer factories. We currently own approximately 27% of the outstanding shares of ASMC, which are listed on the Hong Kong Stock Exchange.
- ***Jilin NXP Semiconductor Ltd.*** Jilin NXP Semiconductor Ltd. (“JNS”), is a joint venture based in China, founded in 2003, which manufactures bipolar discrete power products. We currently hold a 60% ownership interest in JNS and we operate JNS jointly with Jilin Sino-Microelectronics Co. Ltd.

- ***NuTune.*** On September 1, 2008, we completed the combination of our CAN tuner modules operation with that of Technicolor (formerly Thomson S.A.), operating in a new venture named NuTune Singapore Pte Ltd. We have a 55% ownership stake in NuTune and Technicolor holds the remaining 45%. NuTune is part of our Corporate and Other business segment.
- ***Virage Logic.*** We established a strategic alliance with Virage Logic Corporation on November 16, 2009 and obtained approximately 9.8% of Virage Logic's outstanding common stock. Under this alliance, we transferred our advanced CMOS semiconductor horizontal IP technology and related development team to Virage Logic in exchange for the rights to use Virage Logic's IP rights and services.
- ***Trident.*** On February 8, 2010, Trident, a publicly listed company in the United States in the field of digital television, completed its acquisition of our television systems and set-top box business lines. As a result of the transaction, we now own 60% of the outstanding common stock of Trident, retain a 30% voting interest in participatory rights and a 60% voting interest for protective rights only. Based on the terms and conditions agreed between the parties, we will account for our investment in Trident under the equity method. By leveraging the significant investments made by NXP and Trident into advanced technologies and complex systems across a larger customer base, the combined business of NXP and Trident is well positioned to become a leader in digital consumer system-on-chip products. The combined business will also benefit from use of our manufacturing facilities for production, packaging and test activities.

Competition

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

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

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

Intellectual Property

The creation and use of intellectual property is a key aspect of our strategy to differentiate ourselves in the marketplace. We seek to protect our proprietary technologies by seeking patents, retaining trade secrets and defending, enforcing and utilizing our intellectual property rights, where appropriate. We believe this strategy allows us to preserve the advantages of our products and technologies, and helps us to improve the return on our investment in research and development. Our portfolio of approximately 14,000 patents and patent applications, as well as our royalty-free licenses to patents held by Philips, give us the benefit of one of the largest patent portfolios positions in the High-Performance Mixed-Signal and Standard Products markets. To protect confidential technical information that is not subject to patent protection, we rely on trade secret law and

frequently enter into confidentiality agreements with our employees, customers, suppliers and partners. In situations where we believe that a third party has infringed on our intellectual property, we enforce our rights through all available legal means to the extent that we determine the benefits of such actions to outweigh any costs involved. For more information on the intellectual property arrangements we have entered into with Philips, see “Certain Relationships and Related Party Transactions—Philips—Intellectual Property Transfer and License Agreement” contained elsewhere in this prospectus.

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

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

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

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

Legal Proceedings

We are regularly involved as plaintiffs or defendants in claims and litigation relating to matters such as commercial transactions and intellectual property rights. In addition, our divestments sometimes result in, or are followed by, claims or litigation by either party. From time to time, we also are subject to alleged patent infringement claims. We rigorously defend ourselves against these alleged patent infringement claims, and we rarely participate in settlement discussions. Although the ultimate disposition of asserted claims and proceedings cannot be predicted with certainty, it is our belief that the outcome of any such claims, either individually or on a combined basis, will not have a material adverse effect on our consolidated financial position. However, such outcomes may be material to our consolidated statement of operations for a particular period.

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

For an overview of how we account for these legal proceedings, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Legal Proceedings” contained elsewhere in this prospectus.

Environmental Regulation

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

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

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

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

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

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

Employees

The following table provides an overview of the number of employees we had per segment at April 4, 2010:

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

The following table indicates the number of employees per geographic area at April 4, 2010:

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

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

Properties

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

Location	Use	Owned/leased	Building space (square feet)
Eindhoven, the Netherlands	Headquarters	Leased	105,727
Hamburg, Germany	Manufacturing	Owned	1,021,644
Nijmegen, the Netherlands	Manufacturing	Owned	2,199,623
Singapore[(1)]	Manufacturing	Leased	237,516
Bangkok, Thailand	Manufacturing	Owned	604,231
Cabuyao, Philippines	Manufacturing	Owned	523,981
Kaohsuing, Taiwan	Manufacturing	Leased	578,912
Manchester, United Kingdom	Manufacturing	Owned	221,787
Jilin, China[(2)]	Manufacturing	Leased	138,783
Hong Kong, China	Manufacturing	Leased	240,000
Guangdong, China	Manufacturing	Leased	916,000
Seremban, Malaysia	Manufacturing	Owned	291,037
Beijing, China	Manufacturing	Leased	267,418

(1) Leased by the SSMC joint venture.
(2) Leased by the JNS joint venture.

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

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

SSMC leases 237,516 square feet of space at 70 Pasir Ris Drive 1 in Singapore from Jurong Town Corporation for use as a manufacturing facility. The lease commenced on June 1, 1999 for a term of 30 years at an annual rental rate of 1,484,584 Singapore Dollars, which amount is subject to revision up to, but not exceeding, 5% of the yearly rent for the immediately preceding year, on the anniversary of the lease commencement date.

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

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

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

Table of Contents

MANAGEMENT

Directors, Executive Officers and Key Employees

Board of Directors

We currently have a two-tier board structure, consisting of the board of management and the supervisory board. Richard L. Clemmer, chairman of the board of management, and Karl-Henrik Sundström are currently the only two members of the board of management. Johannes P. Huth, chairman of the supervisory board, Nicolas Cattelain, Eric Coutinho, Egon Durban, Ian Loring, Michel Plantevin and Richard Wilson currently serve on the supervisory board. Immediately prior to the offering, we will adopt a one-tier board structure and will appoint Sir Peter Bonfield as chairman of the board.

Set forth below are the names, ages as of June 1, 2010, and positions of the persons who will serve as members of our one-tier board of directors immediately prior to consummation of this offering.

Name(1)(2)	Age	Position
Richard L. Clemmer	59	Executive director, president and chief executive officer
Sir Peter Bonfield	65	Non-executive director and chairman of the board
Johannes P. Huth	50	Non-executive director and vice-chairman of the board
Nicolas Cattelain	36	Non-executive director
Eric Coutinho	58	Non-executive director
Egon Durban	36	Non-executive director
Ian Loring	44	Non-executive director
Michel Plantevin	53	Non-executive director
Richard Wilson	44	Non-executive director

(1) We expect to appoint one or two additional independent non-executive directors before the consummation of the offering. See “Management Structure—Board Committees—Audit Committee”.

(2) Karl-Henrik Sundström currently is a member of our board of management and serves as executive vice president and chief financial officer of NXP B.V. Upon the restructuring of our board of directors prior to the consummation of this offering, we expect that Mr. Sundström will serve as our executive vice president and chief financial officer, but will no longer serve as a member of our board of directors.

- **Richard L. Clemmer (1951, American).** Mr. Clemmer became executive director, president and chief executive officer on January 1, 2009. Prior to that, from December 2007, Mr. Clemmer was a member of the supervisory board of NXP B.V. and a senior advisor of Kohlberg Kravis Roberts & Co. Prior to joining NXP, he drove the turnaround and re-emergence of Agere Systems Inc., a spin-out from Lucent Technologies Inc. and a leader in semiconductors for storage, wireless data, and public and enterprise networks. He also served as Chairman of u-Nav Microelectronics Corporation, a leading GPS technology provider, and held a five-year tenure at Quantum Corporation where he was executive vice president and chief financial officer. Prior to that, Mr. Clemmer worked for Texas Instruments Incorporated as senior vice president and semiconductor group chief financial officer. Mr. Clemmer also serves on the boards of NCR Corporation and Trident Microsystems, Inc.
- **Sir Peter Bonfield (1944, British).** Immediately prior to consummation of this offering, Sir Peter will be appointed as a non-executive director and chairman of our board of directors. Prior to that, Sir Peter was the chairman of the supervisory board of NXP B.V. from September 29, 2006. Sir Peter served as chief executive officer and chairman of the executive committee for British Telecom plc from 1996 to 2002 and prior to that was chairman and chief executive officer of ICL plc (now Fujitsu Services Holdings Ltd.). Sir Peter also worked in the semiconductor industry during his tenure as a divisional director at Texas Instruments Incorporated, for whom he held a variety of senior management positions around the world. Sir Peter currently holds non-executive directorships at Telefonaktiebolaget LM Ericsson, Taiwan Semiconductor Manufacturing Company Limited, Mentor Graphics Corporation and Sony Corporation.

- **Johannes P. Huth (1960, German).** Immediately prior to consummation of this offering, Mr. Huth will be appointed as a non-executive director and vice-chairman of our board of directors. Prior to that, Mr. Huth was a member and chairman of our supervisory board and a member and vice-chairman of NXP B.V.'s supervisory board from September 29, 2006. Mr. Huth is a managing director of Kohlberg Kravis Roberts & Co., Europe. He has been with Kohlberg Kravis Roberts & Co. for eleven years. Currently, he is on the board of directors of Kohlberg Kravis Roberts & Co. Ltd., ProSiebenSat.1 Media AG (chairman), Kion Holding GmbH, BMG-Bertelsmann Music Group and Auto-Teile-Unger Handels GmbH & Co. KG. Mr. Huth started his professional career with Salomon Brothers in New York and London. Following that, he worked with Investcorp International Ltd. In London.
- **Nicolas Cattelain (1973, French).** Immediately prior to the consummation of this offering, Mr. Cattelain will be appointed as a non-executive director of our board of directors. Mr. Cattelain became a member of our supervisory board and the supervisory board of NXP B.V. in February 2010 and is a director of Kohlberg Kravis Roberts & Co., Europe. He has been with Kohlberg Kravis Roberts & Co. for ten years. Before 2000, Mr. Cattelain was with the private equity firm Industri Kapital in London and prior to that he worked in the Mergers and Acquisitions Department of Merrill Lynch.
- **Eric Coutinho (1951, Dutch).** Immediately prior to the consummation of this offering, Mr. Coutinho will be appointed as a non-executive director of our board of directors. Mr. Coutinho became a member of our supervisory board and the supervisory board of NXP B.V. on September 29, 2006 and is chief legal officer of Koninklijke Philips Electronics N.V. and a member of its group management committee. He has been with Philips since 1979 during which time he has worked in various positions. He is also deputy chairman of The Netherlands Philips Pension Fund.
- **Egon Durban (1973, German).** Immediately prior to the consummation of this offering, Mr. Durban will be appointed as a non-executive director of our board of directors. Mr. Durban became a member of our supervisory board and the supervisory board of NXP B.V. on September 29, 2006, and is a managing director of Silver Lake Partners based in London where he is responsible for overseeing Silver Lake's European operations. Mr. Durban joined Silver Lake in 1999 as a founding principal and has worked in the firm's Menlo Park and New York offices. Mr. Durban serves on the Board of Directors of Skype Technologies S.A. and is the chairman of its operating committee, the board of directors of Intelsat, Ltd., the operating committee of SunGard Capital Corporation, and Silver Lake's Management, Investment and Operating and Valuation Committees. Prior to Silver Lake, Mr. Durban worked in Morgan Stanley's Investment Banking Division.
- **Ian Loring (1966, American).** Immediately prior to the consummation of this offering, Mr. Loring will be appointed as a non-executive director of our board of directors. Mr. Loring became a member of our supervisory board and the supervisory board of NXP B.V. on September 29, 2006 and is a managing director of Bain Capital Partners, LLC. Prior to joining Bain Capital Partners in 1996, Mr. Loring worked at Berkshire Partners and has previously also worked at Drexel Burnham Lambert. He serves as a director of Clear Channel Communications Inc., The Weather Channel Inc., Warner Music Group Corporation, Denon & Marantz and Contec Co. Ltd. Mr. Loring previously served on the board of Cumulus Media Inc. and Echelon Telecom Inc.
- **Michel Plantevin (1956, French).** Immediately prior to the consummation of this offering, Mr. Plantevin will be appointed as a non-executive director of our board of directors. Mr. Plantevin became a member of our supervisory board and the supervisory board of NXP B.V. on September 29, 2006 and is a managing director of Bain Capital Ltd. Prior to joining Bain Capital Ltd. in 2003, Mr. Plantevin worked at Goldman Sachs in London, and prior to that he was a partner with Bain & Company in London and Paris. He also serves as a director of FCI S.A. and Brakes Group.
- **Richard Wilson (1965, British).** Immediately prior to the consummation of this offering, Mr. Wilson will be appointed as a non-executive director of our board of directors. Mr. Wilson became a member of our supervisory board and the supervisory board of NXP B.V. on October 22, 2008 and is a senior

partner of Apax Partners LLP. Prior to joining Apax Partners in 1995, he served as a consultant with Scientific Generics Inc. and also worked for Marconi Space Systems Ltd. He has sat on a number of boards of Apax fund portfolio companies, such as Inmarsat plc and Weather Investments SpA, and in 2009/2010 was the chairman of the European Private Equity and Venture Capital Association.

Management Team

Set forth below are the names, ages as of June 1, 2010, and positions of the executive officers who together with our chief executive officer, Mr. Clemmer, will constitute our management team immediately prior to consummation of this offering.

Name	Age	Position
Richard L. Clemmer	59	Executive director, president and chief executive officer
Chris Belden	49	Executive vice president and general manager of operations
Guido Dierick	51	Senior vice president and general counsel
Alexander Everke	47	Executive vice president and general manager of High-Performance Mixed-Signal businesses focused on wireless infrastructure, lighting, industrial, mobile, consumer and computing applications
Mark Hamersma	42	Senior vice president, responsible for business development
Peter Kleij	50	Senior vice president, responsible for human resource management
Mike Noonen	47	Executive vice president, responsible for global sales
Rene Penning De Vries	55	Senior vice president and chief technology officer
Ruediger Stroh	47	Executive vice president and general manager of High-Performance Mixed-Signal businesses focused on identification applications
Frans Scheper	48	Senior vice president and general manager of the Standard Products applications
Kurt Sievers	41	Senior vice president and general manager of High-Performance Mixed-Signal businesses focused on automotive applications
Karl-Henrik Sundström	50	Executive vice president and chief financial officer

- **Chris Belden (1960, American).** Mr. Belden is executive vice president, general manager of operations and member of the management team. He joined NXP as senior vice president, global manufacturing on March 1, 2008. Previously Mr. Belden worked for Applied Materials Inc., where he was responsible for global operations. Before that, he spent the majority of his career at Motorola, Inc. and Freescale Semiconductor Inc., where he was responsible for Freescale's global manufacturing operations.
- **Guido Dierick (1959, Dutch).** Mr. Dierick is senior vice president, general counsel, secretary of our board of directors and member of the management team. Since 2000 he has been responsible for legal and intellectual property matters at NXP. He previously was employed by Philips from 1982 and worked in various legal positions.
- **Alexander Everke (1963, German).** Mr. Everke is executive vice president, member of the management team and general manager of our High-Performance Mixed-Signal businesses focused on the wireless infrastructure, lighting, industrial, mobile, consumer and computing application markets. He previously served in various senior management positions within NXP. Mr. Everke joined NXP in 2006 from Infineon Technologies AG, where he served last as general manager of the Chip Card & Security ICs business unit. Before Infineon, Mr. Everke worked for several years at Siemens AG.
- **Mark Hamersma (1968, Dutch).** Mr. Hamersma is senior vice president, responsible for business development and member of the management team. Since joining NXP in 2004, he held the position of senior vice president of strategy & strategic marketing and subsequently, in 2008 was appointed senior

vice president responsible for business development. Prior to joining NXP, Mr. Hamersma was a partner with McKinsey & Company, where he focused on serving high-tech, telecommunication and private equity clients.

- **Peter Kleij (1960, Dutch).** Mr. Kleij is senior vice-president, responsible for human resource management and member of the management team. Prior to joining Philips in 1996, he worked for various large companies, including AT&T Inc.
- **Mike Noonen (1963, American).** Mr. Noonen is executive vice president, responsible for global sales and marketing and member of the management team since November 10, 2008. He previously served in a global sales position at National Semiconductor Corporation, which he joined in 2001. Before that he worked for various high-tech companies including NCR Corporation and Cisco Systems Inc.
- **Rene Penning De Vries (1954, Dutch).** Mr. Penning De Vries is senior vice president, chief technology officer and member of the management team. He holds the same position in NXP B.V. He previously was employed by Philips from 1984 in various managerial positions.
- **Ruediger Stroh (1962, German).** Mr. Stroh is executive vice president, member of the management team and general manager of our High-Performance Mixed-Signal businesses focused on the identification application markets. Before joining NXP on May 18, 2009, he led LSI Corporation's Storage Peripherals business, overseeing silicon solutions for hard disk and solid state drives addressing consumer and enterprise markets. Previously, he headed Agere System Inc's storage division and served as chief executive officer for a number of start-up companies. Mr. Stroh began his career at Siemens AG where he held multiple management positions before joining Infineon Technologies AG.
- **Frans Scheper (1962, Dutch).** Mr. Scheper has been senior vice president and general manager for the Standard Products business since November, 2009, and has been a member of the management team since January 1, 2010. He has previously served as general manager of the general applications (discretes) business line within the multimarket business and served in various positions at Philips since 2000.
- **Kurt Sievers (1969, German).** Mr. Sievers has been senior vice president and general manager of our High-Performance Mixed-Signal businesses focused on the automotive application markets since November, 2009 and since January 2010, he has been a member of the management team. He has previously managed the automotive safety and comfort business line and served in various positions at Philips since 1995.
- **Karl-Henrik Sundström (1960, Swedish).** Mr. Sundström became executive vice president and chief financial officer of NXP B.V. and a member of our management team on May 13, 2008. In a successful 22 year career at Ericsson AB, Mr. Sundström gained general management experience leading the company's global services operations and its Australian and New Zealand business before his appointment as chief financial officer of Ericsson AB in 2003 until the end of 2007. Mr. Sundström also serves on the board of Swedbank AB.

Management Structure

We currently have a two-tier board structure, consisting of a board of management and supervisory board. Immediately prior to the offering, we will adopt a one-tier board structure, consisting of executive directors and non-executive directors.

Powers, Composition and Function

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

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

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

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

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

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

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

Our directors will be appointed for one year and will be re-electable each year at the general meeting of stockholders. The members of our board of directors may be suspended or dismissed at any time by the general meeting of stockholders. A resolution to suspend or dismiss a director will have to be adopted by at least a two thirds majority of the votes cast, provided such majority represents more than half of our issued share capital and unless the proposal to suspend or dismiss a member of the board of directors is made by the board of directors itself,

in which case resolutions shall be adopted by a simple majority of votes cast. Currently, Dutch law does not allow executive directors to be suspended by the board of directors; however, Dutch law is expected to be amended in early 2011 to facilitate the suspension of executive directors by the board.

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

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

Board Committees

While retaining overall responsibility, we expect that our board of directors will be able to assign certain of its tasks to permanent committees. Members of the permanent committees will be appointed by the board of directors. The board of directors will also determine the tasks of each committee. At the time of this offering, our board of directors will have established an audit committee and a nominating and compensation committee, each of which will have the responsibilities and composition described below:

- ***Audit Committee.*** We expect that our audit committee will consist of two independent non-executive directors upon consummation of this offering, and we expect to appoint at least one additional independent non-executive director to the audit committee within 12 months following the consummation of this offering. We expect that at least one of our independent directors will qualify as an “audit committee financial expert” as such term is defined in Item 407(d)(5) of Regulation S-K and our board of directors will determine which member of our audit committee will so qualify prior to the consummation of this offering. Our audit committee 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 all meetings of the audit committee. The findings of the external auditor, the audit approach and the risk analysis are also discussed at these meetings.
- ***Nominating and Compensation Committee.*** We expect that our nominating and compensation committee will consist of three non-executive directors, including at least one independent director. This 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. The members of the nominating and compensation committee will be appointed immediately prior to consummation of this offering.

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 wilful (*opzettelijk*), intentionally reckless (*bewust roekeloos*) or seriously culpable (*ernstig verwijtbaar*) conduct, unless Dutch law provides otherwise or this would, in view of the circumstances of the case, be unacceptable according to standards of reasonableness and fairness, or (ii) the costs or financial loss of the person concerned are covered by an insurance and the insurer has paid out the costs or financial loss. We may enter into indemnification agreements with the members of the board of directors and our officers to provide for further details on these matters. We expect to purchase directors' and officers' liability insurance for the members of the board of directors and certain other officers, substantially in line with that purchased by similarly situated companies.

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

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

Compensation

Under Dutch law, the stockholders must adopt a compensation policy for the board of directors. Prior to the consummation of this offering, our stockholders will have adopted such policy. The remuneration of our executive directors is resolved upon by our board of directors, with due observance of our compensation policy. The respective executive director does not participate in the discussions of our board of directors on his compensation, nor does the chief executive officer vote on such a matter. Our chief executive officer is expected to be our only executive director. The remuneration of the non-executive directors is resolved upon by our stockholders at a stockholder meeting at the proposal of our board of directors. We expect our stockholders to adopt a proposal with respect to the remuneration of our non-executive directors prior to the consummation of this offering. To the extent the stockholders at the 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 this offering, we expect our stockholders to approve such equity-based director compensation.

Compensation Policy and Objectives

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

officers or the other members of our management team. The compensation package for our chief executive officer, the other members of our management team and our NXP executives is benchmarked on a regular basis against other companies in the high-tech and semiconductors industry.

Base Salary

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

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

Annual Incentive

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

Management Equity Plan and Management Co-Investment Program

The purpose of the management equity plan and management co-investment program is to align the interests of management with those of our stockholders by providing additional incentives to improve our medium and long term performance, by offering the participants an opportunity to share in the success of NXP.

The Management Foundation, a foundation incorporated under the laws of the Netherlands established to implement our management co-investment program holds 600,000 of our shares of common stock for the benefit of the designated participants in the program. Pursuant to this program, selected members of our management, including our chief executive officer, the members of our management team and the other NXP executives, have purchased depositary receipts for shares of common stock issued by the Management Foundation, each representing economic interests in one of our shares of common stock. These interests include any dividends and other proceeds or liquidation entitlements, but do not include any voting rights, which are retained by the Management Foundation in its capacity as stockholder. Participants in our management co-investment program are selected by the nominating and compensation committee, with respect to participants who are on the board of directors, and by the chief executive officer, with respect to other participants.

We granted stock options to the members of our management team and to approximately 135 of our other executives in 2007 and 2008. In May 2009, we executed a stock options exchange program, under which stock options, with new exercise prices, different volumes and—in certain cases—revised vesting schedules, were granted to eligible individuals, in exchange for their owned stock options. By accepting the new stock options all previously granted stock options (vested and unvested) owned by the eligible individual were cancelled. As of May 2009, when the stock options exchange program was consummated, stock options have been granted to eligible individuals under the revised stock options program. Under this stock option plan the participants acquire

Table of Contents

the right to purchase a certain number of depositary receipts for shares of common stock—issued by the Management Foundation—at a predetermined price, i.e. exercise price, provided that certain conditions are met. The stock options have a vesting schedule as specified upon the grant to the individuals. Depositary receipts represent economic interests over our shares of common stock. Participants may exercise stock options only upon a sale of shares by the Private Equity Consortium or upon a change of control (in particular, the Private Equity Consortium no longer jointly holding 30% of our common stock). This offering does not trigger the exercisability of these stock options.

The option pool available for stock option grants, as determined by our stockholders, is for an amount of stock options representing, in the aggregate, up to 21,750,000 common shares in our share capital. As of June 30, 2010, a total of 18,554,416 million stock options were granted under the management equity plan to a group of approximately 135 (current and former) NXP executives (which includes our chief executive officer and the other members of the management team). These stock options can be exercised at exercise prices which vary from €2.00 to €50.00 per stock option.

After consummation of this offering, we may change the terms and conditions of the current stock options program and we may introduce new equity programs for the granting of stock based incentives over several years, at the discretion of our board of directors. Shares to be delivered under such new equity programs 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 April 4, 2010, our chief executive officer held depositary receipts and had been granted the following stock options, which were outstanding:

Series	Number of Stock Options	Exercise Price (in €)	Number of Stock Options per vesting schedule			
			01/01/10	01/01/11	01/01/12	01/01/13
2009/1						
2009/2						
2009/3						
2009/4						
Total:						

The following stock option awards had been granted to the chairman of our board of directors and were outstanding as of April 4, 2010:

Series	Number of Stock Options	Exercise Price (in €)	Number of Stock Options per vesting schedule		
			10/01/10	10/01/11	10/01/12
2009/2					
2009/3					
Total:					

Pensions

Our chief executive officer and eligible members of the management team participate in the executives' pension plan, which we set up in the Netherlands and which consists of a combination of a defined-benefit (career average) and defined-contribution plan. The target retirement age under the plan is 62.5. The plan does not require employee contributions.

We paid our chief executive officer a total of $ in pension retirement benefits in 2009. We also paid a total aggregate amount of $ in pension retirement benefits to the members of our management team.

Additional Arrangements

In addition to the main conditions of employment, a number of additional arrangements apply to our chief executive officer and other members of the management team. These additional arrangements, such as expense compensation and relocation allowances, medical insurance, accident insurance, school fee compensation and company car arrangements are broadly in line with those for the NXP executives globally. In the event of disablement, our chief executive officer and other members of the management team are entitled to benefits in line with those for other NXP executives. In line with regulatory requirements, the Company's policy forbids personal loans, guarantees or similar arrangements to members of our board, and consequently no loans, guarantees or similar arrangements were granted to such members in 2009 or in 2010, nor were such loans outstanding as of April 4, 2010.

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

Summary Compensation Table

The following table sets forth the annual compensation paid to the members of our board of directors on an individual basis for services in all capacities during the year ended December 31, 2009:

($ in thousands)	Salary and/ or fees	Performance related compensation	Number of stock or stock options granted	Non-equity incentive plan compensation or benefits in kind granted	Contingent or deferred compensation	Pension, retirement or similar benefits	Other
Richard L. Clemmer		—			—		—
Sir Peter Bonfield		—		—	—	—	—
Total:		—			—		—

Corporate Governance

The NXP Business Code of Conduct

The NXP business code of conduct outlines our general commitment to be a responsible social partner and the way in which we attempt to interact with our stakeholders, including stockholders, suppliers, customers, employees and the market. The business code of conduct expresses our commitment to an economically, socially and ethically sustainable way of working. It covers our policy on a diverse array of subjects, including corporate gifts, child labor, ILO conventions, working hours, sexual harassment, free-market competition, bribery and the integrity of financial reporting.

We have also adopted a Financial Code of Ethics applicable to certain of our senior employees, which constitutes a "code of ethics" as such term is defined by the SEC. Both the NXP Business Code of Conduct and our Financial Code of Ethics are available on our website at www.nxp.com/investor/governance. The information contained on our website or that can be accessed through our website neither constitutes part of this prospectus nor is incorporated by reference herein.

The Dutch Corporate Governance Code

On admission, although we will not be listing our shares of common stock on Euronext Amsterdam by NYSE Euronext, we will be subjected to comply with the Dutch corporate governance code. The Dutch corporate governance code, as revised, became effective on January 1, 2009, and applies to all Dutch companies listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere. The code is based on a

"comply or explain" principle. Accordingly, companies are required to disclose in their annual reports filed in the Netherlands whether or not they are complying with the various rules of the Dutch corporate governance code that are addressed to the board of directors or, if any, the supervisory board of the company and, if they do not apply those provisions, to give the reasons for such non-application. The code contains principles and best practice provisions for managing boards, supervisory boards, stockholders and general meetings of stockholders, financial reporting, auditors, disclosure, compliance and enforcement standards.

We expect to take various actions towards compliance with the provisions of the Dutch corporate governance code.

The Dutch corporate governance code provides that if a company indicates to what extent it applies the best practice provisions, such company will deemed to have applied the Dutch corporate governance code.

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

- Best practice provision III.8.4 states that the majority of the members of the board shall be independent. In our board of directors, three to four non-executive members will be independent. It is our view that given the nature of our business and the practice in our industry and considering our stockholder structure, it is justified that only three to four non-executive directors will be independent.
- Pursuant to best practice provision IV.1.1, a general meeting of stockholders is empowered to cancel binding nominations of candidates for the board, and to dismiss members of the board by a simple majority of votes of those in attendance, although the company may require a quorum of at least one third of the voting rights outstanding. If such quorum is not represented, but a majority of those in attendance vote in favor of the proposal, a second meeting may be convened and its vote will be binding, even without a one-third quorum. Our articles of association currently state that the general meeting of stockholders may at all times overrule a binding nomination by a resolution adopted by at least a two-thirds majority of the votes cast, if such majority represents more than half of the issued share capital. Although a deviation from provision IV.1.1 of the Dutch Corporate Governance Code, we hold the view that these provisions will enhance the continuity of the Company's management and policies.

As the Dutch corporate governance code does not apply to us prior to the consummation of this offering, we note that stock options granted to our directors prior to the consummation of this offering may not comply with the provisions of the Dutch corporate governance code.

Although Dutch law currently allows for directors to vote on matters with regard to which they have an interest, this is expected to change in 2011. The Dutch corporate governance code, as well as our board rules, do not allow directors to vote on a matter with regard to which they have an interest.

The NASDAQ Global Market Corporate Governance Rules

NASDAQ rules provide that NASDAQ may provide exemptions from its corporate governance standards to a foreign issuer when those standards are contrary to a law, rule or regulation of any public authority exercising jurisdiction over such issuer or contrary to generally accepted business practices in the issuer's country of domicile. We are exempt from certain NASDAQ corporate governance standards that are contrary to the laws, rules, regulations or generally accepted business practices of the Netherlands. These exemptions and the practices followed by our company are described below:

- We are exempt from NASDAQ's quorum requirements applicable to meetings of stockholders. Pursuant to Dutch corporate law, the validity of a resolution by the general meeting of stockholders does not depend on the proportion of the capital or stockholders represented at the meeting (i.e. quorum), unless the law or articles of association of a company provide otherwise. Our articles of association provide that a resolution proposed to the general meeting of stockholders by the board of directors shall be adopted by a simple majority of votes cast, unless an other majority of votes or

quorum is required under Dutch law or our articles of association. All other resolutions shall be adopted by a two thirds majority of the votes cast, provided such majority represents at least half of the issued share capital, unless an other majority of votes or quorum is required under Dutch law. To this extent, our practice varies from the requirement of Listing Rule 5620(c), which requires an issuer to provide in its bylaws for a quorum, and that such quorum may not be less than one-third of the outstanding voting stock.

- We are exempt from NASDAQ's requirements regarding the solicitation of proxies and provision of proxy statements for meetings of stockholders. We inform stockholders of meetings in a public notice. We prepare a proxy statement and solicit proxies from the holders of our listed stock. Our practice in this regard, however, differs from the typical practice of U.S. corporate issuers in that the advance record date for determining the holders of record entitled to attend and vote at our stockholder meetings may not be more than the number of days determined by Dutch law (currently 30 days) prior to the meeting under applicable Dutch corporate law. 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. As described under "Share Capital—Issue of Shares", we expect that our board will be designated for a period of five years from the date of this offering to issue shares and rights to subscribe for shares.
- NASDAQ requires the majority of the board of directors to be comprised of independent directors. Although the Dutch corporate governance code provides that the majority of the members of the board be independent, it also provides that if a company expressly indicates the reasons and the extent to which it does not apply the provisions of the Dutch corporate governance code, such company will deemed to have applied the code. As described under "—Corporate Governance—The Dutch Corporate Governance Code" above, three to four non-executive members of our board of directors will be independent. It is our view that given the nature of our business and the practice in our industry and considering our stockholder structure, it is justified that only three to four non-executive directors will be independent.
- We are exempt from NASDAQ's requirement to have independent director oversight of executive officer compensation. Under Dutch law and the Dutch corporate governance code, the general meeting of stockholders must adopt a policy in respect of the remuneration of the board. In accordance with our articles of association and our board rules, the remuneration of the executive directors is determined by the board of directors upon the recommendation of our nominating and compensation committee.
- We are exempt from NASDAQ's requirement to have independent director oversight of director nominations. In accordance with Dutch law, our articles of association require that our directors will be appointed by the general meeting of stockholders upon the binding nomination of the board. In accordance with our board rules, the nominating and compensation committee will recommend the nomination of directors to our board.
- NASDAQ requires us to adopt a nominations committee charter or a board resolution addressing the nominations process. In accordance with the Dutch corporate governance code, we have adopted the committee's charter. However, the nominations process has been set out in our articles of association and board rules.

Moreover, we do 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.

General Meeting of Stockholders: Procedures, Admission and Voting Rights

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

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

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

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

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

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

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

Dutch law allows stockholders to adopt resolutions in writing without holding a meeting provided that (i) all stockholders agree on such method of decision-making and (ii) all stockholders are in favor of the resolution to be adopted. As it is unlikely that all of our stockholders will be in favor of the relevant resolution, following the consummation of the offering, we do not intend to propose to our stockholders to adopt resolutions in writing.

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

Each share of common stock is expected to confer the right to cast one vote at the general meeting of stockholders. Each stockholder may cast as many votes as he holds shares. Blank votes and invalid votes shall be regarded as not having been cast. Resolutions proposed to the general meeting of stockholders by the board of directors shall be adopted by a simple majority of votes cast, unless another majority of votes or quorum is required by virtue of Dutch law or our articles of association. All other resolutions shall be adopted by a two thirds majority of the votes cast, provided such majority represents at least half of the issued share capital, unless another majority of votes or quorum is required by virtue of Dutch law. In addition, we have authorized two series of preferred stock, which may have different dividend rights, as determined by our board. See “Description of Capital Stock—Share Capital—Authorized Share Capital.”

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

Stockholder Vote on Certain Reorganizations

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

Anti-Takeover Provisions

Dutch law permits us to adopt protective measures against takeovers. Although we have not and do not envisage to adopt any specific takeover measures, we expect that our board of directors will be designated for a period of five years from the date of this offering to issue shares and grant rights to subscribe for shares in the form of common or preferred stock, up to the amount of our authorized share capital. Our preferred shares are a separate class of equity securities that could be issued for defensive purposes. Such shares would typically have both a liquidation and dividend preference over our common stock and otherwise accrue cash dividends at a fixed rate.

Books and Records

Pursuant to Dutch law, our board of directors must provide all information to our stockholders’ meeting, but is not obliged to provide such information to individual stockholders.

Amendment of the Articles of Association

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

Dissolution, Merger/Demerger

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

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

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

Squeeze-out

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

Dutch Market Abuse Regulation

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

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

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

whose, among other things, managerial responsibilities are discharged by a person referred to under (i), (ii) or (iii) above or by the relevant member of the board of directors or other person with any authority in respect of the Company as described above.

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

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

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

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Private Equity Consortium and Philips

Advisory Services Agreements

The Private Equity Consortium and Philips provide advisory services to us and our affiliates pursuant to advisory services agreements between NXP B.V., KASLION Holding B.V. and Philips executed in connection with the Formation (the "Advisory Services Agreements"). Under the terms of the Advisory Services Agreements, we are obligated to pay to KASLION Holding B.V. and to Philips an aggregate annual fee plus all expenses incurred in connection with the provision of services under the agreements. The annual aggregate fees under these agreements are €2.5 million. We have paid €2.0 million per year under the agreement and have accrued a reserve for the remaining amount. Upon the consummation of this offering, the agreements described herein will be terminated. All amounts due under the Advisory Services Agreements will become due upon termination of the agreement.

In addition to the Advisory Services Agreements, we have recently entered into a separate agreement with KASLION Holding B.V. for the provision of certain advisory services to us. The total fees in relation to this agreement to be paid to KASLION Holding B.V. will amount to approximately $2 million, which we expect to pay prior to the consummation of this offering.

AlpInvest Partners Beheer 2006 B.V. ("AlpInvest Beheer"), acting as general partner of AlpInvest Partners CSI 2006 Lion C.V. and AlpInvest Partners Later Stage IIA—Lion C.V., will provide certain advisory services to us. AlpInvest Beheer expects to make the services of Mr. Volkert Doeksen or any qualified replacement, knowledgeable of the business dynamics in continental Europe in general and in the Netherlands in particular, available to us. As part of the Private Equity Consortium, AlpInvest Partners CS Investments 2006 C.V. was allowed to designate an observer to our supervisory board. Accordingly, Mr. Doeksen was an observer to our supervisory board prior to the adoption of the one-tier structure. We and our stockholders have requested Mr. Doeksen to continue to advise our board of directors after the consummation of this offering. We will enter into a separate agreement in this regard with AlpInvest Beheer, under which we expect AlpInvest Beheer will receive an annual advisory fee of $25,000.

Operating Agreement

In connection with our Formation, the Private Equity Consortium and certain co-investors, directly or indirectly, formed KASLION Holding B.V., through which they invested in our Company. In connection with such investments, the Private Equity Consortium entered into an operating agreement containing provisions with respect to, among other things, restrictions on the issuance or transfer of interests and other special corporate governance provisions. Prior to the consummation of this offering, this operating agreement is expected to be terminated.

Shareholders' Agreement

On September 29, 2006, we, Philips, KASLION Holding B.V., the Management Foundation and NXP B.V. entered into a shareholders' agreement. For so long as Philips holds more than 10% of our equity, the shareholders' agreement includes, among other things, provisions regarding the composition of NXP B.V.'s supervisory board and provisions that subject certain of the activities of NXP B.V. to the approval of either a supervisory board member designated by Philips to NXP B.V.'s board or the chairman of NXP B.V.'s supervisory board, who in accordance with the terms of the agreement must be a person not affiliated with Philips or KASLION Holding B.V. The agreement also limits our ability, without the approval of the supervisory board member designated by Philips, to amend the organizational documents of NXP B.V. in a manner adverse to Philips' rights as a stockholder in NXP Semiconductors N.V. or its rights under the shareholders' agreement, engage in transactions with affiliated persons, modify or waive the pre-emptive rights attaching to NXP B.V.'s shares of common stock, engage in a legal merger, demerger or liquidation, repurchase or redeem equity securities other than on a pro-rata basis and sell all or substantially all of NXP B.V.'s assets in exchange for

equity securities of a person not active in the semiconductor industry. In addition, the shareholders' agreement limits NXP B.V.'s ability without the approval of the chairman of NXP B.V.'s supervisory board to incur indebtedness or issue any debt securities or assume, guarantee or endorse any material obligation of any other person and to pay dividends or make other distributions, redeem or repurchase equity securities or make loans to NXP B.V. Philips may sell all or part of its stake in us at any time provided such sale is not to one of our competitors and Philips complies with rights of first offer granted to KASLION Holding B.V. The Shareholders' Agreement also provides for certain registration rights.

Prior to the consummation of this offering, we expect the members of the Private Equity Consortium to restructure their indirect shareholding in our common stock such that each of them will directly, or indirectly through a separate Luxembourg holding company, hold shares of our common stock. Simultaneous with this offering, KASLION Holding B.V. will cease to hold any shares of our common stock. In connection with the restructuring, the members of the Private Equity Consortium, Philips and the Management Foundation (together, the "Existing Shareholders") will enter into a new shareholders' agreement among themselves, which will replace the shareholders agreement entered into on September 29, 2006. We are not a party to the new shareholders' agreement.

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

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

Existing Shareholders proposing to sell at least 50% of the shares of our common stock outstanding at any time to a third party purchaser can also require the other Existing Shareholders to sell to such third party purchaser.

The new shareholders' agreement will also contain voting agreements among the Existing Shareholders with respect to, among other matters, the election of certain non-executive members to our board of directors. The shareholders' agreement will provide that our board of directors shall be comprised of, among others, seven non-executive members and that certain stockholders have the right to designate such non-executive members, subject to their election by our general meeting of stockholders. So long as Philips, or entities affiliated with Philips or operated for the benefit of Philips' current and former employees, beneficially owns at least 10% of our outstanding shares of common stock, Philips will have the right to designate one member to our board of directors. So long as funds advised by KKR, Bain, Silver Lake, Apax or AlpInvest each beneficially own at least 2.5% of the outstanding shares of our common stock, the funds advised by KKR and Bain each have the right to designate two members of our board of directors and the funds advised by Silver Lake and Apax each have the

right to designate one member to our board of directors. If any party's shareholding falls below the relevant threshold, it will cause the board member nominated by it to promptly resign from the board of directors, unless otherwise agreed .

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

Registration Rights Agreements

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

Philips

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

Philips has informed us that it does not view its investment in our common stock to be a strategic holding and that it intends to divest its holdings of our common stock at such time or times as it considers appropriate, subject to market conditions and other factors, including the terms of the lock-up agreement we expect it to enter into in connection with this offering. Philips has also informed us that it is considering selling or transferring all or a portion of its holdings of our common stock to affiliated entities or to one or more pension funds operated for the benefit of Philips' current or former employees.

Intellectual Property Transfer and License Agreement

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

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

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

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

In accordance with the IP Agreement, we have ceased using the term "Philips" as a brand name or trade name without Philips' consent. This includes the use of the Philips trademark and logo, and any derivative or

combination mark. We are, however, permitted under certain circumstances to use the tag “founded by Philips” in accordance with Philips’ guidelines for a period of five years after our separation from Philips.

Other

We have a number of strategic alliances and joint ventures. We have relationships with certain of our alliance partners in the ordinary course of business whereby we enter into various sale and purchase transactions, generally on terms comparable to transactions with third parties. The only material alliance partner with whom we have entered into transactions is SSMC.

PRINCIPAL STOCKHOLDERS

The following table shows the amount of our common stock beneficially owned as of April 4, 2010 by (i) each person who is known by us to own beneficially more than 5% of our common stock, (ii) each member of our board of directors, (iii) each director nominee, (iv) each of the named executive officers, (v) certain former members of management and (vi) all members of the board, director nominees and all of our executive officers as a group. A person is a "beneficial owner" of a security if that person has or shares voting or investment power over the security or if he has the right to acquire beneficial ownership within 60 days. Unless otherwise noted, these persons may be contacted at our executive offices and, to our knowledge, have sole voting and investment power over the shares listed. Percentage computations are based on 215,251,500 shares of our common stock outstanding as of April 4, 2010 and shares of common stock expected to be outstanding following the consummation of this offering, including the shares of our common stock offered by us hereby. As of April 4, 2010, there were three holders of record of our common stock.

Name of Beneficial Owner	Common Stock Beneficially Owned Prior to this Offering		Common Stock Beneficially Owned After this Offering — Assuming the Underwriters' Option is Not Exercised		Common Stock Beneficially Owned After this Offering — Assuming the Underwriters' Option is Exercised in Full	
	Number	%	Number	%	Number	%
Funds advised by KKR[1][2] [7]	171,935,850	79.88	70,581,370		70,581,370	
Funds advised by Bain[1][3] [7]	171,935,850	79.88	60,956,028		60,956,028	
Funds advised by Silver Lake[1][4] [7]	171,935,850	79.88	41,710,419		41,710,419	
Funds advised by Apax[1][5] [7]	171,935,850	79.88	44,113,015		44,113,015	
Funds advised by Alpinvest[1][6]	149,474,790	69.45	9,622,242		9,622,242	
Co-Investment L.P.[7]	22,461,060	10.43	22,461,600		22,461,600	
Koninklijke Philips Electronics N.V.[8]	42,715,650	19.84	42,715,650		42,715,650	
Richard L. Clemmer	—	—	—	—	—	—
Sir Peter Bonfield	—	—	—	—	—	—
Johannes P. Huth	—	—	—	—	—	—
Nicolas Cattelain	—	—	—	—	—	—
Eric Coutinho	—	—	—	—	—	—
Egon Durban[9]	171,935,850	79.88	41,710,419		41,710,419	
Ian Loring[10]	171,935,850	79.88	60,956,028		60,956,028	
Michel Plantevin	—	—	—	—	—	—
Richard Wilson	—	—	—	—	—	—
All directors and executive officers as a group[11]	171,935,850	79.88	171,935,850		171,935,850	

(1) Prior to the consummation of this offering, the funds advised by KKR, Bain, Silver Lake, Apax and Alpinvest will restructure their indirect shareholdings, through KASLION Holding B.V., in our common stock such that each of them will directly, or indirectly through a Luxembourg holding company or companies, hold shares of our common stock (the "Stockholder Restructuring").

(2) Following the Stockholder Restructuring, KKR's affiliates and certain funds advised by KKR will, through various KKR-affiliated entities, hold shares of our common stock through a newly organized Luxembourg holding company. The following KKR-affiliated entities (the "KKR Entities") will have an indirect interest in 48,119,770 shares of our common stock through their ownership of such newly organized Luxembourg holding company: KKR NXP (2006) Limited (3,752,674 shares); KKR NXP (European II) Limited (24,055,605 shares); KKR NXP (Millennium) Limited (20,311,480 shares); and KKR Associates Europe II Limited Partnership (11 shares). As the designated members of KKR Management LLC (which may be deemed to indirectly control one or more general partners, stockholders or members of the entities that own or control the KKR Entities), Henry R. Kravis and George R. Roberts may be deemed to beneficially own the shares of our common stock indirectly held by the KKR Entities, but disclaim beneficial ownership of such shares. In addition, as the voting partner of certain affiliates of the KKR Entities, KKR SP Limited

may be deemed to beneficially own the shares of our common stock indirectly held by the KKR Entities, but disclaims beneficial ownership of such shares.

The principal business address of each of the entities and persons identified in this footnote except Mr. Roberts is c/o Kohlberg Kravis Roberts & Co. L.P., 9 West 57th Street, New York, NY 10019, U.S.A. The principal business office for Mr. Roberts is c/o Kohlberg Kravis Roberts & Co. L.P., 2800 Sand Hill Road, Suite 200, Menlo Park, CA 94025, U.S.A.

(3) Following the Stockholder Restructuring, Bain Pumbaa LuxCo S.à r.l. will own 38,494,428 shares of our common stock. As a shareholder of Bain Pumbaa LuxCo S.à r.l., Bain Capital Lion Holdings, L.P. ("Lion Holdings") has voting and dispositive power over 38,488,968 shares of our common stock held by Bain Pumbaa LuxCo S.à r.l. and may be deemed to beneficially own all shares of our common stock held by Bain Pumbaa LuxCo S.à r.l. In addition, as a shareholder of Bain Pumbaa LuxCo S.à r.l., Bain Capital Fund IX, L.P. ("Fund IX") has voting and dispositive power over 5,459 shares of our common stock held by Bain Pumbaa LuxCo S.à r.l. Bain Capital Investors, LLC ("BCI") is the managing general partner of Lion Holdings as well as the general partner of Bain Capital Partners IX, L.P., which in turn is the general partner of Fund IX. As a result, BCI may be deemed to beneficially own all of the shares of our common stock held by Lion Holdings and Fund IX, but disclaims beneficial ownership of such shares of our common stock. BCI is controlled by an investment committee composed of 17 members, including Mr. Loring. Each such investment committee member, including Mr. Loring, disclaims beneficial ownership of shares indirectly held by Lion Holdings and Fund IX.

In addition, upon the consummation of this offering, the Bain-affiliated funds and individuals named above may be deemed by virtue of their rights under the shareholders' agreement with respect to the Company to share voting power with respect to the shares of our common stock held by the other parties to the shareholders' agreement, but disclaim beneficial ownership of such shares.

The address of each of BCI, Lion Holdings and Fund IX is 111 Huntington Avenue, Boston, MA 02199, U.S.A.

(4) Silver Lake Partners II Cayman, L.P. is the sole shareholder of SLP II Cayman NXP, Ltd. Silver Lake Technology Investors II Cayman, L.P. is the sole shareholder of SLTI II Cayman NXP, L.P. Silver Lake Technology Associates II Cayman, L.P. is the general partner of Silver Lake Partners II Cayman, L.P. Silver Lake (Offshore) AIV GP II, Ltd. is the general partner of each of Silver Lake Technology Associates II Cayman, L.P. and Silver Lake Technology Investors II Cayman, L.P. Silver Lake (Offshore) AIV GP II, Ltd. disclaims beneficial ownership of the shares of our common stock indirectly owned by Silver Lake Partners II Cayman, L.P. and Silver Lake Technology Investors II Cayman, L.P. (together, the "Silver Lake Funds"). Messrs. James A. Davidson, Glenn H. Hutchins, David J. Roux, Alan K. Austin, Michael J. Bingle, Egon Durban, Greg Mondre and Kenneth Y. Hao and Ms. Karen King serve as directors of Silver Lake (Offshore) AIV GP II, Ltd. They disclaim beneficial ownership of the ordinary shares indirectly owned by the Silver Lake Funds.

In addition, upon the consummation of this offering, the Silver Lake-affiliated funds and individuals named above may be deemed by virtue of their rights under the shareholders' agreement with respect to the Company to share voting power with respect to the shares of our common stock held by the other parties to the shareholders' agreement, but disclaim beneficial ownership of such shares.

Silver Lake's address is c/o Broadbent House, 65 Grosvenor Street, London W1K 3JH, England.

(5) Following the Stockholder Restructuring, the shares of our common stock will be held, directly or indirectly, by (i) Apax US VII, L.P., which is advised by Apax Partners L.P., (ii) Apax Europe V (a collection of nine partnerships comprised of Apax Europe V-A, L.P., Apax Europe V-B, L.P., Apax Europe V C GmbH & Co. KG, Apax Europe V-D, L.P., Apax Europe V-E, L.P., Apax Europe V-F, C.V., Apax Europe V-G, C.V., Apax Europe V-1, LP and Apax Europe V-2, LP), which is managed by Apax Partners Europe Managers Ltd., which is advised by Apax Partners LLP, and (iii) Apax Europe VI (a collection of two partnerships comprised of by Apax Europe VI – A L.P. and Apax Europe VI-1 L.P.),

which is managed by Apax Partners Europe Managers Ltd., which in turn is advised by Apax Partners LLP. Apax US VII, L.P., Apax Europe V and Apax Europe VI each disclaim beneficial ownership of the shares held by the other.

In addition, upon the consummation of this offering, the Apax-affiliated funds and individuals named above may be deemed by virtue of their rights under the shareholders' agreement with respect to the Company to share voting power with respect to the shares of our common stock held by the other parties to the shareholders' agreement, but disclaim beneficial ownership of such shares.

The address of Apax Partners LLP and Apax Partners Europe Managers Ltd. is 33 Jermyn Street, London SW1Y 6DN, England, and the address of Apax Partners L.P. is 601 Lexington Avenue, 53rd Floor, New York, NY 10022, U.S.A.

(6) Following the Stockholder Restructuring, AlpInvest Partners CSI 2006 Lion C.V. will own 9,543,580 shares in our common stock and AlpInvest Partners Later Stage II-A Lion C.V. will own 78,662 shares of our common stock. As the managing director of AlpInvest Partners Beheer 2006 B.V. (which manages AlpInvest Partners CSI 2006 Lion C.V. and AlpInvest Partners Later Stage II-A Lion C.V.), AlpInvest Partners N.V. may be deemed to hold voting and dispositive power with respect to the shares in our common stock beneficially owned by AlpInvest Partners CSI 2006 Lion C.V. and AlpInvest Partners Later Stage II-A Lion C.V., but disclaims beneficial ownership of such shares.

In addition, upon the consummation of this offering, the Alpinvest-affiliated funds and individuals named above may be deemed by virtue of their rights under the shareholders' agreement with respect to the Company to share voting power with respect to the shares of our common stock held by the other parties to the shareholders' agreement, but disclaim beneficial ownership of such shares.

Alpinvest's address is c/o Alpinvest Beheer, Jachthavenweg 118, 1081 KJ Amsterdam, the Netherlands.

(7) As the general partner of Co-Investment L.P., NXP Co-Investment Partners GP Ltd. beneficially owns the shares held by Co-Investment L.P. Funds and entities advised by KKR, Bain, Silver Lake and Apax share voting and dispositive power with regard to the shares of our common stock beneficially owned by NXP Co-Investment Partners GP Ltd. and are deemed to beneficially own them.

(8) Upon the consummation of this offering, Koninklijke Philips Electronics N.V. and the individuals named above may be deemed by virtue of their rights under the shareholders' agreement with respect to the Company to share voting power with respect to the shares of our common stock held by the other parties to the shareholders' agreement, but disclaim beneficial ownership of such shares. The business address of Koninklijke Philips Electronics N.V. is Breitner Center, Amstelplein 2, 1096 BC Amsterdam, the Netherlands.

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

(10) 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. Durban disclaims beneficial ownership of any shares owned directly or indirectly by funds advised by Bain.

(11) Reflects shares that may be beneficially owned by our directors. However, each director disclaims beneficial ownership of such shares. In addition, prior to consummation of this offering, our directors and executive officers beneficially owned as a group options or equity rights representing 291,625 shares of our common stock. If exercised, these shares would have represented 0.14% of the shares of our common stock prior to consummation of this offering, or % after this offering (assuming no exercise of the underwriters' option to purchase additional shares of our common stock). However, at the time of consummation of this offering, none of these depositary receipts are exercisable currently or within 60 days from the date of this prospectus. At any time that the Private Equity Consortium reduces its shareholding in us or in the event that the Private Equity Consortium no longer holds in the aggregate at least 30% of our common stock, vested stock options granted under our stock option plans would become exercisable. In addition, if the aggregate shareholding of the Private Equity Consortium reduces its aggregate shareholding in us to below 30%, all outstanding and unvested stock options will vest.

DESCRIPTION OF CAPITAL STOCK

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

Share Capital

Authorized Share Capital

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

The following table sets forth our authorized share capital as of the date of this prospectus. Our authorized capital amounts to 1,076,257,500 shares and is divided into:

	Nominal value per share	Number of shares authorized
Shares of common stock	€ 0.20	430,503,000
Preferred Shares PA	€ 0.20	430,503,000
Preferred Shares PB	€ 0.20	215,251,500

Under Dutch law, our authorized share capital is the maximum capital that we may issue without amending our articles of association. An amendment of our articles of association would require stockholder approval.

Issued Share Capital

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

Issue of Shares

The board of directors has the power to resolve to issue shares and to determine the price and further terms and conditions of such share issue, if and in so far as the board of directors has been designated by the general meeting of stockholders as the authorized corporate body for this purpose. A designation as referred to above shall only be valid for a specific period of no more than five years and may from time to time be extended with a period of no more than five years. Our board of directors will be designated for a period of five years from the date of our reverse stock split to issue shares and grant rights to subscribe for shares in the amount of our authorized share capital.

Pre-emptive Rights

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

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

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

As described under "Share Capital—Issue of Shares" above, the authority to limit or exclude pre-emptive rights in connection with the issuance of shares will be delegated to the board of directors for a period of five years from the date of our reverse stock split.

Form and Transfer of Shares

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

Repurchase by the Company of its Shares

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

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

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

Capital Reduction

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

Dividends and Other Distributions

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

Our ability to pay dividends on our common stock is limited by the covenants of our Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, and the Indentures and may be further restricted by the terms of any future debt or preferred securities. As a result, we currently expect to retain future earnings for use in the operation and expansion of our business and the repayment of our debt, and do not anticipate paying any cash in the foreseeable future. Whether or not dividends will be paid in the future will depend on, among other things, our results of operations, financial condition, level of indebtedness, cash requirements, contractual restrictions and other factors that our board of directors and our stockholders may deem relevant. If in the future our board of directors decides not to allocate profits to our reserves (making such profits available to be distributed as dividends), any decision to pay dividends on our common stock will be at the discretion of our stockholders. Subject to certain exceptions, dividends may only be paid out of profits as shown in our annual financial statements as adopted by the general meeting of stockholders. Distributions may not be made if the distribution would reduce stockholders' equity below the sum of the paid-up capital and any reserves required by Dutch law or our articles of association.

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

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

Distributions are payable 30 days following the date of declaration.

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

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

Financial Year and Auditor

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

SHARES ELIGIBLE FOR FUTURE SALE

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

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

Rule 144

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

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

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

Lock-up Agreements

In connection with this offering, we, our executive officers and directors, the Private Equity Consortium and Philips have agreed with the underwriters, subject to certain exceptions, not to sell, dispose of or hedge any of our shares of common stock or securities convertible into or exchangeable for shares of common stock, during the period ending 180 days after the date of this prospectus, except with the prior written consent of the representatives of the underwriters. With respect to the lock-up agreement applicable to shares of our common stock held by Philips, the underwriters have agreed, in addition to other exceptions, to permit Philips to sell or transfer all or a portion of its holdings of our common stock during the lock-up period to affiliated entities or to one or more pension funds operated for the benefit of Philips' current and former employees, provided that any such purchaser or transferee agrees not to sell, dispose of or hedge any of such shares of common stock or securities convertible into or exchangeable for shares of common stock, during the restricted period, except with the prior written consent of the representatives of the underwriters, and provided further that, if Philips or the purchaser or transferee is required to file a report under the Exchange Act reporting a change in beneficial ownership of shares of common stock during the restricted period (and provided that neither Philips, nor the

purchaser or transferee will voluntarily file such a report if not so required), Philips provides at least two business days' prior written notice of such filing to the representatives of the underwriters.

The 180-day restricted period described in the preceding paragraph will be automatically extended if:

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

in which case the restrictions described in this paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or material event. See "Underwriting".

Registration Rights

We intend to enter into registration rights agreements with our stockholders prior to the consummation of this offering. See "Certain Relationships and Related Party Transactions—Private Equity Consortium and Philips—Registration Rights Agreement".

Shares Held By Philips

Philips has informed us that it does not view its investment in our common stock to be a strategic holding and that it intends to divest its holdings of our common stock at such time or times as it considers appropriate, subject to market conditions and other factors, including the terms of the lock-up agreement we expect it to enter into in connection with this offering. Philips has also informed us that it is considering selling or transferring all or a portion of its holdings of our common stock to affiliated entities or to one or more pension funds operated for the benefit of Philips' employees.

DESCRIPTION OF INDEBTEDNESS

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

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

Secured Revolving Credit Facility

Pursuant to the Secured Revolving Credit Facility, which has been entered into by, among others, NXP Semiconductors N.V., NXP B.V. and NXP Funding LLC, as borrowers, Morgan Stanley Senior Funding, Inc., as global collateral agent, and Mizuho Corporate Bank, Ltd., as Taiwan collateral agent (collectively, the "Collateral Agent"), Deutsche Bank AG, London Branch, as syndication agent, Merrill Lynch Capital Corporation as documentation agent, and Morgan Stanley Bank International Limited, Deutsche Bank AG, London Branch, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint-lead arrangers and joint bookrunners, up to €500 million is available to us. We entered into the Secured Revolving Credit Facility on September 29, 2006.

Repayment

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

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

Interest Rates

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

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

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

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

Guarantees

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

Country of incorporation	Guarantor
The Netherlands	NXP Semiconductors N.V.
The Netherlands	NXP Semiconductors Netherlands B.V.
Austria	NXP Semiconductors Austria GmbH
France	NXP Semiconductors France SAS
Germany	NXP Semiconductors Germany GmbH
Hong Kong	NXP Semiconductors Hong Kong Ltd.
The Philippines	NXP Semiconductors Philippines Inc.
Singapore	NXP Semiconductors Singapore Pte. Ltd.
Taiwan	NXP Semiconductors Taiwan Ltd.
Thailand	NXP Manufacturing (Thailand) Ltd.
U.K.	NXP Semiconductors UK Ltd.
U.S.A.	NXP Semiconductors USA, Inc.

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

Security for the Secured Revolving Credit Facility

NXP Semiconductors N.V., NXP B.V. and NXP Funding LLC and each of the Guarantors (except in the case of the Guarantor organized in the Philippines) have granted to the Collateral Agent, for the benefit of the senior lenders and letter of credit issuers, subject to agreed security principles, valid and perfected first priority liens and security interests in (i) all present and future shares of capital stock of (or other ownership or profit interests in) each of their present and future subsidiaries, other than SMST Unterstützungskasse GmbH, and material joint venture entities, including all of the equity interests in NXP B.V. and NXP Funding LLC; (ii) all present and future intercompany debt; (iii) all of their present and future property and assets, real and personal, including, but not limited to, machinery and equipment, inventory and other goods, accounts receivable, owned real estate, leaseholds, fixtures, general intangibles, license rights, patents, trademarks, trade names, copyrights,

chattel paper, insurance proceeds, contract rights, hedge agreements, documents, instruments, indemnification rights and tax refunds, but excluding cash and bank accounts; and (iv) all proceeds and products of the property and assets described in clauses (i), (ii) and (iii) above (collectively, the "Collateral"). The Philippines subsidiary has provided a conditional assignment of all of the above assets.

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

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

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

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

Covenants

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

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

Events of Default

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

Forward Start Revolving Credit Facility

As stated in "Prospectus Summary—Recent Developments", on May 10, 2010, we entered into a €458 million Forward Start Revolving Credit Facility, which becomes available, subject to certain conditions, on September 28, 2012, and matures on September 28, 2015, to replace our existing Secured Revolving Credit Facility. The conditions to the use of the Forward Start Revolving Credit Facility include specified closing conditions, and also (i) that our consolidated net debt does not exceed $3,750 million as of June 30, 2012 (and if it exceeds $3,250 million on such date, the commitments under the Forward Start Revolving Credit Facility reduce by 50%), and (ii) that we issue on or before September 28, 2012, securities with gross proceeds of $500 million, having a maturity 180 days after the maturity of the Forward Start Revolving Credit Facility, the proceeds of which are being used to refinance debt (other than debt under the Secured Revolving Credit Facility) that matures before the maturity of the Forward Start Revolving Credit Facility.

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

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

Super Priority Notes

Overview

We initially issued the Super Priority Notes in private offers to exchange our Existing Secured Notes and Existing Unsecured Notes for such Super Priority Notes on April 2, 2009. As of April 4, 2010, we had an aggregate principal amount of $39 million of Euro Super Priority Notes and an aggregate principal amount of $221 million of Dollar Super Priority Notes outstanding.

Interest Rate

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

Prepayments and Redemptions

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

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

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

Guarantee

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

Ranking

The Super Priority Notes rank:

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

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

Certain Covenants and Events of Default

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

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

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

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

Existing Secured Notes

Overview

On October 5, 2006, we issued the Existing Secured Notes, consisting of €1,000 million of Euro Floating Rate Secured Notes, $1,535 million of Dollar Floating Rate Secured Notes and $1,026 million of Dollar Fixed Rate Secured Notes.

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

As of April 4, 2010, we had an aggregate principal amount of $1,145 million of Euro Floating Rate Secured Notes, an aggregate principal amount of $1,201 million of Dollar Floating Rate Secured Notes and an aggregate principal amount of $845 million of Dollar Fixed Rate Secured Notes outstanding.

Interest Rate

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

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

Prepayments and Redemptions

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

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

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

Guarantee

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

Ranking

The Existing Secured Notes rank:

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

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

Certain Covenants and Events of Default

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

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

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

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

Existing Unsecured Notes

Overview

On October 5, 2006, we issued the Existing Unsecured Notes, consisting of €525 million of Euro Unsecured Notes and $1,250 million of Dollar Unsecured Notes.

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

As of April 4, 2010, we had an aggregate principal amount of $403 million of Euro Unsecured Notes and an aggregate principal amount of $774 million of Dollar Unsecured Notes outstanding.

Interest Rate

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

Prepayments and Redemptions

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

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

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

Guarantee

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

Ranking

The Existing Unsecured Notes rank:

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

Certain Covenants and Events of Default

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

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

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

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

Collateral Agency Agreement

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

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

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

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

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

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

MATERIAL TAX CONSIDERATIONS

Summary of Dutch Tax Considerations

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

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

The following summary is based on the Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect. For the purpose of this paragraph, "Dutch taxes" shall mean taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities. Any reference hereafter made to a treaty for the avoidance of double taxation concluded by the Netherlands, includes the Tax Regulation for the Kingdom of the Netherlands (*Belastingregeling voor het Koninkrijk*).

Withholding Tax

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

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

- (i) distributions of profits in cash or in kind, whatever they be named or in whatever form;
- (ii) proceeds from the liquidation of the company, or proceeds from the repurchase of shares by the company, in excess of the average paid-in capital recognized for Dutch dividend withholding tax purposes;
- (iii) the par value of shares issued to a stockholder or an increase in the par value of shares, to the extent that no contribution, recognized for Dutch dividend withholding tax purposes, has been made or will be made; and
- (iv) partial repayment of paid-in capital, that is not recognized for Dutch dividend withholding tax purposes, or recognized for Dutch dividend withholding tax purposes, to the extent that we have net profits (*zuivere winst*) and unless (a) the general meeting of stockholders has resolved in advance to make such repayment, and (b) the par value of the shares concerned has been reduced with an equal amount by way of an amendment to our articles of association.

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

Furthermore, subject to certain exceptions under Dutch domestic law, we may not be required to transfer to the Dutch tax authorities the full amount of Dutch dividend withholding tax withheld in respect of dividends distributed by us, if we have received a profit distribution from a qualifying foreign subsidiary, which

distribution is exempt from Dutch corporate income tax and has been subject to a foreign withholding tax of at least 5 percent. The amount that does not have to be transferred to the Dutch tax authorities can generally not exceed the lesser of (i) 3 percent of the dividends distributed by us and (ii) 3 percent of the profit distributions that we received from qualifying foreign subsidiaries in the calendar year in which we distribute the dividends (up to the moment of such dividend distribution) and in the two previous calendar years. Further limitations and conditions apply. We will, upon request, provide stockholders with information regarding the Dutch dividend withholding tax that was retained by us.

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

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

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

Furthermore, if a stockholder:

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

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

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

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

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

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

- if the U.S. stockholder is a company which holds directly at least 80 percent of the voting power in the company and certain other conditions are met, the U.S. stockholder will be exempt from Dutch dividend withholding tax; and
- in all other cases, the U.S. stockholder will be subject to Dutch dividend withholding tax at a rate not exceeding 15 percent.

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

Taxes on Income and Capital Gains

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

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

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

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

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

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

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

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

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

Generally, a stockholder has a fictitious substantial interest (*fictief aanmerkelijk belang*) in the company if, without having an actual substantial interest in the Company (i) an enterprise has been contributed to the company in exchange for shares on an elective non-recognition basis; (ii) the shares have been obtained under inheritance law or matrimonial law, on a non-recognition basis, while the disposing stockholder had a substantial

interest in the company; (iii) the shares have been acquired pursuant to a share merger, legal merger or legal demerger, on an elective non-recognition basis, while the stockholder prior to this transaction had a substantial interest in an entity that was party thereto; or (iv) the shares held by the stockholder, prior to dilution, qualified as a substantial interest and, by election, no gain was recognized upon disqualification of these shares.

Gift Tax and Inheritance Tax

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

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

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

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

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

Other Taxes and Duties

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

United States Federal Income Tax Considerations

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

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

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

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

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

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

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

Taxation of Dividends

The gross amount of distributions on the shares (including amounts withheld to pay Dutch withholding taxes) will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income (including withheld taxes) will be includable in your gross income as ordinary income on the day actually received by you or on the day received by your nominee or agent that holds the shares on your behalf. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

With respect to non-corporate United States investors, certain dividends received in taxable years beginning before January 1, 2011 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 we intend to apply to list on the NASDAQ Global Market, would be considered readily tradable on an established securities market in the United States upon listing. There can be no assurance that our shares will be considered readily tradable on an established securities market in later years. Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from a risk of loss or that elect to treat the dividend income as “investment income” pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. For this purpose, the minimum holding period requirement will not be met if a share has been held by a holder for 60 days or less during the 121-day period beginning on the date which is 60 days before the date on which such share becomes ex-dividend with respect to such dividend, appropriately reduced by any period in which such holder is protected from risk of loss. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the application of this legislation to your particular circumstances.

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

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

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

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

Passive Foreign Investment Company

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

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

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

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

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

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

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

In addition, non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us in taxable years beginning prior to January 1, 2011 if we are a PFIC in our taxable year in which such dividends are paid or in the preceding taxable year.

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

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

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

If you make an effective mark-to-market election, you will include in each year that we are a PFIC as ordinary income the excess of the fair market value of your shares at the end of the year over your adjusted tax

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

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

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

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

Taxation of Capital Gains

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

Information Reporting and Backup Withholding

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

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

Table of Contents

UNDERWRITING

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

Name	Number of Shares of Common Stock
Credit Suisse Securities (USA) LLC	
Goldman, Sachs & Co.	
Morgan Stanley & Co. Incorporated	
Barclays Capital Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.	
Fortis Bank (Nederland) N.V.	
HSBC Securities (USA) Inc.	
J.P. Morgan Securities Inc.	
KKR Capital Markets LLC	
Total:	

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

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

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

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

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

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

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

Our shares of common stock have been approved for listing on the NASDAQ Global Market under the trading symbol "NXPI".

We and certain of our directors, executive officers and stockholders have agreed that, without the prior written consent of each of Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated, we and they will not, during the period ending days after the date of this prospectus:

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

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. In addition, each such person agrees that, without the prior written consent of each of Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated, it will not, during the period ending 180 days after the date of this prospectus, make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock. With respect to the lock-up agreement applicable to shares of our common stock held by Philips, the underwriters have agreed, in addition to other exceptions, to permit Philips to sell or transfer all or a portion of its holdings of our common stock during the lock-up period to affiliated entities or to one or more pension funds operated for the benefit of Philips' current and former employees, provided that any such purchaser or transferee agrees not to sell, dispose of or hedge any of such shares of common stock or securities convertible into or exchangeable for shares of common stock, during the restricted period, except with the prior written consent of the representatives of the underwriters, and provided further that, if Philips or the purchaser or transferee is required to file a report under the Exchange Act reporting a change in beneficial ownership of shares of common stock during the restricted period (and provided that neither Philips, nor the purchaser or transferee will voluntarily file such a report if not so required), Philips provides at least two business days' prior written notice of such filing to the representatives of the underwriters.

The restrictions described herein are subject to certain exceptions. In addition, the 180-day restricted period described in the preceding paragraph will be extended if:

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

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

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

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

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

Fortis Bank (Nederland) N.V. and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. are not U.S.-registered broker-dealers and, therefore, to the extent that they intend to effect any sales of the shares of common stock in the United States, they will do so through one or more U.S. registered broker-dealers in accordance with the applicable U.S. securities laws and regulations, and as permitted by the Financial Industry Regulatory Authority, Inc. regulations.

KKR Capital Markets LLC was registered as a broker-dealer in September 2007. Since September 2007, KKR Capital Markets LLC has acted as an underwriter in seven public securities offerings.

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

With respect to the 2006 offerings by NXP B.V. and NXP Funding LLC of Dollar Floating Rate Secured Notes, Euro Floating Rate Secured Notes, Dollar Fixed Rate Secured Notes, Euro Unsecured Notes and Dollar Unsecured Notes, Morgan Stanley & Co. Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated, its affiliate Banc of America Securities LLC, Rabo Securities USA, Inc., an affiliate of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., and HSBC Bank plc, an affiliate of HSBC Securities (USA) Inc., served as initial purchasers and placement agents.

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

With respect to the 2009 cash tender offer for certain of NXP B.V.'s and NXP Funding LLC's outstanding notes, J.P. Morgan Securities Inc. and its affiliate, J.P. Morgan Securities Ltd., acted as dealer managers.

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

On May 10, 2010, we entered into the Forward Start Revolving Credit Facility that allows us, subject to specified terms and conditions, to refinance our existing Secured Revolving Credit Facility. on or after September 28, 2012. Under the terms of the Forward Start Revolving Credit Facility, (i) Morgan Stanley Senior Funding, Inc, an affiliate of Morgan Stanley & Co. Incorporated, acts as administrative agent and global collateral agent; (ii) Credit Suisse Securities (USA) LLC, Goldman Sachs International, an affiliate of Goldman, Sachs & Co., Morgan Stanley Bank International Limited, an affiliate of Morgan Stanley & Co. Incorporated, Merrill Lynch International, an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital, an affiliate of Barclays Capital Inc., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Fortis Bank (Nederland) N.V. and HSBC Bank plc, an affiliate of HSBC Securities (USA) Inc., act as joint lead arrangers and joint bookrunners; and (iii) Credit Suisse AG, Cayman Islands Branch, an affiliate of Credit Suisse Securities (USA) LLC, Goldman Sachs Lending Partners LLC, an affiliate of Goldman, Sachs & Co., Morgan Stanley Senior Funding, Inc., an affiliate of Morgan Stanley & Co. Incorporated, Merrill Lynch International Bank Limited, London Branch, an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Bank PLC, an affiliate of Barclays Capital Inc., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Fortis Bank (Nederland) N.V. and HSBC Bank plc, an affiliate of HSBC Securities (USA) Inc., serve as initial lenders with total aggregate commitments of €458 million.

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

As of , Credit Suisse Securities (USA) LLC and its affiliates held approximately $ million of . As of , Goldman, Sachs & Co. and its affiliates held approximately $ million of . As of , Morgan Stanley & Co. Incorporated and its affiliates held approximately $ million of . As of , Merrill Lynch, Pierce, Fenner & Smith Incorporated and its affiliates held approximately $ of

. As of , Barclays Capital Inc. and its affiliates held approximately $ of . As of , Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and its affiliates held approximately $ million of . As of , Fortis Bank (Nederland) N.V. and its affiliates held approximately $ million of . As of , HSBC Securities (USA) Inc. and its affiliates held approximately $ million of . As of , J.P. Morgan Securities Inc. and its affiliates held approximately $ million of . As of , KKR Capital Markets LLC and its affiliates held approximately $ million of . Some of the notes held by the underwriters and their respective affiliates may be repaid with a portion of the net proceeds of this offering. See “Use of Proceeds” contained elsewhere in this prospectus. In addition, the underwriters and their affiliates may in the past have held greater or lesser amounts of our indebtedness under the Senior Secured Credit Facility, the Existing Secured Notes and the Existing Unsecured Notes.

As a result of the Formation, we are a subsidiary of KASLION Holding B.V., a Dutch private company with limited liability in which an affiliate of KKR shares control. KKR has a 98% economic interest in KKR Capital Markets Holdings L.P., which owns 100% of the equity interests of KKR Capital Markets LLC. Affiliates of KKR indirectly hold approximately 22% of our capital stock through their investment in KASLION Holding B.V., and will continue to do so after this offering. Further, affiliates of Credit Suisse Securities (USA) LLC, Morgan Stanley & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated have, and will continue to have after the offering, indirect interests of less than 1% each in our capital stock through their investments in private equity funds, including the funds that form the Private Equity Consortium, which in turn have an indirect interest in our capital stock through their investments in KASLION Holding B.V. In connection with this offering, we entered into a registration rights agreement pursuant to which affiliates of KKR and certain other parties to the registration rights agreement have the right to require us to register such investors’ shares of our common stock with the SEC for sale by them to the public, subject to certain limitations. Representatives of KKR and of certain other parties to the registration rights agreement serve as members of our Board of Directors. See “Certain Relationships and Related Party Transactions.”

Conflict of Interest

KKR Capital Markets LLC or its affiliates own (through their investment in KASLION Holding B.V.) in excess of 10% of our issued and outstanding common stock and hold certain of the existing notes and may receive 5% or more of the expected net proceeds of the offering. KKR Capital Markets LLC may therefore be deemed to be our “affiliate” and to have a “conflict of interest” with us within the meaning of NASD Conduct Rule 2720 (“Rule 2720”) of FINRA. Therefore, this offering will be conducted in accordance with Rule 2720 and a qualified independent underwriter (“QIU”) as defined in Rule 2720 will participate in the preparation of the registration statement of which this prospectus forms a part and perform its usual standard of due diligence with respect thereto. Goldman, Sachs & Co. has agreed to act as QIU for this offering. We have agreed to indemnify Goldman, Sachs & Co. against certain liabilities incurred in connection with acting as QIU for this offering, including liabilities under the Securities Act.

Pricing of the Offering

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

Selling Restrictions

No action has been taken in any jurisdiction (except in the United States) that would permit a public offering of the shares of common stock, or the possession, circulation or distribution of this prospectus or any other material relating to us or the shares of common stock in any jurisdiction where action for that purpose is required.

Accordingly, the shares of common stock may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in connection with the shares of common stock may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

European Economic Area

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

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

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

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

United Kingdom

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

Switzerland

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

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

Hong Kong

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

Singapore

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

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

Japan

The shares of common stock have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any shares of common stock, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in

Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Dubai International Financial Centre

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

LEGAL MATTERS

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

EXPERTS

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

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

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

WHERE YOU CAN FIND MORE INFORMATION

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

We intend to provide our stockholders with annual reports on Form 20-F containing financial statements audited by our independent auditors. Upon completion of this offering, we will be required to file periodic reports, proxy statements and other information with the SEC pursuant to the Exchange Act. Our annual report on Form 20-F for the fiscal year ended December 31, 2010 will be due six months following the end of 2010; however, for fiscal years ending on or after December 31, 2011, we will be required to file our annual reports on Form 20-F within 120 days after the end of each fiscal year.

Our subsidiary, NXP B.V., is currently required under the terms of the indentures governing its Existing Secured Notes and Existing Unsecured Notes to prepare and file with the SEC an annual report on Form 20-F and interim reports and other documents required pursuant to Dutch law under cover of Form 6-K, within the periods specified in the SEC's rules and regulations.

For further information about us and our common stock or about NXP B.V., you may inspect a copy of the registration statement, of the exhibits and schedules to the registration statement or of any reports, statements or other information we or NXP B.V. file with the SEC without charge at the offices of the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States. You may obtain copies of all or any part of the registration statement from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, United States, upon the payment of the prescribed fees. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Securities and Exchange Commission maintains a Web site at www.sec.gov that contains reports and information statements and other information regarding registrants like us and NXP B.V. that file electronically with the SEC. You can also inspect our registration statement on this website. Our and NXP B.V.'s filings with the SEC are available through the electronic data gathering, analysis and retrieval ("EDGAR") system of the SEC.

The reports, statements and information filed by NXP B.V. with the SEC are not part of this prospectus and our reference to such filings should not in any way be interpreted as incorporating them herein by reference.

[Table of Contents]

GLOSSARY

32 bit ARM microcontrollers	Microcontroller based on a 32-bit processor core developed and licensed by ARM technologies.
AC-DC	Conversion of alternating current to direct current.
Analog	A form of transmission that is a continuous wave of an electrical signal that varies in frequency and/or amplitude in response to variations of physical phenomena such as human speech or music.
ASIC	Application Specific Integrated Circuit. An integrated circuit customized for a particular use for a particular customer, rather than a general purpose use. For example, a chip designed solely to run a mobile phone is an ASIC.
AUP	Advanced Ultra low Power, is the smallest, high-performance, low voltage logic available.
Back-end	The packaging, assembly and testing stages of the semiconductors manufacturing process, which takes place after electronic circuits are imprinted on silicon wafers in the front-end process.
BCD-SOI	A mixed-signal silicon-on-insulator process technology combining Bipolar, CMOS and DMOS devices.
BCDMOS	Bipolar CMOS DMOS. A process technology that combines elements of bipolar, CMOS and DMOS technology and is capable of handling high voltages.
BiCMOS	A process technology that combines bipolar and CMOS processes, typically by combining digital CMOS circuitry with higher voltage or higher speed bipolar circuitry.
Bipolar	A process technology used to create semiconductors for applications involving the use of higher power levels than are possible with a CMOS chip. Due to the geometry of a bipolar circuit, these devices are significantly larger than CMOS devices. The speed of the most advanced bipolar devices exceeds those attainable with CMOS, but only at very large electrical currents. As a result, the number of bipolar devices that can be integrated into a single product is limited.
CAN tuner	A module component used in television systems to convert broadcasts into a format suitable for television projection. CAN tuners are rapidly being replaced by silicon tuners.
CAN	Controller Area Network. A network technology used in automotive network architecture.
CATV	An abbreviation for cable television.
Car access and immobilizers	An automobile technology segment focused on keyless entry and car immobilization applications. An automobile immobilizer is an electronic device fitted to an automobile which prevents the engine from running unless the correct key (or other token) is present.
Chip	Semiconductor device.
CFL	Compact Fluorescent Light. A type of fluorescent lamp designed to replace an incandescent lamp, while using less power and increasing rated life.

[Table of Contents](#)

CMOS	Complementary Metal Oxide Semiconductor. The most common integrated circuit fabrication technology in the semiconductor industry. The technology is used to make integrated circuits where small size and high speed are important. As a result of the very small feature sizes that can be attained through CMOS technology, however, the ability of these integrated circuits to cope with high electrical currents and voltages is limited.
Coolflux DSP	A low power digital signal processor designed for mobile audio applications.
Cordless and VoIP	Cordless and Voice Over Internet Protocol. A cordless and VoIP terminal operating on a wireless local area network allows cordless telephony on private networks.
Digital	A form of transmission where data is represented by a series of bits or discrete values such as 0 and 1.
Diode	A semiconductor that allows currents to flow in one direction only.
Discrete semiconductors	Unlike integrated circuits, which contain up to tens of millions of transistors, discrete semiconductors are single devices, usually with two terminals (diodes) or three terminals (transistors). These are either applied as peripheral components on printed circuit boards, or used for special purposes such as very high power applications.
DMOS	Diffused Metal on Silicon Oxide Semiconductor. A process technology used to manufacture integrated circuits that can operate at high voltage.
DSP	Digital signal processor. A specialized microprocessor optimized to process sequences of numbers or symbols which represent signals.
DVB-T2	Digital Video Broadcasting—Second Generation Terrestrial. A television broadcasting standard used to transmit compressed digital audio, video and other data using land based (terrestrial) signals.
e-passport	A passport with secure data source chip used in providing personalized information.
ESD	Electrostatic discharge. The sudden and momentary electric current that flows between two objects caused by direct contact or induced by an electrostatic field. This term is used in the context of electronics to describe momentary unwanted currents that may cause damage to electronic equipment.
EURIBOR	Euro Interbank Offered Rate. The benchmark rate at which euro interbank term deposits within the eurozone are offered by one prime bank to another prime bank.
EZ-HV	A silicon-on insulator process technology that allows high-voltage to be integrated alongside low-voltage analog and digital circuitry on commercial silicon chips more easily than in conventional silicon-on-insulator ICs.
Fab (or wafer fab)	A semiconductor fabrication facility in which front-end manufacturing processes take place.
Fabless semiconductor company	A semiconductor company that does not have any internal wafer fab manufacturing capacity but instead focuses on designing and marketing its products, while outsourcing manufacturing to an independent foundry.

[Table of Contents]

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

MR	Magneto-resistive sensors. Sensors that use magnetic field changes that occur when metallic objects pass within close proximity of a permanent magnet to detect position, velocity and acceleration of metallic moving objects without physical contact.
Magneto-resistive device	A device fabricated with magneto-resistive material (material that has the ability to change the value of its electrical resistance when an external magnetic field is applied to it).
Memory	Any device that can store data in machine readable format. Usually used synonymously with random access memory and read only memory.
MEMS	Micro Electro Mechanical Systems. Tiny mechanical devices that are built onto semiconductor chips and are measured in micrometers.
Microcontroller	A microprocessor combined with memory and interface integrated on a single circuit and intended to operate as an embedded system.
Micron	A metric unit of linear measure which equals one millionth of a meter. A human hair is about 100 microns in diameter.
MIFARE	Trademarked name, owned by NXP, for the most widely used contactless smart card, or proximity card, technology, for payment in transportation systems.
Mixed-signal	The mixed-signal part of an application solution refers to the devices and sub-system solutions that translate real world analog signals and phenomena such as radio frequency communication and power signals, sound, light, temperature, pressure, acceleration, humidity and chemical characteristics into digital or power signals that can be fed into the central microprocessing or storage devices at the heart of an application system solution
MMIC	Monolithic Microwave Integrated Circuit. A type of integrated circuit device that operates at microwave frequencies.
MOS	Metal Oxide Semiconductor. A metal insulator semiconductor structure in which the insulating layer is an oxide of the substrate material.
MOSFET	Metal Oxide Semiconductor Field Effect Transistor. A device used for amplifying or switching electronic signals.
Nanometer	A metric unit of linear measure which equals one billionth of a meter. There are 1,000 nanometers in 1 micron.
Near field communication	A technology which allows devices to establish a secure point-to-point wireless connection at very close ranges (within several centimeters), and which is being increasingly adopted in mobile devices and point-of-sale terminals or other devices.
ODM	Original Design Manufacturer. A company which manufactures a product which ultimately will be branded by another firm for sale.
OEM	Original Equipment Manufacturer. A manufacturer that designs and manufactures its products for the end consumer market.
Power MOS	A specific type of metal oxide semiconductor designed to handle large amounts of power.
Power scaling	Design technique used to increase output power without changing the geometry, shape, or principle of operation.

[Table of Contents](#)

Process technologies	The technologies used in front-end processes to convert raw silicon wafers into finished wafers containing hundreds or thousands of chips.
Rectifier	An electrical device that converts alternating current to direct current.
RF	Radio Frequency. A high frequency used in telecommunications. The term radio frequency refers to alternating current having characteristics such that, if the current is input to an antenna, an electromagnetic (EM) field is generated suitable for wireless broadcasting and/or communications.
Radio Frequency Identification	An RF chip used for identification.
Semiconductors	Generic term for devices such as transistors and integrated circuits that control the flow of electrical signals. The most common semiconductor material for use in integrated circuits is silicon.
SiGe	Silicon Germanium. A semiconductor material made from a blend of silicon and germanium.
Silicon	A type of semiconducting material used to make wafers. Silicon is widely used in the semiconductor industry as a base material.
Silicon tuners	Semiconductor devices for receiving broadcast television signals. Silicon tuners are expected to displace mechanical CAN tuners as the dominant technology in television receivers.
SIM	Subscriber Identity Module. A smart card that stores the key identifying a cellular phone service subscriber and related information.
Solid State Lighting	A type of lighting that uses semiconductor light-emitting diodes (LEDs), organic light-emitting diodes (OLED), or polymer light-emitting diodes (PLED) as sources of illumination rather than electrical filaments, plasma or gas.
SPI	Serial Peripheral Interface Bus. A synchronous serial data link standard that operates in full duplex mode.
SS MOS	Small signal power discrete including a metal oxide semiconductor field effect transistor.
SS Diode	Small signal discrete that allows current to flow in one direction only.
SS Transistor	A small signal transistor.
Substrate	The base material made from silicon on which an integrated circuit is printed.
Telematics	The science of sending, receiving and storing information via telecommunication devices.
Thyristor	A four-layer semiconductor that is often used for handling large amounts of electrical power.
UART	Universal Asynchronous Receiver/Transmitter. An integrated circuit used for serial communications over a computer or peripheral device serial port.
USB	Universal Serial Bus. A standard that provides a serial bus standard for connecting devices, usually to a computer.
VoIP	Voice over Internet Protocol. The routing of voice conversations over the internet or any other internet protocol based network.

WACC	Weighted Average Cost of Capital. A calculation of a company's cost of capital in which each category of capital is proportionally weighted.
Wafer	A disk made of a semiconducting material, such as silicon, usually either 100, 125, 150, 200 or 300 millimeters in diameter, used to form the substrate of a chip. A finished wafer may contain several thousand chips.
White goods	A term which refers to large household appliances such as refrigerators, stoves, dishwashers and other similar items.
Yield	The ratio of the number of usable products to the total number of manufactured products.

Table of Contents

INDEX TO COMBINED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm, KPMG Accountants N.V.	F-2
Report of Independent Registered Public Accounting Firm, Deloitte Accountants B.V.	F-3
Consolidated statements of operations and comprehensive income for the years ended December 31, 2007, 2008 (audited by Deloitte Accountants B.V.) and 2009 (audited by KPMG Accountants N.V.)	F-4
Consolidated balance sheets as of December 31, 2008 (audited by Deloitte Accountants B.V.) and 2009 (audited by KPMG Accountants N.V.)	F-5
Consolidated statements of cash flows for the years ended December 31, 2007, 2008 (audited by Deloitte Accountants B.V.) and 2009 (audited by KPMG Accountants N.V.)	F-6
Consolidated statements of changes in equity for the years ended December 31, 2007, 2008 (audited by Deloitte Accountants B.V.) and 2009 (audited by KPMG Accountants N.V.)	F-8
Notes to the consolidated financial statements	F-9

Unaudited Interim Condensed Consolidated Financial Statements

Consolidated statements of operations and comprehensive income for the three months ended April 4, 2010	F-75
Consolidated balance sheets for the three months ended April 4, 2010	F-76
Consolidated statements of cash flows for the three months ended April 4, 2010	F-77
Consolidated statements of changes in equity for the three months ended April 4, 2010	F-79
Notes to the interim condensed consolidated financial statements	F-80

The accompanying consolidated financial statements give effect to a 1-for-20 reverse stock split for the common stock of NXP Semiconductors N.V., which will take place prior to the effective date of the registration statement. The following report is in the form which will be furnished by KPMG Accountants N.V., an independent registered public accounting firm, upon completion of the 1-for-20 reverse stock split of the common stock of NXP Semiconductors N.V., described in Note 1 to the consolidated financial statements and assuming that from April 16, 2010 to the date of such completion no other material events have occurred that would affect the accompanying financial statements and disclosure therein.

/s/ KPMG Accountants N.V.

Report of Independent Registered Public Accounting Firm

The Board of Management and Stockholders of NXP Semiconductors N.V.

We have audited the accompanying consolidated balance sheet of NXP Semiconductors N.V. (formerly KASLION Acquisition B.V.) and subsidiaries (the "Company") as of December 31, 2009, and the related consolidated statements of operations and comprehensive income, cash flows and change in equity for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NXP Semiconductors N.V. and subsidiaries as of December 31, 2009, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Amstelveen, the Netherlands, April 16, 2010, except as to note 33, which is as of May 24, 2010 and except as to note 1, under "Reverse stock split", which is as of .

The accompanying consolidated financial statements give effect to a 1-for-20 reverse stock split for the common stock of NXP Semiconductors N.V., which will take place prior to the effective date of the registration statement. The following report is in the form which will be furnished by Deloitte Accountants B.V., an independent registered public accounting firm, upon completion of the 1-for-20 reverse stock split of the common stock of NXP Semiconductors N.V., described in Note 1 to the consolidated financial statements and assuming that from April 16, 2010 to the date of such completion no other material events have occurred that would affect the accompanying financial statements and disclosure therein.

/s/ Deloitte Accountants B.V.
Amsterdam, the Netherlands, June 30, 2010

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheet of NXP Semiconductors N.V. and subsidiaries (the "Company") as of December 31, 2008, and the related consolidated statements of operations and comprehensive income, changes in equity and cash flows for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

Amsterdam, the Netherlands, April 16, 2010, except as to Note 1, under "Reverse stock split", which is as of …

[Table of Contents](#)

Consolidated statements of operations and comprehensive income of NXP Semiconductors N.V.

	($ in millions, unless otherwise stated)	For the years ended December 31, 2007	2008	2009
	Sales	6,321	5,443	3,843
	Cost of sales	(4,276)	(4,225)	(2,874)
	Gross profit	2,045	1,218	969
	Selling expenses	(425)	(400)	(277)
	General and administrative expenses:			
	Impairment goodwill	—	(430)	—
	Impairment other intangibles	—	(284)	—
	Impairment assets held for sale	—	—	(69)
	Other general and administrative expenses	(1,189)	(1,161)	(734)
	Research and development expenses	(1,328)	(1,199)	(777)
	Write-off of acquired in-process research and development	(15)	(26)	—
	Other income (expense)	134	(364)	(12)
5,6	**Income (loss) from operations**	(778)	(2,646)	(900)
7	Financial income (expense):			
	Extinguishment of debt	—	—	1,020
	Other financial income (expense)	(181)	(614)	(338)
	Income (loss) before taxes	(959)	(3,260)	(218)
8	Income tax benefit (expense)	396	(46)	(17)
	Income (loss) after taxes	(563)	(3,306)	(235)
9	Results relating to equity-accounted investees	(40)	(268)	74
	Net income (loss)	(603)	(3,574)	(161)
	Attribution of net income (loss) for the period:			
	Net income (loss) attributable to stockholders	(650)	(3,600)	(175)
	Net income (loss) attributable to non-controlling interests	47	26	14
	Net income (loss)	(603)	(3,574)	(161)
38	**Basic and diluted earnings per common share in $**[(1)]			
	Weighted average number of shares of common stock outstanding during the year (in thousands)	5,000	180,210	215,252
	Net income (loss)	(237.80)[(2)]	(19.83)	(0.75)
	Net income (loss) attributable to stockholders	(247.20)[(2)]	(19.98)	(0.81)
	Consolidated statements of comprehensive income:			
	Net income (loss)	(603)	(3,574)	(161)
	Unrealized gain (loss) on available for sale securities	—	6	—
	Recognition funded status pension benefit plan	48	(38)	19
	Unrealized gain (loss) on cash flow hedge	7	—	—
	Foreign currency translation adjustments	275	145	65
	Reclassifications into income	(20)	—	(78)
	Income tax on net current period changes	6	7	(4)
	Total comprehensive income (loss)	(287)	(3,454)	(159)
	Attribution of comprehensive income (loss) for the period:			
	Income (loss) attributable to stockholder	(334)	(3,480)	(173)
10	Income (loss) attributable to non-controlling interests	47	26	14
	Total net comprehensive income (loss)	(287)	(3,454)	(159)

(1) As adjusted for the impact of the 1-for-20 reverse stock split as discussed in Note 1.
(2) For purposes of calculating net income attributable to common stockholders, net income includes the undeclared accumulated dividend on preferred stock of $586 million in 2007. This right was extinguished in 2008.

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

Table of Contents

Consolidated balance sheets of NXP Semiconductors N.V.

	($ in millions, unless otherwise stated)	As of December 31, 2008		2009	
	Assets				
	Current assets				
	Cash and cash equivalents		1,796		1,041
11	Securities		33		—
12,32	Receivables:				
	Accounts receivable—net	459		455	
	Other receivables	33		59	
			492		514
13	Assets held for sale		—		144
14	Inventories		630		542
8,15	Other current assets		200		272
	Total current assets		3,151		2,513
	Non-current assets				
9	Investments in equity-accounted investees		158		43
16	Other non-current financial assets		18		35
8,17	Other non-current assets		148		94
18,29	Property, plant and equipment:				
	At cost	3,594		2,468	
	Less accumulated depreciation	(1,787)		(1,107)	
			1,807		1,361
19	Intangible assets excluding goodwill:				
	At cost	3,674		3,387	
	Less accumulated amortization	(1,290)		(1,381)	
			2,384		2,006
20	Goodwill		2,661		2,621
	Total non-current assets		7,176		6,160
	Total		10,327		8,673
	Liability and equity				
	Current liabilities				
32	Accounts payable		619		582
13	Liabilities held for sale		—		2
21	Accrued liabilities		941		702
8,22,23,24,30	Short-term provisions		116		269
25	Other current liabilities		120		88
26	Short-term debt		403		610
	Total current liabilities		2,199		2,253
	Non-current liabilities				
27,29	Long-term debt		5,964		4,673
8,22,23,24,30	Long-term provisions		769		460
28	Other non-current liabilities		107		159
	Total non-current liabilities		6,840		5,292
29,30	Contractual obligations and contingent liabilities		—		—
	Equity				
10	Non-controlling interests		213		198
31	Stockholder's equity:				
	Common stock, par value €0.20 per share[(1)]:				
	Authorized: 430,503,000 shares	—		—	
	Issued: 215,251,500 shares	42		42	
	Capital in excess of par value	5,527		5,555	
	Accumulated deficit	(5,044)		(5,219)	
	Accumulated other comprehensive income (loss)	550		552	
	Total stockholder's equity		1,075		930
	Total equity		1,288		1,128
	Total		10,327		8,673

(1) As adjusted for the impact of the 1-for-20 reverse stock split as discussed in Note 1.

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

Consolidated statements of cash flows of NXP Semiconductors N.V.

($ in millions, unless otherwise stated)	For the years ended December 31, 2007	2008	2009
Cash flows from operating activities:			
Net income (loss)	(603)	(3,574)	(161)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	1,532	1,270	869
Write-off of in-process research and development	15	26	—
Impairment goodwill and other intangibles	—	714	—
Impairment assets held for sale	—	—	69
Net (gain) loss on sale of assets	(114)	369	(58)
Gain on extinguishment of debt	—	—	(1,045)
Results relating to equity-accounted investees	40	268	—
Dividends paid to non-controlling interests	(3)	(19)	(29)
Changes in operating assets and liabilities:			
(Increase) decrease in receivables and other current assets	(38)	196	(87)
(Increase) decrease in inventories	(70)	122	50
Increase (decrease) in accounts payable, accrued and other liabilities	495	(398)	(276)
Decrease (increase) in other non-current assets	(237)	254	104
Increase (decrease) in provisions	(233)	30	(183)
Other items	(251)	120	2
Net cash provided by (used for) operating activities	533	(622)	(745)
Cash flows from investing activities:			
Purchase of intangible assets	(37)	(36)	(8)
Capital expenditures on property, plant and equipment	(549)	(379)	(96)
Proceeds from disposals of property, plant and equipment	180	61	22
Proceeds from disposals of assets held for sale	—	130	—
Proceeds from the sale of securities	—	—	20
Purchase of other non-current financial assets	(6)	(14)	(2)
Proceeds from the sale of other non-current financial assets	4	10	1
Purchase of interests in businesses	(328)	(206)	—
Proceeds from sale of interests in businesses	172	1,449	141
Cash settlement agreement with Philips	(114)	—	—
Net cash (used for) provided by investing activities	(678)	1,015	78
Cash flows from financing activities:			
Net (repayments) borrowings of short-term debt	(22)	(6)	7
Amounts drawn under the revolving credit facility	—	400	400
Repayments under the revolving credit facility	—	—	(200)
Repurchase of long-term debt	—	—	(286)
Principal payments on long-term debt	—	—	(1)
Capital repayments to non-controlling interests	—	(78)	—
Net cash provided by (used for) financing activities	(22)	316	(80)
Effect of changes in exchange rates on cash positions	(24)	46	(8)
Increase (decrease) in cash and cash equivalents	(191)	755	(755)
Cash and cash equivalents at beginning of period	1,232	1,041	1,796
Cash and cash equivalents at end of period	1,041	1,796	1,041

For a number of reasons, principally the effects of translation differences and consolidation changes, certain items in the statements of cash flows do not correspond to the differences between the balance sheet amounts for the respective items.

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

Consolidated statements of cash flows of NXP Semiconductors N.V.—(Continued)

($ in millions, unless otherwise stated)	For the years ended December 31,		
	2007	2008	2009
Supplemental disclosures to the consolidated statements of cash flows			
Net cash paid during the period for:			
Interest	460	483	391
Income taxes	21	84	58
Net gain (loss) on sale of assets:			
Cash proceeds from the sale of assets	356	1,650	184
Book value of these assets	(280)	(2,172)	(178)
Non-cash gains (losses)	38	153	52
	114	(369)	58
Non-cash investing information:			
Assets received in lieu of cash from the sale of businesses:			
Virage Logic shares/options	—	—	15
ST-NXP Wireless JV	—	341	—
DSPG shares	72	—	—
Others	—	13	5
Other items:			
Other items consist of the following non-cash elements in income:			
Exchange differences	(300)	87	(39)
Share-based compensation	28	27	28
Value adjustments/impairment financial assets	21	38	—
Non-cash tax benefit against goodwill	—	(29)	—
Non-cash tax expense against other intangibles	—	—	5
Non-cash interest cost due to applying effective interest method	—	—	8
Others	—	(3)	—
	(251)	120	2

Table of Contents

Consolidated statements of changes in equity of NXP Semiconductors N.V. as of December 31

				Accumulated other comprehensive income (loss)							
($ in millions, unless otherwise stated)	Common Stock	Capital in excess of par value	Accumu-lated deficit	Currency translation differences	Unrealized gain (loss) on availa-ble for sale securities	Unrecog-nized net periodic pension cost	Changes in fair value of cash flow hedges	Total accum. other compr. income	Total stock-holders equity	Non-controlling interests	Total equity
Balance as of December 31, 2006	133	5,381	(794)	106	—	—	8	114	4,834	213	5,047
Net income (loss)			(650)						(650)	47	(603)
Components of other comprehensive income:											
Adoption of FASB ASC Topic 715 (formerly SFAS 158)						48		48	48		48
Unrealized gain (loss) on cash flow hedge							7	7	7		7
Foreign currency translation adjustments				275				275	275		275
Reclassifications into income				1			(21)	(20)	(20)		(20)
Income tax on current period changes							6	6	6		6
Share-based compensation plans		28							28		28
Dividends distributed										(3)	(3)
Balance as of December 31, 2007	133	5,409	(1,444)	382	—	48	—	430	4,528	257	4,785
Net income (loss)			(3,600)						(3,600)	26	(3,574)
Components of other comprehensive income:											
Recognition of funded status pension benefit plan						(38)		(38)	(38)		(38)
Unrealized gain (loss) on available for sale securities					6			6	6		6
Foreign currency translation adjustments				145				145	145		145
Income tax on current period changes						7		7	7		7
Restructuring of share capital	(91)	91							—		—
Share-based compensation plans		27[1]							27		27
Dividends distributed										(19)	(19)
Capital repayment										(78)	(78)
Changes in participations										27	27
Balance as of December 31, 2008	42	5,527	(5,044)	527	6	17	—	550	1,075	213	1,288
Net income (loss)			(175)						(175)	14	(161)
Components of other comprehensive income:											
Recognition of funded status pension benefit plan						19		19	19		19
Unrealized gain (loss) on available for sale securities											
Foreign currency translation adjustments				65				65	65		65
Reclassifications into income				(72)	(6)			(78)	(78)		(78)
Income tax on current period changes						(4)		(4)	(4)		(4)
Share-based compensation plans		28							28		28
Dividends distributed										(29)	(29)
Balance as of December 31, 2009	42	5,555	(5,219)	520	—	32	—	552	930	198	1,128

(1) The total charge in 2008 for share-based compensation plans amounted to $35 million, offset by $8 million relating to the liability arising from transfer of employees to the new established ST-NXP Wireless joint venture.

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

Notes to the consolidated financial statements of NXP Semiconductors N.V.
All amounts in millions of $ unless otherwise stated.

1. Introduction

The consolidated financial statements include the accounts of NXP Semiconductors N.V. (formerly KASLION Acquisition B.V.) and its consolidated subsidiaries. Unless the context otherwise requires, all references herein to "NXP", "the Company" and "we" are to NXP Semiconductors N.V. and its consolidated subsidiaries, including NXP B.V.

The Company is a holding company, whose only material assets are the direct ownership of 100% of the shares of NXP B.V. NXP B.V. is a foreign private issuer that files its Form 20-F with the SEC. NXP's headquarters are in the Netherlands and, in its current form, NXP was established on September 29, 2006, when Koninklijke Philips Electronics N.V. ("Philips") sold 80.1% of its semiconductor business to a consortium of private equity investors (the "Private Equity Consortium") in a multi-step transaction. In order to carry out this transaction, Philips transferred 100% of its semiconductor business to a separate legal entity on September 28, 2006. Subsequently, on September 29, 2006, all of the issued and outstanding shares of this separate legal entity were acquired by NXP. We refer to our acquisition by the Company as the "Acquisition".

As from January 1, 2010, in compliance with FASB ASC Topic 280 "Segment Reporting" (formerly SFAS 131), four segments are distinguished as business segments. NXP is structured in two market-oriented business segments: High-Performance Mixed-Signal and Standard Products, which each represent a reportable operating segment. The two other reportable segments are Manufacturing Operations and Corporate and Other.

Reverse stock split

The Company has amended its Articles of Association on July , 2010 in order to effect a 1-for-20 reverse stock split of its shares of common stock. In Note 37, basic and diluted weighted average shares outstanding and earnings per share have been adjusted retrospectively to reflect the reverse stock split in all periods presented. Also, in Note 33, the exercise price and the number of shares of common stock issuable under the Company's share based compensation plans were proportionately adjusted retrospectively to reflect the reverse stock split. In Note 31, authorized and issued share capital has been adjusted retrospectively to reflect the reverse stock split.

Conversion

In addition to the reverse stock split, the Company has also amended its Articles of Association in order to convert a certain percentage of previously authorized common stock to preferred stock. The final result is that the stock capital of the Company as of July , 2010 consists of 1,076,257,500 authorized shares, including 430,503,000 authorized shares of common stock (of which 215,251,500 are issued), as well as 645,754,500 authorized but unissued shares of preferred stock.

Accounting policies

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States ("US GAAP"). Historical cost is used as the measurement basis unless otherwise indicated.

The preparation of financial statements in conformity with US GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adjustments to previously reported financial statements

Amounts previously reported in the consolidated balance sheets as of December 31, 2008 and 2009 have been adjusted to correct immaterial offset errors in the current and deferred tax balances. These adjustments are set out in the table below.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

Consolidated balance sheet for the period ending December 31, 2008:

($ in millions)	As originally reported	Adjustments	As currently reported
Other receivables	58	(25)	33
Other current assets	212	(12)	200
Total current assets	3,188	(37)	3,151
Other non-current assets	469	(321)	148
Total assets	10,685	(358)	10,327
Total non-current assets	7,497	(321)	7,176
Total current liabilities	(2,254)	55	(2,199)
Accrued liabilities	(983)	42	(941)
Long-term provisions	(1,072)	303	(769)
Short-term provisions	(129)	13	(116)
Total non-current liabilities	(7,143)	303	(6,840)

Consolidated balance sheet for the period ending December 31, 2009:

($ in millions)	As originally reported	Adjustments	As currently reported
Other receivables	113	(54)	59
Other current assets	227	45	272
Total current assets	2,522	(9)	2,513
Other non-current assets	604	(510)	94
Total non-current assets	6,670	(510)	6,160
Total assets	9,192	(519)	8,673
Accrued liabilities	(756)	54	(702)
Total current liabilities	(2,307)	54	(2,253)
Long-term provisions	(925)	465	(460)
Total non-current liabilities	(5,757)	465	(5,292)

Reporting currency

Effective January 1, 2008, NXP changed its reporting currency from Euro to U.S. dollars in order to better align with the rest of the semiconductor market and to permit easier comparison with the financial results of its peers.

The financial statements have been restated for all periods prior to 2008 to reflect the change in reporting currency on a consistent basis. For restating the historical financial statements from euro to U.S. dollars, NXP has applied the process described in the accounting policies.

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

Acquisition accounting

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

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

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

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

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

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

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

2. Significant accounting policies and new standards after 2009

Principles for consolidated financial statements

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

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.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

Investments in equity-accounted investees

Investments in companies in which the Company does not have the ability to directly or indirectly control the financial and operating decisions, but does possess the ability to exert significant influence, are accounted for using the equity method. Generally, in the absence of demonstrable proof of significant influence, it is presumed to exist if at least 20% of the voting stock is owned. NXP's share of the net income of these companies is included in results relating to equity-accounted investees in the consolidated statements of operations.

The Company recognizes an impairment loss when an other-than-temporary decline in the value of an investment occurs.

When its share of losses exceeds the carrying amount of an investment accounted for by the equity method, the carrying amount of that investment is reduced to zero and recognition of further losses is discontinued, unless NXP has guaranteed obligations of the investee or is otherwise committed to provide further financial support for the investee.

Accounting for capital transactions of a subsidiary or an equity-accounted investee

Until 2009, NXP's policy was to recognize in income dilution gains or losses arising from the sale or issuance of stock by a subsidiary that is included in the consolidated financial statements or an unconsolidated entity which is accounted for using the equity method of accounting in the consolidated statement of operations, unless NXP or the subsidiary either has reacquired or plans to reacquire such shares. In such instances, the result of the transaction was recorded directly in equity. Following the adoption on January 1, 2009 of SFAS No. 160 "Non-controlling Interests in Consolidated Financial Statements: an amendment of ARB No. 51" which has subsequently been included in FASB ASC Topic 810, NXP recognizes for transactions occurring after December 31, 2008, dilution gains or losses related to changes in ownership of consolidated entities directly in equity. In case of loss of control of the subsidiary following such transaction the dilution gain or loss is recognized in the consolidated statement of operations. Statement 160 did not affect the recognition of dilution gains or losses related to entities in which NXP has a non-controlling interest. In accordance with FASB ASC Topic 323, Subtopic 10, paragraph 40-1 (formerly EITF 08-6, which became effective for NXP on January 1, 2009) any dilution gain or loss continues to be recognized in the statement of operations.

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

Accounting for alliance

Since 2002, NXP has been a participant in a jointly funded-alliance (the "Alliance") with two other semiconductor manufacturers in Crolles, France. The activities of the Alliance are the joint development of advanced process and assembly/packaging technology and the joint operation of a fabrication plant for the manufacturing of 300-millimeter wafers. The Alliance has its own governance structure to decide on all material decisions relating to the Alliance. Each of the three participants is equally represented in the governance structure. Upon its commencement, each party contributed assets to the Alliance. The initial term of the Alliance expired December 31, 2007, and because NXP withdrew from the "Crolles2 Alliance," effective December 31, 2007, the automatic extension until December 31, 2010 has been cancelled.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

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

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

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

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

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

Foreign currencies

As described in note 1, NXP uses the U.S. dollar as its reporting currency. For consolidation purposes, the financial statements of the entities within the NXP group, including the Company, with a functional currency other than the U.S. dollar, are translated into U.S. dollars. Assets and liabilities are translated using the exchange rates on the applicable balance sheet dates. Income and expense items in the statements of operations and cash flows are translated at monthly exchange rates in the periods involved.

The effects of translating the financial position and results of operations from functional currencies are recorded as a separate component of accumulated other comprehensive income (loss) within stockholder's equity. Cumulative translation adjustments are recognized as income or expense upon partial or complete disposal or substantially complete liquidation of a foreign entity.

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

	$ per EUR			
	period end	average[(1)]	high	low
2007	1.4742	1.3721	1.3033	1.4810
2008	1.4061	1.4768	1.2749	1.5801
2009	1.4402	1.3978	1.2683	1.4916

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

The functional currency of foreign entities is generally the local currency, unless the primary economic environment requires the use of another currency. When foreign entities conduct their business in economies considered to be highly inflationary, they record transactions in the Company's reporting currency instead of their local currency. Gains and losses arising from the translation or settlement of non-functional currency-denominated transactions, monetary assets and liabilities into the functional currency are recognized in income in

the period in which they arise. However, currency differences on intercompany loans that have the nature of a permanent investment are accounted for as translation differences as a separate component of accumulated other comprehensive income (loss) within equity.

Derivative financial instruments

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

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

Changes in the fair value of a derivative that is highly effective and designated and qualifies as a cash flow hedge are recorded in accumulated other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item.

NXP formally assesses both at the hedge’s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions and for which cash flow hedge accounting is applied, are highly effective in offsetting changes in cash flows of hedged items. When it is established that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, NXP discontinues hedge accounting prospectively. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur within a period of two months from the originally forecasted transaction date, NXP continues to carry the derivative on the consolidated balance sheets at its fair value, and gains and losses that were accumulated in other comprehensive income are recognized immediately in earnings.

In all other situations in which hedge accounting is discontinued, NXP continues to carry the derivative at its fair value on the consolidated balance sheets, and recognizes any changes in its fair value in earnings. The application of cash flow hedge accounting for foreign currency risks is limited to transactions that represent a substantial currency risk that could materially affect the financial position of NXP. Consequently, the application of cash flow hedge accounting seldom occurs.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments with a maturity of three months or less at acquisition that are readily convertible into known amounts of cash. It also includes cash balances that cannot be freely repatriated. Cash and cash equivalents are stated at face value.

Receivables

Receivables are carried at face value, net of allowances for doubtful accounts. As soon as trade accounts receivable can no longer be collected in the normal way and are expected to result in a loss, they are designated as doubtful trade accounts receivable and valued at the expected collectible amounts. They are written off when they are deemed uncollectible because of bankruptcy or other forms of receivership of the debtors.

The allowance for doubtful trade accounts receivable takes into account objective evidence about credit-risk concentration, collective debt risk based on average historical losses, and specific circumstances such as serious adverse economic conditions in a specific country or region.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

Inventories

Inventories are stated at the lower of cost or market, less advance payments on work in progress. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion of inventories include direct labor and fixed and variable production overheads, taking into account the stage of completion. The cost of inventories is determined using the first-in, first-out (FIFO) method. An allowance is made for the estimated losses due to obsolescence. This allowance is determined for groups of products based on purchases in the recent past and/or expected future demand. Abnormal amounts of idle facility expense and waste are not capitalized in inventory. The allocation of fixed production overheads to the inventory cost is based on the normal capacity of the production facilities.

Other non-current financial assets

Other non-current financial assets include available-for-sale securities and cost-method investments.

NXP classifies its investment in equity securities that have readily determinable fair values based on quoted market prices as available-for-sale. Available-for-sale securities are recorded at fair value with changes in the fair value going through other comprehensive income in equity. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of other comprehensive income until realized. Fair value measurement is based on quoted market prices for the assets. If these are not available, NXP uses other observable inputs, such as quoted market prices for similar assets.

Lacking also that information, NXP uses unobservable inputs such as discounted projected cash flows. Available-for-sale securities that are contractually restricted from sale for a period longer than 1 year are accounted for by the cost method without changes in fair value being reflected in their measurement unless they are other than temporarily impaired in which case the impairment loss is charged to earnings. Similarly, restricted equity securities obtained as payment from the acquirer upon disposal of product lines are accounted for under the cost method. NXP recognizes in nonmonetary transactions initially the fair value of the assets surrendered or received, whichever is more reliably determinable, as consideration for acquired equity securities, as its interest in the acquirer at transaction date, which is the new cost basis going forward.

Impairments of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. NXP assesses its long-term investments accounted for as available-for-sale on a quarterly basis to determine whether declines in market value below cost are other-than-temporary, in which case the cost basis for the individual security is reduced and a loss realized in the period in which it occurs. When the decline is determined to be temporary, the unrealized losses are included in other comprehensive income.

If objective evidence indicates that cost-method investments need to be tested for impairment, calculations are based on information derived from business plans and other information available for estimating their fair value.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Assets constructed by NXP include direct costs, overheads and interest charges incurred during the construction period. Government

investment grants are deducted from the cost of the related asset. Depreciation is calculated using the straight-line method over the expected economic life of the asset. Depreciation of special tooling is also based on the straight-line method unless another than the straight-line method represents better the consumption pattern. Gains and losses on the sale of property, plant and equipment are included in other income and expense. Costs related to repair and maintenance activities are expensed in the period in which they are incurred unless leading to an extension of the original lifetime or capacity. Plant and equipment under capital leases are initially recorded at the present value of minimum lease payments. These assets and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

NXP recognizes the fair value of an asset retirement obligation in the period in which it is incurred based on discounted projected cash flows in the absence of other observable inputs such as quoted prices, while an equal amount is capitalized as part of the carrying amount of the long-lived asset and subsequently depreciated over the useful life of the asset.

Leases

NXP leases various office space and equipment. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the statement of operations on a straight-line basis over the term of the lease.

Leases in which NXP has substantially all the risk and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges to achieve a constant rate of interest on the remaining balance of the lease obligation. The lease obligations are included in other current and other non-current liabilities. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the assets and the lease term.

Goodwill

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

An impairment loss is recognized to the extent that the carrying amount of goodwill exceeds the asset’s implied fair value. This determination is made at the operating segment level, which is for NXP the reporting unit level in accordance with FASB ASC Topic 805, and consists of two steps. First, NXP determines the carrying value of each reporting unit by assigning the assets and liabilities, including the goodwill and intangible assets, to those reporting units. Furthermore, NXP determines the fair value of each reporting unit and compares it to the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds the fair value of the reporting unit, NXP performs the second step of the impairment test. In the second step, NXP compares the implied fair value of the reporting unit’s goodwill with the carrying amount of the reporting unit’s goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all of the assets (recognized and unrecognized) and liabilities of the reporting unit in a manner similar to acquisition accounting in a business combination. The residual fair value after this allocation is the implied fair value of the reporting unit’s goodwill. NXP generally determines the fair value of the reporting units based on discounted projected cash flows in the absence of other observable inputs such as quoted prices.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

Intangible assets

Intangible assets (other than goodwill) arising from acquisitions are amortized using the straight-line method over their estimated economic lives. Remaining useful lives are evaluated every year to determine whether events and circumstances warrant a revision to the remaining period of amortization. NXP considers renewal and extension options in determining the useful life. However, based on experience NXP concluded that these assets have no extension or renewal possibilities. There are currently no intangible assets with indefinite lives. Until 2009, in-process research and development with no alternative use was written off immediately upon acquisition. As from 2009 upon adoption of SFAS 141(R) "Business Combinations—Revised" as per January 1, 2009, which is now codified in FASB ASC Topic 350, subtopic 30, in-process research and development is capitalized and indefinitely lived until completion or abandonment of the associated research and development efforts. Those assets are not amortized but tested annually for impairment until the completion or abandonment, upon which the assets are amortized over their useful lives. Patents, trademarks and other intangible assets acquired from third parties are capitalized at cost and amortized over their remaining useful lives.

Certain costs relating to the development and purchase of software for internal use are capitalized and subsequently amortized over the estimated useful life of the software in conformity with FASB ASC Topic 350, subtopic 40 (Formerly Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use").

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

NXP accounts for intangible and tangible fixed assets in accordance with the provisions of FASB ASC Topic 360 (Formerly SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"). Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset with future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. NXP determines the fair value based on discounted projected cash flows. The review for impairment is carried out at the level where discrete cash flows occur that are largely independent of other cash flows in the absence of other observable inputs such as quoted prices. For the Manufacturing Operations segment, the review of impairment of long-lived assets is carried out on a Company-wide basis, as Manufacturing Operations is the shared manufacturing base for the other business segments with, for this purpose, no discrete cash flows that are largely independent of other cash flows. Assets held for sale are reported at the lower of the carrying amount or fair value, less cost to sell.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case the asset (or disposal group) must be available for immediate sale in its present condition and the sale must be highly probable. For the sale to be highly probable, (i) the appropriate level of management must be committed to a plan to sell the asset, (ii) an active program to locate a buyer and complete the plan must be initiated, (iii) the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value, (iv) the sale should generally be expected to qualify for recognition as a completed sale within one year from the date of classification and (v) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the asset's carrying amount and the fair value less costs to sell. NXP determines the fair value based on discounted projected cash flows in the absence of other observable inputs such as quoted prices. Depreciation or amortization of an asset ceases when it is classified as held for sale, or included within a disposal group that is classified as held for sale.

Discontinued operations

A discontinued operation is a component of NXP that either has been disposed of, or that is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operations that can be clearly distinguished from the rest of NXP in terms of operations and cash flows or (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Generally, a major line of business is a segment or business segment. Discontinued operations are carried at the lower of carrying amount and fair value less cost to sell. NXP determines the fair value based on discounted projected cash flows in the absence of other observable inputs such as quoted prices. Results from discontinued operations until the date of disposal are presented separately as a single amount in the consolidated statements of operations together with any gain or loss from disposal. Results from operations qualifying as discontinued operations as of the balance sheet date for the latest period presented, that have previously been presented as results from continuing operations, are re-presented as results from discontinued operations for all periods presented. The financial information of discontinued operations is excluded from the respective captions in the consolidated financial statements and related notes for all years presented.

Research and development

Costs of research and development are expensed in the period in which they are incurred, except for in-process research and development assets acquired in a business combination, which are capitalized and after completion are amortized over their useful lives.

Advertising

Advertising costs are expensed when incurred.

Provisions and accruals

NXP recognizes provisions for liabilities and probable losses that have been incurred as of the consolidated balance sheet dates and for which the amount is uncertain but can be reasonably estimated.

Provisions of a long-term nature are stated at present value when the amount and timing of related cash payments are fixed or reliably determinable unless discounting is prohibited under US GAAP. Short-term provisions are stated at face value.

NXP accrues for losses associated with environmental obligations when such losses are probable and reasonably estimable. Additionally, NXP accrues for certain costs such as compensation and benefits for employees directly involved in the remediation activities. Measurement of liabilities is based on current legal requirements and existing technology. Liabilities and expected insurance recoveries, if any, are recorded separately. The carrying amount of liabilities is regularly reviewed and adjusted for new facts or changes in law or technology.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

Restructuring

The provision for restructuring relates to the estimated costs of initiated reorganizations that have been approved by the Management Team, and which involve the realignment of certain parts of the industrial and commercial organization.

When such reorganizations require discontinuance and/or closure of lines of activities, the anticipated costs of closure or discontinuance are included in restructuring provisions only when the liability is incurred in accordance with FASB ASC Topic 420-10-25 (formerly SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities"). The liability is initially measured at fair value. NXP determines the fair value based on discounted projected cash flows in the absence of other observable inputs such as quoted prices.

These liabilities, in as far as related to one-time employee termination benefits are recognized, in accordance with ASC 420-10-25, ratably over the future service period when those employees are required to render services to NXP, if that period exceeds 60 days or a longer legal notification period.

However, generally employee termination benefits are covered by a contract or an ongoing benefit arrangement and are recognized in accordance with FASB ASC Topic 712-10-15 (formerly SFAS No. 88 and SFAS No. 112) when it is probable that the employees will be entitled to the benefits and the amounts can be reasonably estimated.

Guarantees

NXP complies with FASB ASC Topic 460-10-55 (Formerly FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others). In accordance with this Topic "Guarantees", NXP recognizes, at the inception of a guarantee, a liability at the fair value of the obligation incurred, for guarantees within the scope of the recognition criteria. NXP determines the fair value either based on quoted prices for similar guarantees or discounted projected cash flows, whichever is available.

Debt and other liabilities

Debt and other liabilities, other than provisions, are stated at amortized cost. Debt issue costs are not expensed immediately but are reported as deferred charges and subsequently amortized over the term of the debt using the effective interest rate method. Unless the exchange would meet the criteria for troubled debt restructuring, debt that has been exchanged for other debt is initially measured at fair value in accordance with the provisions of FASB ASC Topic 470, subtopic 50 "Modifications and Extinguishments" (Formerly EITF 96-19 "Debtor's Accounting for a Modification or Exchange of Debt Instruments"). Any gain or loss resulting from the exchange and adjusted for the unamortized portion of debt issue costs for the exchanged debt is immediately recognized in the statement of operations on the line item "Financial income (expense)". NXP determines the fair value based on quoted prices for the instruments or quoted prices for similar instruments. In the rare cases that such observable inputs are, not available NXP determines the fair value based on discounted projected cash flows.

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

Revenue recognition

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

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

NXP applies the guidance in SEC Staff Accounting Bulletin (SAB) Topic 13 “Revenue Recognition” and recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or the service has been provided, the sales price is fixed or determinable, and collection is reasonably assured, based on the terms and conditions of the sales contract. For made-to-order sales, these criteria are met at the time the product is shipped and delivered to the customer and title and risk have passed to the customer. Examples of delivery conditions typically meeting these criteria are “Free on board point of delivery” and “Costs, insurance paid point of delivery”. Generally, the point of delivery is the customer’s warehouse. Acceptance of the product by the customer is generally not contractually required, since, for made-to-order customers, design approval occurs before manufacturing and subsequently delivery follows without further acceptance protocols. Payment terms used are those that are customary in the particular geographic market. When management has established that all aforementioned conditions for revenue recognition have been met and no further post-shipment obligations exist revenue is recognized.

For sales to distributors, the same recognition principles apply and similar terms and conditions as for sales to other customers are applied. However, for some distributors contractual arrangements are in place, which allow these distributors to return products if certain conditions are met. These conditions generally relate to the time period during which return is allowed and reflect customary conditions in the particular geographic market. Other return conditions relate to circumstances arising at the end of a product cycle, when certain distributors are permitted to return products purchased during a pre-defined period after NXP has announced a product’s pending discontinuance. Long notice periods associated with these announcements prevent significant amounts of product from being returned, however. Repurchase agreements with OEMs or distributors are not entered into by NXP.

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

Revenues are recorded net of sales taxes, customer discounts, rebates and similar charges. Shipping and handling costs billed to customers are recognized as revenues. Expenses incurred for shipping and handling costs of internal movements of goods are recorded as cost of sales. Shipping and handling costs related to sales to third parties are reported as selling expenses.

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

Royalty income, which is generally earned based upon a percentage of sales or a fixed amount per product sold, is recognized on an accrual basis. Royalty income, other license income or other income related to research and development arrangements and that is received in the form of non-refundable upfront payments is recognized as income pro rata over the term of the contract unless a separate earnings process has been completed. Government grants, other than those relating to purchases of assets, are recognized as income as qualified expenditures are made. Software revenue is recognized in accordance with FASB ASC Topic 985, subtopic 605, section 25 “Software Revenue Recognition” (formerly Statement of Position 97-2) when the 4 criteria of SAB Topic 13 are met.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

Income taxes

Income taxes in the consolidated financial statements are accounted for using the asset and liability method. Income tax is recognized in the statement of operations except to the extent that it relates to an item that is initially recognized directly within equity, including other comprehensive income (loss), in which case the related tax effect is also recognized there.

Current-year deferred taxes related to prior-year equity items, which arise from changes in tax rates or tax laws are included in income. Current tax is the expected tax payable on the taxable income for the year, using the applicable tax rates for the years, and any adjustment to tax payable in respect of previous years. Income tax payable includes amounts payable to tax authorities. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts. Measurement of deferred tax assets and liabilities is based upon the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date of the change. Deferred tax assets, including assets arising from loss carryforwards, are recognized, net of a valuation allowance, if it is more likely than not that the asset or a portion thereof will be realized. Deferred tax assets and liabilities are not discounted. Deferred tax liabilities for withholding taxes are recognized for subsidiaries in situations where the income is to be paid out as dividends in the foreseeable future, to the extent that these withholding taxes are not expected to be refundable and deductible.

Income tax benefit from an uncertain tax position is recognized only if it is more likely than not that the tax position will be sustained upon examination by the relevant taxing authorities, based on the technical merits of the position. The income tax benefit recognized in the financial statements from such position is measured based on the largest benefit that is more than 50% likely to be realized upon settlement with a taxing authority that has full knowledge of all relevant information. The liability for unrecognized tax benefits including related interest and penalties is recorded under provisions in the balance sheet as current or non-current based on the timing of the expected payment. Penalties are recorded as income tax expense, whereas interest is reported as financial expense in the statement of operations.

Benefit accounting

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

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

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

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

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

For material plans the projected defined-benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

Pension costs in respect of defined-benefit pension plans primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets and net of employee contributions.

Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and what has actually occurred. They are recognized in the statement of operations, over the expected average remaining service periods of the employees with applying the corridor. Events which invoke a Curtailment or a Settlement of a benefit plan will be recognized in our Statement of Operations if such event has a material impact on our results.

Unrecognized prior-service costs related to pension plans and postretirement benefits other than pensions are being amortized by assigning a proportional amount to the statements of operations of a number of years, reflecting the average remaining service period of the active employees.

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

We record the unfunded status associated with these plans in accordance with the requirements of Topic 715 “Compensation—Retirement Benefits” (formerly SFAS No. 158) measured as the difference between plan assets at fair value and the defined-benefit obligation as an assets or liability. The offset of the recognized funded status is recorded in accumulated other comprehensive income (within equity). NXP determines the fair value based on quoted prices for the plan assets or comparable prices for non-quoted assets. For a defined-benefit pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement defined benefit plan it is the accumulated postretirement benefit obligation.

NXP recognizes as a component of other comprehensive income, net of taxes, the gains or losses and prior service costs that arise during the year but are not recognized as a component of net periodic benefit cost pursuant to Topic 715. Amounts recognized in accumulated other comprehensive income, including the gains or losses and the prior services costs are adjusted as they are subsequently recognized as components of net periodic benefit costs pursuant to the recognition provisions of Topic 715.

For all of NXP’s defined pension benefit plans, the measurement date on which it determines the funded status is year-end.

Share-based compensation

Share-based payment plans were introduced for NXP employees in 2007. The plans are accounted for in accordance with the provisions of FASB ASC Topic 718 “Compensation—Stock Compensation” (Formerly SFAS 123(R) at the estimated fair value of the equity instruments measured at the grant date. NXP uses a binomial option-pricing model to determine the estimated fair value of the options and determines the fair value of the equity rights on the basis of the estimated fair value of NXP, using a discounted cash flow technique. The estimated fair value of the equity instruments is recognized as compensation expense over the vesting period on a straight-line basis taking into account estimated forfeitures.

The share-based compensation plans that NXP's employees participate in contain contingent cash settlement features upon a sale of shares of common stock by the Private Equity Consortium or upon a change in control (in particular, the Private Equity Consortium no longer holding 30% of our common stock) in combination with a termination of employment. NXP has concluded that the likelihood of these events occurring is remote and therefore not probable. Also, upon death or disablement NXP may offer cash settlement, but the employee or his dependents must consent. Therefore, NXP has concluded that the requirement in Topic 718 that share options and restricted shares that have contingent cash settlement features that are outside the control of the employee, such as a change in control or the death or disability of an employee, to be accounted for as liabilities rather than equity if the contingent event is probable of occurring, is not applicable to NXP. However, in the case that for certain employees the vested share-based payment rights have been declared to become cash settled such instruments will be recorded as liabilities at fair value as from the date of such event.

During 2009, NXP executed an option exchange program for options granted in 2007 and 2008, and which were estimated to be deeply out of the money. Under this option exchange program, options with new exercise prices, different volumes and—in certain cases—revised vesting schedules were granted to eligible individuals, in exchange for their owned options. By accepting the new options, all options (vested and unvested) owned by the eligible individuals were cancelled. As of May 2009, options have been granted to eligible individuals under the revised stock option program. In accordance with the provisions of Topic 718 the unrecognized portion of the compensation costs of the cancelled options continues to be recognized over their remaining requisite vesting period. For the replacement options the compensation costs are determined as the difference between the fair value of the cancelled options immediately before the grant date of the replacement option and the fair value of these replacement options at the grant date. This compensation cost will be recognized in accordance with the vesting schedule over the remaining vesting period.

Cash flow statements

Cash flow statements have been prepared using the indirect method. Cash flows in foreign currencies have been translated into $ using the weighted average rates of exchange for the periods involved.

Cash flows from derivative instruments that are accounted for as fair value hedges or cash flow hedges are classified in the same category as the cash flows from the hedged items. Cash flows from other derivative instruments are classified consistent with the nature of the instrument.

Concentration of risk

NXP's sales are for a large part dependent on a limited number of customers, none of which individually exceeds 10% of total sales. Furthermore, NXP is using outside suppliers of foundries for a portion of its manufacturing capacity.

Accounting standards adopted in 2009

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

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

  On 28 June 2009 the FASB issued SFAS 168. This Statement codifies existing US GAAP authoritative literature into one source, the Codification. This includes some but not all SEC guidance. All other accounting literature is no longer a legitimate source of reference. The codification is the one and only

source of reference in all external publications and filings. The new codification has no effect on our accounting policies, as there are no changes in the accounting principles. For NXP the only effect is that references to SFAS, EITF, and other accounting pronouncements, except from the SEC, are no longer allowed, but are replaced by "FASB Accounting Standard Codification Topic", or in short "FASB ASC Topic". The Codification became effective as from September 15, 2009.

- **SFAS No. 157 "Fair Value Measurements" (Currently, FASB ASC Topic 820 "Fair Value Measurements and Disclosures")**

Effective January 1, 2009, NXP adopted the provisions of FASB Statement No. 157 "Fair value measurements", issued in September 2006, for measuring fair values of nonfinancial assets and liabilities and other assets and liabilities that are measured or disclosed at fair value on a nonrecurring basis. It applies only to fair-value measurements that are already required or permitted by other accounting pronouncements. The Statement became already effective prospectively for NXP from 2008 for financial instruments, and nonfinancial instruments that are recognized or disclosed at fair value on a recurring basis. Effectively, the Statement was only applicable for NXP in measuring the fair value of derivative instruments and available-for-sale equity securities in 2008. In 2009 when Statement 157 became fully effective, it is also applicable for fair value determination of nonfinancial assets and liabilities, the most important example of which is the annual goodwill impairment test and the impairment test of other long-lived assets. The method NXP uses for these measurements in 2009 has not significantly changed from prior years.

SFAS 157 established market and observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The valuation techniques required by SFAS 157 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect NXP's market assumptions.

These two types of inputs create the following fair value hierarchy:

Level 1— Quoted prices in active markets for identical asset or liabilities.

Level 2— Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3— Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

FASB Staff Position (FSP) FAS 157-4 "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" is effective from April, 2009 for NXP and requires us to analyze the nature of transactions on the stock exchange regarding our investment in equity securities in case of ongoing decline in the share price that would trigger us to recognize further impairment. It may become applicable to other investments in the future and it is applicable in case new debt is issued in a debt exchange. FSP FAS 157-4, issued April 9, 2009 provides guidance on (1) estimating the fair value of an asset or liability (financial and nonfinancial) when the volume and level of activity for the asset or liability have significantly decreased and (2) identifying transactions that are not orderly. The FSP does not change the objective of fair value measurements when market activity declines. To the contrary, the FSP emphasizes that "fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions". The FSP did not affect NXP's fair value measurements in 2009.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

- **SFAS No. 141(R) "Business Combinations (Revised 2007)" (Currently FASB ASC Topic 805 "Business Combinations")**

In December 2007 the FASB issued FASB Statement No. 141(R), effective from 2009. The changes compared with the original Statement 141 that are significant for NXP are:

- Non-controlling interests acquired after the effective date of the Statement must be measured at their fair values at the acquisition date including a related portion of the goodwill, whereas previously these interests were recognized at predecessor carrying values;
- Acquisition-related costs may not be added to the fair values of the acquired assets and liabilities assumed but must be recognized separately, generally as an expense in the period in which they are incurred. Previously these transaction costs were added to the purchase price and included in goodwill. At December 31, 2008 NXP had not incurred significant amounts for acquisition related costs that subsequently in 2009 were charged to the statement of operations;
- Post closing restructuring costs for entities acquired after the effective date of the Statement may not be recognized in the purchase accounting for the business combination and thus may not be recognized as a liability, rather the cost must be charged to the statement of operations in accordance with the prevailing guidance of other pronouncements;
- Contingent consideration such as earn-out arrangements for entities acquired after the effective date of the Statement must initially be recognized at their acquisition date fair value. Subsequent changes in the fair value are recognized in earnings. Previously, contingent consideration was added to the purchase price when it became reliably measurable;
- The Statement requires recognition of the acquisition date fair value of research and development assets acquired in a business combination. Subsequently after completion or abandonment, these assets will be depreciated or amortized over their estimated useful lives. Previously such in-Process research and development was expensed in full immediately upon acquisition.
- Statement 141(R) changes the definition of a business, which affects the identification of reporting units to which goodwill must be allocated, both for previously completed business combinations as well as for future acquisitions. NXP has concluded that has no significant effects for impairment testing.

Statement 141(R) became effective as of January 1, 2009 for NXP without affecting our acquisition accounting due to lack of such transactions. It will significantly affect the accounting for future business combinations. It did not affect the assets and liabilities that were recognized in business combinations that closed before 2009.

On April 1, 2009, the FASB issued FSP FAS 141(R)-1 "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies" Codified in FASB ASC Topic 805-20. Under the FSP, an acquirer is required to recognize at fair value an asset acquired or liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If the acquisition-date fair value cannot be determined, the acquirer applies the recognition criteria in FASB ASC Topic 450 "Contingencies" to determine whether the contingency should be recognized as of the acquisition date or after it. These recognition criteria are that a loss must be probable at the measurement date and reliably measurable.

The main difference with the previous guidance is that all contingencies under Statement 141(R) before the amendment were required to be recognized if they would more likely than not give rise to an asset or liability, whereas the FSP brings that down to recognition only if the value at the acquisition date can be determined during the measurement period of 1 year.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

The Statement became effective for NXP on January 1, 2009. Because there were no acquisitions in 2009, this amendment had no effect on NXP's financial statements. Future acquisitions may be affected.

- **SFAS No. 160 "Non-controlling Interests in Consolidated Financial Statements; and amendment of ARB No. 51" (Currently FASB ASC Topic 810 "Consolidation")**

Simultaneously with Statement 141(R) the FASB issued Statement No. 160. This Statement amends ARB 51 to establish accounting and reporting standards for the non-controlling interests in a subsidiary and for the deconsolidation of a subsidiary. Statement 160 requires that a non-controlling interest be reported as equity in the consolidated financial statements, whereas previously this was reported in the mezzanine. It also requires that consolidated net income be reported at amounts that included the amounts attributable to both the parent and the non-controlling interest. As a result the income attributable to non-controlling interests may no longer be deducted as an expense in arriving at consolidated net income. Net income (loss) attributable to the parent and the non-controlling interests must be disclosed on the face of the statement of operations.

Statement 160 also requires that changes in the ownership of a subsidiary, not resulting in deconsolidation, shall be accounted for as equity transactions. Consequently, no dilution gains or losses can result from such transactions.

Upon deconsolidation of a subsidiary, any remaining non-controlling interest of the parent shall be re-measured at fair value and that fair value shall be taken into account in determining the gain or loss of the transaction.

Statement 160 became effective for NXP on January 1, 2009. It may not be applied retrospectively except for the presentation and disclosure requirements, which were applied to all periods presented. The Statement significantly affected NXP's presentation of net income or loss in the statement of operations and the equity in the balance sheet. It will significantly affect the accounting for transactions that change ownership in subsidiaries that are concluded from 2009 going forward. In 2009, no transactions occurred that were affected by this guidance. It has not affected the measurement of non-controlling interests existing before 2009 and that remained unchanged thereafter.

- **SFAS No. 161 "Disclosures about Derivative Instruments and Hedging Activities" (Currently FASB ASC Topic 815 "Derivatives and Hedging")**

This Statement was issued in March 2008 and became effective for NXP on January 1, 2009. Comparable disclosures for prior years need only be given as from 2010 onwards but not for years before 2009.

The Statement requires quantitative and qualitative disclosures in a tabular format about fair values, objectives, type and nature of the hedging instruments in relation to the risk exposure and the line items in the balance sheet where derivative instruments are reported, For the gains and losses reported in the statement of operations or in other comprehensive income (OCI) a separate disclosure must be made for fair value hedges and for cash flow hedges. Also, the movements from OCI to the statement of operations must be disclosed. All this per type of contract and indicating in which line item of the statement of operations it is being reported.

The impact of the Statement for NXP was limited to the described additional disclosures.

- **FSP FAS 142-3 "Determination of the Useful Life of Intangible Assets" (Currently FAS ASC Topic 350 "Intangibles")**

On April 25, 2008, the FASB issued FSP FAS 142-3, which amends the list of factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under Statement 142. The FSP became effective for NXP on January 1, 2009. NXP has concluded that this FSP is not expected to result in future changes to economic lives of acquired intangible assets because such assets have no extension or renewal possibilities.

- **FSP FAS 132(R)-1 "Employers" Disclosures about Postretirement Benefit Plan assets" (Currently FASB ASC Topic 715 "Compensation—Retirement Benefits")**

  On December 30, 2008, the FASB issued FSP FAS 132 (R)-1, which became effective for NXP on January 1, 2009. The FSP amends statement No. 132 (R) to require additional disclosures about assets held in an employer's defined benefit pension or other postretirement plans. The impact of this pronouncement is limited to additional disclosures.

- **SFAS 165 "Subsequent Events" (Currently FASB ASC Topic 855 "Subsequent Events"**

  SFAS 165 is effective on a prospective basis for interim or annual financial periods ending after 15 June 2009.

  The FASB issued Statement 165 Subsequent Events on 28 May 2009. It provides authoritative guidance about the reporting and accounting for events subsequent to the reporting period.

  The subsequent events guidance consists mainly of:

  1) Naming the two types of subsequent events either as recognized subsequent events (currently referred to in practice as Type I subsequent events) or non-recognized subsequent events (currently referred to in practice as Type II subsequent events).

  2) Defining subsequent events as events or transactions that occur after the balance sheet date, but before the financial statements are issued (for public entities) or available to be issued (for nonpublic entities that do not widely distribute their financial statements).

  3) Requiring disclosing the date through which an entity has evaluated subsequent events and the basis for that date—that is, whether that date represents the date the financial statements were issued or were available to be issued.

- **Accounting Standards Update No. 2009-05 "Fair Value Measurements and Disclosures (Topic 820). Measuring Liabilities at Fair Value"**

  ASU 2009-05, which was issued by the FASB in August 2009, requires that the fair value of a liability be measured using one of the following approaches, which should maximize the use of relevant observable inputs and minimize the use of unobservable inputs:

  - The quoted price of the identical liability when traded as an asset;
  - Quoted prices for similar liabilities or similar liabilities when traded as assets;
  - Another valuation technique, such as a present value technique (i.e., an income approach) or a technique that considers the amount the reporting entity would pay to transfer the identical liability or receive to enter into the identical liability at the measurement date (i.e., a market approach).

  The guidance provided in this ASU became applicable to NXP, starting October 2009, specifically regarding the disclosure about fair value of our bonds and in case of exchanges of existing bonds for new bonds. However, the immediate effect for NXP is negligible since we already applied the approach that is mandated by this ASU.

- **Accounting Standards Update No. 2009-12 "Fair Value Measurements and Disclosures (Topic 820). Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)"**

  The FASB issued this ASU in September 2009. ASU 2009-12, although by itself not applicable to NXP, has defined major asset category with regard to disclosures about fair value. Major asset category is defined as major security type. This affects the disclosures about fair value of pension plan assets. The ASU became effective as per year-end 2009.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

New standards after 2009

In 2009, the FASB issued several pronouncements, of which the following are to various degrees of relevance to NXP and which were not yet effective in 2009.

- **SFAS 166 "Accounting for Transfers of Financial Assets. An amendment of FASB Statement No. 140" Currently FASB ASC Topic 860 "Transfers and Servicing"**

  On 12 June 2009, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 166.

  The most significant amendments resulting from Statement 166 consist of the removal of the concept of a qualifying special-purpose entity (QSPE) from Statement 140, and the elimination of the exception for QSPEs from the consolidation guidance of FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities (FIN 46(R)).

  In addition, Statement 166 amends and clarifies sale accounting and requires among others that a transferor recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a sale while eliminating the practicability exception for the measurement at fair value.

  Statement 166 is effective as of 1 January 2010 for NXP.

  NXP has evaluated the consequences of this Statement and concluded since it is currently not involved with any QSPE this element of the Statement does not affect NXP. With regard to the transfer of assets guidance, the Statement may affect future transactions, if any.

- **SFAS 167 "Amendments to FASB Interpretation No, 46(R)" (Currently FASB ASC Topic 810 "Consolidation"**

  On 12 June 2009, the FASB issued Statement No. 167, which (1) addresses the effects of eliminating the qualifying special-purpose entity (QSPE) concept from FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities and (2) modifies some provisions about the application of certain key provisions of FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities (FIN 46(R)). Statement 167 is effective for NXP as of 2010 and requires among other things a qualitative rather than a quantitative analysis to determine the primary beneficiary of a Variable Interest Entity (VIE) and amends certain guidance in FIN 46(R) for determining whether an entity is a VIE, which may change an enterprise's assessment of which entities with which it is involved are VIEs. Furthermore, it requires continuous assessments of whether an enterprise is the primary beneficiary of a VIE.

  NXP is in the process of reconsidering its consolidation conclusions for all entities with which it is involved. Our preliminary conclusion is that the new guidance is likely not to result in the consolidation of new entities or deconsolidation of entities.

- **Accounting Standards Update No. 2009-13 "Revenue Recognition (Topic 605). Multiple-Deliverable Revenue Arrangements; a consensus of the FASB Emerging Issues task Force"**

  ASU 2009-13, issued in October 2009, changes the guidance regarding revenue recognition for multiple-element arrangement and relaxes some of the earlier requirements. Since NXP is rarely involved in these types of arrangements, the impact is expected to be infrequent and preliminarily estimated to be insignificant. The new guidance becomes effective prospectively for NXP for arrangements entered into or materially modified after December 31, 2010.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

3. Information by segment and main country

On January 1, 2010, NXP reorganized the current segments into four reportable segments in compliance with FASB ASC Topic 280 (formerly SFAS 131). NXP has now two market-oriented business segments, High-Performance Mixed-Signal ("HPMS") and Standard Products ("SP") and two other reportable segments, Manufacturing Operations and a segment Corporate and Other. Our HPMS business segment delivers High-Performance Mixed-Signal solutions to our customers to satisfy their system and sub-systems needs across eight application areas: automotive, identification, mobile, consumer, computing, wireless infrastructure, lighting and industrial. Our SP business segment offers standard products for use across many application markets, as well as application-specific standard products predominantly used in application areas such as mobile handsets, computing, consumer and automotive. Our manufacturing operations are conducted through a combination of wholly owned manufacturing facilities, manufacturing facilities operated jointly with other semiconductor companies and third-party foundries and assembly and test subcontractors, while the main function of our Manufacturing Operations segment is to supply products to our HPMS and SP segments. Next to that, it also sells products to external customers, mainly former NXP businesses. Our "Corporate and other" segment includes unallocated research expenses not related to any specific business segment, corporate restructuring charges and other expenses, as well as some operations not included in our two business segments, such as manufacturing, marketing and selling of CAN tuners through our joint venture NuTune and software solutions for mobile phones, our "NXP Software" business. The presentation of our financial results and our discussion and analysis of our financial condition and results of operations have been restated to reflect the new segments.

The segment information for all years in this note has also been restated to reflect the foregoing re-grouping.

On July 28, 2008, our key wireless operations from our former Mobile & Personal segment were contributed to a joint venture, ST-NXP Wireless. As a result, all assets and liabilities involved in the joint venture have been deconsolidated from the former Mobile & Personal segment. The operations, until July 28, 2008, remained consolidated in our consolidated accounts under a separate new reporting segment named "Divested Wireless Activities". The remaining business of the former Mobile & Personal segment has been regrouped into the segments High-Performance Mixed-Signal, Standard Products and Corporate and Other. All previous periods reported have been restated accordingly.

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

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

Detailed information by segment for the years 2009, 2008 and 2007 on a restated basis is presented in the following tables.

	Segments				
	Sales	Research and development expenses	Income (loss) from operations	Income (loss) from operations as a % of sales	Results relating to equity-accounted investees
2009					
HPMS	2,011	413	(193)	(9.6)	(2)
SP	891	48	(83)	(9.3)	—
Manufacturing Operations(*)	324	12	(175)	(54.0)	—
Corporate and Other	165	65	(188)	NM	76
Divested Wireless activities	—	—	—	—	—
Divested Home activities	452	239	(261)	(57.7)	—
	3,843	777	(900)	(23.4)	74
2008					
HPMS	2,511	453	(236)	(9.4)	(2)
SP	1,095	51	9	0.8	—
Manufacturing Operations(*)	324	—	(544)	(167.9)	—
Corporate and Other	219	157	(504)	NM	(266)
Divested Wireless activities	792	319	(785)	(99.1)	—
Divested Home activities	502	219	(586)	(116.7)	—
	5,443	1,199	(2,646)	(48.6)	(268)
2007					
HPMS	2,625	526	63	2.4	(5)
SP	1,038	64	(37)	(3.6)	—
Manufacturing Operations(*)	214	—	(264)	(123.4)	—
Corporate and Other	405	138	(100)	NM	(35)
Divested Wireless activities	1,457	408	(201)	(13.8)	—
Divested Home activities	582	192	(239)	(41.1)	—
	6,321	1,328	(778)	(12.3)	(40)

(*) For the year ended December 31, 2009, Manufacturing Operations supplied $1,087 million (2008: $1,830 million; 2007: $2,765 million) to other segments, which have been eliminated in the above presentation.

NM: Not Meaningful.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

Certain assets of NXP have been used jointly or managed at Corporate level.

Arithmetical allocation of these assets to the various businesses is not deemed to be meaningful and as such total assets by segment has been omitted. Instead, inventories per segments are included.

	Segments				
	Inventories	Long-lived[1] assets	Total liabilities excl. debt	Gross capital expenditures	Depreciation property, plant and equipment
2009					
HPMS	249	3,083	225	15	34
SP	111	1,290	206	22	80
Manufacturing Operations	181	1,161	920	49	321
Corporate and Other	1	454	909	9	81
Divested Wireless activities	—	—	—	—	—
Divested Home activities	—	—	2	1	5
	542	5,988	2,262	96	521
2008					
HPMS	244	3,276	60	13	60
SP	153	1,404	52	58	108
Manufacturing Operations	156	1,646	663	269	449
Corporate and Other	22	354	1,895	18	52
Divested Wireless activities	—	—	—	16	13
Divested Home activities	55	172	2	5	11
	630	6,852	2,672	379	693
2007					
HPMS	295	3,937	114	23	78
SP	138	1,576	182	85	79
Manufacturing Operations	285	2,220	1,209	369	524
Corporate and Other	14	490	1,264	64	167
Divested Wireless activities	162	1,309	183	6	14
Divested Home activities	64	528	1	2	9
	958	10,060	2,953	549	871

(1) Long-lived assets include property, plant and equipment, goodwill and other intangible fixed assets.

	Goodwill assigned to segments					
	Carrying value at January 1, 2009	Acquisitions	Divestments	Impairment	Translation differences and other changes	Carrying value at December 31, 2009
HPMS	1,729	—	—	—	17	1,746
SP	519	—	—	—	7	526
Manufacturing Operations	320	—	—	—	4	324
Corporate and Other	23	—	—	—	2	25
Divested Home activities	70	—	—	—	(70)[*]	—
	2,661	—	—	—	(40)	2,621

(*) Included are transfers to assets held for sale related to Trident.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

	Main countries			
	Total sales[1]	Property, plant and equipment	Gross capital expenditures	Depreciation property, plant and equipment
2009				
China	1,213	113	7	37
Netherlands	108	465	21	144
Taiwan	120	70	5	20
United States	261	25	1	32
Singapore	411	185	9	82
Germany	303	166	18	80
South Korea	182	—	—	—
Other countries	1,245	337	35	126
	3,843	1,361	96	521
2008				
China	1,748	144	51	40
Netherlands	195	565	63	250
Taiwan	93	63	12	32
United States	354	66	11	22
Singapore	465	259	20	117
Germany	474	250	39	68
South Korea	490	—	—	—
Other countries	1,624	460	183	164
	5,443	1,807	379	693
2007				
China	2,287	135	47	50
Netherlands	119	821	77	235
Taiwan	134	131	38	47
United States	451	81	13	23
Singapore	455	358	97	142
Germany	555	316	57	78
South Korea	644	1	—	—
Other countries	1,676	657	220	296
	6,321	2,500	549	871

(1) As from 2009 the allocation is changed from invoicing organization to customer allocation. Previous periods have been restated accordingly.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

4. Acquisitions and divestments

2009

On October 5, 2009 NXP announced that they had signed an agreement to sell the digital television and set-top box business to Trident Microsystems, Inc., a publicly listed US Company. The transaction closed at February 8, 2010. As of December 31, 2009, NXP has separated its assets and liabilities designated to be transferred into the separate line items assets and liabilities held-for-sale. These assets and liabilities held-for-sale are measured at fair value less cost to sell and resulted in an impairment loss of $69 million. After closing the transaction NXP will own approximately 60% of the outstanding common stock of Trident (refer to note 13). As a result of retaining the 60% interest in Trident this transaction does not result in reporting the asset group as discontinued operations.

On November 16, 2009, we completed our strategic alliance with Virage Logic Corporation (“Virage Logic”) and obtained approximately 9.8% of Virage Logic’s outstanding common stock. This transaction included the transfer of our Advanced CMOS Semiconductor Horizontal IP Technology and Development Team in exchange for the rights to use Virage’s IP and services. Virage Logic is a leading provider of both functional and physical semiconductor intellectual property (IP) for the design of complex integrated circuits. Shares of Virage Logic are listed on the NASDAQ in the United States.

In 2009 no acquisition transactions occurred.

2008

During 2008, NXP entered into a number of acquisitions. All business combinations have been accounted for using the purchase method of accounting. The more important business combinations in 2008 were the acquisitions of GloNav, Conexant’s Broadband Media Processing business, and NuTune. All acquisitions, both individually and in the aggregate, were deemed immaterial in respect of the FASB ASC Topic 805 (formerly SFAS 141 (R)) disclosure requirements.

In January 2008, NXP acquired GloNav Inc., a US-based fabless semiconductor company, adding GPS (Global Positioning Systems) to the connected entertainment portfolio. The assets acquired amounted to $2 million, the liabilities assumed amounted to $4 million. The purchase price was $87 million and was allocated to other intangible assets ($69 million) and goodwill ($20 million, net of deferred taxes).

As a result of the contribution of the wireless operations into the new joint venture ST-NXP Wireless, GloNav was part of this transaction and as such also included in this transfer of net assets on August 2, 2008.

On August 11, 2008, NXP completed its acquisition of the Broadband Media Processing (BMP) business of Conexant Systems, Inc., which provides industry-leading solutions for satellite, cable and IPTV applications. The assets acquired amounted to $22 million, the liabilities assumed amounted to $1 million. The purchase price (net of cash acquired) was $111 million and was allocated to Other intangible assets ($58 million) and Goodwill ($32 million). The revenue in the year of acquisition since the date of acquisition was $63 million.

NXP also has an additional consideration of up to $35 million based on the achievement of certain revenue milestones over the period from closing through 2009.

On September 1, 2008, NXP and Technicolor S.A. (formerly known as Thomson S.A.) combined their CAN tuner module operations in a joint venture, named NuTune. NXP has a 55% ownership and Technicolor the remaining 45%.

The net assets acquired amounted to $20 million and resulted in a goodwill allocation of $16 million. The revenue in the year of acquisition since the date of acquisition was $31 million.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

The most significant divestment in 2008 was the major part of NXP's Mobile & Personal business segment.

On July 28, 2008, NXP and STMicroelectronics (STM) combined their wireless operations to form a new joint-venture company at that time named "ST-NXP Wireless", in which NXP contributed business and assets forming a substantial portion of its Mobile & Personal business segment (excluding Sound Solutions, Mobile Infrastructure and amplifiers). STM owned a majority stake (80%) and NXP had a 20% ownership while receiving $1.55 billion from STM. The 20% investment in the combined wireless operations was accounted for by the equity method because NXP had significant influence. As a result of retaining this 20% investment and the ongoing significant cash flows, the divestment was not reported as a discontinued operation. The net assets divested amounted to $1,976 million, resulting in a loss on the transaction of $413 million, which has been reported under Other business income. In February 2009, STM exercised its option to buy the 20% ownership for an amount of $92 million.

2007

On March 23, 2007, NXP completed its acquisition of the Cellular Communication business of Silicon Labs, a leader in Radio Frequency (RF) technology for mobile phones. NXP acquired the Cellular Communication business for $288 million in cash. The business has been consolidated within the former segment Mobile & Personal as from the acquisition date. Contingent upon the achievement of certain milestones in the next three years, an additional $65 million may be paid up for the acquisition. Related to this earn-out, an amount of $4 million has been included in the purchase price accounting. The purchase price for the acquisition was allocated to Property, plant and equipment ($9 million), Other intangible assets ($104 million), Assets and liabilities ($22 million) and Goodwill ($153 million).

On September 5, 2007, NXP completed the divestment of its Cordless and VoIP Terminal operations to DSP Group Inc. ("DSPG") for an initial payment of $200 million in cash and 4,186,603 newly issued shares of DSPG's common stock. As a result of the transaction, NXP owned approximately 16% of DSPG's outstanding common stock, which was subsequently sold back to DSPG in the first quarter of 2009. The net assets divested amounted to $90 million. Furthermore, liabilities for future payments and various expenses were taken into consideration resulting in a gain on this transaction of $119 million, which has been reported under Other business income.

5. Income from operations

For information related to sales and income from operations on a business and geographical basis, see "Information by segment and main country" that begins on page F-28 of this report.

	Sales composition		
	2007	2008	2009
Goods	6,291	5,420	3,837
Licenses	30	23	6
	6,321	5,443	3,843

	Salaries and wages		
	2007	2008	2009
Salaries and wages	1,969	2,210	1,315
Pension and other postemployment costs	46	130	80
Other social security and similar charges:			
Required by law	256	224	146
Voluntary	15	13	14
	2,286	2,577	1,555

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

Salaries and wages in 2009 include $101 million (2008: $449 million; 2007: $178 million) relating to restructuring charges. Pension and other postemployment costs include the costs of pension benefits, other postretirement benefits, and postemployment benefits, including obligatory severance.

Depreciation and amortization

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

	2007	2008	2009
Depreciation of property, plant and equipment	871	693	516
Write-down assets held for sale	—	—	5
Impairment assets held for sale	—	—	69
Amortization of internal use software	31	40	26
Amortization of goodwill and other intangibles:			
Amortization of other intangible assets	630	537	322
Impairment of goodwill	—	430	—
Impairment of other intangible assets	—	284	—
Write-off of in-process research and development	15	26	—
	1,547	2,010	938

Depreciation of property, plant and equipment in 2009 includes an additional write-off in connection with the retirement of property, plant and equipment amounting to $25 million (2008: $4 million; 2007: $3 million).

Also included is the additional depreciation of property, plant and equipment resulting from the acquisition accounting amounting to $69 million (2008: $151 million; 2007: $137 million).

Furthermore, depreciation of property, plant and equipment in 2009 includes $67 million relating to write-downs and impairment charges (2008: $6 million; 2007: $20 million).

Included in the amortization of other intangible assets in 2009 is the additional amortization of other intangible assets resulting from acquisition accounting amounting to $322 million (2008: $537 million; 2007: $636 million).

In 2009, a write-down of $5 million for real estate and other property has been recognized as a result of classifying certain tangible fixed assets as held-for-sale, following the effects of the Redesign Program upon which a number of activities were closed or are in the process of being closed. Reference is also made to note 13.

Impairment charges for assets held for sale ($69 million) in 2009 are related to the Trident assets held for sale.

Depreciation of property, plant and equipment and amortization of software are primarily included in cost of sales. Amortization and impairment of intangible assets are reported in the General and Administrative expenses.

NXP periodically reviews the carrying value of its long-lived assets and reviews annually the carrying value of its recorded goodwill.

In 2009, no goodwill impairment was recorded.

Following the ongoing loss-making situation of NXP as a result of poor economic market circumstances, goodwill impairment tests were carried-out in the third quarter of 2008.

As a result of these tests, an impairment was identified in our former segments Home and Corporate and Other. Simultaneously we have tested for impairment other intangible assets belonging to these segments. Following these tests a goodwill impairment charge of $430 million was recognized in 2008. Of this impairment, an amount of $381 million related to our former segment Home and an amount of $49 million related to the segment Corporate and Other. The impairment test for other intangible assets resulted in an impairment loss of $284 million, which was fully attributable to the former Home segment. Based on our assessment of the impact of the charges in the key assumptions subsequent to the third quarter, it was concluded that no additional impairment was required.

In 2007 and previous years, no goodwill impairments were recorded.

Rent

Rent expenses amounted to $67 million in 2009 (2008: $84 million; 2007: $94 million).

Selling expenses

Selling expenses incurred in 2009 totaled $277 million (2008: $400 million; 2007: $425 million). Included are shipping and handling costs of $1 million (2008: $25 million; 2007: $29 million).

The selling expenses mainly relate to the cost of the sales and marketing organization. This mainly consists of account management, marketing, first and second line support, and order desk.

General and administrative expenses

General and administrative expenses include the costs related to management and staff departments in the corporate center, business segments and business lines, amounting to $734 million in 2009 (2008: $1,161 million; 2007: $1,189 million).

Research and development expenses

Expenditures for research and development activities amounted to $777 million in 2009 (2008: $1,199 million; 2007: $1,328 million).

For information related to research and development expenses on a segment basis, refer to the separate section Information by segment and main country.

Write-off of acquired in-process research and development

In 2008, the write-off of acquired in-process research and development related to the acquisition of GloNav Inc. amounting to $12 million and Conexant Systems Inc. amounting to $14 million.

In 2007, the write-off of acquired in-process research and development related to the acquisition of the Cellular Communications business of Silicon Labs amounted to $15 million.

The full amounts have been written-off immediately because no alternative use was available and were charged to the statement of operations for 2008 and 2007 (refer to note 1 regarding acquisition accounting).

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

Other income and expense

Other income and expense consists of the following:

	2007	2008	2009
Results on disposal of properties	1	5	9
Results on disposal of businesses	113	(374)	(23)
Remaining income (expense)	20	5	2
	134	(364)	(12)

In 2009, the result on disposal of properties mainly related to the sale of equipment in Fishkill, USA ($5 million) and the sale of land in Laguna, Philippines ($3 million).

In 2008, the result on disposal of properties included a gain of $8 million from the sale of buildings in Boeblingen Germany, a loss of $8 million related to the Crolles factory in France and various other sales of properties.

The result on disposal of businesses in 2008 includes a loss of $413 million related to the divestment of the major part of the former Mobile & Personal business segment.

The net cash proceeds from this transaction were $1,433 million and in addition, a 20% shareholding in ST-NXP Wireless J.V. was received with a fair value of $341 million, resulting in a total consideration of $1,774 million. In connection with these proceeds, net assets divested amounted to $1,976 million and liabilities of $211 million were recognized, finally resulting in a loss on this transaction of $413 million.

At year-end 2008, NXP had recorded a non-cash impairment charge of $249 million, as a result of the decline in fair value of the 20% shareholding in the ST-NXP Wireless J.V. (as it was named at that time), which was recorded under Results relating to equity-accounted investees. Reference is also made to note 9.

Furthermore, in 2008 gains on disposals of R/F Mems activities ($15 million) and part of software activities ($14 million), and a merger gain on NuTune ($12 million) were included in results on disposal of businesses.

The result on disposal of businesses in 2007 includes $119 million related to the divestment of the Cordless and VoIP Terminal operations.

The remaining income consists of various smaller items for all periods reported.

6. Restructuring charges

The most significant projects for restructuring in 2009

In 2009, the restructuring charges mainly related to the ongoing Redesign Program of NXP being:

- the closure of the “ICN 6” part of the facility in Nijmegen;
- effects of the transaction with Trident;
- the Fit for Future Program.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

The most significant projects for restructuring in 2008

In 2008, the restructuring charges mainly related to the Redesign Program of NXP, resulting in the closure or sale of:

- The "ICN5" part of the facility in Nijmegen, The Netherlands;
- The "ICH" fab of the Hamburg facility, Germany;
- The fab in Fishkill, in the USA;
- The factory in Caen, France.

Furthermore, a reduction in support functions at the Corporate Center is part of the Redesign Program as a consequence of the downsizing of NXP.

The most significant projects for restructuring in 2007

In 2007, the charges mainly related to the exit of the Crolles2 Alliance in France and subsequent sale of its equipment, relocation of activities in the Philippines and Germany, the discontinuation of power amplifier and front-end-module production in the Philippines, the reorganization to improve further efficiency in the Netherlands and some smaller projects, primarily related to lay-offs.

In 2009, a charge of $112 million was recorded in income from operations resulting from new restructuring projects in 2009, (2008: $610 million; 2007: $222 million), offset by releases of restructuring liabilities of $92 million (2008: $16 million; 2007: $4 million).

Included are asset write-downs of $4 million in 2009 (2008: $36 million; 2007: $20 million). There were no inventory write-downs included in 2009 (2008: $36 million; 2007: nil).

In 2009, a charge of $100 million was related to employee termination costs in connection with the Redesign Program (2008: $443 million; 2007: $178 million). The remainder relates to various closure costs in (2008 $41 million—mainly Boeblingen of $27 million) and various other restructuring charges of $7 million (2008: $74 million; 2007: $24 million).

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

	2007	2008	2009
Personnel lay-off costs	178	449	101
Write-down of assets	20	36	4
Other restructuring costs	24	125	7
Release of excess provisions/accruals	(4)	(16)	(92)
Net restructuring charges	218	594	20

In addition, cash expensed restructuring costs amounting to $83 million were directly charged to income in 2009.

On aggregate, the net restructuring charges recorded in the income statement for 2009 amounted to $103 million (2008: $594 million; 2007: $218 million).

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

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

	2007	2008	2009
Cost of sales	173	348	(46)
Selling expenses	15	19	11
General and administrative expenses	18	124	3
Research & development expenses	12	97	52
Other income and expenses	—	6	—
Net restructuring charges	218	594	20

The following tables present the changes in the position of restructuring liabilities in 2009 by segment:

	Balance January 1, 2009	Additions	Utilized	Released	Other changes(1)(2)	Balance December 31, 2009
HPMS	2	44	(4)	—	4	46
SP	—	7	(5)	—	3	5
Manufacturing Operations	276	22	(109)	(78)	33	144
Corporate and Other	208	20	(85)	(12)	(35)	96
Divested Wireless activities	1	—	(1)	—	—	—
Divested Home activities	11	19	(7)	(2)	1	22
	498	112	(211)	(92)	6	313

(1) Other changes are primarily related to translation differences and reclassifications between segments
(2) The provision for restructuring for the "ICH 5/8" facility in Nijmegen, amounting to $58 million at December 31, 2009, has been reclassified from Corporate and Other to Manufacturing Operations

The total restructuring liability as of December 31, 2009 of $313 million is classified in the balance sheet under provisions for $300 million and under accrued liabilities for $13 million.

The additions to the restructuring liabilities in 2009 amounting to $112 million by segment were as follows:

	Personnel costs	Write-down of assets	Other costs	Total
HPMS	44	—	—	44
SP	7	—	—	7
Manufacturing Operations	15	—	7	22
Corporate and Other	16	4	—	20
Divested Wireless activities	—	—	—	—
Divested Home activities	19	—	—	19
	101	4	7	112

Further to additions to the restructuring liability of $112 million, a cash expense of $83 million was also charged to income of 2009 for restructuring related charges.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

The details by segment were as follows:

HPMS	9
SP	2
Manufacturing Operations	13
Corporate and Other	57
Divested Home activities	2
	83

These 2009 restructuring related charges of $83 million are included in the following line items in the statement of operations:

Cost of sales	41
Selling expenses	—
General and administrative expenses	33
Research & Development expenses	9
	83

The following tables present the changes in the position of restructuring liabilities in 2008 by segment.

	Balance January 1, 2008	Additions	Utilized	Released	Other changes[1]	Balance December 31, 2008
HPMS	—	8	(5)	—	(1)	2
SP	1	9	(7)	—	(3)	—
Manufacturing Operations	98	364	(192)	(4)	10	276
Corporate and Other	3	180	(9)	(9)	43	208
Divested Wireless activities	1	19	(16)		(3)	1
Divested Home activities	9	30	(23)	(3)	(2)	11
	112	610	(252)	(16)	44	498

(1) Other changes primarily related to translation differences

The total restructuring liability as of December 31, 2008 of $498 million is classified in the balance sheet under provisions for $420 million and under accrued liabilities for $78 million.

Additions in 2008 of $610 million are presented by segment as follows:

	Personnel costs	Write-down of assets	Other changes	Total
HPMS	5	—	3	8
SP	5	—	4	9
Manufacturing Operations	264	36	64	364
Corporate and Other	136		44	180
Divested Wireless activities	18		1	19
Divested Home activities	21	—	9	30
	449	36	125	610

The releases of surplus in 2009 and 2008 were primarily attributable to reduction in severance payments due to voluntary leavers and employees that were transferred to other positions in NXP, who were originally expected to be laid off.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

7. Financial income and expenses

	2007	2008	2009
Interest income	43	27	4
Interest expense	(495)	(502)	(363)
Total interest expense, net	(452)	(475)	(359)
Net gain on extinguishment of debt	—	—	1,020
Sale of securities	—	—	(4)
Foreign exchange rate results	300	(87)	39
Miscellaneous financing costs/income, net	(29)	(52)	(14)
Total other income and expense	271	(139)	1,041
Total	(181)	(614)	682

In 2009, net interest expense, of $359 million (2008: $475 million; 2007: $452 million) was mainly related to the interest expense on the EUR and USD notes. The lower interest expense in 2009 resulted from the bond exchanges and repurchase completed in April 2009 and July/August 2009 and lower interest rates applicable to the Floating Rate Notes.

Furthermore, a gain of $1,020 million, net of a write-down of $25 million related to the capitalized initial bond issuing costs, was recorded in connection with the various bond exchange and repurchase offers in 2009. Refer to note 27.

In 2009, the sale of the DSPG shares resulted in a loss of $4 million.

In 2009 foreign exchange results amounted to a gain of $39 million (2008: a loss of $87 million; 2007: a gain of $300 million) and are composed of the following exchange rate fluctuations:

- related to the USD notes, a gain of $38 million (2008: a loss of $230 million; 2007: a gain of $419 million);
- related to intercompany financing, a loss of $5 million (2008: a loss of $46 million; 2007: a loss of $29 million);
- related to NXP’s foreign currency cash and cash equivalents, a loss of $2 million (2008: a gain of $163 million; 2007: a loss of $64 million);
- related to foreign currency contracts, a gain of $2 million (2008: a gain of $25 million; 2007: a loss of $20 million);
- related to remaining items, a gain of $6 million in 2009 (2008: a gain of $1 million; 2007: a loss of $6million).

Included in miscellaneous financing costs in 2009 is the amortization of capitalized fees (relating to the issuance of the EUR/USD notes) amounting to $14 million (2008: $14 million; 2007: $8 million). Furthermore, in 2008, miscellaneous financing costs included an impairment charge of $25 million (2007: $21 million) related to the DSPG shares, that were received in connection with the divestment of the Cordless and VoIP Terminals operations in 2007. Moreover, an impairment loss of $13 million was recorded in 2008 on the fair value of a put option that was received in connection with a partial sale of software activities.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

8. Income taxes

In 2009, NXP generated a loss before taxes of $218 million of which a profit of $81 million related to the Netherlands and a loss of $299 million related to foreign entities.

The components of income tax benefit (expense) are as follows:

	2007	2008	2009
Netherlands:			
Current taxes	—	—	(18)
Deferred taxes	273	43	(58)
	273	43	(76)
Foreign:			
Current taxes	(9)	(124)	(24)
Deferred taxes	132	35	83
	123	(89)	59
Income tax benefit (expense)	396	(46)	(17)

A reconciliation of the statutory income tax rate in the Netherlands as a percentage of income (loss) before taxes and the effective income tax rate is as follows:

	2007	2008	2009
Statutory income tax in the Netherlands	25.5	25.5	25.5
Rate differential local statutory rates versus statutory rates of the Netherlands	2.8	(3.3)	(1.1)
Changes in the valuation allowance:			
utilization of previously reserved loss carryforwards	0.5	—	
new loss carryforwards not expected to be realized	—	(15.0)	(19.5)
release and other changes	(0.9)	—	—
Prior year adjustments	4.9	(0.8)	6.9[(1)]
Non-taxable income	5.9	(6.1)	0.5
Non-tax-deductible expenses	(4.4)	(0.2)	(13.7)[(2)]
Other taxes and tax rate changes	1.5	—	(1.8)
Withholding taxes			(7.9)
Tax incentives and other	5.5	(1.5)	3.3
Effective tax rate	41.3%	(1.4)%	(7.8)%

(1) The prior year adjustment recognized in 2009 is determined after offsetting a corresponding valuation allowance amounting to $76 million. These prior year adjustments result from tax filings and assessments in various jurisdictions.

(2) We have included the FIN 48 addition in non-tax deductible expenses.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

Deferred tax assets and liabilities

The principal components of deferred tax assets and liabilities are presented below:

	2008		2009	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	75	(451)	57	(399)
Property, plant and equipment	26	(39)	38	(18)
Inventories	5	(3)	9	—
Receivables	5	(3)	3	(7)
Other assets	5	(6)	4	(6)
Provisions:				
—Pensions	33	(3)	47	(3)
—Restructuring	101	—	90	—
—Other	5	(6)	—	(16)
Long-term debt	28	(157)	24	(149)
Undistributed earnings of foreign subsidiaries	—	—	—	(23)
Other liabilities	17	—	14	(1)
Tax loss carryforwards (including tax credit carryforwards)	747	—	873	—
Total gross deferred tax assets (liabilities)	1,047	(668)	1,159	(622)
Net deferred tax position	379		537	
Valuation allowances	(508)		(628)	
Net deferred tax assets (liabilities)	(129)		(91)	

NXP has significant net deferred tax assets resulting from net operating loss carryforwards, tax credit carryforwards and deductible temporary differences that may reduce taxable income in future periods. Valuation allowances have been established for deferred tax assets based on a “more likely than not” threshold. Our ability to realize our deferred tax assets depends on our ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction.

The following possible sources of taxable income have been considered when assessing the realization of our deferred tax assets:

- Future reversals of existing taxable temporary differences;
- Future taxable income exclusive of reversing temporary differences and carryforwards;
- Taxable income in prior carryback years; and
- Tax-planning strategies.

The increase in the total valuation allowance during 2007, 2008 and 2009 was $12 million, $496 million and $120 million respectively. These were mainly related to establishing valuation allowances against our net deferred tax assets in the Netherlands, Germany, France, Malaysia and USA.

At the moment that the Company’s operating performance improves on a sustained basis, our conclusion regarding the need for such valuation allowance could change.

After the recognition of the valuation allowance against deferred tax assets, a net deferred tax liability remains of $91 million at December 31, 2009 (2008: $129 million). This is caused by the fact that certain taxable temporary differences reverse outside the tax loss carry forward periods.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

At December 31, 2009, tax loss carryforwards of $2,816 million will expire as follows:

Total	2010	2011	2012	2013	2014	2015—2019	later	unlimited
2,816	—	—	—	11	27	1,872	102	804

NXP also has tax credit carryforwards of $69 million, which are available to offset future tax, if any, and which will expire as follows:

Total	2010	2011	2012	2013	2014	2015-2019	later	unlimited
69	—	—	—	—	—	16	—	53

The classification of the deferred tax assets and liabilities in NXP's consolidated balance sheets is as follows:

	2008	2009
Deferred tax assets grouped under other current assets	27	67
Deferred tax assets grouped under other non-current assets	30	(1)
Deferred tax liabilities grouped under short-term provisions	—	(1)
Deferred tax liabilities grouped under long-term provisions	(186)	(156)
	(129)	(91)

The net income tax receivable (excluding the liability for unrecognized tax benefits) as of December 31, 2009 amounted to $14 million and includes amounts directly payable to or receivable from tax authorities.

As of December 31, 2008, the Company had unrecognized deferred income tax liability related to the undistributed earnings of foreign subsidiaries, which were considered to be indefinitely reinvested. However, as from 2009 the Company intends to repatriate these undistributed earnings of subsidiaries. Therefore, these undistributed earnings are no longer indefinitely reinvested in the overseas jurisdictions. Consequently, the Company has recognized a deferred income tax liability of $23 million for the additional taxes payable upon the future remittances of these earnings of foreign subsidiaries as of December 31, 2009.

Included in the balance of total unrecognized tax benefits at December 31, 2009, 2008 and 2007 are potential tax benefits of $59 million, $55 million and $38 million respectively, that if recognized, would affect the effective tax rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2007	2008	2009
Balance as of January 1,	19	38	55
Increase from tax positions taken during prior periods		14	5
Decreases from tax positions taken during prior periods		—	(1)
Increase from tax positions taken during current period	19	3	11
Decreases from tax positions taken during current period		—	—
Increase relating to settlements with the tax authorities		—	—
Decreases relating to settlements with the tax authorities		—	(11)
Reductions as a result of lapse of statute of limitations		—	—
Balance as of December 31,	38	55	59

Tax years that remain subject to examination by major tax jurisdictions (mainly related to the Netherlands, Germany, USA, China, Taiwan, Thailand and the Philippines) are 2006, 2007, 2008 and 2009.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

NXP classifies interest related to unrecognized tax benefits as financial expense and penalties as income tax expense. The total related interest recorded during the year 2009 amounted to $4 million (2008: $7 million; 2007: $3 million).

It is reasonably possible that the total amount of unrecognized tax benefits may significantly increase/decrease within the next 12 months of the reporting date due to, for example, completion of tax examinations; however, an estimate of the range of reasonably possible change amount cannot be made.

9. Investments equity-accounted investees

Results relating to equity-accounted investees

	2007	2008	2009
Company's participation in income (loss)	(11)	(4)	—
Results on sale of shares	—	—	74
Investment impairment charges	(29)	(268)	—
Incidental results	—	4	—
	(40)	(268)	74

Company's participation in income (loss)

	2007	2008	2009
ST-NXP Wireless	—	—	—
ASMC	(3)	2	1
Moversa	(5)	(3)	(2)
Others	(3)	(3)	1
	(11)	(4)	—

The Company's share in income of equity accounted investees related to the various equity-accounted investees.

Results on sale of shares

In 2009, NXP sold its 20% shareholding in the ST-NXP Wireless joint venture at its carrying value, resulting in a release of translation differences, previously accounted for under shareholders equity, amounting to $72 million. Furthermore, Geotate shares were sold, resulting in a gain of $2 million.

Investment impairment charges

In 2008, NXP's investment in the ST-NXP Wireless joint venture was tested for impairment. Effective February 2, 2009, STMicroelectronics exercised its option to buy NXP's 20% ownership in the ST-NXP Wireless joint venture for an agreed purchase price of $92 million. As a result, a non-cash impairment loss of $249 million had to be recorded. In determining the impairment loss, the fair value of our investment was based on level 3 measures. The level 3 measure has been derived from the execution of STMicroelectronics' call option on our investment.

Due to an other-than-temporary decline of the fair value of the shareholding in ASMC, NXP recorded impairment losses in 2008 and 2007 of $19 million and $29 million, respectively.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

Investments in and loans to equity-accounted investees

The changes in 2009 are as follows:

	Loans	Investments	Total
Balance as of January 1	18	140	158
Changes:			
Sales/repayments/deductions	(18)	(97)	(115)
Share in income (loss)	—	—	—
Translation and exchange rate differences	—	—	—
Balance as of December 31	—	43	43

Sales/repayments/deductions relate to sale of the 20% shareholding in the ST-NXP Wireless joint-venture ($92 million), a non-cash deduction due to the release of a contractual obligation for a capital contribution to Moversa ($5 million) and the repayment of a loan to T3G ($18 million).

The total carrying value of investments in equity-accounted investees is summarized as follows:

	As of December 31, 2008		As of December 31, 2009	
	Shareholding %	Amount	Shareholding %	Amount
ST-NXP Wireless	20	92	—	—
ASMC	27	5	27	7
Moversa	50	7	50	—
ASEN	40	36	40	36
Others		18		—
		158		43

Investments in equity-accounted investees are included in the segment Corporate and Other.

10. Non-controlling interests

The share of non-controlling interests in the results of NXP amounted to a profit of $14 million in 2009 (2008: profit of $26 million; 2007: profit of $47 million).

As of December 31, 2009, non-controlling interests totaled $198 million (2008: $213 million).

Non-controlling interests predominantly relate to the shareholding in SSMC and NuTune.

11. Securities

The changes during 2009 are as follows:

Balance as of January 1	33
Sales	(24)
Fair value adjustments	(6)
Translation differences	(3)
Balance as of December 31	—

DSPG shares acquired as part of the divestment of NXP's Cordless and VoIP Terminals in 2007, were sold in the beginning of 2009 for an amount of $20 million, resulting in a transaction loss of $4 million. Refer to note 4.

12. Receivables

Accounts receivable are summarized as follows:

	2008	2009
Accounts receivable from third parties	460	459
Accounts receivable from equity-accounted investees	1	—
Less: allowance for doubtful accounts	(2)	(4)
	459	455

Income taxes receivable current portion totaling $26 million (2008: nil) are included under other receivables.

The changes in allowances for doubtful accounts are as follows:

	2007	2008	2009
Balance as of January 1,	4	3	2
Additions charged to income	—	—	6
Deductions from allowance[1]	(1)	(1)	(2)
Other movements[2]	—	—	(2)
Balance end of period	3	2	4

(1) Write-offs for which an allowance was previously provided
(2) Included the effect of translation differences and consolidation changes

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

13. Assets and liabilities held for sale

The following table presents the major classes of assets and liabilities as part of the Home business segment (digital television and set-top boxes) that will be sold to Trident Microsystems Inc. effective the closing date of the transaction, February 8, 2010 onwards. In the consolidated balance sheet as at December 31, 2009, these assets and liabilities have been reclassified and presented separately as assets held for sale and liabilities held for sale (refer to note 4).

	2009
Accounts receivable	—
Inventories	42
Property, plant and equipment	11
Intangible assets including goodwill	149
Other assets	—
Impairment to fair value less cost to sell	(69)
Assets held for sale	133
Accounts payable	—
Provisions	—
Other liabilities	(2)
Liabilities held for sale	(2)

The assets held for sale are reported net of impairment charges of $69 million (refer to note 5). The fair value, less cost to sell these assets, was a level 2 measurement based on the quoted market prices of Trident's publicly traded shares, as adjusted for costs associated with the sale of assets.

In addition to these assets held for sale, other assets were classified as held for sale for an amount of $11 million (net of a write-down of $5 million included in cost of sales), resulting in total assets held for sale of $144 million. This relates to real estate and other property that is held for sale following exits or planned exits as a result of the Redesign Program. Refer to note 5. The fair value of these assets classified as held for sale has been based on quoted broker values and is therefore a level 2 measurement.

14. Inventories

Inventories are summarized as follows:

	2008	2009
Raw materials and supplies	377	310
Work in process	107	142
Finished goods	146	90
	630	542

A portion of finished goods is stored at customer locations under consignment and amounted to $23 million as of December 31, 2009 (2008: $26 million).

The amounts recorded above are net of an allowance for obsolescence.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

The changes in the allowance for obsolescence are as follows:

	2007	2008	2009
Balance as of January 1	77	86	83
Additions charged to income	23	76	67
Deductions from allowance	(49)	(48)	(33)
Other movements[1]	35	(31)	(9)
Balance as of December 31	86	83	108

(1) Included the effect of translation differences and consolidation changes

15. Other current assets

Other current assets as of December 31, 2009, consist of a current deferred tax asset of $67 million (2008: $27 million), derivative instrument assets of $2 million (2008: $37 million), the current portion of capitalized unamortized fees related to the issuance of notes of $9 million (2008: $11 million), prepayments related to Electronics Design Applications (EDA) contracts of $34 million and prepaid expenses of $160 million (2008: $125 million).

16. Other non-current financial assets

The changes during 2009 are as follows:

	Available for sale securities	Other	Total
Balance as of January 1	—	18	18
Changes:			
Acquisitions/additions	—	18	18
Sales/repayments	—	(1)	(1)
Translation and exchange differences	—	—	—
Balance as of December 31	—	35	35

Acquisitions/additions include shares and options obtained in connection with the completion of the strategic alliance with Virage Logic Corporation ($15 million).

17. Other non-current assets

Other non-current assets as of December 31, 2009 include prepaid pension costs of $28 million (2008: $25 million), the non-current portion of deferred tax assets of ($1) million (2008: $30 million) and the non-current portion of capitalized unamortized fees related to the issuance of EUR/USD notes of $57 million (2008: $78 million).

The term of amortization of capitalized fees related to the issuance cost of notes is on average 5 years.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

18. Property, plant and equipment

Property, plant and equipment consisted of:

	Total	Land and buildings	Machinery and installations	Other equipment	Prepayments and construction in progress	No longer productively employed
Balance as of January 1, 2009:						
Cost	3,594	873	2,377	282	54	8
Accumulated depreciation	(1,787)	(123)	(1,499)	(157)	—	(8)
Book value	1,807	750	878	125	54	—
Changes in book value:						
Capital expenditures	96	—	—	—	96	—
Transfer assets put into use	—	6	126	7	(139)	—
Retirements and sales	(38)	(15)	(21)	(2)	—	—
Depreciation	(424)	(61)	(328)	(35)	—	—
Write-downs and impairments	(67)	(56)	(6)	(5)	—	—
Transfer to assets held for sale	(27)	(16)	(7)	(4)	—	—
Consolidation changes	(7)	—	(7)	—	—	—
Translation differences	21	11	9	1	—	—
Total changes	(446)	(131)	(234)	(38)	(43)	—
Balance as of December 31, 2009:						
Cost	2,468	708	1,528	216	11	5
Accumulated depreciation	(1,107)	(89)	(884)	(129)	—	(5)
Book value	1,361	619	644	87	11	—

Land with a book value of $120 million (2008: $122 million) is not depreciated.

The expected service lives as of December 31, 2009 were as follows:

Buildings	from 9 to 50 years
Machinery and installations	from 2 to 7 years
Other equipment	from 3 to 6 years

There was no significant capitalized interest related to the construction in progress in the years reported.

19. Intangible assets excluding goodwill

The changes in 2009 were as follows:

	Total	Other Intangible Assets	Software
Balance as of January 1, 2009:			
Cost	3,674	3,547	127
Accumulated amortization	(1,290)	(1,221)	(69)
Book value	2,384	2,326	58
Changes in book value:			
Acquisitions/additions	8	—	8
Divestments	—		
Amortization	(348)	(322)	(26)
Transfer to assets held for sale	(79)	(79)	—
Consolidation changes	(1)	(1)	—
Translation differences and other	42	41	1
Total changes	(378)	(361)	(17)
Balance as of December 31, 2009:			
Cost	3,387	3,258	129
Accumulated amortization	(1,381)	(1,293)	(88)
Book value	2,006	1,965	41

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

Other intangible assets in 2009 consist of:

	January 1, 2009		December 31, 2009	
	Gross	Accumulated amortization	Gross	Accumulated amortization
Marketing-related	110	(65)	84	(58)
Customer-related	576	(168)	500	(138)
Technology-based	2,861	(988)	2,674	(1,097)
	3,547	(1,221)	3,258	(1,293)

The estimated amortization expense for these other intangible assets for each of the five succeeding years is:

2010	305
2011	301
2012	292
2013	266
2014	179

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

The expected weighted average remaining life of other intangibles is 4 years as of December 31, 2009.

The estimated amortization expense for software as of December 31, 2009 for each of the five succeeding years is:

2010	20
2011	15
2012	6
2013	—
2014	—

The expected weighted average remaining lifetime of software is 2 years as of December 31, 2009.

20. Goodwill

The changes in goodwill in 2008 and 2009 were as follows:

	2008	2009
Balances as of January 1,	3,716	2,661
Changes in book value:		
Adjustments	—	(31)
Additions	29	—
Acquisitions	68	—
Divestments	(660)	(4)
Impairment charges	(430)	—
Transfer to assets held for sale	—	(72)
Translation differences	(62)	67
Total changes	(1,055)	(40)
Balances as of December 31,	2,661	2,621

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

As a result of various additional settlements related to acquisitions from previous years, goodwill originally assigned from these acquisitions was adjusted in 2009 and is reflected under "adjustments".

Acquisition in 2008 related to the following acquisitions:

- Broadband Media Processing business of Conexant Systems, Inc. for an amount of $32 million.
- GloNav Inc. for an amount of $20 million.
- NuTune for an amount of $16 million.

As a result of the sale of the major part of the former "Mobile & Personal" business in 2008, the related goodwill was removed under divestments.

As a result of the yearly impairment test, the Company recorded an impairment charge in 2008 of $430 million.

Additions in 2008 consist of a tax benefit of $29 million resulting from the difference in tax base of goodwill in fiscal value against economic value.

Refer to note 4 for acquisitions and divestments. Refer to Information by segment and main country on page F-31 for a specification of goodwill by segment.

21. Accrued liabilities

Accrued liabilities are summarized as follows:

	2008	2009
Personnel-related costs:		
—Salaries and wages	128	175
—Accrued vacation entitlements	60	47
—Other personnel-related costs	42	20
Utilities, rent and other	21	24
Income tax payable	38	12
Communication & IT costs	51	78
Distribution costs	10	10
Sales-related costs	28	33
Purchase-related costs	53	36
Interest accruals	105	68
Derivative instruments – liabilities (refer to note 35)	55	9
Liabilities for restructuring costs (refer to note 6)	78	13
Liabilities from contractual obligations	24	18
Accrual for deferred income from divestments	139	92
Other accrued liabilities	109	67
	941	702

The accrual for deferred income from divestments in connection with the sale of the major part of the former Mobile & Personal business in 2008 amounted to $65 million (2008: $101 million).

Refer to note 8 for a specification of income tax payable.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

22. Provisions

Provisions are summarized as follows:

	2008		2009	
	Long - term	Short - term	Long - term	Short - term
Pensions for defined-benefit plans (refer to note 23)	131	5	140	7
Other postretirement benefits (refer to note 24)	15	—	9	—
Postemployment benefits and obligatory severance payments (refer to note 6)	322	98	43	257
Deferred tax liabilities (refer to note 8)	186	—	156	1
Liability for unrecognized tax benefits (refer to note 8)	55	—	59	—
Product warranty	8	1	9	—
Loss contingencies	1	—	—	—
Other provisions	51	12	44	4
Total	769	116	460	269

The changes in total provisions excluding deferred tax liabilities and liabilities for uncertain tax positions liabilities are as follows:

	2007	2008	2009
Beginning balance	224	233	644
Changes:			
Additions	35	445	109
Utilizations	(41)	(35)	(167)
Releases	—	(19)	(76)
Translation differences	15	21	3
Changes in consolidation	—	(1)	—
Ending balance	233	644	513

Postemployment benefits and obligatory severance payments

The provision for postemployment benefits covers benefits provided to former or inactive employees after employment but before retirement, including salary continuation, supplemental unemployment benefits and disability-related benefits.

The provision for severance payments covers NXP’s commitment to pay employees a lump sum upon the employee’s dismissal or resignation. In the event that a former employee has passed away, in certain circumstances NXP pays a lump sum to the deceased employee’s relatives.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

Product warranty

The provision for product warranty reflects the estimated costs of replacement and free-of-charge services that will be incurred by NXP with respect to products sold. The changes in the provision for product warranty are as follows:

	2007	2008	2009
Beginning balance	8	6	9
Changes:			
Additions	—	5	—
Utilizations	(3)	—	—
Releases	—	(1)	—
Translation differences	1	(1)	—
Changes in consolidation	—	—	—
Ending balance	6	9	9

Loss contingencies (environmental remediation and product liability)

This provision includes expected losses recorded with respect to environmental remediation and product liability obligations which are deemed probable and reasonably estimatable. The changes in this provision are as follows:

	2007	2008	2009
Beginning balance	4	1	1
Changes:			
Additions	—	—	—
Utilizations	—	—	(1)
Releases	(3)	—	—
Translation differences	—	—	—
Ending balance	1	1	—

NXP has not incurred material environmental remediation obligations.

Other provisions

Other provisions include provisions for employee jubilee funds totaling $28 million as of December 31, 2009 (2008: $33 million).

23. Pensions

Our employees participate in employee pension plans in accordance with the legal requirements, customs and the local situation in the respective countries. These are defined-benefit pension plans, defined-contribution plans and multi-employer plans.

The benefits provided by defined-benefit plans are based on employees' years of service and compensation levels. Contributions are made by NXP, as necessary, to provide assets sufficient to meet the benefits payable to defined-benefit pension plan participants.

These contributions are determined based upon various factors, including funded status, legal and tax considerations as well as local customs. NXP funds certain defined-benefit pension plans as claims are incurred.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

The amount included in the statement of operations for the year 2009 was $79 million (2008: $127 million; 2007: $46 million) of which $58 million (2008: $111 million) represents defined-contribution plans and similar plans.

The total cost of defined-benefit plans amounted to $21 million in 2009 (2008: $16 million; 2007: income $3 million) consisting of $25 million ongoing cost (2008: $24 million) and a profit of $4 million, following from special events resulting from redesign, curtailments and settlements.

NXP currently expects contributions to pension plans, which are estimated to amount to $98 million in 2010, consisting of $4 million employer contributions to defined-benefit pension plans, $86 million employer contributions to defined-contribution pension plans and multi-employer plans, and $8 million expected cash outflows in relation to unfunded pension plans.

The expected cash outflows in 2010 and subsequent years are uncertain and may change substantially as a consequence of statutory funding requirements as well as changes in actual versus currently assumed discount rates, estimations of compensation increases and returns on pension plan assets.

Table of Contents

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

The table below provides a summary of the changes in the pension benefit obligations and defined-benefit pension plan assets for 2009 and 2008, with respect to NXP's dedicated plans, and a reconciliation of the funded status of these plans to the amounts recognized in the consolidated balance sheets.

	2008	2009
Projected benefit obligation		
Projected benefit obligation at beginning of year	407	327
Additions	6	—
Service cost	20	15
Interest cost	19	15
Actuarial (gains) and losses	4	(8)
Curtailments and settlements	(94)	(5)
Plan amendments	—	—
Employee contributions	1	—
Benefits paid	(27)	(22)
Exchange rate differences	(9)	9
Projected benefit obligation at end of year	327	331
Plan assets		
Fair value of plan assets at beginning of year	226	137
Additions	3	—
Actual return on plan assets	(2)	11
Employer contributions	39	23
Employee contributions	1	—
Curtailments and settlements	(102)	(1)
Benefits paid	(27)	(22)
Exchange rate differences	(1)	4
Fair value of plan assets at end of year	137	152
Funded status	(190)	(179)
Unrecognized net transition obligation	—	—
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
Net balance	(190)	(179)
Classification of the net balance is as follows		
—Prepaid pension cost under other non-current assets	25	28
—Accrued pension cost under other non-current liabilities	(79)	(60)
—Provisions for pensions under provisions	(136)	(147)
Total	(190)	(179)
Amounts recognized in accumulated other comprehensive income (before tax)		
AOCI at beginning of year	(73)	(32)
—Net actuarial loss (gain)	37	(11)
—Prior service cost (credit)	3	—
—Exchange rate differences	1	(1)
AOCI at end of year	(32)	(44)

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

The weighted average assumptions used to calculate the projected benefit obligations were as follows:

	2008	2009
Discount rate	4.6%	4.8%
Rate of compensation increase	3.1%	3.0%

The weighted average assumptions used to calculate the net periodic pension cost were as follows:

	2007	2008	2009
Discount rate	4.4%	5.0%	4.6%
Expected returns on plan assets	5.3%	4.7%	4.3%
Rate of compensation increase	3.1%	3.8%	3.1%

For NXP's major plans, the discount rate used is based on high quality corporate bonds (iBoxx Corporate Euro AA 10+).

Plans in countries without a deep corporate bond market use a discount rate based on the local sovereign rate and the plans maturity (Bloomberg Government Bond Yields).

Expected returns per asset class are based on the assumption that asset valuations tend to return to their respective long-term equilibria. The Expected Return on Assets for any funded plan equals the average of the expected returns per asset class weighted by their portfolio weights in accordance with the fund's strategic asset allocation.

The components of net periodic pension costs were as follows:

	2007	2008	2009
Service cost	73	20	15
Interest cost on the projected benefit obligation	49	19	15
Expected return on plan assets	(43)	(9)	(6)
Net amortization of unrecognized net assets/liabilities	—	—	—
Net actuarial loss recognized	—	(6)	(2)
Curtailments & settlements	(82)	(11)	(4)
Other	—	3	3
Net periodic cost	(3)	16	21

NXP expects to make cash contributions other than benefit payments in relation to defined-benefit plans amounting to $4 million in 2010.

A sensitivity analysis shows that if the discount rate increases by 1% from the level of December 31, 2009, with all other variables held constant, the net periodic pension cost would increase by $2 million. If the discount rate decreases by 1% from the level of December 31, 2009, with all other variables held constant, the net periodic pension cost would decrease by $2 million.

The estimated net actuarial loss (gain) and prior service cost that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year (2010) are $1 million and nil, respectively.

Estimated future pension benefit payments

The following benefit payments are expected to be made (including those for funded plans):

2010	13
2011	13
2012	18
2013	15
2014	14
Years 2015-2019	82

	2008	2009
Accumulated benefit obligation for all Company-dedicated benefit pension plans	275	288

Plan assets

The actual and targeted pension plan asset allocation at December 31, 2008 and 2009 is as follows:

	2008	2009
Asset category:		
Equity securities	9%	13%
Debt securities	60%	60%
Insurance contracts	12%	13%
Other	19%	14%
	100%	100%

The investment objectives for the pension plan assets are designed to generate returns that, along with the future contributions, will enable the pension plans to meet their future obligations. From total assets of $152 million, the German and Swiss pension fund represent $124 million. From this $124 million 19% is categorized as a Level 1 measurement, 80% as a Level 2 measurement and 1% as a Level 3 measurement. From the remaining assets of $28 million an amount of $20 million relates to assets held by insurance companies.

Introduction SFAS No. 158

In September 2006, SFAS No. 158 was issued, which is now codified in FASB ASC Topic 715. NXP has adopted FAS 158 as of the end of 2007. This statement requires an employer to recognize the funded status of a benefit plan—measured as the difference between plan assets at fair value and the benefit obligation in the balance sheet. The offset of recognized funded status is recorded in accumulated other comprehensive income (within stockholder’s equity).

The incremental effect of applying FASB Statement No. 158 on Accumulated other comprehensive income as of December 31, 2007, amounted to a decrease of $51 million.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

24. Postretirement benefits other than pensions

In addition to providing pension benefits, NXP provides other postretirement benefits, primarily retiree healthcare benefits in the USA. NXP funds these other postretirement benefit plans as claims are incurred.

The amounts included in the consolidated statements of operations for 2009 are an expense of $1 million (2008: $3 million; 2007: $1 million).

The table below provides a summary of changes in the post-retirement plan benefit obligations for 2009 and 2008, with respect to NXP's dedicated plans, and a reconciliation of the funded status of these plans to the amounts recognized in the consolidated balance sheets.

	2008	2009
Accumulated postretirement benefit obligation		
Projected benefit obligation at beginning of year	14	15
Additions	1	—
Service cost	1	—
Interest cost	1	1
Actuarial (gains) and losses	(1)	—
Plan amendments	—	—
Curtailments and settlements	(1)	(7)
Benefits paid	—	—
Exchange rate differences	—	—
Accumulated postretirement benefit obligation at end of year	15	9
Plan assets		
Fair value of plan assets at beginning of year	—	—
Additions	—	—
Actual return on plan assets	—	—
Employer contributions	—	—
Benefits paid	—	—
Exchange rate differences	—	—
Fair value of plan assets at end of year	—	—
Funded status	(15)	(9)
Unrecognized net transition obligation	—	—
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
Net balance	(15)	(9)
Classification of the net balances is as follows:		
—Non-current provisions	(15)	(9)
—Current provisions	—	—
Total	(15)	(9)
Amounts recognized in accumulated other comprehensive income (before tax):		
AOCI at beginning of year	13	10
—Net actuarial loss (gain)	(1)	—
—Prior service cost (credit)	(2)	(7)
AOCI at end of year	10	3

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

The weighted average assumptions used to calculate the projected post-retirement plan benefit obligations were as follows:

	2008	2009
Discount rate	6.2%	5.5%

The weighted average assumptions used to calculate the net periodic post-retirement plan costs were as follows:

	2007	2008	2009
Discount rate	6.1%	6.2%	6.2%

The components of net periodic post-retirement plan costs were as follows:

	2007	2008	2009
Service cost	—	1	—
Interest cost on the accumulated postretirement benefit obligation	—	1	1
Expected return on plan assets	—	—	—
Net amortization of unrecognized net assets/liabilities	—	—	—
Net actuarial loss recognized	—	—	—
Amortization of unrecognized prior service cost	—	1	1
Curtailment & settlement	—	—	(1)
Other	1	—	—
Net periodic cost	1	3	1

Assumed healthcare cost trend rates were as follows:

	2008	2009
Healthcare cost trend rate assumed for next year	10%	9%
Rate that the cost trend rate will gradually reach	5%	5%
Year of reaching the rate at which it is assumed to remain	2012	2018

Assumed health cost trend rates can have an effect on the amounts reported for the healthcare plans. A one-percentage-point increase or decrease in assumed healthcare cost trend rates would have practically no effect on any component of this year’s cost.

The estimated net actuarial loss (gain) and prior service cost for the post-retirement benefit plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year (2010) are nil and $1 million, respectively.

Estimated future pension benefit payments

The following benefit payments are expected to be made:

2010	—
2011	—
2012	—
2013	1
2014	1
Years 2015-2019	4

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

25. Other current liabilities

Other current liabilities are summarized as follows:

	2008	2009
Other taxes including social security premiums	50	26
Amounts payable under pension plans	54	33
Other short-term liabilities	16	29
Total	120	88

26. Short-term debt

	2008	2009
Short-term bank borrowings	402	610
Other short-term loans	1	—
Current portion of long-term debt	—	—
Total	403	610

As at the end of December 2009 and 2008 short-term bank borrowings mainly consisted of the revolving credit facility. Refer to note 27.

During 2009 the weighted average interest rate was 3.5% (2008: 5.0%).

27. Long-term debt

	Range of interest rates	Average rate of interest	Amount outstanding 2009	Due in 2010	Due after 2010	Due after 2014	Average remaining term (in years)	Amount outstanding December 31, 2008
Euro notes	3.5% — 10%	5.0%	1,666	—	1,666	427	4.3	2,144
USD notes	3.0% — 10%	6.5%	3,000	—	3,000	788	4.6	3,811
Liabilities arising from capital lease transactions	1.0%— 14.8%	6.7%	4	—	4	1	3.8	5
Other long-term debt	0.9%— 1.5%	1.2%	3	—	3	2	4.4	4
		6.0%	4,673	—	4,673	1,218	4.5	5,964
Corresponding data previous year		8.3%	5,964	—	5,964	3,018	5.6	

The following amounts of long-term debt at book value as of December 31, 2009 are due in the next 5 years:

2010	—
2011	1
2012	1
2013	2,607(*)
2014	846
Due after 5 years	1,218
	4,673
Corresponding amount previous year	5,964

(*) the expected cash outflow in 2013 is $2,677 million

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

Related to the Acquisition, NXP B.V. issued on October 12, 2006 several series of notes with maturities ranging from 7 to 9 years and a mix of floating and fixed rates. Several series are denominated in US dollar and several series are euro denominated. The euro and US dollar notes represent 36% and 64% respectively of the total principal amount of the notes outstanding. The series with tenors of 7 and 8 years are secured as described hereafter the two series with a tenor of 9 years are unsecured. On June 19, 2007, NXP concluded an exchange offer for these notes in which investors could exchange their existing notes for identical notes registered under the U.S. Securities Act.

Debt exchange and repurchase

Since the beginning of 2009, the total long-term debt has been reduced from $5,964 million to $4,673 million at the end of the year.

The long-term debt level was reduced in 2009 mainly by $1,331 million related to the several private and open market transactions detailed below. These transactions were executed during the second and third quarter of the year.

In the second quarter of 2009 we reduced our overall debt level by $517 million through a private offer to exchange existing unsecured and secured notes for new U.S. dollar and Euro-denominated super priority notes. This transaction resulted in a reduction of $595 million of our outstanding long-term existing debt offset by the issuance of new super priority notes of $78 million at par value and a write off of debt issuance cost of $10 million. New debt issuance costs of $12 million were capitalized in conjunction with the issuance of the new super priority notes.

We recognized a net gain on this transaction of $507 million. The super priority notes issued are recorded in the balance sheet at a $50 million discount, which is subject to accretion to par value over the term of these notes using the effective interest method. The super priority notes are initially measured at fair value based upon the public trading prices of the existing notes exchanged immediately prior to the launch of the debt exchange (level 2 measurement).

In the third quarter of 2009, our overall debt level further reduced by $814 million. This is the result of our offer to purchase unsecured and secured notes for cash, a privately negotiated transaction to purchase secured notes for cash, and a privately negotiated transaction in which a purchase of secured notes for cash is combined with a purchase of unsecured notes against issuance of new super priority notes. This transaction included a reduction of $916 million of our outstanding long-term existing debt offset by the issuance of new super priority notes of $102 million at par value, a cash expense of $286 million and a write off of debt issuance cost of $15 million. New debt issuance costs of $3 million were capitalized in conjunction with the issuance of the new super priority notes. On these transactions we recognized a net gain of $513 million. The super priority notes issued are recorded in the balance sheet at a $29 million discount, which is subject to accretion to par value over the term of these notes using the effective interest method. The super priority notes are initially measured at fair value based upon the public trading prices of the existing notes exchanged immediately prior to the launch of the debt exchange (level 2 measurement).

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

Other effects on the total long-term debt position relate to the translation of EUR notes outstanding.

Euro notes

The Euro notes outstanding as of the end of December 2009 consist of the following three series:

- a €843 million aggregate principal amount of floating rate senior secured notes due 2013 with an interest rate of three-month EURIBOR plus 2.75%, except that the interest rate for the period beginning on the date these notes were offered, October 12, 2006 through January 14, 2007, was 6.214%; and
- a €297 million aggregate principal amount of 8.625% senior notes due 2015; and
- a €29 million aggregate principal amount of 10% super priority notes due 2013.

USD notes

The USD notes outstanding as of the end of December 2009 consist of the following four series:

- a $1,201 million aggregate principal amount of floating rate senior secured notes due 2013 with an interest rate of three-month LIBOR plus 2.75%, except that the interest rate for the period beginning on the date these notes were offered, October 12, 2006 through January 14, 2007, was 8.118%; and
- a $845 million aggregate principal amount of 7.875% senior secured notes due 2014; and
- a $788 million aggregate principal amount of 9.5% senior notes due 2015; and
- a $221 million aggregate principal amount of 10% super priority notes due 2013.

Certain terms and covenants of the euro and dollar notes

NXP is not required to make mandatory redemption payments or sinking fund payments with respect to the notes.

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

Certain portions of long-term and short-term debt as of December 31, 2009 in the principal amount of $4,123 million (2008: $4,373 million) have been secured by collateral on substantially all of NXP B.V.'s assets and of certain of its subsidiaries.

The notes are fully and unconditionally guaranteed jointly and severally, on a senior basis by certain of NXP B.V.'s current and future material wholly owned subsidiaries ("Guarantors").

Pursuant to various security documents related to the above mentioned secured notes and the $720 million (denominated €500 million) committed revolving credit facility, NXP B.V. and each Guarantor has granted first priority liens and security interests in, amongst others, the following, subject to the grant of further permitted collateral liens:

(a) all present and future shares of capital stock of (or other ownership or profit interests in) each of its present and future direct subsidiaries, other than SMST Unterstützungskasse GmbH, and material joint venture entities;

(b) all present and future intercompany debt of NXP B.V. and each Guarantor;

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

(c) all of the present and future property and assets, real and personal, of NXP B.V, and each Guarantor, including, but not limited to, machinery and equipment, inventory and other goods, accounts receivable, owned real estate, leaseholds, fixtures, general intangibles, license rights, patents, trademarks, trade names, copyrights, chattel paper, insurance proceeds, contract rights, hedge agreements, documents, instruments, indemnification rights, tax refunds, but excluding cash and bank accounts; and

(d) all proceeds and products of the property and assets described above.

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

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

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

Credit facilities

At December 31, 2009, NXP B.V. had a senior secured revolving credit facility of $720 million (denominated: €500 million) (2008: $703 million) entered into as from September 29, 2006, in order to finance the working capital requirements and general corporate purposes of which $120 million (2008: $298 million) was unused. This committed revolving credit facility has a tenor of 5 years and expires in 2012.

Although the revolving credit facility expires in 2012, NXP has the flexibility of drawing and repaying under this facility and therefore the amount drawn is classified under short-term debt.

All of the Guarantors of the secured notes described above are also guarantor of NXP B.V.'s obligations under this committed revolving credit facility and similar security (on a first priority basis) as granted under the secured notes has been granted for the benefit of the lenders under this facility.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

28. Other non-current liabilities

Other non-current liabilities are summarized as follows:

	2008	2009
Accrued pension costs	79	60
Asset retirement obligations	12	12
Liabilities related to EDA contracts	—	34
Other	16	53
	107	159

29. Contractual obligations

For an explanation of long-term debt and other long-term liabilities, see note 27 and 28.

Property, plant and equipment includes $4 million as of December 31, 2009 (2008: $5 million) for capital leases and other beneficial rights of use, such as building rights and hire purchase agreements. The financial obligations arising from these contractual agreements are reflected in long-term debt.

Operating leases

Long-term operating lease commitments totaled $195 million as of December 31, 2009 (2008: $240 million). The long-term operating leases are mainly related to the rental of buildings. These leases expire at various dates during the next 30 years.

Operating lease payments for 2009 totaled $37 million (2008: $37 million; 2007: $25 million).

The future payments that fall due in connection with these obligations are as follows:

2010	33
2011	29
2012	28
2013	26
2014	25
Later	54
Total	195

30. Contingent liabilities

Guarantees

At the end of 2009 there were no material guarantees recognized by the Company.

Capital contributions

NXP has a contractual agreement to contribute $18 million in its ASEN venture if our venture partner also contributes its contractually agreed amounts; the contribution, which we expect may occur in 2010.

Other commitments

NXP has made certain commitments to SSMC, whereby NXP is obligated to make cash payments to SSMC should it fail to purchase an agreed-upon percentage of the total available capacity at SSMC"s fabrication facilities if overall SSMC utilization levels drop below a fixed proportion of the total available capacity. In the periods

presented in these financial statements no such payments were made. Furthermore, other commitments exist with respect to long-term obligations for a joint development contract with Catena Holding BV of $9 million.

Environmental remediation

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

At the end of 2009 the Company has not incurred material environmental remediation obligations.

Litigation

NXP and certain of its businesses are involved as plaintiffs or defendants in litigation relating to such matters as commercial transactions, intellectual property rights and product liability. Although the ultimate disposition of asserted claims and proceedings cannot be predicted with certainty, it is the opinion of NXP's management that the outcome of any such claims, either individually or on a combined basis, will not have a material adverse effect on NXP's consolidated financial position, but may be material to the consolidated statement of operations of NXP for a particular period.

On January 7, 2009, the European Commission issued a release in which it confirms it will start investigations in the smart card chip sector. The European Commission has reason to believe that the companies concerned may have violated European Union competition rules prohibiting certain practices such as price fixing, customer allocation and the exchange of commercially sensitive information. As one of the companies active in the smart card chip sector, NXP is subject to a number of these ongoing investigations and is assisting the regulatory authorities in these investigations. The investigations are in their initial stages and it is currently impossible to reliably estimate the outcome of the investigations.

31. Stockholder's equity

On February 29, 2008, the share capital of the Company was changed through a multi-step amendment of the Articles of Association of the Company. As a result, the nominal value of the common shares of stock was decreased from €1 to €0.01, and all preference stock in the Company's stock capital were converted into shares of common stock. The Company has amended its Articles of Association on July   , 2010 in order to effect a 1-for-20 reverse stock split of its shares of common stock. The exercise price and the number of shares of common stock issuable under the Company's share-based compensation plans were proportionately adjusted to reflect the reverse stock split. Basic and diluted weighted average shares outstanding and earnings per share have been calculated to reflect the reverse stock split in all periods presented. The final result is that the stock capital of the Company as of June 30, 2010 consists of 1,076,257,500 authorized shares, including 430,503,000 authorized shares of common stock, of which there are 215,251,500 issued shares of common stock, and 645,754,500 authorized but unissued shares of preferred stock. The shares of common stock are owned by KASLION Holding B.V. (79.88%), Philips (19.84%) and Stichting Management Co-Investment NXP (0.28%). The ultimate owners of KASLION Holding B.V. are the Private Equity Consortium.

The Company has issued and paid up 215,251,500 ordinary shares of common stock at a par value of €0.20 each or a nominal stock capital of €43 million.

The Company has granted stock options and equity rights to employees of NXP B.V. and its subsidiaries to receive the Company shares or depository receipts in future (refer to note 33).

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

32. Related-party transactions

The Company entered into related-party transactions with:

1. Philips, which was NXP B.V.'s parent before its current existence and continues to hold an indirect 19.9% beneficial interest.
2. Various related parties in which NXP typically holds a 50% or less equity interest and has significant influence (refer to note 9). The transactions in these related parties are generally conducted with terms comparable to transactions with third parties.
3. In 2008, NXP established a joint venture with STMicroelectronics, at that time named ST-NXP Wireless, and then sold in February 2009. As of February, 2009, this (former) joint venture is no longer a related-party.

Through the purchase of component products, namely semiconductor products for the consumer electronics sector, NXP and Philips will have a continuing relationship for the foreseeable future.

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

	2007	2008	2009
Sales	77	112	25
Purchase of goods and services	241	328	98

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

	2008	2009
Receivables	18	7
Payables	73	30

Since December 2006, selected members of our management purchased approximately 11 million depository receipts issued by the Stichting Management Co-Investment NXP, each of these receipts representing an economic interest in a common share of the Company. These depository receipts have been purchased at a price estimated to be their fair market value and, in the aggregate, represent a beneficial interest in the Company of 0.25%.

33. Share-based compensation

Share-based compensation plans were introduced in 2007. Under these plans management and certain other executives acquire the right to purchase depository receipts of our shares of common stock upon exercise and payment of the exercise price, after these rights have vested and only upon a sale of shares by the Private Equity Consortium or upon a change of control (in particular, the Private Equity Consortium no longer jointly holding 30% of our common stock). The exercise prices of stock options granted in 2007 and 2008 range from €20.00 to €50.00.

Also starting 2007, the Company granted equity rights, referred to as restricted stock units, to certain non-executive employees of NXP containing the right to acquire our shares of common stock for no consideration after the rights have vested and upon a change of control (in particular, the Private Equity Consortium no longer jointly holding 30% of our common stock). The purpose of these share-based compensation plans is to align the interests of management and other employees with those of the shareholders by providing additional incentives to improve NXP's medium and long term performance by offering the participants to share in the success of NXP. In years subsequent to the initial grant in 2007, additional stock options and equity rights were granted to existing participants in the share-based payments plans and to new participants entering the plans.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

In May 2009, the Company executed a stock option exchange program for stock options granted in 2007 and 2008, and which were estimated to be deeply out of the money. Under this stock option exchange program, stock options with new exercise prices, different volumes and – in certain cases – revised vesting schedules, were granted to eligible individuals, in exchange for their owned stock options. By accepting the new stock options all stock options (vested and unvested) owned by the eligible individuals were cancelled.

The number of employees eligible for and affected by the stock option exchange program was approximately 120. As of May, 2009, stock options have been granted to eligible individuals under the revised stock options program. The exercise prices of these stock options ranged from €2.00 to €40.00.

No modifications occurred with respect to the equity rights of the non-executive employees.

The fair value of share-based payments is required to be based upon an option valuation model. Since neither the Company stock options nor its shares of common stock are traded on any exchange and exercise is dependent upon a sale of shares by the Private Equity Consortium or upon a change of control of the Company (in particular, the Private Equity Consortium no longer jointly holding 30% of our common stock), employees can receive no value nor derive any benefit from holding these stock options or rights without the fulfillment of these conditions for exercise. The Company has concluded that, for purposes of calculating the compensation charges related to the stock option and equity rights grants, the fair value of the share-based payments can best be estimated by the use of a binomial option-pricing model because such models take into account the various conditions and subjective assumptions that determine the estimated value. The option-pricing model for this purpose was an asset lattice using the Cox-Ross-Rubinstein methodology to model the potential paths of the assets and business enterprise value of the Company.

The assumptions used are:

- Expected life of the stock options and equity rights is calculated as the difference between the grant dates and an exercise triggering event not before the end of 2011; which resulted in expected lives of 4.25 and 3.25 years for options and rights granted in respectively 2007 and 2008. For the stock options granted in 2009 an expected life of 3 years has been assumed;
- Risk-free interest rate is 4.1% for 2007 awards, 3.8% for 2008 awards and 1.6% for 2009 awards;
- Expected asset volatility is approximately 38% in 2009 and approximately 27% for 2007 and 2008. The calculation is based on the average volatility of comparable companies over an equivalent period from valuation date to exit date;
- Dividend pay-out ratio of nil;
- Lack of marketability discount is 35% for 2007 awards, 26% for 2008 awards and 28% for 2009 awards; and
- The Business Economic Value of NXP based on projected discounted cash flows as derived from NXP's business plan for the next 3 years, extrapolated until 2020 and using terminal growth rates from 3-4%. The discount factor was based on a weighted average cost of capital of approximately 14%.

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

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

The vesting date of most of the equity rights granted in 2007 is April 1, 2010. The options vest gradually in 4 equal annual portions until October 1, 2010. The first portion of the 2007 grant 25% vested on October 1, 2007, which was also the grant date. The vesting date of the stock options granted in 2008 is in 2012, 4 years after the date of grant. Also these stock options vest gradually over 4 years. For the new stock options granted in 2009 also a 4-year graded vesting period applies. For the stock options that were granted in exchange for the cancelled stock options of 2007 and 2008 a vesting period applies that is depending on specific arrangements made with the participants. Some kept their original vesting schemes, while others were granted a vesting scheme of 50% or 25% of the original vesting scheme.

The assumptions were used for these calculations only and do not represent an indication of management's expectations of future developments. Changes in the assumptions can materially affect the fair value estimate.

With regard to the modified stock options the unrecognized portion of the compensation costs of the cancelled stock options continues to be recognized over their remaining requisite vesting period. For the replacement stock options the incremental compensation costs are determined as the difference between the fair value of the cancelled stock options immediately before the grant date of the replacement stock options and the fair value of these replacement stock options at the grant date. This compensation cost will be recognized in accordance with the vesting schedules.

A charge of $28 million was recorded in 2009 (2008: $35 million, 2007: $28 million) for share-based compensation, of which $2 million related to incremental compensation costs for the modified stock option scheme (2008 and 2007: nil).

The following table summarizes the information about outstanding the Company stock options and changes during 2009.

Stock options

	2009	
	Stock options	Weighted average exercise price in EUR
Outstanding at January 1	32,680,807	32.20
Cancelled	(20,453,685)	32.40
Granted as replacement for cancelled option	7,465,889	21.80
Newly granted options	6,509,304	20.00
Exercised	—	—
Forfeited	(7,235,162)	33.00
Outstanding at December 31	18,967,153	23.60
Weighted average grant-date fair value in € of options granted during:		
2007		2.20
2008		1.60
2009		1.80

The number of vested stock options at December 31, 2009, was 7,864,583 with a weighted average exercise price of €27.20

At December 31, 2009, there was a total of $28 million of unrecognized compensation cost related to non-vested stock options. This cost is expected to be recognized over a weighted-average period of 1.4 years.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

A summary of the status of NXP's equity rights granted in 2009 and changes during these years is presented below. All equity rights have an exercise price of nil euros.

Equity rights

	2009	
	Shares	Weighted average grant date fair value in EUR
Outstanding at January 1	733,943	8.40
Granted	5,539	5.20
Exercised	—	—
Forfeited	(136,200)	9.00
Outstanding at December 31	603,282	8.40

The weighted average grant date fair value of equity rights granted in 2008 and 2007 was respectively €5.20 and €13.00. The number of vested equity rights at December 31, 2009 was nil.

At December 31, 2009, there was a total of less than $1 million of unrecognized compensation cost related to non-vested equity rights. This cost is expected to be recognized over a weighted-average period of 2.1 years.

The valuation of the underlying shares for the 2009 grant was performed by the Company as per September 30, 2009. The resulting outcome of this valuation served as the basis for the valuation of the equity instruments by an unrelated valuation specialist for all instruments granted in 2009.

Management's retrospective valuation of the stock was based on the latest three-year business plan that became available during the fourth quarter of 2009. Since the business plan is only prepared once a year, this valuation of the underlying shares was also utilized to determine the value of the equity instruments granted in 2009 of which the majority was granted in the second quarter of 2009 as part of the stock option exchange program.

During the 12-month period ending December 31, 2009, the Company granted stock options and equity rights as follows:

Grants made in 2009	Number of instruments granted	Weighted average exercise price in Euro	Weighted average fair value per share in Euro*	Weighted average intrinsic value per share in Euro
First quarter	0	N/A	N/A	N/A
Second quarter (stock options)	13,130,332	21.00	5.20	N/A
Third quarter (stock options)	676,958	21.60	5.20	N/A
Third quarter (equity rights)	2,350	N/A	5.20	5.20
Fourth quarter (stock options)	167,904	21.86	5.20	N/A

* The weighted average fair value per share includes a marketability discount of 28%.

None of the stock options and equity rights are currently exercisable. None of the stock options and equity rights will expire as a result of exceeding the maximum contractual term because such maximum term is not applicable to these instruments.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

34. Assets received in lieu of cash from the sale of businesses

In 2009 shares and options were obtained upon completion of the strategic alliance with Virage Logic Corporation ($15 million).

35. Fair value of financial assets and liabilities

The estimated fair value of financial instruments has been determined by NXP using available market information and appropriate valuation methods. The estimates presented are not necessarily indicative of the amounts that NXP could realize in a current market exchange or the value that will ultimately be realized by NXP upon maturity or disposal. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts.

FASB ASC Topic 820 (formerly SFAS 157 “Fair Value Measurements”) requires making quantitative disclosures for financial assets and liabilities that are measured at fair value on a recurring basis. In the table below the column “Fair value hierarchy” the indicated level explains how fair value measurements have been arrived at.

- Level 1 measures fair value based on quoted prices in active markets for identical assets or liabilities;
- Level 2 measures fair value based on significant other observable inputs such as quoted prices for similar assets or liabilities in markets, observable interest rates or yield curves, etc.;
- Level 3 measures of fair value are based on unobservable inputs such as internally developed or used techniques.

		December 31, 2008		December 31, 2009	
	Fair value hierarchy	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Assets:					
Securities(*)	1	33	33	—	—
Other financial assets(*)	1	18	18	35	35
Derivative instruments—assets(*)	2	37	37	2	2
Liabilities:					
Short-term debt	2	(403)	(403)	(610)	(610)
Long-term debt (bonds)	1	(5,955)	(1,653)	(4,666)	(4,019)
Other long-term debt	2	(9)	(9)	(7)	(7)
Derivative instruments—liabilities(*)	2	(55)	(55)	(9)	(9)

(*) Represent assets and liabilities measured at fair value on a recurring basis.

For the fair value measurements of pension plan assets, and projected benefit obligations under these defined benefit plans you are referred to note 23.

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

Other financial assets and derivative instruments

For other financial assets, fair value is based upon the quoted market prices.

Debt

The fair value is estimated on the basis of the quoted market prices for certain issues, or on the basis of discounted cash flow analyses based upon the incremental borrowing rates for similar types of borrowing arrangements with comparable terms and maturities. Accrued interest is included under accounts payable and not within the carrying amount or estimated fair value of debt.

36. Other financial instruments, derivatives and currency risk

The Company does not purchase or hold financial derivative instruments for trading purposes. Assets and liabilities related to derivative instruments are disclosed in note 15 and note 21. Currency fluctuations may impact NXP's financial results. NXP has a structural currency mismatch between costs and revenues, as a high proportion of its production, administration and research and development costs is denominated in EURO's while a higher proportion of its revenues is denominated in US dollars or US dollar-related currencies.

NXP's transactions are denominated in a variety of currencies. NXP uses financial instruments to reduce its exposure to the effects of currency fluctuations. NXP generally hedges foreign currency exposures in relation to transaction exposures, such as receivables/payables resulting from such transactions and part of anticipated sales and purchases. NXP generally uses forwards to hedge these exposures.

Changes in the fair value of foreign currency accounts receivable/payable as well as changes in the fair value of the hedges of accounts receivable/payable are reported in the statement of operations under cost of sales. We record these gains and losses as the underlying assets and liabilities arise as the result of transactions that are either reported as revenues, as goods consumption or other cost of sales within gross margin. The hedges related to anticipated transactions are recorded as cash flow hedges. The results from such hedges were deferred in equity until 2007. From December 2007 going forward, the application of cash flow hedge accounting for foreign currency risks is limited to transactions that represent a substantial currency risk that could materially affect the financial position of NXP. Consequently, the application of cash flow hedge accounting seldom occurs. Changes in the fair value of these forward currency transactions that are not designated to anticipated transactions are immediately reported in the statement of operations under cost of sales. Since these hedging transactions are closely related to the accounts receivable/payable positions for which currency translation gains and losses are reported in cost of sales, NXP has concluded that the hedging results should also be reported in cost of sales.

Derivative instruments relate to

- hedged balance sheet items,
- hedged anticipated currency exposures with a duration of up to 12 months.

The derivative assets at the end of 2009 amounted to $2 million (2008: $37 million) whereas derivative liabilities amounted to $9 million (2008: $55 million) and are included in other current assets and accrued liabilities in the consolidated balance sheets.

Currency risk

A higher proportion of our revenues is in US dollars or US dollar-related currencies, compared to our costs. Accordingly, our results of operations may be affected by changes in foreign exchange rates, particularly between the euro and US dollar. A strengthening of the euro against US dollar during any reporting period will reduce income from operations of NXP.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

It is NXP's policy that transaction exposures are hedged. Accordingly, NXP's organizations identify and measure their exposures from transactions denominated in other than their own functional currency.

We calculate our net exposure on a cash flow basis considering balance sheet items, actual orders received or made and anticipated revenues and expenses.

Committed foreign currency exposures are required to be fully hedged using forward contracts. The net exposures related to anticipated transactions are hedged with a combination of forward transactions up to a maximum tenor of 12 months and a cash position in both euro and dollar. The currency exposure related to our bonds has not been hedged.

The table below outlines the foreign currency transactions outstanding per December 31, 2009:

	Aggregate Contract amount buy/(sell) [1]	Weighted Average Tenor (in months)
Foreign currency forward contracts[1]		
Euro (US dollar)	154	2
US dollar (Japanese Yen)	13	1
(Euro) Japanese Yen	8	1
Pound Sterling (US dollar)	16	1
Euro (Pound Sterling)	5	1
(US dollar) Singapore dollar	13	1
(US dollar) Chinese yuan	5	1
US dollar (Thailand baht)	6	1
(Euro) Singapore dollar	25	1

(1) U.S. dollar equivalent

Interest rate risk

NXP has significant outstanding debt, which creates an inherent interest rate risk. On October 12, 2006, NXP issued several series of notes with maturities ranging from 7 to 9 years and a mix of floating and fixed rates. The euro and US dollar denominated notes represent 36% and 64% respectively of the total notes outstanding.

The following table summarizes the outstanding notes per December 31, 2009:

	Principal amount(*)	Fixed/ floating	Current Coupon rate	Maturity date
Senior Secured Notes	€ 843	Floating	3.4920	2013
Senior Secured Notes	$ 1,201	Floating	3.0344	2013
Senior Secured Notes	$ 845	Fixed	7.8750	2014
Senior Notes	€ 297	Fixed	8.6250	2015
Senior Notes	$ 788	Fixed	9.5000	2015
Super Priority Notes	€ 29	Fixed	10.0000	2013
Super Priority Notes	$ 221	Fixed	10.0000	2013

(*) amount in millions

A sensitivity analysis shows that if interest rates were to increase/decrease instantaneously by 1% from the level of December 31, 2009 all other variables held constant, the annualized net interest expense would increase/decrease by $24 million. This impact is based on the outstanding net debt position as per December 31, 2009.

Notes to the consolidated financial statements of NXP Semiconductors N.V.—(Continued)
All amounts in millions of $ unless otherwise stated.

37. Earnings per share

The earnings per share (EPS) data have been calculated as follows:

	2007(*)	2008(*)	2009
Net income (loss)	(603)	(3,574)	(161)
Less: dividend liability on preferred stock	(586)	—	—
Net income (loss) adjusted	(1,189)	(3,574)	(161)
Net income (loss) attributable to stockholders	(1,236)	(3,600)	(175)
Weighted average number of shares (in thousands)	5,000	180,210	215,252
Plus incremental shares from assumed conversion of:			
Options(1)	—	—	—
Equity rights(2)	—	—	—
Dilutive potential common shares	—	—	—
Adjusted weighted average number of shares	5,000	180,210	215,252
Basic/diluted earnings per share in $			
Net income (loss)	(237.80)	(19.83)	(0.75)
Net income (loss) attributable to stockholders	(247.20)	(19.98)	(0.81)

(*) On February 29, 2008, through a multi-step transaction, the nominal value of the common shares was decreased from EUR 1 to EUR 0.01 and all preference shares were converted into common shares, resulting in an increase of outstanding common shares from 100 million into 4.3 billion. The Company amended its Articles of Association on July , 2010 in order to effect a 1-for-20 reverse stock split, decreasing the outstanding common shares from approximately 4.3 billion to approximately 215 million, and increased the nominal value of the common shares from €0.01 per share to €0.20 per share . In all periods presented, basic and diluted weighted average shares outstanding have been calculated to reflect the 1-for-20 reverse stock split.

(1) In 2009, 1,205,416 securities that could potentially dilute basic EPS were not included in the computation of dilutive EPS because the effect would have been antidilutive for the period presented.

(2) In 2009, 603,018 securities that could potentially dilute basic EPS were not included in the computation of dilutive EPS because the effect would have been antidilutive for the period presented.
In 2008 and 2007, no stock options or equity rights could be considered as potential common shares for the calculation of diluted earnings per share, because they had an exercise price higher than the fair value.

38. Subsequent events

On February 8, 2010, we completed Trident's acquisition of NXP's television systems and set-top box business lines, a transaction first announced on October 5, 2009. Subsequent the closing of the acquisition, NXP owns approximately 60% of the outstanding stock of Trident. As a result of the terms and conditions agreed between the parties, primarily that NXP will only retain a 30% voting interest in participatory rights and 60% voting interest for protective rights only, NXP will account for its investment in Trident under the equity method.

In order to reduce our overall debt level and related interest expense, after the reporting date we purchased senior notes in an open market transaction for a nominal amount of approximately $14.5 million. The payment of the notes was funded with available cash. We may from time to time continue to seek opportunities to retire or purchase our outstanding debt.

Per year-end, the activities of Moversa, our joint venture with Sony established in 2007, ended. As per February 23, 2010, NXP acquired Sony's 50% stake in Moversa, and merged Moversa with NXP Semiconductors Austria GmbH.

Interim consolidated statements of operations and comprehensive income of NXP Semiconductors N.V. (unaudited)

($ in millions, unless otherwise stated)	For the quarter ended March 29, 2009	For the quarter ended April 4, 2010
Sales	702	**1,165**
Cost of sales	(634)	**(737)**
Gross profit	68	**428**
Selling expenses	(61)	**(66)**
General and administrative expenses	(173)	**(191)**
Research and development expenses	(187)	**(154)**
Other income (expense)	6	**(17)**
Income (loss) from operations	(347)	**—**
Financial income (expense):		
– Extinguishment of debt	—	**2**
– Other financial income (expenses)	(309)	**(304)**
Income (loss) before taxes	(656)	**(302)**
Income tax benefit (expense)	(8)	**(8)**
Income (loss) after taxes	(664)	**(310)**
Results relating to equity-accounted investees	75	**(26)**
Net income (loss)	(589)	**(336)**
Attribution of net income (loss) for the period:		
Net income (loss) attributable to stockholders	(579)	**(345)**
Net (income) loss attributable to non-controlling interests	(10)	**9**
Net income (loss)	(589)	**(336)**
Basic and diluted earnings per common share in $ weighted average number of shares of common stock outstanding during the period (in thousands)	215,252	**215,252**
Net income (loss)	(2.74)	**(1.56)**
Net income (loss) attributable to stockholders	(2.69)	**(1.60)**
Consolidated statements of comprehensive income:		
Net income (loss)	(589)	**(336)**
– Unrealized gain (loss) on available for sale securities	(1)	**—**
– Recognition funded status pension benefit plan	—	**—**
– Unrealized gain (loss) on cash flow hedge	—	**—**
– Foreign currency translation adjustments	70	**21**
– Reclassifications into income	(78)	**—**
– Income tax on net current period changes	—	**—**
Total comprehensive income (loss)	(598)	**(315)**
Attribution of comprehensive income (loss) for the period:		
Income (loss) attributable to stockholders	(588)	**(324)**
Income (loss) attributable to non-controlling interests	(10)	**9**
Total net comprehensive income (loss)	(598)	**(315)**

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

Interim consolidated balance sheets of NXP Semiconductors N.V.

($ in millions, unless otherwise stated)	December 31, 2009		April 4, 2010	
	(audited)		(unaudited)	
Assets				
Current assets				
Cash and cash equivalents		1,041		**870**
Receivables:				
– Accounts receivable—net	455		**538**	
– Other receivables	59		**60**	
		514		**598**
Assets held for sale		144		**46**
Inventories		542		**478**
Other current assets		272		**212**
Total current assets		2,513		**2,204**
Non-current assets				
Investments in equity-accounted investees		43		**194**
Other non-current financial assets		35		**35**
Other non-current assets		94		**139**
Property, plant and equipment:				
– At cost	2,468		**2,404**	
– Less accumulated depreciation	(1,107)		**(1,150)**	
		1,361		**1,254**
Intangible assets excluding goodwill:				
– At cost	3,387		**3,190**	
– Less accumulated amortization	(1,381)		**(1,382)**	
		2,006		**1,808**
Goodwill		2,621		**2,477**
Total non-current assets		6,160		**5,907**
Total		8,673		**8,111**
Liabilities and equity				
Current liabilities				
Accounts payable		582		**561**
Liabilities held for sale		2		**29**
Accrued liabilities		702		**682**
Short-term provisions		269		**198**
Other current liabilities		88		**87**
Short-term debt		610		**611**
Total current liabilities		2,253		**2,168**
Non-current liabilities				
Long-term debt		4,673		**4,566**
Long-term provisions		460		**405**
Other non-current liabilities		159		**152**
Total non-current liabilities		5,292		**5,123**
Contractual obligations and contingent liabilities		—		**—**
Equity				
Non-controlling interests		198		**207**
Stockholder’s equity:				
Common stock, par value € 0.20 per share:				
Authorized: 430,503,000 shares	—		**—**	
Issued: 215,251,500 shares	42		**42**	
Capital in excess of par value	5,555		**5,562**	
Accumulated deficit	(5,219)		**(5,564)**	
Accumulated other comprehensive income (loss)	552		**573**	
Total Stockholders’ equity		930		**613**
Total equity		1,128		**820**
Total		8,673		**8,111**

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

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

($ in millions, unless otherwise stated)	For the quarter ended March 29, 2009	April 4, 2010
Cash flows from operating activities:		
Net income (loss)	(589)	**(336)**
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	211	**193**
Write-off of in-process research and development	—	**—**
Impairment goodwill and other intangibles	—	**—**
Impairment assets held for sale	—	**—**
Net (gain) loss on sale of assets	(76)	**25**
Gain on extinguishment of debt	—	**(2)**
Results relating to equity-accounted investees	—	**26**
Dividends paid to non-controlling interests	(29)	**—**
Changes in operating assets and liabilities:		
(Increase) decrease in receivables and other current assets	(11)	**(71)**
(Increase) decrease in inventories	32	**70**
Increase (decrease) in accounts payable, accrued and other liabilities	(110)	**(1)**
Decrease (increase) in other non-current assets	(81)	**(107)**
Increase (decrease) in provisions	58	**(73)**
Other items	227	**261**
Net cash provided by (used for) operating activities	(368)	**(15)**
Cash flows from investing activities:		
Purchase of intangible assets	(1)	**(1)**
Capital expenditures on property, plant and equipment	(37)	**(51)**
Proceeds from disposals of property, plant and equipment	5	**4**
Proceeds from disposals of assets held for sale	—	**—**
Proceeds from the sale of securities	20	**—**
Purchase of other non-current financial assets	—	**—**
Proceeds from the sale of other non-current financial assets	—	**—**
Purchase of interests in businesses	—	**—**
Proceeds from (consideration related to) sale of interests in businesses	118	**(47)**
Cash settlement agreement with Philips	—	**—**
Net cash (used for) provided by investing activities	105	**(95)**
Cash flows from financing activities:		
Net (repayments) borrowings of short-term debt	9	**1**
Amounts drawn under the revolving credit facility	200	**—**
Repayments under the revolving credit facility	—	**—**
Repurchase of long-term debt	—	**(12)**
Principal payments on long-term debt	(1)	**—**
Capital repayment to non-controlling interests	—	**—**
Net cash provided by (used for) financing activities	208	**(11)**
Effect of changes in exchange rates on cash positions	(35)	**(50)**
Increase (decrease) in cash and cash equivalents	(90)	**(171)**
Cash and cash equivalents at beginning of period	1,796	**1,041**
Cash and cash equivalents at end of period	1,706	**870**

For a number of reasons, principally the effects of translation differences and consolidation changes, certain items in the statements of cash flows do not correspond to the differences between the balance sheet amounts for the respective items.

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

Table of Contents

Interim consolidated statements of cash flows
of NXP Semiconductors N.V. (unaudited)—(Continued)

($ in millions, unless otherwise stated)	For the quarter ended	
	March 29, 2009	April 4, 2010
Supplemental disclosures to the interim consolidated statements of cash flows		
Net cash paid during the period for:		
Interest	57	**35**
Income taxes	—	**3**
Net gain (loss) on sale of assets:		
Cash proceeds from (consideration related to) the sale of assets	143	**(43)**
Book value of these assets	(143)	**(92)**
Non-cash assets received	76	**110**
	76	**(25)**
Non-cash investing information:		
Assets received in lieu of cash from the sale of businesses:		
Trident shares	—	**177**
Virage Logic shares/options	—	**—**
Others	—	**—**
Other items:		
Other items consist of the following non-cash elements in income:		
Exchange differences	222	**259**
Share-based compensation	5	**7**
Value adjustments/impairment financial assets	—	**(1)**
Non-cash interest cost due to applying effective interest method	—	**3**
Others	—	**(7)**
	227	**261**

Table of Contents

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

($ in millions, unless otherwise stated)	Common stock	Capital in excess of par value	Accumu-lated deficit	Accumulated other comprehensive income (loss): Currency translation differences	Unrealized gain (loss) on available-for-sale securities	Unrecog-nized net periodic pension cost	Changes in fair value of cash flow hedges	Total accum. other compr. income	Total stock-holders equity	Non-controlling interests	Total equity
Balance as of December 31, 2009	42	5,555	(5,219)	520	—	32	—	552	930	198	1,128
Net income (loss)			(345)						(345)	9	(336)
Components of other comprehensive income:									—		—
Recognition of funded status pension benefit plan									—		—
Unrealized gain (loss) on available for sale securities											
Foreign currency translation adjustments				23		(2)		21	21		21
Reclassifications into income									—		—
Income tax on current period changes									—		—
Share-based compensation plans		7							7		7
Dividends distributed									—		—
Balance as of April 4, 2010	42	5,562	(5,564)	543	—	30	—	573	613	207	820

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

[Table of Contents](#)

Condensed notes to the interim consolidated financial statements
of NXP Semiconductors N.V. (unaudited)
($ in millions, unless otherwise stated)

1. Introduction

The consolidated financial statements include the accounts of NXP Semiconductors N.V. and its consolidated subsidiaries. Unless the context otherwise requires, all references herein to "NXP", "the Company" and "we" are to NXP Semiconductors N.V. and its consolidated subsidiaries, including NXP B.V.

The Company is a holding company, whose only material assets are the direct ownership of 100% of the shares of NXP B.V. NXP's headquarters are in the Netherlands and, in its current form, NXP was established on September 29, 2006, when Koninklijke Philips Electronics N.V. ("Philips") sold 80.1% of its semiconductors businesses to a consortium of private equity investors (the "Private Equity Consortium") in a multi-step transaction. In order to carry out this transaction, Philips transferred 100% of its semiconductors business to a separate legal entity on September 28, 2006. Subsequently, on September 29, 2006, all of the issued and outstanding shares of this separate legal entity were acquired by NXP. We refer to our acquisition by the Company as the "Formation".

In compliance with FASB ASC Topic 280 "Segment Reporting" (formerly SFAS 131), four segments are distinguished as business segments. NXP is structured in two market-oriented business segments: High Performance Mixed Signal ("HPMS") and Standard Products ("SP"), which each represent a reportable operating segment. The two other reportable segments are Manufacturing Operations and Corporate and Other.

Reverse stock split

The Company has amended its Articles of Association on July   , 2010 in order to effect a 1-for-20 reverse stock split of its shares of common stock. Basic and diluted weighted average shares outstanding and earnings per share have been adjusted retrospectively to reflect the reverse stock split in all periods presented. The exercise price and the number of shares of common stock issuable under the Company's share based compensation plans were proportionately adjusted retrospectively to reflect the reverse stock split. In addition, authorized and issued share capital has been adjusted retrospectively to reflect the reverse stock split.

Conversion

In addition to the reverse stock split, the Company has also amended its Articles of Association in order to convert a certain percentage of previously authorized common stock to preferred stock. The final result is that the stock capital of the Company as of July   , 2010 consists of 1,076,257,500 authorized shares, including 430,503,000 authorized shares of common stock (of which 215,251,500 are issued), as well as 645,754,500 authorized but unissued shares of preferred stock.

Accounting policies

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). Historical cost is used as the measurement basis unless otherwise indicated.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Significant accounting policies and new standards after 2009

Principles for consolidated financial statements

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

Condensed notes to the interim consolidated financial statements
of NXP Semiconductors N.V. (unaudited)—(Continued)
($ in millions, unless otherwise stated)

Accounting standards adopted in 2010

In 2010, the Company adopted the following standards that were issued by the FASB and that were to various degrees of relevance to the Company.

SFAS 166 "Accounting for Transfers of Financial Assets. An amendment of FASB Statement No. 140" Currently FASB ASC Topic 860 "Transfers and Servicing"

On 12 June 2009, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 166.

The most significant amendments resulting from Statement 166 consist of the removal of the concept of a qualifying special-purpose entity (QSPE) from Statement 140, and the elimination of the exception for QSPEs from the consolidation guidance of FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities (FIN 46(R)).

In addition, Statement 166 amends and clarifies sale accounting and requires among others that a transferor recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a sale while eliminating the practicability exception for the measurement at fair value. Statement 166 is effective as of 1 January 2010 for the Company and was adopted as of that date.

The Company has evaluated the consequences of this Statement and concluded since it is currently not involved with any QSPE this element of the Statement does not affect NXP. With regard to the transfer of assets guidance, the Statement may affect future transactions, if any.

SFAS 167 "Amendments to FASB Interpretation No, 46(R)" (Currently FASB ASC Topic 810 "Consolidation"

On 12 June 2009, the FASB issued Statement No. 167, which (1) addresses the effects of eliminating the qualifying special-purpose entity (QSPE) concept from FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities and (2) modifies some provisions about the application of certain key provisions of FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities (FIN 46(R)). Statement 167 is effective for NXP as of 1 January 2010 and requires among other things a qualitative rather than a quantitative analysis to determine the primary beneficiary of a Variable Interest Entity (VIE) and amends certain guidance in FIN 46(R) for determining whether an entity is a VIE, which may change an enterprise's assessment of which entities with which it is involved are VIEs. Furthermore, it requires continuous assessments of whether an enterprise is the primary beneficiary of a VIE.

NXP has reconsidered its consolidation conclusions for all entities with which it is involved. Our conclusion is that the new guidance will not result in the consolidation of new entities or deconsolidation of entities.

New standards after January 2010

In 2010 there were no new accounting pronouncements issued that were of relevance to the Company.

Adjustments to previously reported financial statements

Amounts previously reported in the consolidated balance sheet as of December 31, 2009 have been adjusted to correct immaterial offset errors in the current and deferred tax balances. These adjustments are set out in the table below.

Condensed notes to the interim consolidated financial statements of NXP Semiconductors N.V. (unaudited)—(Continued) ($ in millions, unless otherwise stated)

Consolidated balance sheet for the period ending December 31, 2009:

($ in millions)	As originally reported	Adjustments	As currently reported
Other receivables	113	(54)	59
Other current assets	227	45	272
Total current assets	2,522	(9)	2,513
Other non-current assets	604	(510)	94
Total non-current assets	6,670	(510)	6,160
Total assets	9,192	(519)	8,673
Accrued liabilities	(756)	54	(702)
Total current liabilities	(2,307)	54	(2,253)
Long-term provisions	(925)	465	(460)
Total non-current liabilities	(5,757)	465	(5,292)

3. Information by segment and main country

As from 2010, the Company reorganized its prior segments into four reportable segments in compliance with FASB ASC Topic 280 (formerly SFAS 131).

The Company is structured in two market-oriented business segments, High-Performance Mixed-Signal and Standard Products and two other reportable segments, Manufacturing Operations and Corporate and Other.

- The High-Performance Mixed-Signal 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.
- The Standard Products business segment offers standard products for use across many application markets, as well as application-specific standard products predominantly used in application areas such as mobile handsets, computing, consumer and automotive.
- Our manufacturing operations are conducted through a combination of wholly owned manufacturing facilities, manufacturing facilities operated jointly with other semiconductor companies and third-party foundries and assembly and test subcontractors, which together form our Manufacturing Operations segment. While the main function of our Manufacturing Operations segment is to supply products to our High-Performance Mixed-Signal and Standard Products segments, external revenues and costs in this segment are to a large extent derived from sales of wafer foundry and packaging services to our divested businesses in order to support their separation and, on a limited basis, their ongoing operations. As these divested businesses develop or acquire their own foundry and packaging capabilities, our revenues from these sources are expected to decline.
- The Corporate and Other segment includes unallocated research expenses not related to any specific business segment, those corporate restructuring charges not allocated to High-Performance Mixed-Signal and Standard Products and other expenses, as well as some operations not included in our two business segments, such as manufacturing, marketing and selling of can tuners through our joint venture NuTune and software solutions for mobile phones, the “NXP Software”.

Condensed notes to the interim consolidated financial statements
of NXP Semiconductors N.V. (unaudited)—(Continued)
($ in millions, unless otherwise stated)

On February 8, 2010, we divested a major portion of our former Home segment to Trident Microsystems, Inc. (“Trident”). For the previously reported periods, the divested operations remained consolidated in our consolidated accounts under a separate new reporting segment named “Divested Home Activities”. The remaining part of the former Home segment has been moved into the segments High-Performance Mixed-Signal and Corporate and Other.

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

Sales, R&D and income from operations

	For the quarter ended							
	March 29, 2009				April 4, 2010			
	Sales	Research and development expenses	Income (loss) from operations		Sales	Research and development expenses	Income (loss) from operations	
			amount	as a % of sales			amount	as a % of sales
HPMS	373	94	(133)	(35.7)	**695**	**113**	**51**	**7.3**
SP	151	10	(62)	(41.1)	**279**	**12**	**24**	**8.6**
Manufacturing Operations(*)	61	5	(49)	(80.3)	**109**	**5**	**(16)**	**(14.7)**
Corporate and Other	40	19	(27)	NM(1)	**35**	**8**	**(28)**	**NM(1)**
Divested Home activities	77	59	(76)	(98.7)	**47**	**16**	**(31)**	**(66.0)**
Total	702	187	(347)	(49.4)	**1,165**	**154**	**0**	**0**

(*) For the first quarter of 2010, Manufacturing Operations supplied $301 million (for the first quarter of 2009: $167 million) which have been eliminated in the above presentation.
(1) Not meaningful

Sales per geographic area

	For the quarter ended	
	March 29, 2009	April 4, 2010
China	196	**351**
Netherlands	22	**32**
Japan	25	**57**
United States	57	**86**
Singapore	72	**122**
Germany	61	**106**
Austria	36	**56**
South Korea	29	**49**
Other Countries	204	**306**
Total	702	**1,165**

The allocation is based on customer location.

Condensed notes to the interim consolidated financial statements
of NXP Semiconductors N.V. (unaudited)—(Continued)
($ in millions, unless otherwise stated)

4. Acquisitions and divestments

Trident

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

At December 31, 2009 all assets and liabilities to be sold to Trident were classified as assets held for sale, which resulted in an impairment loss of $69 million on the write-down of the assets to fair value (refer to note 7).

Included in the assets held for sale was a net cash payment of $47 million. The total consideration received related to the above transaction was a receipt of a 60% shareholding in Trident valued at $177 million, based on quoted market price at completion date and was included in our balance sheet as "Investments in equity accounted investees". The transaction resulted in a net loss of $25 million, reported under other income (expense) during the quarter ended April 4, 2010.

5. Restructuring charges

The following table presents the changes in the position of restructuring liabilities in the first quarter of 2010 by segment:

	Balance January 1, 2010	Additions	Utilized	Released	Other changes(1)	Balance April 4, 2010
High-Performance Mixed-Signal	46	—	(2)	1	—	45
Standard Products	5	—	(1)	(3)	3	4
Manufacturing Operations	144	—	(25)	—	(17)	102
Corporate and Other	96	1	(26)	(8)	12	75
Divested Home activities	22	4	(15)	1	(12)	—
	313	5	(69)	(9)	(14)	226

(1) Other changes are primarily related to translation differences and reclassifications between segments

The total restructuring liability as of April 4, 2010 of $226 million is classified in the balance sheet under provisions for $215 million (short-term: $186 million; long-term: $29 million) and under accrued liabilities for $11 million.

In 2010 there were no new restructuring projects initiated.

In the first three months of 2010 and 2009 the restructuring charges mainly related to the ongoing Redesign Program of the Company, which was initiated in September 2008, for which in 2010 a charge of $ 5 million was recorded in income from operations. Furthermore, releases of restructuring liabilities were recorded for as amount of $9 million in 2010 (in the first quarter of 2009: $3 million).

In addition, restructuring related costs amounting to $18 million were directly charged to income from operations in the first quarter of 2010 (in the first quarter of 2009: $38 million).

Condensed notes to the interim consolidated financial statements
of NXP Semiconductors N.V. (unaudited)—(Continued)
($ in millions, unless otherwise stated)

On aggregate, the net restructuring charges recorded in the income statement for the first quarter of 2010 amounted to $14 million (for the first quarter of 2009: $35 million).

The components of restructuring charges recorded in the first quarter of 2010 and 2009 are as follows:

	Q1 2009	Q1 2010
Personnel lay-off costs	38	**5**
Write-down of assets	—	**18**
Other restructuring costs	—	**—**
Release of excess provisions/accruals	(3)	**(9)**
Net restructuring charges	35	**14**

The net restructuring costs included in Income from Operations categorized by segment are as follows:

	Q1 2009	Q1 2010
High-Performance Mixed-Signal	2	**(1)**
Standard Products	—	**(2)**
Manufacturing Operations	16	**2**
Corporate and Other	16	**11**
Divested Home Activities	1	**4**
Total	35	**14**

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

	Q1 2009	Q1 2010
Cost of sales	17	**(4)**
Selling expenses	—	**(2)**
General and administrative expenses	12	**19**
Research & development expenses	6	**1**
Other income and expenses	—	
Net restructuring charges	35	**14**

6. Income taxes

The effective income tax rates for the three months ended April 4, 2010 and March 29, 2009 were (2.6%) and (1.2%) respectively. The higher effective tax rate for the three months ended April 4, 2010 compared to the three months ended March 29, 2009 in the prior year was primarily due to a decrease in losses in tax jurisdictions for which a full valuation allowance is recorded in both quarters ended April 4, 2010 and March 29, 2009.

7. Investments in equity-accounted investees

The Company's investment in equity-accounted investees increased from $43 million as of December 31, 2009 to $194 million at the end of April 4, 2010, which was entirely due to acquiring a 60% shareholding in Trident Microsystems, Inc.

**Condensed notes to the interim consolidated financial statements
of NXP Semiconductors N.V. (unaudited)—(Continued)
($ in millions, unless otherwise stated)**

The Company's share in income of equity accounted investees for the three months ended April 4, 2010 of $26 million related entirely to our shareholding in Trident which was included as from February 8, 2010. For the three months ended March 29, 2009, the sale of the Company's 20% shareholding in the ST-NXP Wireless joint venture resulted in a gain of $72 million in connection with the release of translation differences.

8. Assets and liabilities held for sale

The following table presents the major classes of assets and liabilities that will be sold in the near future.

Assets and liabilities presented in the table below represents assets and liabilities from the former business segment Home which were sold to Trident on February 8, 2010.

	Q4 2009	Q1 2010
Accounts receivable	—	**—**
Inventories	42	**33**
Property, plant and equipment	11	**—**
Intangible assets including goodwill	149	**—**
Other assets	—	**—**
Impairment to fair value less cost to sell	(69)	**—**
Assets held for sale	133	**33**
Accounts payable	—	**—**
Provisions	—	**—**
Other liabilities	(2)	**(29)**
Liabilities held for sale	(2)	**(29)**

These assets held for sale as of December 31, 2009 were reported net of impairment charges of $69 million. The fair value, less cost to sell these assets, was a level 2 measurement based on the quoted market prices of the Trident cost as adjusted for cost to sell the assets.

The total consideration of the above transaction was a net cash payment of $47 million and the receipt of a 60% shareholding in Trident valued at $177 million under equity accounted investees. All assets and liabilities were transferred to Trident, except inventories ($33 million) which will be delivered gradually during 2010 and for which a liability was recorded for an amount of $29 million in promissory notes, resulting in a net loss of $25 million, reported under "Other business income and expense".

In addition to the assets and liabilities classified as held for sale as presented in the table above, which related to the former Home segment sold to Trident, other assets held for sale on April 4, 2010 amounted to a book value of $13 million, after an additional write-down of $29 million (as of the end of 2009, $11 million net of a write-down of $5 million). These assets held for sale related to real estate and other property that is held for sale following exits or planned exits as a result of the Redesign Program. The fair value of these assets classified as held for sale has been based on quoted broker values and is therefore a level 2 measurement.

Total assets held for sale at April 4, 2010 were $46 million (as of end of 2009: $144 million) whereas the liabilities amounted to $29 million at the end of April 4, 2010 (As of end of 2009: $2 million).

Condensed notes to the interim consolidated financial statements
of NXP Semiconductors N.V. (unaudited)—(Continued)
($ in millions, unless otherwise stated)

9. 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.

Inventories are summarized as follows:

	Q4 2009	Q1 2010
Raw materials and supplies	310	**262**
Work in process	142	**147**
Finished goods	90	**69**
	542	**478**

A portion of the finished goods stored at customer locations under consignment amounted to $23 million as of April 4, 2010 (December 31, 2009: $23 million).

The amounts recorded above are net of the allowance for obsolescence.

10. Pensions

Our employees participate in employee pension plans in accordance with the legal requirements, customs and the local situation in the respective countries. Our plans included defined-benefit pension plans, defined-contribution plans and multi-employer plans.

The benefits provided by defined-benefit plans are based on employees’ years of service and compensation levels. Contributions are made by the Company, as necessary, to provide assets sufficient to meet the benefits payable to defined-benefit pension plan participants.

These contributions are determined based upon various factors, including funded status, legal and tax considerations as well as local customs. The Company funds certain defined-benefit pension plans as claims are incurred.

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 funded strategic asset allocation.

The Trident transaction did not result in a curtailment or settlement as the impact was not deemed material (according FASB ASC Topic 715, formerly SFAS No 88). Accordingly, the net periodic pension cost remained unchanged.

Condensed notes to the interim consolidated financial statements of NXP Semiconductors N.V. (unaudited)—(Continued) ($ in millions, unless otherwise stated)

The components of net periodic pension costs were as follows:

	Q1 2009	Q1 2010
Service cost	4	**3**
Interest cost on the projected benefit obligation	4	**4**
Expected return on plan assets	(2)	**(2)**
Net amortization of unrecognized net assets/liabilities	—	**—**
Net actuarial loss recognized	—	**—**
Curtailments & settlements	—	**—**
Other	—	**—**
Net periodic cost	6	**5**

The Company expects to make cash contributions other than benefit payments in relation to defined-benefit plans amounting to $4 million in 2010.

11. Long-term debt

	Range of interest rates	Average rate of interest	Amount outstanding April 4, 2010	Due within 1 yr	Due after Q1, 2011	Due after Q1, 2015	Average remaining term (in years)	Amount outstanding December 31, 2009
Euro notes	**3.5% - 10%**	**4.8%**	**1,571**	**—**	**1,571**	**403**	**4.0**	1,666
USD notes	**3.0% - 10%**	**6.5%**	**2,988**	**—**	**2,988**	**774**	**4.3**	3,000
Liabilities arising from capital lease transactions	**1.0% - 14.8%**	**6.7%**	**4**	**—**	**4**	**1**	**3.5**	4
Other long-term debt	**0.9% - 1.5%**	**1.2%**	**3**	**—**	**3**	**2**	**4.1**	3
			4,566	**—**	**4,566**	**1,180**	**4.2**	4,673

During 2009, the book value of total debt was reduced from $6,367 million to $5,283 million. A combination of cash buy-backs and exchange offers resulted in a total debt reduction of $1,331 million. The total amount of cash used as a result of the debt buy-backs amounted to $286 million. The total gain on these transactions recognized in 2009 (net of issuance costs) was $1,020 million of which $507 million was recognized in the second quarter and $513 million in the third quarter. In the first quarter of 2010, the Company, through a privately negotiated transaction, purchased its outstanding debt with a book value of $14 million for a consideration of $12 million.

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

Other effects on the total long-term debt position relate to the translation of EUR notes outstanding.

Euro notes

The Euro notes outstanding per the end of April 4, 2010 consist of the following three series:

– € 10% super priority notes due July 15, 2013;

– € floating rate senior secured notes due October 15, 2013; and

– € 8 5/8 % senior notes due October 15, 2015.

Condensed notes to the interim consolidated financial statements of NXP Semiconductors N.V. (unaudited)—(Continued) ($ in millions, unless otherwise stated)

USD notes

The USD notes consist of the following four series:

– $ 10% super priority notes due July 15, 2013;

– $ floating rate senior secured notes due October 15, 2013;

– $ 7 7/8% senior secured notes due October 15, 2014; and

– $ 9 1/2% senior notes due October 15, 2015.

Credit facilities

At December 31, 2009, the Company had a senior secured revolving credit facility of $720 million (denominated: EUR 500 million) entered into as from September 29, 2006 (the "Secured Revolving Credit Facility"), in order to finance the working capital requirements and general corporate purposes of which $120 million was unused. This committed revolving credit facility has a tenor of 5 years and expires in 2012.

Although the revolving credit facility expires in 2012, the Company has the flexibility of drawing and repaying under this facility and therefore the amount drawn is classified under short-term debt.

All of the Guarantors of the secured notes described above are also guarantor of our obligations under this committed revolving credit facility and similar security (on a first priority basis) as granted under the secured notes has been granted for the benefit of the lenders under this facility.

On April 15, 2010, the Company entered into a commitment letter under which various lenders agreed to enter into a "forward start" revolving credit facility to refinance the Company's existing senior secured revolving credit facility upon its maturity.

Certain terms and Covenants of the Euro and USD notes and the credit facilities

The Company is not required to make mandatory redemption payments or sinking fund payments with respect to the notes.

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

Certain portions of long-term and short-term debt have been secured by collateral on substantially all of the Company's assets and of certain of its subsidiaries as of April 4, 2010 in the amount of $3,983 million (as of March 29, 2009: $4,501 million).

The notes are fully and unconditionally guaranteed jointly and severally, on a senior basis by certain of the Company's current and future material wholly-owned subsidiaries ("Guarantors").

Pursuant to various security documents related to the above mentioned secured notes and the Secured 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;

Condensed notes to the interim consolidated financial statements of NXP Semiconductors N.V. (unaudited)—(Continued) ($ in millions, unless otherwise stated)

(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.

12. Contingent liabilities

Guarantees

As of April 4, 2010, there were no material guarantees recognized by the Company.

Capital contributions

NXP has a contractual agreement to contribute $18 million in its ASEN venture if our venture partner contributes its contractually agreed amounts. We expect this contribution may occur in 2010.

Other commitments

The Company has made certain commitments to SSMC, whereby the Company is obligated to make cash payments to SSMC should it fail to purchase an agreed-upon percentage of the total available capacity at

SSMC's fabrication facilities if overall SSMC utilization levels drop below a fixed proportion of the total available capacity. In the periods presented in these financial statements no such payments were made. Furthermore, other commitments exist with respect to long-term obligations for a joint development contract with Catena Holding BV of $9 million.

Environmental remediation

The Company accrues for losses associated with environmental obligations when such losses are probable and reasonably estimable.

At the end of the first quarter of 2010 the Company has not incurred material environmental remediation obligations.

Litigation

The Company and certain of its businesses are regularly involved as plaintiffs or defendants in claims and litigation relating to matters such as commercial transactions and intellectual property rights. In addition, divestments sometimes result in, or are followed by, claims or litigation by either party. From time to time, the Company and certain of its businesses also are subject to alleged patent infringement claims, and rarely participate in settlement discussions. Although the ultimate disposition of asserted claims and proceedings cannot be predicted with certainty, it is the belief of the Company's management that the outcome of any such claims, either individually or on a combined basis, will not have a material adverse effect on the Company's consolidated financial position. However, such outcomes may be material to the consolidated statement of operations of the Company for a particular period.

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

13. Fair value of financial assets and liabilities

The estimated fair value of financial instruments has been determined by the Company using available market information and appropriate valuation methods. The estimates presented are not necessarily indicative of the amounts that the Company could realize in a current market exchange or the value that will ultimately be realized by the Company upon maturity or disposal. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. FASB ASC Topic 820 (formerly SFAS 157 "Fair Value Measurements") requires quantitative disclose for financial assets and liabilities that are measured at fair value on a recurring basis. In the table below the column "Fair value hierarchy" the indicated level explains how fair value measurements have been arrived at.

- Level 1 measures fair value based on quoted prices in active markets for identical assets or liabilities;
- Level 2 measures fair value based on significant other observable inputs such as quoted prices for similar assets or liabilities in markets, observable interest rates or yield curves, etc.;

Condensed notes to the interim consolidated financial statements of NXP Semiconductors N.V. (unaudited)—(Continued) ($ in millions, unless otherwise stated)

- Level 3 measures of fair value are based on unobservable inputs such as internally developed or used techniques.

	Fair value hierarchy	December 31, 2009		April 4, 2010	
		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Assets;					
Securities*)	1	—	—	**—**	**—**
Other financial assets*)	1	35	35	**35**	**35**
Derivative instruments—assets*)	2	2	2	**8**	**8**
Liabilities:					
Short-term debt	2	(610)	(610)	**(611)**	**(611)**
Long-term debt (bonds)	1	(4,666)	(4,019)	**(4,559)**	**(4,391)**
Other long-term debt	2	(7)	(7)	**(7)**	**(7)**
Derivative instruments—liabilities*)	2	(9)	(9)	**(5)**	**(5)**

*) Represent assets and liabilities measured at fair value on a recurring basis.

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

Cash and cash equivalents, accounts receivable and payable-current

The carrying amounts approximate fair value because of the short maturity of these instruments.

Other financial assets and derivative instruments

For other financial assets, fair value is based upon the quoted market prices.

The level 2 measures fair value of financial derivative instruments as the net present value of such derivative instruments future cash flows. Applied yield curves are based on consensus pricing services. Contributors to consensus pricing services are financial markets participants, with executable quotes. It should be recognized, however, that prices from consensus services on themselves are not executable.

Debt

The fair value is estimated on the basis of the quoted market prices for certain issues, or on the basis of discounted cash flow analyses based upon the incremental borrowing rates for similar types of borrowing arrangements with comparable terms and maturities. Accrued interest is included under accounts payable and not within the carrying amount or estimated fair value of debt.

14. Other financial instruments, derivatives and currency risk

The Company does not purchase or hold financial derivative instruments for trading purposes. Currency fluctuations may impact the Company's financial results. The Company has a structural currency mismatch between costs and revenues, as a high proportion of its production, administration and research and development costs is denominated in EURO's while a higher proportion of its revenues is denominated in U.S. dollars or U.S. dollar-related currencies.

Condensed notes to the interim consolidated financial statements of NXP Semiconductors N.V. (unaudited)—(Continued) ($ in millions, unless otherwise stated)

The Company's transactions are denominated in a variety of currencies. The Company uses financial instruments to reduce its exposure to the effects of currency fluctuations. The Company generally hedges foreign currency exposures in relation to transaction exposures, such as receivables/payables resulting from such transactions and part of anticipated sales and purchases. The Company generally uses forwards to hedge these exposures.

Changes in the fair value of foreign currency accounts receivable/payable as well as changes in the fair value of the hedges of accounts receivable/payable are reported in the statement of operations under cost of sales. The hedges related to anticipated transactions are recorded as cash flow hedges. The results from such hedges were deferred in equity until 2007. From December 2007 going forward, the application of cash flow hedge accounting for foreign currency risks is limited to transactions that represent a substantial currency risk that could materially affect the financial position of the Company. Consequently, the application of cash flow hedge accounting seldom occurs. Changes in the fair value of these forward currency transactions that are not designated to anticipated transactions are immediately reported in the statement of operations under cost of sales.

Derivative instruments relate to

- hedged balance sheet items,
- hedged anticipated currency exposures with a duration of up to 12 months.

The derivative assets at the end of April 4, 2010 amounted to $8 million (December 31, 2009: $2 million) whereas derivative liabilities amounted to $5 million (2009: $9 million) and are included in other current assets and accrued liabilities in the consolidated balance sheets.

Currency risk

A higher proportion of our revenues is in U.S. dollars or U.S. dollar- related currencies, compared to our costs. Accordingly, our results of operations may be affected by changes in foreign exchange rates, particularly between the euro and U.S. dollar. A strengthening of the euro against U.S. dollar during any reporting period will reduce income from operations of NXP.

It is NXP's policy that transaction exposures are hedged. Accordingly, the Company's organizations identify and measure their exposures from transactions denominated in other than their own functional currency.

We calculate our net exposure on a cash flow basis considering balance sheet items, actual orders received or made and anticipated revenues and expenses.

Committed foreign currency exposures are required to be fully hedged using forward contracts. The net exposures related to anticipated transactions are hedged with a combination of forward transactions up to a maximum tenor of 12 months and a cash position in both euro and dollar. The currency exposure related to our bonds has not been hedged.

Condensed notes to the interim consolidated financial statements of NXP Semiconductors N.V. (unaudited)—(Continued) ($ in millions, unless otherwise stated)

The table below outlines the foreign currency transactions outstanding per April 4, 2010:

	Aggregate Contract amount buy/ (sell)[1)]	Weighted Average Tenor (in months)	Fair value
Foreign currency forward contracts[1)]			
Euro (US dollar)	(71)	2	(1.5)
(US dollar) Japanese Yen	(1)	1	—
Great Britain pound (US dollar)	(19)	2	(0.2)
(US dollar) Singapore dollar	(18)	1.5	0.13

1) USD equivalent

Interest rate risk

NXP has significant outstanding debt, which creates an inherent interest rate risk. On October 12, 2006 and on April 2, 2009 NXP issued several series of notes with maturities ranging from 4 to 9 years and a mix of floating and fixed rates. The euro and U.S. dollar denominated notes represent 34% and 66% respectively of the total notes outstanding.

The following table summarizes the outstanding notes per April 4, 2010:

	Principal amount*	Fixed/ floating	Current coupon rate	Maturity date
Senior Secured Notes	€ 843	Floating	3.4340	2013
Senior Secured Notes	$ 1,201	Floating	3.0013	2013
Senior Secured Notes	$ 845	Fixed	7.8750	2014
Senior Notes	€ 297	Fixed	8.6250	2015
Senior Notes	$ 774	Fixed	9.5000	2015
Super Priority Notes	€ 29	Fixed	10.0000	2013
Super Priority Notes	$ 221	Fixed	10.0000	2013

* amount in millions

A sensitivity analysis shows that if interest rates were to increase/decrease instantaneously by 1% from the level of April 4, 2010 all other variables held constant, the annualized net interest expense would increase/decrease by $23 million. This impact is based on the outstanding net debt position as per April 4, 2010.

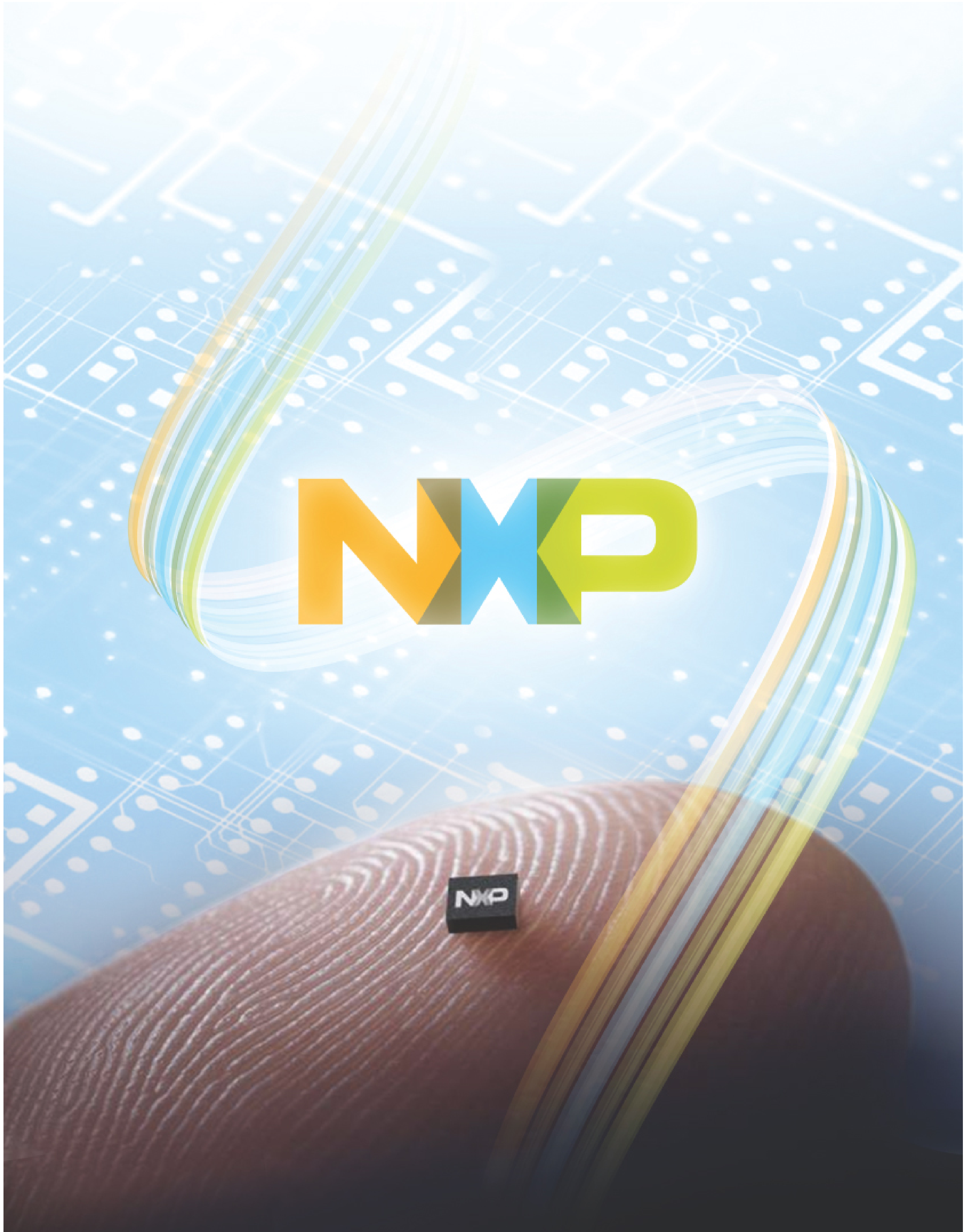

NXP
NXP

Table of Contents

Shares

Common Stock

PROSPECTUS

Until , all dealers that effect transactions in these securities, whether or not participating in this offer, may be required to deliver a prospectus. This is in addition to the dealers' obligations to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 6. Indemnification of Directors and Officers.

Under Dutch law, indemnification provisions may be included in the articles of association and, accordingly, our amended articles of association that will be in effect upon the completion of this offering provide that we shall indemnify any of our directors against all adverse financial effects incurred by such person in connection with any action, suit or proceeding if such person acted in good faith and in a manner that could reasonably be believed to be in or not opposed to our best interests. In addition, upon completion of this offering, we may enter into indemnification agreements with our directors and officers.

Item 7. Recent Sales of Unregistered Securities.

The Management Foundation, a foundation organized under the laws of the Netherlands, established to implement our management co-investment program, holds 600,000 of our shares of common stock for the benefit of the designated participants in the program. Pursuant to this program, selected members of our management, including our chief executive officer, the members of our management team and the other NXP executives, have purchased depositary receipts for shares of common stock issued by the Management Foundation, each representing economic interests in one share of our common stock. These interests include any dividends and other proceeds or liquidation entitlements, but do not include any voting rights, which are retained by the Management Foundation in its capacity as stockholder. Participants in our management co-investment program are selected by the nominating and compensation committee, with respect to participants who are on our board, and by the chief executive officer, with respect to other participants.

From October 2007 to December 2008, we granted approximately 135 members of management and executive officers, stock options under which, such members of management and executive officers, were given the right to purchase an aggregate of approximately 42.5 million depositary receipts representing an aggregate of approximately 42.5 million shares of our common stock upon exercise and payment of the exercise price, after these rights vested, and only upon a sale of shares by the Private Equity Consortium or upon a change of control (in particular, upon the Private Equity Consortium no longer holding 30% of our common stock). The exercise prices for these options ranged from €20.00 to €50.00 per stock option. As of December 31, 2008, rights to purchase depositary receipts representing an aggregate of approximately 33 million shares of common stock were outstanding. Most of these outstanding shares of common stock were cancelled under our new stock options exchange program of May 2009, which is described below. The remaining lapsed as a result of the holders of stock options having left our employment. Approximately 4.5 million stock options entitling to the right to purchase depositary receipts representing an aggregate of approximately 4.5 million shares of our common stock have not been exchanged and are still outstanding as per December 31, 2009.

From October 2007 to April 4, 2010, we granted approximately 1,045 non-executive employees equity rights under which such non-executive employees were given the right to acquire an aggregate of approximately 474,722 shares of common stock for no consideration after the rights vested and upon a change of control (in particular, upon the Private Equity Consortium no longer holding 30% of our common stock).

Since neither our stock options nor our equity rights and shares of common stock were traded on any stock exchange, and exercise is dependent upon certain conditions, employees can receive no value nor derive any benefit from holding these options or rights without the fulfillment of the conditions for exercise. We have concluded that the fair value of the share-based payments can best be estimated by the use of a binomial option-pricing model because such model takes into account the various conditions and subjective assumptions that determine the estimated value. These assumptions are discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Share-based Compensation", included elsewhere in this registration statement.

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

In May 2009, we executed a stock options exchange program, under which new stock options were granted to eligible individuals in exchange for their existing stock options. By accepting the new stock options, all existing stock options (vested and unvested) owned by the eligible individuals were cancelled. Under this program, an aggregate number of approximately 21 million stock options, representing the right to purchase depositary receipts for approximately 21 million shares of common stock were exchanged into approximately 7.5 million stock options entitling to purchase depositary receipts for approximately 7.5 million shares of common stock. In addition, an average of approximately 6.5 million new stock options representing the right to purchase depositary receipts for approximately 6.5 million shares of common stock have been granted to new employees. The exercise prices for these new stock options ranged from €2.00 to €40.00 per stock option. In certain cases, the vesting schedules of the options were also revised.

The current option pool available for stock options grants, as determined by our stockholders, is for an amount of stock options representing, in the aggregate, up to 21.8 million common shares in our share capital. As of December 31, 2009, a total of approximately 19 million stock options were granted and were outstanding, under the management equity plan to a group of approximately 125 (current and former) NXP executives (which includes our chief executive officer and the other members of the management team). These stock options can be exercised at exercise prices which vary from €2.00 to €50.00 per stock option.

The issuances described above were effected without registration in reliance on (1) the exemptions afforded by Section 4(2) of the Securities Act, because the sales did not involve any public offering, (2) Rule 701 promulgated under the Securities Act for shares that were sold under a written compensatory benefit plan or contract for the participation of our employees, directors, officers, consultants and advisors, and (3) Regulation S promulgated under the Securities Act relating to offerings of securities outside of the United States.

Item 8. Exhibits and Financial Statement Schedules.

Exhibits

See exhibit index which is incorporated herein by reference.

Financial Statements Schedules

All information for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission is either included in the financial statements or is not required under the related instructions or is inapplicable, and therefore has been omitted.

Item 9. Undertakings

(a) The undersigned registrant hereby undertakes to provide to the several underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the several underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by

a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

[Table of Contents](#)

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has duly reasonable grounds to believe that it meets all of the requirements for filing on Form F–1 and has duly caused this amendment to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Eindhoven, the Netherlands on June 30, 2010.

NXP Semiconductors N.V.

By: *

Name: **Richard L. Clemmer**
Title: ***Chief Executive Officer***

Pursuant to the requirements of the Securities Act of 1933, as amended, this amendment to the registration statement has been signed below by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
* **Richard L. Clemmer**	***Chief Executive Officer and Member of the Board of Management*** (Principal executive officer)	June 30, 2010
* **Karl-Henrik Sundström**	***Chief Financial Officer and Member of the Board of Management*** (Principal financial and accounting officer)	June 30, 2010
* **Johannes P. Huth**	***Member of the Supervisory Board***	June 30, 2010
* **Ian Loring**	***Member of the Supervisory Board***	June 30, 2010
* **Richard Wilson**	***Member of the Supervisory Board***	June 30, 2010

*By: /s/ Guido Dierick
Guido Dierick
Attorney-in-Fact

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned, the duly authorized representative in the United States of NXP Semiconductors N.V., has signed this amendment to the registration statement in San Jose, CA, on June 30, 2010.

NXP Semiconductors N.V.

Authorized Representative in the United States

By: /s/ JAMES N. CASEY
Name: **James N. Casey**

EXHIBIT INDEX

Exhibit Number	Description of Document
1.1†	Form of Underwriting Agreement among NXP Semiconductors N.V. and Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated
3.1†	Certificate of Incorporation
3.2†	Articles of Association of NXP Semiconductors N.V.
4.1	Senior Secured Indenture dated as of October 12, 2006 among NXP B.V. and NXP Funding LLC as Issuers, each of the Guarantors named on the signature pages thereto, Deutsche Bank Trust Company Americas as Trustee, Morgan Stanley Senior Funding Inc. as Global Collateral Agent and Mizohu Corporate Bank Ltd as Taiwan Collateral Agent (incorporated by reference to Exhibit 4.1 of the Registration Statement on Form F-4 of NXP B.V. filed on April 23, 2007 (File No. 333-142287))
4.2*	Super Priority Notes Indenture dated as of April 2, 2009 among NXP B.V. and NXP Funding LLC as Issuers, each of the Guarantors named on the signature pages thereto and Law Debenture Trust Company of New York as Trustee
4.3	Senior Unsecured Indenture dated as of October 12, 2006 among NXP B.V. and NXP Funding LLC as Issuers, each of the Guarantors named on the signature pages thereto and Deutsche Bank Trust Company Americas as Trustee (incorporated by reference to Exhibit 4.2 of the Registration Statement on Form F-4 of NXP B.V. filed on April 23, 2007 (File No. 333-142287))
4.4	Collateral Agency Agreement dated as of September 29, 2006 among NXP Semiconductors N.V. (formerly known as KASLION Acquisition B.V.) NXP B.V., Guarantors named therein, Secured Parties as defined therein and from time to time parties thereto, Morgan Stanley Senior Funding, Inc. as Global Collateral Agent and Mizuho Corporate Bank Ltd. As Taiwan Collateral Agent (incorporated by reference to Exhibit 4.3 of the Registration Statement on Form F-4 of NXP B.V., filed on April 23, 2007 (File No. 333-142287))
4.5†	Form of amended and restated shareholders' agreement among NXP Semiconductors N.V., Koninklijke Philips Electronics N.V., KASLION Holding B.V., Stichting Management Co Investment NXP and NXP B.V.
4.6†	Form of Registration Rights Agreements
5.1	Opinion of De Brauw Blackstone Westbroek N.V. regarding the validity of the shares of common stock being registered
10.1**	Intellectual Property Transfer and License Agreement dated as of September 28, 2006 between Koninklijke Philips Electronics N.V. and NXP B.V.
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.
10.3	Secured Revolving Credit Facility dated as of September 29, 2006 among NXP Semiconductors N.V., NXP B.V. and NXP Funding LLC as borrowers, Morgan Stanley Senior Funding, Inc. as Global Collateral Agent and Mizuho Corporate Bank, Ltd., as Taiwan Collateral Agent, Deutsche Bank AG, London Branch, as Syndication Agent, Merrill Lynch Capital Corporation as Documentation Agent and Morgan Stanley Bank International Limited, Deutsche Bank AG, London Branch and Merrill Lynch, Pierce, Fenner & Smith Incorporated as Joint-lead arrangers and Joint bookrunners (incorporated by reference to Exhibit 10.1 of the Registration Statement on Form F-4 of NXP B.V., filed on April 23, 2007 (File No. 333-142287))

Exhibit Number	Description of Document
10.4**	Shareholders' agreement dated as of March 30, 1999, as amended, among EBD Investments Pte. Ltd., Koninklijke Philips Electronics N.V. and Taiwan Semiconductor Manufacturing Company Ltd.
10.5*	Forward Start Revolving Credit Facility dated as of May 10, 2010 among NXP Semiconductors N.V., NXP B.V., NXP Funding LLC as borrowers, Morgan Stanley Senior Funding, Inc. as Global Collateral Agent and Administrative Agent and Barclays Capital, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank), Credit Suisse Securities (USA) LLC, Fortis Bank (Nederland) N.V., Goldman Sachs International, HSBC Bank plc, Merrill Lynch International and Morgan Stanley Bank International Limited as Joint-Lead Arrangers and Joint Bookrunners
10.6	Lease Agreement dated as of September 15, 2009, among Beijing Economic-Technological Investment & Development Corporation and NXP Semiconductors (Beijing) Limited for the property at No. 20 Tong Ji Nan Lu of the Beijing Economic-Technological Area of China
10.7*	Supplementary Agreement dated as of September 15, 2009 to the Lease Agreement dated as of September 15, 2009, among Beijing Economic-Technological Investment & Development Corporation and NXP Semiconductors (Beijing) Limited for the property at No. 20 Tong Ji Nan Lu of the Beijing Economic-Technological Area of China
10.8*	Lease Agreement dated as of December 23, 2004 among Jurong Town Corporation and Systems on Silicon Manufacturing Company Pte. Ltd. for the property at No. 70 Pasir Ris Drive 1, Singapore
10.9	Lease Agreement dated as of September 26, 2003 among Huangjiang Investment Development Company and Philips Semiconductors (Guangdong) Company Ltd. for the property at Tian Mei High Tech Industrial Park, Huang, Jiang Town, Dongguan City, China
10.10*	Building Lease Contract dated as of May 12th, 2000 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd.
10.11*	Agreement with regard to the Lease of a Single (vehicle) Shelter dated as of October 30, 2009 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd.
10.12*	Agreement with regard to the Lease of a Standard Plant Basement dated as of July 1, 2009 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd.
10.13*	Agreement with regard to the Lease of a Single (vehicle) Shelter dated as of March 8, 2010 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd.
10.14*	Agreement with regard to the Lease of Additional Land dated as of July 1, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd.
10.15*	Agreement with regard to the Lease of a Dangerous Goods Warehouse dated as of November 27, 2009 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd.
10.16*	Agreement with regard to the Lease of a Standard Plant Basement dated as of July 1, 2009 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd.
10.17*	Storage and Transportation Agreement dated as of January 15, 2007 between Phi-Kai Technology Co., Ltd. and NXP Semiconductors Taiwan Ltd.

Table of Contents

Exhibit Number	Description of Document
10.18*	Agreement with regard to the Lease of Land at Property Number AL012 dated as of July 1, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd.
10.19*	Agreement with regard to the Lease of Land at Property Number AL020 dated as of July 1, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd.
10.20*	Agreement with regard to the Lease of Land at Property Number AL071 dated as of July 1, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd.
10.21*	Agreement with regard to the Lease of Land at Property Number CL102 dated as of July 1, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd.
10.22*	Agreement with regard to the Lease of Land dated as of September 30, 2008 between the Export Processing Zone Administration (Ministry of Economic Affairs) and NXP Semiconductors Taiwan Ltd.
10.23†	Advisory services agreement between NXP Semiconductors N.V. and KASLION Holding B.V.
10.24	NXP Management Equity Plan 2009
10.25	Conditions of administration of the Stichting Management Co-Investment NXP
10.26	NXP Global Equity Incentive Program
21.1*	List of Subsidiaries of the Registrant
23.1	Consent of KPMG Accountants N.V.
23.2	Consent of Deloitte Accountants B.V.
23.3	Consent of De Brauw Blackstone Westbroek N.V. (included in Exhibit 5.1)
24.1*	Power of Attorney of Richard L. Clemmer and Karl-Henrik Sundström
24.2*	Power of Attorney of Johannes P. Huth, Ian Loring and Richard Wilson

† To be filed by amendment
* Previously filed
** Confidential treatment requested

Exhibit 5.1

Advocaten
Notarissen
Belastingadviseurs

DE BRAUW
BLACKSTONE
WESTBROEK

Claude Debussylaan 80
P.O. Box 75084
1070 AB Amsterdam

T +31 20 577 1771
F +31 20 577 1775

NXP Semiconductors N.V.
High Tech Campus 60
5656 AG Eindhoven
The Netherlands

Date 30 June 2010

J.J.J. Schutte
Advocaat

Our ref. M8725348/1/20465599

Dear Madam / Sir:

NXP Semiconductors N.V. (the "Issuer")
SEC Registration of common shares

1 Introduction

I act as Dutch legal adviser (*advocaat*) to the Issuer in connection with the Registration.

Certain terms used in this opinion are defined in the **Annex** (*Definitions*).

2 Dutch Law

This opinion is limited to Dutch law in effect on the date of this opinion. It (including all terms used in it) is to be construed in accordance with Dutch law.

3 Scope of Inquiry

For the purpose of this opinion, I have examined the following documents:

3.1 A copy of the Registration Statement.

3.2 A copy of:

(a) the Issuer's deed of incorporation and its articles of association, as provided to me by the Chamber of Commerce; and

(b) the Trade Register Extract.

In addition, I have obtained the following confirmations on the date of this opinion:

3.3 Confirmation by telephone from the Chamber of Commerce that the Trade Register Extract is up to date.

3.4

(a) Confirmation by telephone from the court registry of the District Court of the place where the Issuer has its corporate seat, derived from that Court's Insolvency Register; and

(b) Confirmation through www.rechtspraak.nl, derived from the segment for EU registrations of the Central Insolvency Register;

in each case that the Issuer is not registered as being subject to Insolvency Proceedings.

I have not examined any document, and do not express an opinion on, or on any reference to, any document other than the documents referred to in this paragraph 3. My examination has been limited to the text of the documents and I have not investigated the meaning and effect of any document governed by a law other than Dutch law under that other law.

4 Assumptions

For the purpose of this opinion, I have made the following assumptions:

4.1

(a) Each copy document conforms to the original and each original is genuine and complete.

(b) Each confirmation referred to in this opinion is true.

4.2 The Registration Statement will have been filed with the SEC in the form referred to in this opinion.

4.3

(a) At the time of the issue of the Shares, the Issuer's authorised capital will be sufficient to allow for the issue.

(b) Any pre-emptive rights in respect of the issue of Shares will have been validly excluded in accordance with the Issuer's articles of association at the time of exclusion.

(c) The issue by the Issuer of the Shares will have been validly authorised in accordance with the Issuer's articles of association at the time of the authorisation.

(d) The Shares will have been issued in the form and manner prescribed by the Issuer's articles of association at the time of issue, and otherwise offered, issued and accepted by their subscribers in accordance with applicable laws (including, for the avoidance of doubt, Dutch law).

(e) The nominal amount of the Shares and any agreed share premium will have been validly paid.

5 Opinion

Based on the documents and confirmations referred to and the assumptions made in paragraphs 3 and 4 and subject to the qualifications in paragraph 6 and to any matters not disclosed to me, I am of the following opinion:

5.1 When issued, the Shares will have been validly issued in accordance with Dutch law, fully paid and nonassessable.[1]

6 Qualifications

This opinion is subject to the following qualifications:

6.1 This opinion is subject to any limitations arising from bankruptcy, suspension of payments, emergency measures, (other) Insolvency Proceedings or other laws relating to or affecting the rights of creditors.

6.2

(a) An extract from the Trade Register does not provide conclusive evidence that the facts set out in it are correct. However, under the 2007 Trade Register Act (*Handelsregisterwet 2007*), subject to limited exceptions, a legal entity or partnership cannot invoke the

[1] "Nonassessable" has no equivalent legal term under Dutch law and for the purpose of this opinion, "nonassessable" referred to in paragraph 5, means that the Issuer has no right to require the holder of any Share to pay it any amount in addition to the amount required for the share to be fully paid, solely as a result of his shareholdership.

incorrectness or incompleteness of its Trade Register registration against third parties who were unaware of the incorrectness or incompleteness.

(b) A confirmation derived from an Insolvency Register does not provide conclusive evidence that an entity is not subject to Insolvency Proceedings.

7 Reliance

7.1 This opinion is addressed to and may be relied upon by the Issuer for the purpose of the Registration of the Shares and not by any other person or for any other purpose.

7.2 In relying on this confirmation letter, the Issuer agrees that:

(a) (except as set out in paragraph 7.3) it shall not supply this opinion, or disclose its contents or existence, to any person for any purpose; and

(b) only De Brauw shall have any liability in connection with this opinion, the agreement in this paragraph 7 and all liability and other matters relating to this opinion shall be governed exclusively by Dutch law and the Dutch courts shall have exclusive jurisdiction to settle any dispute relating to this opinion.

7.3 The Issuer may:

(i) file this opinion as an exhibit to the Registration Statement; and

(ii) refer to De Brauw giving this opinion under the heading “Legal Matters” in the prospectus included in the Registration Statement.

The previous sentence is no admittance from me (or De Brauw) that I am (or De Brauw is) in the category of persons whose consent for the filing and reference in that paragraph is required under Section 7 of the Securities Act or any rules or regulations of the SEC promulgated under it.

Yours faithfully,
De Brauw Blackstone Westbroek N.V.

/s/ J.J.J. Schutte
J.J.J. Schutte

Annex – Definitions

In this opinion:

"**Chamber of Commerce**" means the Chamber of Commerce and Industry (*kamer van koophandel en fabrieken*) of the place where the Issuer has its corporate seat.

"**De Brauw**" means De Brauw Blackstone Westbroek N.V.

"**Insolvency Proceedings**" means insolvency proceedings as defined in Article 2(a) of Council Regulation (EC) No 1346/2000 of 29 May 2000 on insolvency proceedings.

"**Issuer**" means NXP Semiconductors N.V., with corporate seat in Eindhoven, the Netherlands.

"**Registration**" means the registration of the Shares with the SEC under the Securities Act.

"**Registration Statement**" means an e-mailed copy received by me on today's date of the registration statement on form F-1 (Registration No. 333-166128) in relation to the Registration, to be filed with the SEC on 30 June 2010 (excluding any documents incorporated by reference in it and any exhibits to it).

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Shares**" means a yet to be determined amount of new registered common shares, having a nominal value of EUR 0.20, in the Issuer's share capital to be issued and to be registered by the Issuer in the Registration, and to which the Registration Statement relates.

"**Trade Register Extract**" means a Trade Register extract relating to the Issuer provided by the Chamber of Commerce and dated 28 June 2010.

Exhibit 10.1

CONFIDENTIAL TREATMENT REQUESTED - CONFIDENTIAL PORTIONS OF THIS DOCUMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION

***** INDICATES CONFIDENTIAL MATERIAL REDACTED AND SEPARATELY FILED WITH THE COMMISSION**

INTELLECTUAL PROPERTY TRANSFER AND LICENSE AGREEMENT

relating to

the transfer, assignment and licensing of intellectual property and know-how

between

Koninklijke Philips Electronics N.V.

and

Philips Semiconductors International B.V.

Dated 28 September 2006

Contents

1	INTERPRETATION AND DEFINITIONS	4
1.1	Definitions	4
1.2	References to persons and companies	7
1.3	Headings and references to Clauses, Annexes, Parts and Paragraphs	8
1.4	References to liabilities and obligations of Royal Philips and PSI	8
1.5	Legal terms	8
1.6	Other references	8
1.7	Drafting Party	8
2	ASSIGNMENT OF TRANSFER-PATENTS TO PSI	8
2.1	Transfer	8
2.2	Effecting transfer	9
2.3	Rights prior to Closing Date	9
2.4	License pending transfer	9
2.5	Information on challenges pending transfer	9
2.6	Prior consent	10
2.7	Information on prior arrangements	10
2.8	Transfer costs	10
2.9	Maintenance costs	10
2.10	Return of Philips-Patents	10
3	RETAINED LICENSE TO PHILIPS GROUP	10
3.1	Retained license	10
3.2	Have-made and sublicensing rights Philips Group	10
3.3	Undertaking not to enforce	11
3.4	Termination in respect of Divested Companies	11
3.5	Option for Divested Companies	11
3.6	License to Divested Companies	12
3.7	Respecting license and prior commitments in case of pledge of Transfer-Patents	12
3.8	Registration license before registration pledge	12
4	LICENSE TO PSI GROUP	12
4.1	For current and successor products and technologies/features	12
4.2	For technologies/features currently developed by or for PSI BUs	13
4.3	For technologies/features developed pursuant to roadmaps or forecasts	13
4.4	GMR Philips-Patents	14
4.5	RFID tags	14
4.6	Respecting prior commitments	14
4.7	Sublicensing rights	14
4.8	Establishment CTO Council	14
4.9	Decisions CTO Council	14
4.10	Absence of positive CTO Council decision	15
4.11	Additional negotiated licenses	15
4.12	Exceptions	15
4.13	Termination in respect of Divested Companies	15
4.14	Option for Divested Companies	16
4.15	License to Divested Companies	16
5	EXCEPTIONS	16
5.1	PCM Transfer-Patents	16
5.2	PCM Transfer-Patents retained license	16
5.3	Stand still PCM Transfer-Patents	16

5.4	3D applications	16
5.5	Solid state lighting applications	17
6	KNOW-HOW, COPYRIGHTS	17
6.1	Business Know-How	17
6.2	Copyrights	17
7	SOFTWARE	17
7.1	Business Software	17
7.2	License to use Philips-Owned Software	18
7.3	Third Party Software	18
7.4	Philips-Owned Software	18
8	TRADEMARKS AND DOMAIN NAMES	18
8.1	Assignment	18
8.2	Restricted Use	18
9	ASSIGNMENT OF PATENT LICENSE AND PATENT OWNERSHIP AGREEMENTS	18
9.1	Assignment	18
9.2	Exception to assignment	19
9.3	Divested Companies	19
10	CONFIDENTIAL INFORMATION	19
11	REPRESENTATIONS AND WARRANTIES	19
11.1	As is	19
11.2	No maintenance obligation	20
12	NON-COMPETE	20
12.1	Restricted activities	20
12.2	Products not restricted	20
12.3	Activities not restricted	20
12.4	If Royal Philips is acquired	22
13	CLAIMS AND LIABILITY	22
14	TERMINATION	22
15	NOTICES	22
16	NO ASSIGNMENT	23
17	MISCELLANEOUS	23
17.1	No implied license	23
17.2	No agency	23
18	SEVERABILITY	23
19	ENTIRE AGREEMENT	23
20	APPLICABLE LAW AND JURISDICTION	23
20.1	Dutch law	23
20.2	Jurisdiction	24
Annex 1	Transfer-Patents	
Annex 1A	PCM Transfer-Patents	
Annex 2	Invention Disclosures	
Annex 3	GMR Philips-Patents	
Annex 4	Trademarks	
Annex 5	Domain Names	
Annex 6	PSI BUs Products	
Annex 7	PSI EBs Products	
Annex 8	PSI SW Products	
Annex 9A	Decisions of the CTO Council with regard to the Integral Roadmaps of PSI BUs	
Annex 9B	Integral Roadmaps of PSI BUs	
Annex 10A	Decisions of the CTO Council with regard to the Rolling Financial Forecasts of PSI EBs	
Annex 10B	Rolling Financial Forecasts of PSI EBs	
Annex 11A	Decisions of the CTO Council with regard to the Rolling Financial Forecasts of PSI SW	
Annex 11B	Rolling Financial Forecasts of PSI SW	
Annex 12A	Deed of Transfer of Transfer-Patents	
Annex 12B	Annex to the Deed of Transfer of Transfer-Patents	
Annex 13A	Deed of Transfer of Trademarks and Domain Names	
Annex 13B	Annex to the Deed of Transfer of Trademarks and Domain Names	
Annex 14	Third Party Software Agreements	
Annex 15	List of Patent License and Patent Ownership Agreements	
Annex 16	Trademark License Agreement	

INTELLECTUAL PROPERTY TRANSFER AND LICENSE AGREEMENT THIS AGREEMENT IS MADE BETWEEN:

(1) **Koninklijke Philips Electronics N.V.,** a limited liability company incorporated in the Netherlands, with corporate seat in Eindhoven, the Netherlands, and address at Groenewoudseweg 1, Eindhoven, the Netherlands ("**Royal Philips**"),

and

(2) **Philips Semiconductors International B.V.,** a limited liability company incorporated in the Netherlands, with corporate seat in Eindhoven, the Netherlands, and address at High Tech Campus 60, Eindhoven, the Netherlands ("**PSI**"),

WHEREAS:

(A) as part of its disentanglement plan, Royal Philips has decided to disentangle all assets and liabilities constituting the business operations of the Royal Philips semiconductors division to a separate group;

(B) by this Intellectual Property Transfer and License Agreement the Parties wish to set out the terms and conditions applicable to the assignment and licensing of intellectual property relevant to aforementioned disentanglement.

IT IS AGREED AS FOLLOWS:

1 INTERPRETATION AND DEFINITIONS

1.1 Definitions

When used in this Agreement, the following capitalized terms shall have the meanings set forth below:

"* Applications"** shall mean any application that enables a *** (including but not limited to conversion from *** to *** conversion from *** to ***, rendering for ***, *** or ***).

"Agreement" shall mean this Intellectual Property Transfer and License Agreement together with all annexes, exhibits and other documents referred to herein or therein.

“Associated Company(ies)” shaft mean any one or more entities, which is (are) directly or indirectly owned or controlled by Royal Philips or PSI, respectively, but any such entity shall only be deemed an Associated Company for the period such ownership or control exists. For the purposes of this definition, (i) Royal Philips or PSI shall be deemed to own and/or to control an entity if more than 50% (fifty per cent) of the voting stock of such entity, ordinarily entitled to vote for the election of directors (or, if there is no such stock, more than 50% (fifty per cent) of the ownership of or control in such entity) is held by and consolidated in the annual accounts of Royal Philips or PSI, respectively, and (ii) PSI and its Associated Companies shall not be deemed Associated Companies of Royal Philips, irrespective of Royal Philips’ share in PSI.

“Business Know-How” shall mean any Know-How owned by Philips Group-Old, which originated within any entities of Philips Group-Old and that is primarily used or primarily intended to be used within PSI Group as of the Closing Date.

“Business Software” shall mean any Software owned by Philips Group-Old, which originated within any entities of Philips Group-Old and that is primarily used or primarily intended to be used within PSI Group as of the Closing Date, ***.

“Closing Date” shall mean 28 September 2006 at 24.00 hours CET.

“Confidential Information” shall have the meaning referred to in Clause 10.

“CTO Council” shall mean the *** referred to in Clause 4.8.

******* shall mean any former *** respectively, and any *** (other than to ***).

“Domain Names” shall mean the registered domain names and applications therefor as listed in *** to this Agreement.

“GMR Philips-Patents” shall mean the *** Patents that are listed in *** to this Agreement.

*** shall mean the *** for the *** calendar years after the Closing Date of the PSI BUs, as attached to this Agreement as ***.

“Intellectual Property” shall mean Patents, Know-How, Software, the copyrights meant in Clause 6.2, Trademarks and Domain Names.

“Kits” shall mean kits consisting of one or more integrated circuits and software.

“Know-How” shad mean all technical information, data and documents of whatever nature, including without limitation drawings, specifications, photographs, samples, models, processes, procedures, reports and correspondence, all of which relate to the Products, but excluding any intellectual property rights (including data base rights) therein.

“Party” shall mean Royal Philips or PSI and “Parties” shall mean Royal Philips and PSI together.

“Patents” shall mean any patents, petty patents, provisionals, utility models or applications therefor, including any divisions, continuations, continuations-in-part, reexaminations, renewals and re-issues thereof, in any country of the world.

“* Transfer-Patents”** shaft mean the Transfer-Patents that are listed in *** to this Agreement.

“Philips Group” shall mean Royal Philips together with its Associated Companies.

“Philips Group-Old” shall mean Philips Group and any entities of PS! Group immediately after the Closing Date.

“Philips Know-How” shall mean any Know-How owned by Philips Group-Old, other than Business Know-How, which is available to PSI Group immediately after the Closing Date.

“Philips-Owned Software” shall mean any Software owned by Philips Group-Old, other than Business Software, which is used by PSI Group as of the Closing Date ***

“Philips-Patents” shall mean any Patents owned or controlled by Philips Group-Old, other than Transfer-Patents, to the extent that they are entitled to the benefit of a filing date prior to the Closing Date and for which Philips is free to grant licenses to third parties without the consent of or accounting to any third party, other than an Associated Company of Royal Philips or an Associated Company of PSI.

“Products” shall mean PSI BUs Products, PSI EBs Products and PSI SW Products.

“PSI Group” shall mean PSI together with its Associated Companies, and where it concerns the period before the Closing Date PSI together with the Associated Companies of Royal Philips which are (to be) an Associated Company of PSI as of the Closing Date.

“PSI Bus” shall mean the Philips Semiconductors’ business units referred to as Home, Mobile & Personal, Automotive & Identification and Multi Market Semiconductors as belonging to PSI Group as of the Closing Date.

“PSI BUs Product(s)” shall mean any produces) as listed in the product catalogue attached to this Agreement as Annex *** as well as proprietary products of the PSI BUs that PSI can reasonably demonstrate were offered for sale to third parties prior to the Closing Date.

“PSI EBs” shall mean the Philips Semiconductors’ business unit referred to as Emerging Businesses, excluding the Philips Semiconductors’ business unit Philips Software, as belonging to PSI Group as of the Closing Date.

“PSI EBs Product(s)” shall mean any product(s) as listed in the product catalogue attached to this Agreement as *** as well as proprietary products of the PSI EBs that PSI can reasonably demonstrate were offered for sale to third parties prior to the Closing Date.

“PSI SW” shall mean the part of the Philips Semiconductors’ business unit referred to as Philips Software as belonging to PSI Group as of the Closing Date.

“PSI SW Product(s)” shall mean any product(s) as listed in the product catalogue attached to this Agreement as *** as well as proprietary products of PSI SW that PSI can reasonably demonstrate were offered for sale to third parties prior to the Closing Date.

“Rolling Financial Forecasts of PSI EBs” or “RFFs of PSI EBs” shall mean the financial forecasts for the six annual quarters of Q2 of 2006 – Q3 of 2007 of the PSI EBs, as attached to this Agreement as ***.

“Rolling Financial Forecasts of PSI SW” or “RFFs of PSI SW” shall mean the financial forecasts for the six annual quarters of Q2 of 2006 – Q3 of 2007 of PSI SW, as attached to this Agreement as ***.

“Software” shall mean (any rights on) a code in any programming language contained in any format, including human and machine-readable format.

“Third Party Software” shall mean any Software owned by a third party that is licensed to Philips Group-Old and which is predominantly used by PSI Group as of the Closing Date ***

“Trademarks” shall mean the registered trademarks and applications therefor as listed in *** to this Agreement.

“Transfer-Patents” shall mean the Patents that are listed in *** to this Agreement, any corresponding Patents to the extent that they cover the same inventions as the Patents listed in *** and any (Patents on the) invention disclosures that are listed in *** to this Agreement, subject to any changes due to withdrawals and rejections in the normal course of business occurring between the date of compilation of these Annexes and the Closing Date.

“Transferred Intellectual Property” shall mean all Intellectual Property (to be) assigned to PSI Group in accordance with the provisions of this Agreement.

1.2 References to persons and companies

References to:

1.2.1 a “person” include any individual, company, partnership or unincorporated association (whether or not having separate legal personality); and

1.2.2 a "company" include any company, corporation or any body corporate, wherever incorporated.

1.3 Headings and references to Clauses, Annexes, Parts and Paragraphs

1.3.1 Headings have been inserted for convenience of reference only and do not affect the interpretation of any of the provisions of this Agreement.

1.3.2 A reference in this Agreement to a "Clause" or "Annex" is to the relevant clause of or annex to this Agreement; to a "Part" is to the relevant part of the relevant Annex; and to a "Paragraph" is to the relevant paragraph of (the relevant Part of) the relevant Annex.

1.4 References to liabilities and obligations of Royal Philips and PSI

1.4.1 Any reference in this Agreement to a liability or obligation of Royal Philips shall be deemed to incorporate a reference to an obligation on the part of Royal Philips to procure that the relevant liability is discharged or obligation is performed by any of the relevant members of Philips Group, subject to the terms set out in this Agreement.

1.4.2 Any reference in this Agreement to a liability or obligation of PSI shall be deemed to incorporate a reference to an obligation on the part of PSI to procure that the relevant liability is discharged or obligation is performed by any of the relevant members of PSI Group, subject to the terms set out in this Agreement.

1.5 Legal terms

In respect of any jurisdiction other than the Netherlands, a reference to any Netherlands legal term shall be construed as a reference to the term or concept which most nearly corresponds to it in that jurisdiction.

1.6 Other references

1.6.1 Whenever used in this Agreement, the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation".

1.6.2 Any reference in this Agreement to any gender shall include all genders, and words importing the singular shall include the plural and vice versa.

1.6.3 Whenever used In this Agreement in the context of the grant of a license or rights under any Intellectual Property, the words "use" or "used" shall be deemed to include all acts and activities which would (if not for the license) infringe or amount to an actionable misuse of the-relevant rights including the use, development, keeping, making, selling, offering for sale, leasing, importing, exporting or otherwise disposing of any product, process or method.

1.7 Drafting Party

No provision of this Agreement shall be interpreted against a Party solely as a result of the fact that such Party was responsible for the drafting of such provision, it being acknowledged that the Parties and representatives of the Parties have participated in the drafting and negotiating of this Agreement.

2 ASSIGNMENT OF TRANSFER-PATENTS TO PSI

2.1 Transfer

Subject to the provisions of this Clause 2, Royal Philips hereby assigns to PSI and

agrees to transfer to PSI or such PSI Group member as designated by PSI and PSI shall procure that such PSI Group member shall accept the transfer of the Transfer-Patents, subject to all prior commitments and prior undertakings vis-à-vis third parties entered into by Philips Group-Old prior to the Closing Date and all arrangements between entities belonging to PSI Group and entities remaining with Philips Group made prior to the Closing Date, and subject to the license retained by Philips Group pursuant to Clauses 3.1 and 3.2 under any and all Transfer-Patents,

2.2 Effecting transfer

Royal Philips shall execute and deliver all files, assignments, and titles, evidence or authorizations as may be required to effectuate or to formalize the transfer of the Transfer-Patents on a jurisdiction by jurisdiction basis, and to cause the Transfer-Patents to be recorded at the relevant patent registers around the world in the name of PSI or its designated Associated Companies. For the purpose of the registration of the transfer of the legal title to the Transfer-Patents as per Clause 2.1 hereof, Royal Philips and PSI shall sign a deed of transfer containing the same conditions as the deed of transfer in *** as soon as possible after the Closing Date when the Parties have reached agreement on the format of the annex to the deed of transfer. Royal Philips hereby grants PSI and its Associated Companies (designated by PSI) an irrevocable power of attorney to perform any (legal) acts and to execute any documents in its or its Associated Companies' name as may be necessary in this respect, it being understood that this Agreement may not be submitted to the relevant patent registers. If, for whatever reason, the transfer of the Transfer-Patents has not become effective, in full or in part, by the signing by both Parties of this deed of transfer, both Parties will promptly do whatever is necessary to fully effectuate the transfer of the Transfer-Patents.

2.3 Rights prior to Closing Date

PSI does not acquire any rights accruing from ownership of the Transfer-Patents prior to the Closing Date. PSI Group may, however, (i) sue and collect damages in respect of any act of infringement or alleged infringement upon the Transfer-Patents committed prior to the Closing Date, and (ii) give a release for any acts performed prior to the Closing Date and infringing or allegedly infringing upon the Transfer-Patents to any third party. Royal Philips shall not be obliged to take any action in relation to any third party for any act of infringement prior to the Closing Date.

2.4 License pending transfer

Pending the transfers contemplated by Clauses 2.1 and 2.2, PSI Group shall have a license to undertake anything they would be entitled to, had the transfers been effected already, except to enforce at law.

2.5 Information on challenges pending transfer

Royal Philips shall pass on to PSI any correspondence Philips Group receives with respect to any of the Transfer-Patents. This obligation of Royal Philips to inform PSI shall cease upon transfer and recordal of the change in ownership of the Transfer-Patents in the national registers of the designated countries (in respect of such Patents), but no later than 12 (twelve) months after the Closing Date. PSI shall decide at its sole discretion whether it wants to take any action on the basis of the information provided by Royal Philips, and if so, which action it wishes to take. If PSI decides to take action against a third party in order to uphold or enforce the Transfer-Patents, Royal Philips shall provide any reasonable assistance which PSI may request, unless such assistance would harm the reasonable business interests of Philips Group, PSI shall compensate Royal Philips

for ail reasonable costs which Royal Philips shall make in providing this assistance. Notwithstanding anything in the foregoing, Royal Philips shall not have any obligation to become a party in any litigation to which PSI is a party.

2.6 Prior consent

Where Philips Group requires a third party's prior consent for a transfer contemplated in Clauses 2.1 and 2.2, Royal Philips shall use its reasonable endeavors to procure such consent as soon as reasonably possible and will effect the assignment and transfer to PSI Group of such Transfer-Patents immediately thereafter.

2.7 Information on prior arrangements

Within 30 days following receipt of PSI's or any of its successors' or assigns' written request specifying the third party against whom PSI or any authorised third party contemplates to enforce any of the Transfer-Patents, Royal Philips shall use its reasonable endeavors to confirm in writing whether or not that third party can claim rights under those Transfer-Patents (i) granted by Philips Group-Old under any prior agreement or prior commitment entered into prior to the Closing Date or (ii) granted by Philips Group pursuant to Clause 3 after the Closing Date.

2.8 Transfer costs

PSI shall bear any costs related to the assignment and transfer of the Transfer-Patents from Philips Group to PSI Group pursuant to Clauses 2.1 and 2.2 and the registration thereof, including all official and agency fees.

2.9 Maintenance costs

PSI shall bear any costs of prosecution and maintenance of the Transfer-Patents arising as from the Closing Date, including any remuneration payable to inventors with respect to the period after the Closing Date in accordance with applicable national laws with respect to any of the Transfer-Patents, except that amounts that become due and payable after the Closing Date with respect to prosecution or maintenance of the Transfer-Patents in the period before the Closing Date, shall be borne by Royal Philips.

2.10 Return of Philips-Patents

Subject to all prior commitments and prior undertakings of Philips Group-Old to third parties entered into prior to the Closing Date and subject to the licenses granted to PSI Group pursuant to Clause 4, PSI Group hereby assigns to Royal Philips any Philips-Patents that are registered in the name of any entities of Philips Group-Old belonging to PSI Group as of the Closing Date. The above paragraphs of this Clause 2 apply mutatis mutandis (e.g. with Royal Philips bearing the cost).

3 RETAINED LICENSE TO PHILIPS GROUP

3.1 Retained license

Philips Group retains a *** license under the *** as of the Closing Date and under ***, but not including ***

3.2 Have-made and sublicensing rights Philips Group

The license retained by Philips Group pursuant to Clause 3.1 includes ***

3.2.1 to *** and for the use or resale by, Philips Group;

3.2.2 to ***

3.2.3 to ***

3.2.4 to ***

3.2.5 to ***

3.2.6 to ***

but does not include ***

3.3 Undertaking ***

PSI shall ***

3.4 Termination in respect of ***

The license retained by Philips Group pursuant to Clauses 3.1 and 3.2 above shall terminate ***

3.5 Option for ***

In the event that such ***

3.6 License to ***

Such license ***

3.7 Respecting license and prior commitments in case of pledge of Transfer-Patents

In the event PSI agrees with a third party to pledge, or otherwise encumber, any of the Transfer-Patents, PSI is under the obligation to agree with such third party, (a) that such third party shall respect (i) the licenses retained by Philips Group with regard to the Transfer-Patents, and (ii) the prior commitments and prior undertakings with regard to the Transfer-Patents vis-a-vis third parties entered into by Philips Group-Old prior to the Closing Date and all arrangements with regard to the Transfer-Patents between entities belonging to PSI Group and entities remaining with Philips Group made prior to the Closing Date, and (b) that such third party shall impose the obligations described under (a) on any other beneficiary/transferee of any of the Transfer-Patents by way of a perpetual clause.

3.8 Registration license before registration pledge

In the event that (i) any of the Transfer-Patents is pledged or otherwise encumbered, (ii) the pledge or other encumbrance is registered at the relevant patent authorities or other authority, and (iii) the license retained by Philips Group cannot be secured in the registration of the pledge or other encumbrance, then PSI shall be under the obligation to register such license at the relevant patent authorities prior the registration of such pledge or other encumbrance.

4 LICENSE TO PSI GROUP

4.1 For current and successor products and technologies/features

Subject to Clauses 4.6 and 4.12, Royal Philips hereby grants to PSI Group a nonexclusive, non-transferable, irrevocable, world-wide, fully paid-up and royalty-free license, including the have-made and sublicensing rights as stipulated in Clause 4.7, under any and all Philips-Patents or Philips Know-How

4.1.1 used in any PSI BUs Product for the continued use by PSI Group in such Product and any commercial successor type thereof;

4.1.2 used in any PSI EBs Product approved by the CTO Council (as evidenced by Annex 7) for the continued use by PSI Group in such Product and any commercial successor type thereof;

4.1.3 used in. any PSI SW Product approved by the CTO Council (as evidenced by Annex 8) for the continued use by PSI Group in such Product and any commercial successor type thereof;

4.1.4 used in any technology/feature used in any PSI EBs Product approved by the CTO Council (as evidenced by Annex 7) for the use by PSI Group of such technology/feature in products within the current scope of PSI EBs;

4.1.5 used in any technology/feature used in any PSI SW Product approved by the CTO Council (as evidenced by Annex 8) for the use by PSI Group of such technology/feature in products within the current scope of PSI SW.

A current scope includes products offered for sale prior to the Closing Date, technologies/features approved as set out above, their commercial successor types and any natural extension thereof,

4.2 For technologies/features currently developed by or for PSI BUs

Subject to Clauses 4.6 and 4.12, Royal Philips hereby grants to PSI Group a nonexclusive, non-transferable, irrevocable, world-wide, fully paid-up and royalty-free license, including the have-made and sublicensing rights as stipulated in Clause 4.7, under any and all Philips-Patents and Philips Know-How that are or will be used in any technology/feature, for which PSI can demonstrate to the reasonable satisfaction of Royal Philips, that this was

(i) developed by and for the account of one or more of the PSI BUs prior to the Closing Date,

(ii) under a material development by and for the account of one or more of the PSI BUs on the basis of an approved budget and started within one or more of the PSI BUs prior to the Closing Date, or

(iii) developed exclusively for one or more of the PSI BUs and transferred to the relevant PSI BUs within 3 months after the Closing Date,

such license being for the use of such technology/feature in products within the current scope of the PSI BUs.

4.3 For technologies/features developed pursuant to roadmaps or forecasts

Subject to Clauses 4.6 and 4.12, Royal Philips hereby grants to PSI Group a nonexclusive, non-transferable, irrevocable, world-wide, fully paid-up and royalty-free license, including the have-made and sublicensing rights as stipulated in Clause 4.7, under any Philips-Patents or Philips Know-How that originated from such part (in scope and time) of the contract research work executed by Philips Group-Old prior to the Closing Date that was co-funded by PSI Group, as can be demonstrated by PSI to the reasonable satisfaction of Royal Philips, and that

4.3.1 are used in any technology/feature approved by the CTO Council (as evidenced by Annex 9A) that has been or will be developed by or exclusively for one or more of the PSI BUs pursuant to one or more of the Integral Roadmaps of PSI BUs, such license being for the use of such technology/feature in products within the current scope of the PSI BUs;

4.3.2 are used in any technology/feature approved by the CTO Council (as evidenced by Annex 10A) that has been or will be developed by or exclusively for one or more of the PSI EBs pursuant to one or more of the RFFs of PSI EBs, such license being for the use of such technology/feature in products within the current scope of the PSI EBs;

4.3.3 are used in any technology/feature approved by the CTO Council (as evidenced by Annex 11 A) that has been or will be developed by or exclusively for PSI SW pursuant to one or more of the RFFs of PSI SW, such license being for the use of such technology/feature in products within the current scope of PSI SW.

4.4 GMR Philips-Patents

Subject to Clauses 4.6 and 4.12, Royal Philips hereby grants to PSI Group a non-exclusive, non-transferable, irrevocable, world-wide, fully paid-up and royalty-free license, including the have-made and sublicensing rights as stipulated in Clause 4.7, under the GMR Philips-Patents for use in Giant Magneto-Resistive devices outside the field of healthcare and bio applications,

4.5 RFID tags

Subject to Clauses 4.8 and 4.12, Royal Philips hereby grants to PSI Group a non-exclusive, non-transferable, irrevocable, world-wide, fully paid-up and royalty-free license, including the have-made and sublicensing rights as stipulated in Clause 4.7, under the Philips-Patents relevant to polymer electronics and that originated from such part (in scope and time) of the contract research work executed by Philips Group-Old prior to the Closing Date as was co-funded by PSI Group, as can be demonstrated by PSI to the reasonable satisfaction of Royal Philips, such license being limited to use in the field of RFID tags and labels. ***

4.6 Respecting prior commitments

The licenses granted by Royal Philips to PSI Group pursuant to Clauses 4.1 - 4.5 above are subject to alt prior commitments and prior undertakings vis-à-vis third parties entered into by Philips Group-Old prior to the Closing Date and all arrangements between entities belonging to PSI Group and entities remaining with Philips Group, made prior to the Closing Date and, where such licenses to PSI Group are granted after the Closing Date, also the prior commitments and prior undertakings vis-à-vis third parties entered into by Philips Group between the Closing Date and such later date.

4.7 Sublicensing rights

The licenses granted by Royal Philips to PSI Group pursuant to Clauses 4.1 - 4.5 include the fully paid-up and royalty-free right for PSI Group:

4.7.1 to have products made by a third party manufacturer, solely for the account of, and for the use or resale by, PSI Group; and

4.7.2 to grant sublicenses in the context of and to the extent necessary for the sale or licensing, directly or indirectly, of services, Software and/or IP blocks by PSI Group;

The licenses granted pursuant to Clauses 4.1 - 4.5 do not include any other have-made or sublicensing right than set out in this Clause 4.7.

4.8 Establishment CTO Council

Parties have established and have agreed to continue a committee ("CTO Council") that is chaired by the CTO of Philips and further has as its members the CTO of PSI, the CTOs of the Philips Product Divisions, as well as the CEOs of Philips Research, Philips Applied Technologies and Philips Intellectual Property & Standards. The CTO Council shall meet upon the written request of one of the Parties. At meetings of the CTO Council at least one member of each Party shall be present.

4.9 Decisions CTO Council

The CTO Council has decided, and to the extent necessary, will decide after the Closing Date, on the basis of unanimity whether to approve any technology/feature or Product pursuant to Clauses 4.1 (except 4.1.1) and 4.3 above, such approval only to be withheld if such approval would harm the business interests of Philips Group. The CTO Council may decide on the basis of majority voting, including the affirmative vote of PSI Group's

CTO, to make such approval subject to the conditions that the license granted by Royal Philips to PSI Group shall only enter into force after expiration of certain leadtime(s) for Philips Group and/or that the license granted by Royal Philips to PSI Group shall be restricted to certain field(s) of use, which conditions shall be adhered to and respected by PSI Group in respect of its products offered for sale to third parties. The technologies/features or Products for which the CTO Council has made its approval subject to leadtime(s) and/or field(s) of use are indicated in Annexes 7, 8, 9A, 10A, and 11A to this Agreement, which shall be updated by the Parties from time to time in accordance with the provisions of this Agreement.

4.10 Absence of positive CTO Council decision

As of the Closing Date, PSI Group shall not have any license rights, neither directly nor indirectly, in respect of the technologies/features and Products for which the CTO Council has not given its approval in accordance with Clause 4.9 prior to the Closing Date (as evidenced by Annexes 7, 8, 9A, 10A and 11A to this Agreement), except in case the CTO Council decides to give its approval after the Closing Date. Such withholding of an approval by the CTO Council shall be without prejudice to PSI Group's right to seek approval for such technology/feature or Product again in a later meeting of the CTO Council after the Closing Date. In the event that the CTO Council then decides to approve such technology/feature or Product as yet, PSI Group shall be licensed for such technology/feature or Product in accordance with the applicable license granted to PSI Group pursuant to Clauses 4.1 - 4.3, provided however that any other conditions to which the grant of such license is subject, have also been satisfied. The Parties shall update Annexes 7, 8, 9A, 10A and 11A accordingly from time to time in accordance with the provisions of this Agreement.

4.11 Additional negotiated licenses

Subject to Clause 4.12, upon PSI's request, Philips shall negotiate with PSI Group the grant of non-exclusive licenses under any Philips-Patents other than those licensed to PSI Group pursuant to Clauses 4.1 - 4.5 for use within the scope of PSI Group's business against terms and conditions to be agreed upon between the Parties, unless the grant of such license to PSI Group would cause harm to any of Philips Group's business or IP interests.

4.12 Exceptions

None of the provisions of this Agreement shall be interpreted to require Royal Philips to grant or have granted any licenses to PSI Group under any Philips-Patents that:

(i) are necessarily infringed when implementing a standard adopted by a standard setting body, interest group or agreed between two or more companies; or

(ii) are or will be part of an industry-wide licensing program of which Royal Philips has notified PSI Group in writing.

4.13 Termination in respect of ***

The licenses granted by Royal Philips to PSI Group pursuant to Clauses 4.1 - 4.5 and 4.7 above shall terminate ***. Such termination shaft be without prejudice to and have no effect on any licenses granted to or retained by Philips Group under this Agreement with respect to any Transfer-Patents, Business Know-How or Business Software owned or controlled by such entity.

4.14 Option for ***

In the event that *** requests Royal Philips in writing with the written support of PSI within 180 days after *** with Royal Philips as specified in Clause 4.***, then Royal Philips shall ***

4.15 License ***

Such license agreement shall be for the grant of non-transferable, non-exclusive, irrevocable, world-wide, fully paid-up and royalty-free licenses of the same scope and subject to the same conditions as the licenses pursuant to Clauses 4.1 - 4.5, provided however that such licenses (i) shall only be under those Philips-Patents that are licensed to PSI Group pursuant to Clauses 4.1 - 4.5 at the moment of *** and which are *** and (ii) shall be limited to the ***

5 EXCEPTIONS

5.1 * Transfer-Patents**

PSI Group shall re-assign to Royal Philips the *** Transfer-Patents, in the event that PSI Group has not satisfied all of the following conditions at the latest 5 years after the Closing Date:

(i) *** is on the official technology roadmap of PSI Group, with one committed product to a customer;

(ii) a first *** of at least *** has been designed; and

(iii) first *** wafers have been processed in *** or in any other *** facility.

5.2 * Transfer-Patents retained license**

Any re-assignment pursuant to Clause 5.1 shall be subject to PSI Group retaining a nonexclusive, non-transferable, irrevocable, world-wide, fully paid-up and royalty-free license, without the right to grant sublicenses (except to have products made by a third party manufacturer, solely for the account of, and for the use or resale by, PSI Group), under the *** Transfer-Patents for its own use.

5.3 Stand still * Transfer-Patents**

Until fulfilment of the conditions set out in Clause 5.1 or re-assignment as set out in Clause 5.1 (whichever happens first), PSI Group shall

5.3.1 not enter into any commitment or undertaking vis-à-vis any third party that would materially restrict Philips Group’s use of these Patents if and when transferred to Royal Philips pursuant to Clause 5.1;

5.3.2 endeavor to maintain the *** Transfer Patents in each country, except those for which PSI first offered the relevant Patents to Royal Philips and Royal Philips did not express its desire to have such Patents transferred to it;

5.3.3 prosecute each of the *** Transfer Patents in a manner, which reasonably preserves the broadest possible scope of protection in US, JP, CN, DE, FR and GB, in order to take into account Philips Group’s interests in these Patents,

5.4 * applications**

Clause 4 does not apply to Philips-Patents and Philips Know-How relevant to ***

Applications. Upon PSl's request, Royal Philips shall grant PSI Group a non-exclusive license under Philips-Patents and Philips Know-How relevant to *** Applications, such license shall be against terms and conditions similar to those Royal Philips offers to other semiconductor manufacturers and subject to the exceptions set forth in Clause 4.12 which shall apply mutatis mutandis. Royal Philips shall not be required to grant PS! broader licenses than actually granted to other semiconductor manufacturers.

5.5 Solid state lighting applications

For products that are or incorporate a solid-state lighting device for lighting applications, or any component specifically designed therefor other than integrated circuits for use in control drivers, the licenses granted to PSI Group pursuant to Clause 4 only extend to those Philips-Patents that (i) originated from such part (in scope and time) of the contract research work executed by Philips Group-Old prior to the Closing Date as was co-funded by PSI Group, as can be demonstrated by PSI to the reasonable satisfaction of Royal Philips, or (ii) list as inventor(s) one or more employees that at the time of the invention were employed by PSI Group.

6 KNOW-HOW, COPYRIGHTS

6.1 Business Know-How

Royal Philips hereby assigns and transfers and shall procure the assignment and transfer by its Associated Companies of all Business Know-How to PSI Group as per the Closing Date as part of PSI Group, subject to:

6.1.1 all prior commitments and prior undertakings, either within Philips Group-Old or vis-à-vis third parties, entered into by Philips Group-Old prior to the Closing Date; and

6.1.2 Philips Group retaining the license pursuant to Clauses 3.1 and 3.2.

6.2 Copyrights

Royal Philips transfers and shall procure the transfer by its Associated Companies to PSI of ail copyrights it and they may have in the integrated circuits and discretes, miniature loudspeakers, Kits or RF front end solutions, all as sold or developed by or exclusively for PSI Group until the Closing Date, and any copyrights in the drawings for or in documentation about such products (all except to the extent this constitutes Software). Nothing in this Agreement shall be read to imply a license to any copyright of PSI Group,

7 SOFTWARE

7.1 Business Software

Royal Philips hereby assigns and transfers, and shall procure that its Associated Companies will assign and transfer, to PSI Group Philips Group's entire right, title and interest to the Business Software, including all copyrights and trade secrets in the Business Software, for all countries of the world, subject to (i) all prior commitments and prior undertakings, either within Philips Group-Old or vis-à-vis third parties, entered into by Philips Group-Old prior to the Closing Date, and (ii) Philips Group retaining a nonexclusive, irrevocable, world-wide, fully paid-up and royalty-free licence to use (in the broadest sense) such Software within the scope of business of Philips Group, including, without limitation, the right to modify, create derivative works and the right to grant sublicenses for the use of such Software, in the context of and to the extent necessary for marketing or supplying Philips products and provided such Software is available within Philips Group on the Closing Date.

7.2 License to use Philips-Owned Software

Royal Philips hereby grants to PSI Group a non-transferable, non-exclusive, irrevocable, world-wide, fully paid up and royalty-free license under any of Philips Group's copyrights and trade secrets in the Philips-Owned Software to the extent such Software is available within PSI Group on the Closing Date to use (in the broadest sense) such Software within the scope of business of PSI Group, including, without limitation, the right to modify, create derivative works and the right to grant sublicenses, in the context of and to the extent necessary for marketing or supplying integrated circuits and discretes, miniature loudspeakers, Kits or RF front end solutions supplied by PSI Group per the Closing Date and any commercial successor types thereof, subject to all prior commitments and prior undertakings, either within Philips Group-Old or vis-à-vis third parties, entered into by Philips Group-Old prior to the Closing Date.

7.3 Third Party Software

Royal Philips shall assign to PSI Group the agreements relating to Third Party Software entered into by Philips Group-Old prior to the Closing Date as listed in Annex *** to this Agreement, but only to the extent that such agreements are assignable without the consent of a third party. For any such agreement not so assignable, Philips shall use its reasonable endeavours to procure the (consent to) assignment of such agreement to PSI Group or provide PSI Group the benefit of the rights under such agreements (subject to the obligations there under) in another way, all subject to PSI reimbursing Royal Philips for the additional costs incurred by Philips Group in relation thereto.

7.4 Philips-Owned Software

Royal Philips and PSI Group shall negotiate in good faith mutually agreeable terms and conditions for the maintenance and support of Philips-Owned Software licensed hereunder by Royal Philips to PSI Group.

8 TRADEMARKS AND DOMAIN NAMES

8.1 Assignment

Royal Philips hereby transfers and assigns to PSI Group the Trademarks, and the goodwill attached to and represented by such Trademarks and Domain Names, subject to all prior commitments and prior undertakings of Philips Group-Old to third parties entered into prior to the Closing Date. Clauses 2.2 and 2.5 shall apply mutatis mutandis, except that Royal Philips and PSI shall sign the deed of transfer in Annex *** immediately after the signing of this Agreement.

8.2 Restricted Use

After the Closing Date PSI Group shall not use (i) the word Philips as a trade name or as part of a corporate name, (ii) the trademark Philips and/or Philips shield emblem, or (iii) any derivate or combination mark containing the elements PHILI or PHIL, other than as agreed in the Trademark License Agreement attached hereto as Annex ***.

9 ASSIGNMENT OF PATENT LICENSE AND PATENT OWNERSHIP AGREEMENTS

9.1 Assignment

Royal Philips shall assign to PSI Group the patent license agreements and the patent ownership agreements entered into by Philips Group-Old prior to the Closing Date as listed in Annex *** hereto, to the extent that such agreements are assignable.

9.2 Exception to assignment

If any such agreement is not assignable without the consent of a third party, Royal Philips shall use its reasonable endeavors to obtain the consent of the other party(ies) to such agreement for the assignment thereof to PSI Group. If Philips is unable to obtain such consent. Philips shall use it reasonable endeavors to provide PSI Group the benefit of the rights under such agreements (subject to the obligations there under) in another way or assist PSI Group in finding alternative solutions, all subject to PSI reimbursing Royal Philips for the additional costs (except internal costs) incurred by Philips Group in relation thereto.

9.3 ***

In relation to any license agreements or cross licenses listed in Annex *** by which rights may be granted to a divested company subject to Royal Philips or any of its Associated Companies supporting an application for the grant of such rights, Royal Philips shall support such applications and shall use reasonable endeavours to ensure that the benefit of the *** provision in that agreement is realised for the benefit of the PSI Group as *** (of Royal Philips), all subject to PSI reimbursing Royal Philips for the additional costs (except internal costs) incurred by Philips Group in relation thereto.

10 CONFIDENTIAL INFORMATION

In connection with the disentanglement and assignments to be performed and licenses to be granted under this Agreement, Parties may disclose or provide access to certain Confidential Information to each other or retain Confidential Information relating to the other Party and its Associated Companies. The receiving or retaining Party shall maintain such Confidential Information relating to the other Party strictly confidential and shall not use, disclose, or otherwise exploit any Confidential Information for any purpose not expressly authorized under this Agreement. For the purpose of this Agreement, the term “Confidential Information” shall mean any data or information that is designated as confidential by Philips Group-Old. Notwithstanding the foregoing, Confidential Information shall not include information that: (i) is publicly available or in the public domain at the time it is disclosed; or (ii) is or becomes publicly available or enters the public domain through no fault of either Party or (iii) is obtained by the other Party from an authorised third-party source or developed independently by the other Party, or (iv) is required by applicable law, court order or legal process to be disclosed, provided that the obligated Party shall promptly inform the other Party, and cooperate in any attempts by the other Party to obtain a protective order or similar treatment.

11 REPRESENTATIONS AND WARRANTIES

11.1 As is

Parties acknowledge and agree that the assignments made and licenses granted by either Party hereunder are made on an “AS IS” basis and Parties do not make and hereby expressly disclaim any other express or implied representation or any warranty (including, without limitation, any express or implied warranties of merchantability, fitness for a particular purpose, title, enforceability, validity, subsistence, scope, non-infringement or non-violation of any rights of any third party, and the absence of any outstanding order, judgement, decision, decree or agreement adversely affecting the use thereof by the other Party and its Associated Companies).

11.2 No maintenance obligation

Except as specifically provided elsewhere, neither Party shall have any obligation to maintain or support any Intellectual Property licensed under this Agreement, or to provide upgrades or enhancements thereto.

12 NON-COMPETE

12.1 Restricted activities

Philips Group undertakes that *** commencing on the Closing Date, it shall not make, sell and/or otherwise dispose of integrated circuits and discretes, miniature loudspeakers, Kits or RF front end solutions competing with products sold by PSI Group at the Closing Date or being developed by and for the account of PSI Group on the basis of an approved budget at the Closing Date, or their commercial successors (any such competing products hereafter "PSI Products"), other than those referred to in Clause 12.2, in any country of the world (the "Restricted Activity").

12.2 Products not restricted

Solid state and other lighting devices (including control modules for drivers of such devices), giant-or tunnel magneto-resistive devices for other than automotive applications, imaging- and bio- and other sensor devices, lab-on-chips, drug delivery and drug testing devices, therapeutic devices, implantables, sensor and actuator modules other than for automotive or RFID applications, micro electro-mechanical and/or semiconductor switches for bio or healthcare applications, flexible-or organic semiconductors and semiconductors using substrates other than silicon fall outside the Restricted Activity.

12.3 Activities not restricted

Nothing in Clause 12,1 shall restrict Philips Group from:

12.3.1 Conducting research, developing products, prototyping or making small non-commercial series of products competing with PSI Products;

12.3.2 Making, having made, selling or otherwise disposing of products the Philips Group offers for sale or develops as of the Closing Date (including through the businesses of the Product Divisions Consumer Electronics (except for the IC Lab), Medical Systems, Lighting (incl. Lumileds) and Domestic Appliances and Personal Care, as well as the Philips entities Consumer Healthcare Solutions, Corporate Technologies (including Philips Research and Philips Applied Technologies (except for the parts that move to PSI), the Lifestyle, Healthcare and Technology Incubators and the Molecular Healthcare Business) and Corporate Investments (including Ommic)) and their commercial successors;

12.3.3 Making, having made, selling or otherwise disposing of end-user products directed to

(i) the consumer market (including any kind of personal care and domestic appliances);

(ii) the professional and consumer medical markets and the professional and personal healthcare-and wellness markets; or

(iii) for the professional, consumer and special lighting markets, whether based on lamps or on solid state devices;

12.3.4 Making or having made any type of semiconductor products (whether in the form of a die, wafer or packaged chip) for incorporation into any Philips products, systems, applications or services;

12.3.5 Making, setting or otherwise disposing of such semiconductor products as standalone products to third parties, provided that standalone semiconductor products falling within the Restricted Activity may only be sold or otherwise disposed of with the written consent of PSI;

12.3.6 making, using, selling, licensing and/or otherwise disposing of any software product that does not contain Business Software originating from and marketed by PSI Group separately or in combination with integrated circuits, either as a standalone product or bundled with any other Philips product, device, system, application or service;

12.3.7 making, using, selling and/or otherwise disposing of any demonstration or evaluation tools or kits for any of Philips products, systems or applications;

12.3.8 Developing or conducting incubands or ventures, spinning-out or spinning-off any business activities of Philips Group, or creating business out of Philips Group's research and development activities, within the Restricted Activity as long as the total activities of any such business separately has revenues less than 50 million euros per year;

12.3.9 Providing research, development and engineering facilities with clean room, material analysis, prototyping, sampling, small series production, verification, testing, and/or offering related services to third parties;

12.3.10 Acquiring a controlling interest in another company or entity, provided that the commercial activities of such company or entity failing within the Restricted Activity did not generate more than hundred million euros of revenue in the fiscal year preceding the year in which the acquisition is made. In the event that an acquisition should occur of a company or entity with a revenue above this threshold, then Royal Philips will enter into good faith negotiations with PSI Group for the sale of such competing commercial activities to PSI Group;

12.3.11 Acquiring a non-controlling interest in another company or entity, provided that if such company or entity is primarily engaged in activities falling within the Restricted Activity, such interest shall not exceed 10 per cent of the voting stock ordinarily entitled to vote in the election of directors of such company or entity;

12.3.12 Holding any securities or having any other interest in another company or entity, the main activity of which is to make, select, hold and/or manage investments in start-up or other businesses, or having any interest in any investment made, held or managed by such company or entity, provided that:

i. Royal Philips is not able to control or direct such other company or entity in any manner with respect to such investments; and

ii. Royal Philips is not able to control the management or direct the activities of any such company or entity in which such investment has been made.

12.3.12 Continue its interest in TSMC as may vary from time to time, provided that an increase of its interest may only result from financial transactions not initiated by Royal Philips.

For the avoidance of doubt, the provisions of this clause 12.3 shall not be construed as broadening the scope of the restrictions in clause 12.1, nor as affecting the scope of any licenses granted under this Agreement.

12.4 If Royal Philips is acquired

If Royal Philips is acquired (whether by merger, acquisition or otherwise) by any person who is not an Associated Company of Philips ("the Acquirer"), this non-compete clause shall not apply in respect of any activities of the Acquirer or any of its Associated Companies (excluding Royal Philips).

13 CLAIMS AND LIABILITY

Any claim for a breach of any representations, warranties, covenants or undertakings contained in this Agreement shall only be enforceable by PSI Group against Royal Philips in accordance with the provisions of the Stock Purchase Agreement, and the liability and the limitations on such liability in respect of any breach of such representations, warranties, covenants and undertakings shall be determined solely in accordance with the terms of the Stock Purchase Agreement.

14 TERMINATION

After the Closing Date this Agreement cannot be terminated or rescinded.

15 NOTICES

All notices or other communications hereunder shall be given in accordance with Clause 10.1 of the Stock Purchase Agreement to the addressees provided therein, as well as:

in respect of Royal Philips to;

Philips Intellectual Property & Standards
Building WAH
Prof. Holstlaan 6
5656 AA Eindhoven
P.O. Box 220
5600 AE Eindhoven
The Netherlands
F.a.o. Counseling Executive
Fax no.: ***

in respect of PSI to:

NXP B.V.
High Tech Campus 60
5656 AG Eindhoven
The Netherlands
F.a.o. General Counsel

16 NO ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns. Save as explicitly provided otherwise herein, neither this Agreement nor any right or obligation hereunder shall be assignable by either Party, in whole or in part, to any third party without the prior written consent of the other Party.

17 MISCELLANEOUS

17.1 No implied license

Except as expressly provided in this Agreement, nothing contained in this Agreement shall be construed as implicitly granting a license or any other right under Patents, Know-How, Software, Trademarks or Domain Names.

17.2 No agency

Nothing contained in this Agreement shall be deemed or construed to constitute or create an agency, association, joint venture or partnership between the Parties.

18 SEVERABILITY

If any one or more of the provisions of this Agreement is determined to be invalid or unenforceable by any court of competent jurisdiction, such finding shall not invalidate the remainder of this Agreement which shall remain in full force and effect as if the provision(s) determined to be invalid or unenforceable had not been a part of this Agreement. In the event of such finding of invalidity or unenforceability, the Parties will endeavour to substitute forthwith the invalid or unenforceable provision(s) by such effective provision(s) as will most closely correspond with the original intention of the provision(s) so voided.

19 ENTIRE AGREEMENT

19.1 This Agreement sets forth the entire understanding and agreement between the Parties as to the subject matter of this Agreement and supersedes, cancels and merges all prior agreements, negotiations, commitments, communications and discussions between the Parties relating to the subject matter hereof.

19.2 No modification or amendment of this Agreement shall be binding upon either Party unless made in writing and signed by a duly authorized representative of each of the Parties hereto.

19.3 It is acknowledged and agreed that the performance by the Parties of their obligations pursuant to this Agreement shall by no means result in any obligation on the part of either Party to enter into any further agreement containing obligations for either Party beyond the obligations contained herein or to realize any transaction with the other Party with respect to the subject matter hereof or otherwise, including without limitation, any agreement or transaction concerning the supply of services by either Party to the other.

20 APPLICABLE LAW AND JURISDICTION

20.1 Dutch law

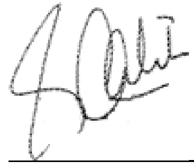
This Agreement shall be governed by and construed in accordance with the laws of The Netherlands, regardless of its conflict of law principles.

20.2 Jurisdiction

Any dispute between the Parties arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be submitted to the competent courts of The Hague, The Netherlands, without prejudice to the right of either Party to seek injunctive relief in any place where an infringement of its rights occurs or threatens to occur.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed by their duly authorized representatives on 28 September 2006.

Koninklijke Philips Electronics N.V,



(signature)

Name: E. Coutinmo
Title: GENERAL SECRETARY

Philips Semiconductors International 8.V.

(signature)

Name:
Title: General Counsel

Annex

***

Exhibit 10.2

EXECUTION VERSION

CONFIDENTIAL TREATMENT REQUESTED - CONFIDENTIAL PORTIONS OF THIS DOCUMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE COMMISSION.

***** INDICATES CONFIDENTIAL MATERIAL REDACTED AND SEPARATELY FILED WITH THE COMMISSION**

INTELLECTUAL PROPERTY TRANSFER AND LICENSE AGREEMENT

Among

NXP B.V.

Virage Logic Corporation

And

VL C.V.

Dated November 16, 2009

Contents

	Clause	Page
1	INTERPRETATION	3
2	TRANSFER AND LICENSE	10
3	TRADEMARKS	19
4	PRIOR AND FUTURE SELLER COMMITMENTS AND UNDERTAKINGS	20
5	ROYALTY	21
6	ROYALTY REPORTING AND AUDIT RIGHTS	26
7	CONFIDENTIALITY	28
8	REPRESENTATIONS AND WARRANTIES; DISCLAIMER	30
9	INFRINGEMENT INDEMNITY AND LIMITATION OF LIABILITY	31
10	TERM AND TERMINATION	34
11	ASSIGNMENT	34
12	APPLICABLE LAW; DISPUTE RESOLUTION PROCEDURE	35
13	MISCELLANEOUS	36

Annexes

Annex A	Transferred IP Blocks
Annex B	Transferred IP Tools
Annex C	Transferred Software
Annex D	Transferred Patents
Annex E	CoReUse Documentation
Annex F	NXP CoReUse Trademarks
Annex G	NXP Tools
Annex H	Royalty Reporting
Annex I	Purchaser Competitors
Annex J	Seller's Trademark Usage Guidelines
Annex K	Seller Designated Bank Account
Annex L	High Level IP Block Obligations and Restrictions
Annex M	Revenue Sharing Deductible Costs
Annex N	Patent Assignment
Annex O	Tape-Out Report

INTELLECTUAL PROPERTY TRANSFER AND LICENSE AGREEMENT

THE UNDERSIGNED:

(1) **NXP B.V.**, a limited liability company incorporated under the laws of the Netherlands, with corporate seat in Eindhoven, the Netherlands, and having its address at High Tech Campus 60, 5656 AG Eindhoven, the Netherlands, ("**Seller**");

(2) **Virage Logic Corporation,** a corporation incorporated under the laws of Delaware, USA, and having its address at 47100 Bayside Parkway, Fremont, California 94538, USA ("**Purchaser**"); and

(3) **VL C.V.**, a limited partnership formed under the laws of The Netherlands, the general partner of which is an Affiliate of Purchaser and all of the outstanding equity interests of which are owned directly or indirectly by Purchaser, and having its address at 47100 Bayside Parkway, Fremont, California 94538, USA. ("**VL C.V.**").

WHEREAS:

(A) Seller and Purchaser have entered into that certain Asset Purchase Agreement dated October 9, 2009 (the **"Asset Purchase Agreement")** relating to the sale and transfer to Purchaser of the Operations (as defined in the Asset Purchase Agreement) by Seller; and

(B) By this Agreement, the Seller, Purchaser and VL C.V. (each a "Party" and collectively the "Parties") wish to set out the terms and conditions applicable to the licensing, assignment and transfer of certain materials and intellectual property among the Parties in connection with the foregoing;

NOW THEREFORE, in consideration of the premises, and of the mutual covenants and agreements contained herein and in the Asset Purchase Agreement and other Ancillary Agreements, the Parties hereby agree as follows:

1 INTERPRETATION

1.1 Definitions

When used in this Agreement, the following capitalised terms shall have the meanings set forth below. Any capitalised term used in this Agreement but not defined herein, shall have the meaning ascribed thereto in the Asset Purchase Agreement.

"Agreement" means this Intellectual Property Transfer and License Agreement (including all Annexes hereto), as the same may be amended or supplemented from time to time in accordance with the provisions hereof.

“Asset Purchase Agreement” has the meaning set forth in the recitals to this Agreement.

“Combination Versions” means any derivative work of a Transferred IP Block or Transferred Software (or any derivative of such derivative) other than a Successor Version.

“Confidential Information” has the meaning set forth in clause 7.1 below.

“CoReUse” means Seller’s certification standard for re-usability of IP Blocks and software as set forth in Seller’s documents at the Closing Date, included by reference in Annex E hereto, as may be reasonably updated by Seller from time to time after the Closing Date.

“Covered Products” means IC Products (including tangible products embodying High-Level IP Blocks), and software embedded in or executed on such IC Products or designed and used for testing IC Products.

“Customer Activities” means to design, have designed, make, have made, use, import, export, offer for sale, sell and/or otherwise dispose of Transferred IP IC Products and Successor and Combination Version IC Products.

“Deductible Costs” has the meaning set forth in Section 5.2 below.

“Divested Company” of any Person means any former Affiliate of a Person (whether such Person is now or hereafter an Affiliate thereof) as and from the moment it no longer qualifies as an Affiliate hereunder because of a sale, conveyance, split-off, spin-off or other transfer of all or a portion of such Person’s interest in such Affiliate, or any former unincorporated business or division of such Person (whether such business or division is now or hereafter a business of such Person) as and from the moment it is divested by the Person to a transferee that is not an Affiliate of such Person, *it being understood* that a Divested Company shall include a Person, unincorporated business or division that becomes a former Affiliate, unincorporated business or division after the date of the Asset Purchase Agreement, *it being further understood* that a Divested Company shall not include any Person, unincorporated business or division that becomes a former Affiliate, unincorporated business or division if at any time it was previously a Divested Company.

“High-Level IP Block” means an IP Block or a System on Chip that contains Purchaser Licensed IP plus material added by Seller.

“IC Products” mean hardware semiconductor integrated circuit wafers, chips, dies and systems, which systems include multi-chip modules, systems in package and dies on substrate, PCB or similar material.

“Intellectual Property Rights” means copyrights, database rights, mask work rights, semiconductor rights, design rights, trade secret rights, and all analogous and other similar rights existing under the laws of any jurisdiction in the world, and all applications and registrations for the foregoing, but specifically excluding Patents and Trademarks.

“IP Block” means an electronic circuit representing a component of a larger system on an integrated circuit.

“IP Block Documentation” means for each Transferred IP Block, all documentation owned by Seller or any of its Affiliates that consists of or otherwise comprises circuit diagrams on any level of abstraction applicable, all EDA views on any level of abstraction, silicon reports or equivalent proof of silicon validation, datasheets, release notes, application notes, training materials and other technical documents and technical files applicable to such Transferred IP Block. For the avoidance of doubt, for the *** technology, all manuals, technical guidelines and other technical documents and technical files that are owned by Seller or any of its Affiliates are included.

“IP Tool Documentation” means for each Transferred IP Tool, all documentation owned by Seller or any of its Affiliates that consists of or otherwise comprises manuals, technical guidelines and other technical documents and technical files applicable to such Transferred IP Tool.

“Library Elements” means standard cells used in the synthesis of RTL blocks that are part of the Transferred IP Blocks, other than standard cells contained in standard cell libraries listed in any of Annex A – C hereunder.

“Licensed IPRs” means any Intellectual Property Rights that are both (a) infringed by, or embodied or included in, any of the Transferred Materials as provided hereunder, and (b) owned by Seller or any of its Affiliates between the date of the Asset Purchase Agreement and twelve (12) months following the Closing Date, other than Transferred IPRs.

“Licensed Materials” means

(i) for each Transferred IP Block, the portions of the applicable IP Block Documentation that directly relate to that Transferred IP Block and that are used by Seller or any of its Affiliates for (but not exclusively for) the Operations as of the Closing Date;

(ii) for each Transferred IP Tool, the portions of the applicable IP Tool Documentation that directly relate to that Transferred IP Tool and that are used by Seller or any of its Affiliates for (but not exclusively for) the Operations as of the Closing Date;

(iii) for each Transferred Software, the portions of the applicable Software Documentation that directly relate to that Transferred Software and that are used by Seller or any of its Affiliates for (but not exclusively for) the Operations as of the Closing Date; and

(iv) the NXP Tools;

which, for (i), (ii) and (iii) above, shall include, for example, the applicable portions of Seller's final IC Product documentation and documentation of subsystems (e.g., High-Level IP Blocks) that contain one or more of the Transferred IP Blocks, Transferred IP Tools or Transferred Software.

"Licensed Patents" means the NXP Transferred Materials Patents and the NXP Successor Version Patents.

"NXP CoReUse Trademarks" means the Trademarks listed in Annex F hereto.

"NXP Successor Version Patents" means any claims in any Patent (including any Patent that issues on any Patent application filed during the time frame set forth in (b) below) that are both:

(a) infringed by any Successor Versions developed by or on behalf of Purchaser or the manufacture, use, import, offer for sale or sale thereof, *it being understood* that in each case NXP Successor Version Patents shall not include any claims in any Patents that read on any semiconductor manufacturing process; and

(b) owned by Seller or its Affiliates at any time between the date of the Asset Purchase Agreement and *** after the Closing Date.

"NXP Tools" means the tools listed in Annex G hereto, excluding the portions thereof not owned by Seller as set forth under the heading "Third Party IP" in Annex G.

"NXP Transferred Materials Patents" means any claims in any Patent that are both:

(a) infringed by any of the Transferred Materials as furnished hereunder or any or the manufacture, use, import, offer for sale thereof, *it being understood* that NXP Transferred Materials Patents shall not include any claims in any Patents that read on any semiconductor manufacturing process; and

(b) owned by Seller or its Affiliates as of the date of the Asset Purchase Agreement or *** thereafter.

"Partial Combination Version" means that portion of a Combination Version that contains IP Blocks or software licensed, or transferred or assigned by Seller hereunder.

"Patents" means any patents and patent applications, together with all additions, divisions, continuations, continuations-in-part, substitutions, reissues, re-examinations, extensions, registrations, patent term extensions, supplemental protection certificates and renewals of any of the foregoing, in any country of the world.

"Purchaser Competitor" means the Persons listed or otherwise described on Annex I hereto.

"Purchaser Confidential Information" shall have the meaning set forth in clause 7.1.

“Purchaser Customer” shall have the meaning set forth in clause 2.4.

“Purchaser Indemnified Version” shall have the meaning set forth in clause 9.1.1.

“Purchaser Licensed IP” means the Transferred Materials, Transferred IPRs, Transferred Patents, Purchaser Successor Versions, Purchaser Successor Version IPRs, the Purchaser Partial Combination Versions and the Purchaser Partial Combination Version IPRs.

“Purchaser Partial Combination Version” means that portion of a Combination Version that contains IP Blocks or software licensed, or transferred or assigned by Seller hereunder. For purposes of this definition only, **“Combination Versions”** shall refer only to those Combination Versions made by or on behalf of Purchaser or any of its Affiliates or otherwise owned by Purchaser or any of its Affiliates.

“Purchaser Partial Combination Version IPRs” means any Intellectual Property Rights and any claims in any Patents that are both (i) infringed by, or embodied or included in, any of the Purchaser Partial Combination Versions and (ii) owned by Purchaser or any of its Affiliates.

“Purchaser Successor Version” means any Successor Version made by or on behalf of Purchaser or any of its Affiliates or otherwise owned by Purchaser or any of its Affiliates.

“Purchaser Successor Version IPRs” means any Intellectual Property Rights and any claims in any Patents that are both (i) infringed by, or embodied or included in, any of the Purchaser Successor Versions and (ii) owned by Purchaser or any of its Affiliates.

“Purpose” shall have the meaning set forth in clause 2.4.

“Receiving Party” shall have the meaning set forth in clause 7.1.

“Restricted Activities” shall have the meaning set forth in clause 5.4.

“Royalty Term” means the seven (7) year period after the Closing Date.

“Seller Confidential Information” shall have the meaning set forth in clause 7.1.

“Seller Indemnified Party” shall have the meaning set forth in clause 9.1.1.

“Seller Licensed Activity” shall have the meaning set forth in clause 2.2.

“Software Documentation” means for each Transferred Software, all documentation owned by Seller or any of its Affiliates that consists of or otherwise comprises technical documents and technical files applicable to such Transferred Software.

"Successor and Combination Version IC Products" has the meaning set forth in clause 2.4.

"Successor Versions" means any derivative work of a Transferred IP Block or Transferred Software (or any derivative of such derivative) that contains no modifications of or improvements to such Transferred IP Block or Transferred Software, other than modifications or improvements to the extent necessary to:

(a) correct bugs or similar errors;

(b) adapt or port Transferred IP Blocks or Transferred Software, as applicable, to different or new production processes;

(c) improve production yield or reduce manufacturing costs of Transferred IP Blocks or Transferred Software, as applicable, while retaining substantially similar architecture and design;

(d) implement a design shrink; or

(e) include or support additional EDA tool views.

"Suspension Period" shall have the meaning set forth in clause 5.4.

"Trademarks" means trademarks, service marks, brand names, certification marks, collective marks, domain names, logos, symbols, trade dress, trade names and other indicia of origin, and all applications and registrations for the foregoing.

"Transferred IP Blocks" means the IP Blocks listed in Annex A hereto.

"Transferred IP IC Products" has the meaning set forth in clause 2.4.

"Transferred IP Tools" means the IP Block-related tools, standards and re-use enablers listed in Annex B hereto.

"Transferred IPRs" means any Intellectual Property Rights that (x) are misappropriated or infringed by, or embodied or included in, any of the Transferred Materials as provided hereunder, (y) are owned by Seller or any of its Affiliates as of the Closing Date and (z) are used exclusively in connection with or for the Purpose as of the Closing Date.

"Transferred Materials" means:

(i) (x) the Transferred IP Blocks in source code format and (y) all of the applicable IP Block Documentation that are used by Seller or any of its Affiliates in their respective conduct of the Operations as of the Closing Date;

(ii) (x) the Transferred IP Tools, (y) all code (including executable and source code) therein, and (z) all of the applicable IP Tool Documentation that are used by Seller or any of its Affiliates in their respective conduct of the Operations as of the Closing Date; and

(iii) (x) the Transferred Software and (y) all of the applicable Software Documentation that are used by Seller or any of its Affiliates in their respective conduct of the Operations as of the Closing Date,

in each case other than the Licensed Materials.

“Transferred Materials Infringement Claim” shall have the meaning set forth in clause 5.5.1.

“Transferred Materials Infringement Claim Costs” shall have the meaning set forth in clause 5.5.1.

“Transferred Patents” means the Patents listed in Annex D hereto.

“Transferred Software” means the software listed in Annex C hereto.

“US/Netherlands Treaty” means the Convention Between the United States of America and the Kingdom of the Netherlands for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes and Income, as amended and as in effect as of the date of this Agreement.

1.2 References

1.2.1 Any reference in this Agreement to a liability or obligation of Seller shall be deemed to incorporate an obligation on the part of Seller to procure that the relevant liability is discharged or obligation is performed by Seller’s relevant Affiliates, subject to the terms set out in this Agreement.

1.2.2 Any reference in this Agreement to a liability or obligation of Purchaser or VL C.V. shall be deemed to incorporate an obligation on the part of Purchaser or VL C.V. to procure that the relevant liability is discharged or obligation is performed by Purchaser’s or VL C.V.’s relevant Affiliates (including, in the case of Purchaser, VL C.V.), subject to the terms set out in this Agreement.

1.2.3 Any reference in this Agreement to a license granted to Seller shall be deemed to incorporate the same license to Seller’s relevant Affiliates, subject to the terms set out in this Agreement.

1.2.4 Any reference in this Agreement to a license granted, or required to be granted pursuant to clause 2.2(e), to Purchaser or VL C.V. shall be deemed to incorporate the same license to Purchaser’s Affiliates, subject to the terms set out in this Agreement.

1.2.5 Whenever used in this Agreement, the words “include”, “includes” and “including” and variations thereof shall not be deemed to be terms of limitation, and shall be deemed to be followed by the words “without limitation”.

1.3 Drafting party

No provision of this Agreement shall be interpreted against a Party solely as a result of the fact that such Party was responsible for the drafting of such provision, it being acknowledged that the Parties and representatives of the Parties have participated in the drafting and negotiating of this Agreement.

1.4 Headings and references

The clause and paragraph headings and table of contents contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

2 TRANSFER AND LICENSE

2.1 Transferred Materials, IPRs and Patents

Subject to the terms and conditions of this Agreement, Seller hereby assigns, transfers and conveys to VL C.V. the Transferred Materials, the Transferred IPRs and the Transferred Patents, and VL C.V. hereby accepts the assignment of the Transferred Materials, Transferred IPRs and Transferred Patents.

2.2 License Back

(a) VL C.V. hereby grants to Seller a non-exclusive, irrevocable, perpetual, nonterminable, world-wide, royalty-free (except pursuant to clause 2.2(b)(iii) below) and fully-paid up (except pursuant to clause 2.2(b)(iii) below) license, without the right to sublicense except as expressly set forth in clauses 2.2(b), (c) and (d) below, to and under the Purchaser Licensed IP to:

(i) as applicable, use, have used, modify, have modified, improve, have improved, create and have created derivative works thereof;

(ii) manufacture, have manufactured, make, have made, design, have designed and use Covered Products;

(iii) offer to sell, sell, have sold, import, have imported, export, have exported, copy, have copied, distribute or otherwise dispose of IC Products included in such Covered Products; and

(iv) offer to license, have licensed and license, import, have imported, export, have exported, copy and have copied High-Level IP Blocks or any software included in such Covered Products.

For the avoidance of doubt, all "have" rights set forth in this clause (a) are limited to the right to have third parties, including contract manufacturers, use such rights solely on behalf of Seller or any of its Affiliates or any of their respective permitted sublicensees. On a quarterly basis (for the duration of the Services Period (as defined in the Technology Services Agreement) and to the extent not previously delivered, Purchaser, at its own expense, shall deliver to Seller the source code portions of any software included in the Purchaser Licensed IP. The source code shall include updated schematics (to the extent schematics were originally provided by Seller to VL C.V.), along with fully documented human-readable source code, including programmer's notes, flow charts, logic diagrams and other such materials and documentation, in each case to the extent available. For the avoidance of doubt, Seller shall be entitled to sublicense and deliver to any sublicensee permitted by this Agreement, the source code and related materials described in the previous two sentences, and to grant to such sublicensee a sublicense to such source code and materials consistent with the rights set forth in clause 2.2(a)(i) through (iv) above, but limited to the scope of such sublicense (including as required by clause 2.2(c) below, as applicable).

(b) Subject to the restrictions set forth in clause 2.2(d) below, Seller shall have the right to sublicense:

(i) all or part of the rights set forth in clause (a) above to Divested Companies of Seller at the applicable time of such divestment (or a direct or indirect parent company thereof (for use solely with respect to the Divested Company as provided herein)) (subject to the restrictions set forth below in clause 2.2(c) below), including the right to further sublicense in accordance with clause 2.2(b)(iii) below;

(ii) all or part of the rights set forth in clause 2.2(a) above solely with respect to *** to third parties in connection with *** or similar programs or *** programs in which Seller or any of its Affiliates is or may be a participant from time to time, whether now or in the future, to the extent such licenses are required as a condition to participation in such programs and such sublicensed third parties have no right to *** without reference to or use in the applicable ***;

(iii) all or part of the rights set forth in clause 2.2(a) above solely with respect to *** to third parties, subject to the payment and other obligations set forth in Annex L hereto), *it being understood* that such third parties shall have the

right to use, have used, modify, have modified, improve, have improved, create and have created ***, manufacture, have manufactured, make, have made, design, have designed and use ***, and to offer to sell, sell, have sold, import, have imported, export, have exported, copy, have copied, distribute or otherwise dispose of such *** and such sublicensed third parties have no right to *** without reference to or use in the applicable ***;

(iv) all or part of the rights set forth in clause 2.2(a) above in the event of and following an uncured material breach by Purchaser of any material delivery milestone, material breach of Support Services obligations with respect to Critical Error Corrections (each as defined in the Technology Services Agreement) or material breach of express breach of warranty remedy, in each case under the Technology Services Agreement or a Statement of Work thereto, that is not cured within sixty (60) days after the conclusion of the breach resolution procedures set forth in Section 8.2.1 of the Technology Services Agreement;

(v) all or part of the rights set forth in clause 2.2(a) above in the event of and following an uncured material breach by Purchaser of any material delivery milestone, material breach of Support Services obligation with respect to Critical Error Corrections or material breach of express breach of warranty remedy, in each case under the Services Agreement or a Statement of Work thereto, that is not cured within one (1) day after the conclusion of the breach resolution procedures set forth in Section 8.2.1 of the Technology Services Agreement, but solely to enable Seller or any of its Affiliates to engage a third party to provide services to Seller or any of its Affiliates solely with respect to the Deliverable(s) that are the subject of such uncured material breach and provided that, in the event that Purchaser cures such material breach within sixty (60) days after the conclusion of the breach resolution procedures set forth in Section 8.2.1 of the Technology Services Agreement, Seller's right to sublicense and any sublicense granted under this clause 2.2(b)(v) shall automatically terminate after the completion of such services by such third party; and

(vi) *** and *** insofar as the Purchaser Licensed IP constitutes Deliverables (as defined in the Technology Services Agreement) that Seller is required to provide to ***, as applicable, pursuant to that certain *** and the ***, each in effect as of ***

The rights in clause 2.2(b)(i) above shall be further sublicensable one (1) time only by one (1) Divested Company of Seller relating to all or part of Seller's *** (such right to further sublicense to be granted at the time of divestment of *** solely to a Divested Company of *** at the time of such divestment (as such Divested Company may organically grow or change from time to time), *provided* that such further sublicense contains the restrictions set forth in clauses 2.2(c)(i) and c(iii) below and is otherwise in compliance with all of the requirements set forth in this clause 2.2 (including clause 2.2(d) below and Annex L hereto). Any Divested Company sublicense will be transferable or assignable, in whole but not in part, to any Affiliate of the sublicensee or to a third party as part of a merger, acquisition or sale of such sublicensee or substantially all of the business or assets of sublicensee related to the subject matter of this Agreement, as long as the third party involved in such a merger, acquisition or sale is not a Purchaser Competitor and provided that such Affiliate or third party, as applicable, agrees in writing to be bound by all of the terms, conditions and provisions contained in the applicable sublicense agreement required pursuant to clause (d) below.

(c) (i) Except as set forth in clause 2.2(c)(ii) below, for each sublicense to or with respect to a Divested Company of Seller or a Divested Company of *** permitted pursuant to clause 2.2(b) above, such sublicense shall be limited to exercising the rights in clauses 2.2(a)(i), (ii) and (iii) above only with respect to

(I) IC Products that have been Taped Out, IC Products under development, and High-Level IP Blocks and software of such Divested Company in existence, in each case as of the date of divestiture,

(II) any future IC Products, High-Level IP Blocks or software on then-current roadmaps of such Divested Company as of the date of divestiture, and

(III) any derivatives or natural successors of the items specified in 2.2(c)(i)(I) and (II) above.

(ii) In the event that Seller grants a sublicense to or with respect to *** under clause 2.2(b) above, such sublicense shall not be subject to the restrictions set forth in clause 2.2(c)(i) above; *provided*, *however*, that the permitted one (1) time further sublicense by *** to a Divested Company of *** shall be subject to the restrictions set forth in clause 2.2(c)(i) above.

(iii) Except as set forth in clause (c)(iv) below, no sublicense granted to a Divested Company pursuant to clause (i) or clause (ii) shall extend to any Person, business, operation or activity with which any such Divested Company becomes combined or is merged.

(iv) Notwithstanding clause (c)(iii) above, for so long as Seller does not *** to *** of the ***, if the *** on *** is *** set forth in the *** thereto or *** as long as no other Person (other than controlled Affiliates of *** or Seller) is a *** and Seller (it *being understood* that, ***, the *** is the *** for purposes of this Agreement), Seller may enter into agreements extending the sublicense granted with respect to *** to any Person, business, operation or activity with which *** is combined or is merged, but solely for the purpose of conducting the business of *** (and not for any other purpose). With respect to all other Divested Company sublicenses hereunder, Purchaser shall consider in good faith any request by Seller to have the sublicense with respect to the applicable Divested Company extended to any Person, business, operation or activity with respect to which such Divested Company is combined or is merged, but solely for the purpose of conducting the business of such Divested Company (and not for any other purpose).

(d) Each sublicense granted under clause 2.2(b) shall be subject to a written sublicense agreement under which each sublicensee shall agree to the scope of sublicense and the restrictions and other obligations set forth in this Agreement applicable to the rights sublicensed, including the applicable express restrictions referenced in clause 2.2 (c)(iii) and (c)(iv) above, and each such sublicense agreement shall

(i) be governed by the same governing law and dispute resolution procedures and venue as set forth in this Agreement, and

(ii) require that Purchaser be copied on all notices provided under such sublicense agreement.

Any such sublicense agreement shall also contain the terms and conditions set forth in clause 2.2(f) below and, if applicable, Annex L hereto. Seller shall advise Purchaser in writing of each such sublicense and provide Purchaser with a copy of each sublicense agreement and any amendment or other modification thereto within thirty (30) days of execution of same. Further, each sublicense agreement with or with respect to a Divested Company (not including the sublicense agreement with *** but including the sublicense agreement executed in connection with the exercise of *** of its

permitted one (1) time further sublicense to a Divested Company of *** shall require such Divested Company to provide Purchaser with a copy of the roadmap applicable to such sublicense upon the written request of Purchaser. Any roadmap provided hereunder shall be kept strictly confidential in files of Purchaser's CEO and/or Vice President of Engineering marked "Highly Confidential" and access thereto and use thereof shall be restricted solely for the purposes of determining whether the scope of the sublicense to, or the exercise of the sublicense by, the applicable Divested Company has been exceeded. Purchaser and VL C.V. agree that Seller shall have no liability for any acts or omissions of its permitted sublicensees; *provided* that as a condition to Seller's ability to sublicense its rights hereunder and its sublicensees' ability to sublicense their permitted sublicensees, Seller agrees, and Seller shall cause each of its sublicensees hereunder to be obligated in writing to agree, in the applicable written sublicense agreement between Seller and such sublicensee, that Purchaser shall be expressly named as an intended third party beneficiary of any such sublicense in the applicable sublicense agreement with the express right to enforce such sublicense agreement in accordance with its terms.

(e) As among the Parties, Seller shall exclusively own and retain all right, title and interest in and to any modifications, improvements, updates and derivative works of the Purchaser Licensed IP (other than any Patents included therein) developed by or on behalf of Seller, any of its Affiliates or any sublicensee hereunder; *provided, however,* that with respect to any claims in any Patent owned by Seller or any of its Affiliates at any time after the Closing Date that read on or are directed towards any such modifications, improvements, updates or derivative works that are developed by or on behalf of Seller or any of its Affiliates, Seller shall automatically grant, and hereby does grant, without any additional requirement, including execution of a separate license agreement, to VL C.V. a license under all such claims, which license shall be of the same scope and for the same purposes as the license granted in clause 2.5 below, and for the avoidance of doubt, all such claims shall be deemed licensed to VL C.V. under clause 2.5 below. The sublicense rights set forth herein shall be subject to the applicable sublicensee automatically granting to VL C.V., *ab initio,* without any additional requirement, including execution of a separate license agreement, a license under any claims in any Patent owned by such sublicensee at any time after the date such sublicense is granted to such sublicensee, that read on or are directed towards any modifications, improvements, updates or derivative works of the Purchaser Licensed IP made by or on behalf of such sublicensee, which license shall be of the same scope and for the same purposes as the license granted in clause 2.5 below.

(f) (i) No licensee or sublicensee under this Agreement shall delete or in any manner alter any intellectual property rights notices of Purchaser or its suppliers, if any, appearing on the Purchaser Licensed IP. Each such licensee and sublicensee shall reproduce such notices in a substantially similar manner on each copy it makes of any Purchaser Licensed IP.

(ii) Each licensee and sublicensee under this Agreement shall identify Purchaser on semiconductor manufacturers' declaration forms as a licensor of the intellectual property owned by Purchaser embodied in the Purchaser Licensed IP that is contained in such licensee's or sublicensee's products as produced by its semiconductor manufacturer(s). Each such licensee and sublicensee shall execute such declaration as provided by each such semiconductor manufacturer to document the content of the Purchaser Licensed IP in such products. Upon Purchaser's request, the applicable licensee or sublicensee shall authorize the applicable semiconductor manufacturer to provide information directly to Purchaser documenting the content of the Purchaser Licensed IP in such products.

(iii) Each licensee under this Agreement acknowledges and agrees, and each sublicensee under this Agreement shall acknowledge and agree in the applicable sublicense agreement, that (I) certain output generated by or on behalf of such licensee or sublicensee through use of certain Purchaser Licensed IP licensed to it hereunder may contain information that complies with the Virtual Component Identification Physical Tagging Standard (VCID) as maintained by the Virtual Socket Interface Alliance (VSIA), (II) such information may be expressed in GDSII Layer 63 or other such layer designated by Purchaser, the VSIA, and hardware definition languages, or other formats, and (III) it is not authorized to, and it shall not, alter or change any such information.

(iv) In the event a semiconductor manufacturer is manufacturing integrated circuits for any licensee or sublicensee using any of the Purchaser Licensed IP, each such licensee and sublicensee shall provide to Purchaser reports once per quarter setting forth, for the previous quarter, the project tracking number used by the semiconductor manufacturer to identify Tape Outs (as defined in the Master License Agreement) completed in such quarter using such Purchaser Licensed IP. The reports shall be sent via email to tapeout@viragelogic.com; provided, however, that Licensee may deliver such reports through the Steering Committee (as defined in the Technology Services Agreement). A sample form of such report is included as Annex O hereto.

2.3 Effectuation

Seller will execute and deliver all files, assignments (including the Patent assignment set forth in Annex N hereto), and titles, evidence or authorisations as may be required to vest, perfect, confirm, effectuate or to formalise the assignment, transfer and conveyance of the Transferred Materials, Transferred IPRs and Transferred Patents to VL C.V. Any other aspects concerning delivery by Seller of Transferred Materials, Transferred IPRs and Transferred Patents to VL C.V. shall be governed by the Umbrella Transitional Services Agreement.

2.4 Licensed Materials and IPRs

Subject to the terms and conditions of this Agreement (including clause 2.8), Seller hereby grants to VL C.V. a personal, non-exclusive, non-transferable (except as set forth in clause 11), perpetual, irrevocable, non-terminable, world-wide, royalty-free and fully paid-up license under the Licensed Materials and Licensed IPRs only for the purpose of the following (the following being referred to as the "**Licensed Activities**"), in each case only in connection with CMOS silicon wafer manufacturing processes with a design rule of ninety (90) nanometers and smaller (and IC Products resulting from such processes) (the **"Purpose"**) and for no other purpose or use:

(a) promoting, licensing, supplying, and providing maintenance and support services regarding, the Transferred IP Blocks and Transferred Software to Purchaser's downstream customers (each, a "Purchaser Customer") (provided that these Purchaser Customers will be bound by confidentiality agreements no less restrictive than Purchaser's confidentiality obligations hereunder) solely to enable such customers to design, have designed, make, have made, use, import, export, offer for sale, sell or otherwise dispose of those portions of IC Products that contain Transferred IP Blocks or Transferred Software (such portions, the "Transferred IP IC **Products**");

(b) developing Successor Versions and Partial Combinations Versions;

(c) promoting, (sub)licensing, supplying, and providing maintenance and support services regarding, Successor Versions and Partial Combination Versions to Purchaser Customers (provided that these Purchaser Customers will be bound by confidentiality agreements no less restrictive than Purchaser's confidentiality obligations hereunder) solely to enable such customers to design, have designed, make, have made, use, import, export, offer for sale, sell and/or otherwise dispose of those portions of IC Products that contain Successor Versions or Partial Combination Versions (such portions, the "**Successor and Combination IC Products**");

(d) using the Transferred IP Tools, and derivative works thereof, and the NXP Tools and other Licensed Materials related to the NXP Tools to configure Transferred IP Blocks and any Successor Versions and Partial Combination Versions; and

(e) using the CoReUse standard and the Qcore tool, both identified in Annex G hereto, to qualify Transferred IP Blocks and any Successor Versions and Partial Combination Versions as CoReUse-compliant in accordance with Seller's guidelines referenced in Annex D.

2.5 Patent License

Subject to the terms and conditions of this Agreement (including clause 2.8), Seller hereby grants to VL C.V. a personal, non-exclusive, non-transferable (except as set forth in clause 11), perpetual, irrevocable, non-terminable, world-wide, royalty-free and fully paid-up license under the Licensed Patents solely for the conduct of any of the Licensed Activities.

2.6 No obligation

For the avoidance of doubt, Seller shall have no obligation under this Agreement to maintain or support after the Closing Date any of the items licensed or transferred by Seller or its Affiliates pursuant to this Agreement, including: (i) Transferred Materials; (ii) Transferred IPRs; (iii) Transferred Patents; (iv) Licensed IPRs; (v) NXP Transferred Materials Patents; or (vi) NXP Successor Version Patents.

2.7 Delivery

Seller or one or more of its Affiliates shall, upon the request of Purchaser, deliver the Licensed Materials to VL C.V. in accordance with the Umbrella Transitional Services Agreement, *provided* that Seller and its Affiliates shall have no obligation to deliver any Licensed Materials hereunder to the extent that such Licensed Materials have been previously delivered to VL C.V.

2.8 Ownership; no other rights

Seller (or its Affiliates as the case may be) retains all rights, title and interest in and to the Licensed Materials (including any copies thereof and whether separate or combined with any other products), Licensed IPRs and Licensed Patents, and no ownership in or to the Licensed Materials, Licensed IPRs or Licensed Patents is transferred pursuant to this Agreement. Further, in no event shall the licenses granted under clauses 2.4 and 2.5 above, or any other provision of this Agreement, be construed as granting Purchaser (or its Affiliates), expressly or by implication, estoppel or otherwise, any right or license to use any of Seller’s (or any of its Affiliates’) Patents, technology or intellectual property rights other than those licenses to the Licensed Materials, Licensed IPRs and Licensed Patents to the extent expressly granted under clauses 2.4 and 2.5 above.

2.9 IP Blocks

Notwithstanding anything herein to the contrary, it is understood and agreed that (x) unless otherwise specified on Annex A, B or C hereto, sub-blocks, components or other constituent parts of those Transferred IP Blocks, Transferred IP Tools or Transferred Software that form part of

Transferred Materials, and the Transferred IPRs pertaining thereto, do not constitute part of such Transferred Materials or Transferred IPRs and are not being transferred or assigned hereunder and (y) unless otherwise specified on Annex A, sub-blocks, components or other constituent parts of the Transferred IP Blocks that constitute Library Elements and the Licensed IPRs and the Licensed Patents pertaining thereto, taken in isolation and without reference to or use in any such Transferred IP Block or Successor Version or Partial Combination Version relating thereto, are not being licensed hereunder.

Notwithstanding the foregoing in this clause 2.9, Purchaser shall be free, and Seller hereby grants to Purchaser, the right to use for any purpose the ***; provided however that Purchaser shall maintain the confidentiality of the Library Elements to the extent required under this Agreement. For the purpose of this clause 2.9, *** means *** in the *** of *** have had *** such *** by such *** to *** such *** However, this clause 2.9 does not grant Purchaser any rights under any Intellectual Property Rights or Patents of Seller or its Affiliates.

2.10 Open Source

The license granted to VL C.V. hereunder does not include the right to license, and neither Purchaser nor VL C.V. shall perform any actions in a manner that would require any software included in the Licensed IPRs or otherwise licensed hereunder to VL C.V., in whole or in part, or any derivative work thereof to be licensed, under Open License Terms.

3 TRADEMARKS

3.1 License

Subject to the terms and conditions of this Agreement, Seller hereby grants to Purchaser and to VL C.V. a personal, non-exclusive, non-transferable (except as set forth in clause 11 below), perpetual, irrevocable, worldwide, royalty-free, fully paid-up license to use the NXP CoReUse Trademarks for the sole purpose of promoting, sublicensing, supplying, and providing maintenance and support services regarding, all in accordance with clause 2.4 above, the Transferred IP Blocks that have been certified by Seller as CoReUse compliant at the Closing Date, as indicated in Annex A hereto and with respect to which such certification has not subsequently been withdrawn, *it being understood* that Seller may only withdraw such certification upon ninety (90) days' prior written notice to Purchaser.

3.2 Usage guidelines

The license granted under clause 3.1 above is subject to Purchaser's and VL C.V.'s strict compliance with Seller's standard Trademark usage guidelines (the version of which effective as

of the Closing Date is attached as Annex J hereto), as they may be amended or modified from time to time by Seller upon ninety (90) days' prior written notice to Purchaser. Seller reserves the right to practice reasonable quality control with regard to Purchaser's and VL C.V.'s use of the NXP CoReUse Trademarks and any products and services marketed, sold or licensed by Purchaser or VL C.V. thereunder.

3.3 Ownership and no other license

Purchaser and VL C.V. each acknowledges and agrees that:

(i) all rights in and to the NXP CoReUse Trademarks are retained by Seller;

(ii) Neither Purchaser nor VL C.V. will, now or in the future, contest the validity of the NXP CoReUse Trademarks;

(iii) nothing in this Agreement will transfer ownership of the NXP CoReUse Trademarks; and

(iv) Purchaser's and VL C.V.'s respective use of the NXP CoReUse Trademarks will not create in either of them, nor will either of them represent it has, any right, title or interest in or to the NXP CoReUse Trademarks other than the license expressly granted under clause 3.1 above, and all such use and goodwill associated thereby will inure to the benefit of Seller.

3.4 NXP mark restrictions

Neither Purchaser nor VL C.V. shall make use of the word "NXP", alone or in combination with another sign, as a trademark, service mark, trade name or domain name or in any other way, and neither Purchaser nor VL C.V. shall make use of any other commercial or corporate indicia retained by Seller, except for the NXP CoReUse Trademarks in accordance with this clause 3. Notwithstanding the foregoing or anything else in this Agreement to the contrary, Purchaser and VL C.V. shall have the right to use the word "NXP" and other commercial or corporate indicia retained by Seller as reasonably required to describe the Transactions in connection with securities and other regulatory filings with any Governmental Authority.

4 PRIOR AND FUTURE SELLER COMMITMENTS AND UNDERTAKINGS

All assignments, transfers and licenses to Purchaser or VL C.V. will be subject to all prior commitments and undertakings of Seller and/or its Affiliates and to all commitments and undertakings set forth in clause 2.2.

Seller acknowledges and agrees that any license, assignment, transfer or other grant of any rights to the Licensed IPRs, Licensed Materials, Licensed Patents and/or NXP CoReUse Trademarks by Seller or any of its Affiliates to any third party shall be subject to the rights granted to either Purchaser or VL C.V. or both hereunder.

5 ROYALTY

5.1 Royalty on Transferred Materials

Purchaser will pay Seller a royalty of *** percent (***%) of all amounts received (including the fair market value of non-cash consideration) by or on behalf of Purchaser or any of its Affiliates during the Royalty Term (or amounts invoiced during the Royalty Term and later received) in respect of the licensing of the Transferred Materials, in the exact form provided by Seller to VL C.V. under this Agreement, to parties other than Purchaser or its Affiliates or Seller or its Affiliates.

5.2 Royalty on Successor Versions

Purchaser will pay Seller a royalty of *** percent (***%) of (i) all amounts received (including the fair market value of non-cash consideration) by or on behalf of Purchaser or any of its Affiliates during the Royalty Term (or amounts invoiced during the Royalty Term and later received) in respect of the licensing of any Successor Versions to parties other than Purchaser or its Affiliates or Seller or its Affiliates, minus (ii) any costs and expenses *** by Seller or a third party) *** (the “Deductible Costs”). It is furthermore expressly understood that only a *** percent (***%) deduction of such Deductible Costs will be applied in connection with modifications to Successor Versions that are designed to *** by or on behalf of ***.

5.3 Royalty on Combination Versions

Purchaser will pay Seller a royalty of *** percent (***%) of all Allocable Combination Version Revenue received by or on behalf of Purchaser or any of its Affiliates during the Royalty Term (or amounts invoiced during the Royalty Term and later received) in respect of the licensing of any Combination Version to parties other than Purchaser or its Affiliates or Seller or its Affiliates.

For the purposes of this Section 5.3, “Allocable Combination Version Revenue” means amounts received (including the fair market value of non-cash consideration) by or on behalf of Purchaser or any of its Affiliates on the Partial Combination Version portion of each Combination Version, calculated as follows:

(i) where such Partial Combination Version portion of such Combination Version constitutes Transferred Materials in the exact form provided by Seller to VL C.V. under this

Agreement, the Allocable Combination Version Revenue shall be determined by multiplying the amounts received by or on behalf of Purchaser or any of its Affiliates from the licensing of such Combination Version by the fraction *** where *** is Purchaser's *** of *** of *** when *** and *** is the *** of the *** of *** that does not constitute a *** and

(ii) where such Partial Combination Version portion of such Combination Version constitutes a Successor Version, the Allocable Combination Version Revenue shall be determined by multiplying the revenue received by or on behalf of Purchaser or any of its Affiliates from the licensing of such Combination Version by the fraction *** where *** is Purchaser's *** of *** of *** when *** (and after deduction of the Deductible Costs in accordance with clause 5.2 above) and *** is the *** of the *** of *** that does not constitute a ***

5.4 Royalty Suspension (Restricted Activities)

In the event that Seller or any of its Affiliates at any time during the Royalty Term licenses on a commercial basis electronic circuit modules and related technology, software and tools for the design, maintenance, support, and manufacturing of IC Products with baseline CMOS (90 nanometres and smaller) technology that offer substantially the same functionality as any Transferred Materials, Successor Versions or Partial Combination Version portion of Combination Versions ("Restricted **Activities"),** then during the time that Seller or any of its Affiliates is engaged in any such Restricted Activity (such time, the "Suspension **Period"),** Purchaser shall have no obligation

(i) to pay Seller any royalties under this clause 5 with respect to any amounts invoiced during the Suspension Period with respect to the Transferred Materials, Successor Versions or Combination Versions, as applicable, that are subject to the Restricted Activity in which Seller or any of its Affiliates is then engaging or

(ii) to make any payment to Seller pursuant to clause 5.6 below in connection with the sale, transfer of title, or assignment of ownership during the Suspension Period of any of the Transferred Materials, Successor Versions or Combination Versions, as applicable, that are subject to the Restricted Activity in which Seller or any of its Affiliates is then engaging.

It is understood and agreed that neither Seller nor any of its Affiliates will be deemed to be engaged in a Restricted Activity with respect to licenses regarding which neither Seller nor any of its Affiliates are entitled to receive any further revenues therefrom or attributable thereto. For purpose of this clause 5.4, "commercial basis" shall not include Seller's or any of Seller's Affiliates' engagement in High Level IP Block licensing as set forth in clause 2.2 above, as long as Seller and each of its Affiliates is in material compliance with its payment obligations under Annex L hereto.

5.5 Royalty Off-setting (Transferred Materials Infringement Claims)

5.5.1 In the event that during the Royalty Term a claim, lawsuit or other legal proceeding is brought by a third party against Purchaser or any Purchaser Customer, to the extent Purchaser is required to defend such customers, which and to the extent is based on a claim that the unmodified Transferred Materials and/or unmodified portion of Transferred Materials or Transferred Materials contained in a Successor Version or Combination Version infringes a copyright, Patent or other Intellectual Property Right of a third party ("**Transferred Materials Infringement Claim**"), then, without prejudice to Seller's obligation to defend and indemnify Purchaser under Section 8.2 of the Asset Purchase Agreement, *** subject to clause 5.5.2 below, Purchaser may set-off payment of the royalties due to Seller under this clause 5 to use such royalties as a share of the cost of litigation and activities conducted in connection with the analysis and defense of such claim (including reasonable attorneys' fees, settlement costs and damage awards) and such other costs incurred in connection with clause 5.5.2 (including costs and expenses attributable to any mitigation steps undertaken by Purchaser, such as, without limitation, acquiring a license to the asserted copyright(s), Patent(s) and/or other Intellectual Property Rights or developing a non-infringing modification or replacement of the applicable Transferred Materials) solely, in each case, to the extent directly attributable to such Transferred Materials Infringement Claim (such costs together the "**Transferred Materials Infringement Claim Costs**"). Notwithstanding anything herein to the contrary, nothing in this clause 5.5 is nor shall be construed to be *** of any kind for *** or any other ***

5.5.2 At any time that Purchaser sets-off the royalty payments pursuant to this clause 5.5, Purchaser and Seller agree that, in each such case, the following conditions shall apply:

(a) Purchaser shall deliver prior written notice to Seller of any actual or threatened Transferred Materials Infringement Claim with sufficient detail stating the justification for setting-off the royalty payments including without limitation the third party claimant, the specific claims and the specific Transferred Materials that are subject to the claims, and shall include a copy of the lawsuit, complaint or administrative proceeding notice of action.

(b) Purchaser and Seller shall discuss in good faith how to mitigate costs and damages and how to best address and amicably resolve such Transferred

Materials Infringement Claim and what alternatives are reasonably available to achieve this, such as, by way of example, obtaining from any third party the necessary rights and licenses for the Parties to continue to enjoy the benefits of this Agreement or modification or replacement of any of the Transferred Materials or portion thereof so that these become non-infringing while giving substantially equivalent performance or, when no such alternative is reasonably available, how to reasonably support each other free of charge in the defense or settlement of such Transferred Materials Infringement Claim. Purchaser shall, if and to the extent obtained for the benefit of any Purchaser Customer, obtain a release of liability of Seller and its Affiliates relating to such Transferred Materials Infringement Claim and a license for Seller and its Affiliates for the continued use of such Transferred Materials. Purchaser shall have the right to control the defense and settlement of such Transferred Materials Infringement Claim, provided that, subject to clause 5.5.2(c) below, Seller shall have the right to meaningfully participate in (directly and through counsel of its own choosing and at its sole cost) the strategies, tactics and direction of such defense and settlement relating to such Transferred Materials Infringement Claim. Purchaser shall not have the right to set-off the royalty payments if Seller is denied the right to so participate in such defense and settlement.

(c) Seller shall have the right to receive copies of all pleadings, notices, communications and other information with respect to the third-party lawsuit and proceedings, and Purchaser shall inform Seller of any settlement discussions with respect to the third-party actions or claims. Notwithstanding the foregoing, Purchaser shall have no obligation to provide any document or information to Seller that is subject to a protective order restricting such disclosure or is covered by attorney-client, attorney work product or similar privileges.

(d) Seller shall reasonably cooperate with Purchaser with respect to the defense and settlement of the Transferred Materials Infringement Claims, including providing documents and information that are relevant to such Transferred Materials Infringement Claims, and making its employees, if relevant, available on a mutually convenient basis to provide additional information and explanation of such documents provided hereunder. Notwithstanding the foregoing, Seller shall have no obligation to provide any document or information to Purchaser that is subject to a protective order restricting such disclosure or is covered by attorney-client, attorney work product or similar privileges.

(e) In the event that any *** related to *** under *** of the *** set forth in *** of the ***, shall be applicable to such claims.

(f) During the period that any royalty payments are suspended under this clause 5.5, Purchaser shall provide Seller each calendar quarter an accurate accounting of all of the royalty payments set off under this clause 5.5 and the amount of litigation costs and expenses actually incurred and paid by Purchaser with respect to the Transferred Materials Infringement Claims, and the related lawsuit and proceedings. Seller shall have the right to audit at Purchaser's headquarters all such records of Purchaser upon reasonable notice, and during Purchaser's normal working hours at such facility. Purchaser shall make available to Seller at Purchaser's headquarters all records necessary for Seller to properly conduct such audit.

5.6 Transferred Materials

In the event that Purchaser or any of its Affiliates directly or indirectly sells, transfers title to, or assigns ownership of any of the Transferred Materials, Successor Versions or Combination Versions to one or more third parties (including a disposition by Purchaser or its relevant Affiliates of VL C.V.), other than (i) any of Purchaser's Affiliates or Seller's Affiliates or (ii) in connection with a merger, acquisition or change of control of Purchaser or a sale of all or substantially all of the assets of Purchaser, as long as Seller remains entitled to receive royalties with respect to the applicable Transferred Materials, Successor Versions and/or Partial Combination Version portions of each Combination Version in accordance with the terms of this clause 5 after the consummation of such transaction, during the Royalty Term, Purchaser shall pay Seller a percentage of amounts received by Purchaser or any of its Affiliates (including any contingent, revenue share or similar payments earned or received during the Royalty Term) directly or indirectly from such third party or parties that are attributable to the applicable Transferred Materials, Successor Versions and/or Partial Combination Version portions of each Combination Version, calculated in accordance with the methodology described in the last paragraph of clause 5.7 below and taking into account the remaining period in the Royalty Term as of the date of consummation of the applicable sale, transfer of title or assignment of ownership.

5.7 Methodology

In the event that in the same transaction or series of related transactions, Purchaser or any of its Affiliates licenses Transferred Materials, Successor Versions and/or Combination Versions and licenses or sells other products, software or services, the amount to be allocated to such Transferred Materials, Successor Versions and/or Combination Versions shall be determined by multiplying the amount received by or on behalf of Purchaser or any of its Affiliates for all such Transferred Materials, Successor Versions, Combination Versions and other products, software

and services licensed or sold in such transaction or series of related transactions by the fraction A/B where A is the combined list price of all such Transferred Materials, Successor Versions and/or Partial Combination Version portions of such Combination Versions when licensed separately and B is the combined list price of all such Transferred Materials, Successor Versions, Combination Versions and other products, software and services when licensed or sold separately.

List prices shall be determined at the time applicable amounts are invoiced. In establishing list prices, Purchaser acknowledges and agrees that it will not disproportionately discount Transferred Materials, Successor or Partial Combination Versions as compared to Combination Versions.

Where applicable, amounts under this clause 5 shall be calculated in accordance with U.S. generally accepted accounting principles.

The fair market value of any non-cash consideration received by or on behalf of Purchaser or any of its Affiliates shall be determined in accordance with U.S. generally accepted accounting principles as they relate to non-monetary transactions.

In determining the amount attributable to the applicable Transferred Materials, Successor Versions and/or Partial Combination Version portions of Combination Versions for purposes of clause 5.6 above, Seller and Purchaser shall negotiate in good faith the attributable amount for a period of thirty (30) days. If Seller and Purchaser are unable to agree on such attributable amount after such thirty (30) day period, Seller and Purchaser shall appoint a mutually acceptable independent, internationally recognized appraisal, accounting or consulting firm that provides appraisal services to make such determination, which determination shall be provided to both Purchaser and Seller and will be binding on Purchaser and Seller. Subject to execution of a non-disclosure agreement reasonably acceptable to Purchaser, Purchaser shall provide to any such mutually agreed firm access to its books and records and other materials and personnel to the extent reasonably necessary to determine such attributable amount.

6 ROYALTY REPORTING AND AUDIT RIGHTS

6.1 Inspection of books and records

Purchaser shall maintain accurate books and records which enable the calculation of royalties payable hereunder to be verified in accordance with this clause 6.1. Purchaser shall retain the books and records for each quarterly period for four (4) years after the submission of the corresponding royalty report under clause 6.2 below. Upon no less than thirty (30) days’ prior written notice to Purchaser, independent accountants selected by Seller, reasonably acceptable to Purchaser, after entering into a confidentiality agreement with Purchaser no materially less restrictive than Seller’s confidentiality obligations hereunder, may have access to the books and

records of Purchaser to conduct, at Purchaser's headquarters, a review or audit, no more often than once per calendar year (it being understood, for the avoidance of doubt, that more than one (1) visit to such facilities may be required to complete a single audit), for the sole purpose of verifying the accuracy of the royalty reports submitted by Purchaser to Seller during the four (4) year period immediately preceding the date of such review or audit. Purchaser shall make available to the auditors at Purchaser's headquarters all books and records necessary for the auditors to properly conduct such review and audit. The accounting firm shall provide an audit report to Seller, specifying whether there has been a royalty underpayment or overpayment (and, if so, the amount thereof), including its calculation per calendar quarter of royalties payable compared with royalties reported by Purchaser, aggregated for Transferred Materials, Successor Versions and Combination Versions categories, respectively, and an itemized bridge calculation for any difference between said reported royalties and the payable royalties per such category. Such access shall be permitted during Purchaser's normal business hours during the Royalty Term and for two (2) years thereafter. Any such inspection or audit shall be at Seller's expense, except if the audit results show underpayment by Purchaser of more than five percent (5%) over the course of the entire period audited, in which case Purchaser will pay for the reasonable audit expenses incurred and documented by Seller within thirty (30) days of Seller's itemized invoice therefor. Purchaser shall pay to Seller any underpaid royalties promptly. Any overpayments by Purchaser revealed in such inspection or audit shall be credited to future royalties, unless the Royalty Term has expired in which case Seller shall promptly, but in any event within forty-five (45) days of the issuance of the audit report, refund such overpaid amounts to Purchaser. Any records or accounting information received from Purchaser or its Affiliates during the course of any such inspection or audit shall be deemed Purchaser's Confidential Information under this Agreement.

6.2 Royalty reporting and payment

Purchaser shall, within thirty (30) days following 31 March, 30 June, 30 September and 31 December of each calendar year during the Royalty Term: (i) submit to Seller (even in the event that Purchaser has no payment obligations for the applicable quarter) its duly signed written statement in the form as Annex H hereto; and (ii) pay to Seller the amounts due for that respective quarter. All amounts are in United States Dollars (USD), and Purchaser shall pay all amounts due to Seller hereunder by wire transfer into the bank account designated in Annex K or as otherwise designated by Seller in writing. Purchaser shall not offset, withhold or reduce any payment(s) due to Seller.

6.3 Tax

6.3.1 All amounts paid hereunder by Purchaser are gross amounts and shall be paid without withholding for or on account of any tax, but are exclusive of any value added tax (VAT) or analogous tax only. If the transactions as described in this Agreement are subject to any applicable VAT or analogous tax, Seller shall provide Purchaser with a valid invoice that

complies with local tax regulations and which specifically states this tax. Provided Seller has stated VAT or analogous tax (as identified above) on the applicable invoice Purchaser will pay to Seller the VAT or analogous tax properly chargeable in respect of that payment. Purchaser reserves the right to withhold payment of VAT or analogous tax to Seller until Seller has provided Purchaser with a valid invoice which states such tax. If Seller has incorrectly determined the amount of VAT chargeable to Purchaser, then the invoice shall be corrected and (a) where Purchaser has overpaid any amount, Seller will repay this amount plus interest to Purchaser and (b) where Purchaser has paid less than the correct amount, Purchaser shall pay the outstanding amount to Seller upon receipt of a valid invoice. In the event that Purchaser is refused recovery of such input VAT by means of a deduction or refund by a taxing authority, solely because of an incorrect initial invoice made out by Seller, Seller will repay such VAT plus interest except where such refusal has arisen as a result of an action (or inaction) by Purchaser in respect of compliance with local tax legislation.

6.3.2 Seller shall deliver to Purchaser at the Closing a U.S. Internal Revenue Service Form W-8BEN claiming residence in the Netherlands for purposes of the US/Netherlands Treaty, claiming the benefits of Article 13 of the US/Netherlands Treaty (related to royalties), and otherwise signed and completed to the reasonable satisfaction of Purchaser.

7 CONFIDENTIALITY

7.1 Confidential information

Purchaser and VL C.V. acknowledge that any unpublished patent applications included in the Licensed Patents, any trade secrets or other confidential information included in the Licensed Materials, Licensed IPRs, and Successor Versions and Combination Versions (solely insofar as the Successor Versions and Combination Versions incorporate all or part of the trade secrets included in the Licensed IPRs) embody or contain valuable trade secrets and other confidential information of Seller (such trade secrets and other confidential information along with any unpublished patent applications included in the Licensed Patents and any trade secrets or other confidential information included in the Licensed Materials, Licensed IPRs are collectively referred to as **"Seller Confidential Information")**. Seller acknowledges that the Transferred Materials, any unpublished patent applications included in the Transferred Patents, any trade secrets or other confidential information contained in the Transferred IPRs, Successor Versions and Combination Versions embody or contain valuable trade secrets and other confidential information of Purchaser and VL C.V. (such trade secrets and other confidential information along with the Transferred Materials, any unpublished patent applications included in the Transferred Patents and any trade secrets or other confidential information included in the Transferred IPRs are collectively referred to as **"Purchaser Confidential Information")**. Purchaser, Seller and VL C.V. (each a **"Receiving Party")** will not use the Seller Confidential Information or the Purchaser Confidential Information, as applicable (the **"Confidential Information"),** for any purpose not expressly permitted by this Agreement, and may disclose the other Party's Confidential

Information only to those of its employees, permitted sublicensees and other authorized third parties who have a strict need to know such Confidential Information for purposes of exploiting the licenses granted to such Party under this Agreement and who are under a written obligation of confidentiality no less restrictive than the Receiving Party's confidentiality obligations hereunder. The Receiving Party will protect the other Party's Confidential Information from unauthorized use, access and disclosure in the same manner as the Receiving Party protects its own confidential or proprietary information of a similar nature and with no less than reasonable care.

7.2 Exceptions

The Receiving Party's obligations under clause 7.1 shall not apply to any information if and to the extent the Receiving Party can document that such information:

(a) was already lawfully known to the Receiving Party at the time of initial disclosure by the other Party (expressly excluding, where Seller or any of its Affiliates is the Receiving Party, the Transferred Materials, any unpublished patent applications included in the Transferred Patents, and any trade secrets or other confidential and proprietary information contained in the Transferred IPRs (including as such trade secrets and other confidential and proprietary information may be included, incorporated or embodied in Successor Versions and Combination Versions);

(b) was disclosed to the Receiving Party by a third party who had the right to make such disclosure without any confidentiality restrictions (including the confidentiality restrictions set forth herein or in any other Ancillary Agreement);

(c) is, or through no fault of the Receiving Party has become, generally available to the public; or

(d) is independently developed by the Receiving Party without use of or reference to the other Party's Confidential Information. In addition, the Receiving Party will be allowed to disclose Confidential Information of the other Party to the extent that such disclosure is:

(i) expressly approved in writing by the other Party prior to such disclosure;

(ii) necessary for the Receiving Party to enforce its rights under this Agreement in connection with a legal proceeding, provided that the Receiving Party shall, prior to disclosure and at its own expense, seek a protective order appropriate to preserve the other Party's rights in the confidential nature of the Confidential Information; or

(iii) required by law or by the order or a court of similar judicial or administrative body, provided that the Receiving Party notifies the other Party of such required

disclosure promptly and in writing and cooperates with the other Party, at the other Party's reasonable request and expense, in any lawful action to secure a protective order appropriate to preserve the other Party's rights in the confidential nature of the Confidential Information or otherwise to contest or limit the scope of such required disclosure.

8 REPRESENTATIONS AND WARRANTIES; DISCLAIMER

8.1 This Agreement is subject to and the Parties are the beneficiaries of the representations, warranties and covenants set forth in the Asset Purchase Agreement.

8.2 Seller Tax Representations

In addition to the representations, warranties and covenants set forth in the Asset Purchase Agreement, Seller hereby represents and warrants to Purchaser as follows:

(a) Seller is a resident of the Kingdom of the Netherlands for purposes of the US/Netherlands Treaty and is entitled to all of the benefits thereof without limitation by Article 26 thereof (entitled "Limitation on Benefits").

(b) Seller does not have a permanent establishment in the United States for purposes of the US/Netherlands Treaty, and no royalty to be received by it pursuant to this Agreement will be attributable to such a permanent establishment for purposes of the US/Netherlands Treaty.

8.3 Disclaimer

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE ASSET PURCHASE AGREEMENT, ALL TECHNOLOGY, INTELLECTUAL PROPERTY AND OTHER MATERIALS OR INFORMATION ASSIGNED, TRANSFERRED OR LICENSED HEREUNDER ARE ASSIGNED, TRANSFERRED OR LICENSED, AS THE CASE MAY BE, ON AN "AS IS" BASIS AND WITHOUT ANY WARRANTY OF ANY TYPE. SELLER'S SOLE LIABILITY AND PURCHASER'S AND VL C.V.'s SOLE REMEDY WITH RESPECT TO ANY PATENT INFRINGEMENT OR ANY OTHER CLAIM OF INFRINGEMENT OR MISAPPROPRIATION MADE BY ANY THIRD PARTY ON ACCOUNT OF, OR ARISING FROM THE USE OR PRACTICE OF ANY TECHNOLOGY, INTELLECTUAL PROPERTY OR OTHER MATERIALS OR INFORMATION ASSIGNED, TRANSFERRED OR LICENSED HEREUNDER SHALL BE AS SET FORTH IN THE ASSET PURCHASE AGREEMENT AND IN THE ROYALTY SUSPENSION CLAUSE IN CLAUSE 5.5 HEREOF.

9 INFRINGEMENT INDEMNITY AND LIMITATION OF LIABILITY

9.1 Indemnity by Purchaser

9.1.1 Duty to Indemnify and Defend

Purchaser shall indemnify and hold harmless Seller against, and will defend or settle at Purchaser's own expense, subject to the limitations stated in clauses 9.2 and 9.3 below and, to the extent applicable, the provisions of Sections 8.6 and 8.7 of the Asset Purchase Agreement, any action or other proceeding brought against Seller, its Affiliates or their respective directors, officers, shareholders or employees (each a **"Seller Indemnified Party")** to the extent that it is based on a claim that any Successor Version or Combination Version, or a portion of either one (each, a **"Purchaser Indemnified Version")** infringes or misappropriates a copyright, Patent or other Intellectual Property Right of a third party. Purchaser will pay any damages (including attorneys' fees) awarded against the Seller Indemnified Party in any such action or proceeding and any costs and expenses (including reasonable attorneys' fees) incurred by the Seller Indemnified Party to the extent attributable to any such claim, subject to the limitations stated in clauses 9.3 and 9.4 below. Seller agrees to provide Purchaser with prompt notice of any action or other proceeding brought against a Seller Indemnified Party for which such Seller Indemnified Party has indemnification rights hereunder, *provided* that the failure to provide such prompt notice shall not relieve Purchaser of its indemnification obligations hereunder except to the extent it is materially prejudiced thereby. Seller hereby agrees, and Seller shall procure that each other Seller Indemnified Party shall agree as a condition of being indemnified hereunder, that Purchaser will have the sole right to control the defense and settlement of any such action or other proceeding hereunder, provided that the Seller Indemnified Party may participate in the defense and settlement with its own attorneys at its expense, and provided, further, that Purchaser shall not be liable for or obligated under any compromise or settlement of such claim, action or proceeding without its prior written consent not to be unreasonably withheld or delayed. At Purchaser's reasonable request, each Seller Indemnified Party shall provide Purchaser with reasonable assistance, at Purchaser's expense, in its defense and settlement of such action, proceeding or claim.

9.1.2 Injunctions

If Seller's use of any Successor Version(s) and/or Combination Version(s) under the terms of this Agreement is, or in Purchaser's reasonable opinion is likely to be, enjoined due to the type of infringement or misappropriation specified in clause 9.1.1 above, which is not subject to any exclusion set forth in subsection 9.1.4 below, then Purchaser shall, at its sole option and expense, subject to clause 9.3 below, either:

(i) procure for each Seller and its Affiliates the right to continue using such Successor Version(s) and/or Combination Version(s) or any Purchaser Indemnified Versions, under the terms of this Agreement; or

(ii) replace or modify such Successor Version(s) and/or Combination Version(s), or any Purchaser Indemnified Versions, so that they are noninfringing and substantially equivalent in function to the Successor Version(s) and/or Combination Version(s), or any Purchaser Indemnified Versions, subject to, or potentially subject to, an injunction.

Upon Purchaser’s successful performance of 9.1.2(i) or (ii) above, Purchaser’s liability under clause 9.1.1 above with respect to the applicable claim shall terminate with respect to all damages, costs and expenses related to the continued use of the unaltered Successor Version(s) and/or Combination Version(s) after the date of such performance, or, in the case of clause 9.1.2(ii) after Seller has had a reasonable opportunity, in light of the applicable circumstances, to implement the replaced or modified Successor Version(s) and/or Combination Version(s).

9.1.3 **Sole Remedy**

THE FOREGOING ARE PURCHASER’S SOLE AND EXCLUSIVE OBLIGATIONS, AND SELLER’S SOLE AND EXCLUSIVE REMEDIES, WITH RESPECT TO INFRINGEMENT OR MISAPPROPRIATION OF PATENTS OR INTELLECTUAL PROPERTY RIGHTS UNDER THIS AGREEMENT.

9.1.4 **Exclusions**

Purchaser shall have no obligations under this clause 9.1 to the extent that the infringement or misappropriation arises from:

(i) the Transferred Materials or Licensed Materials, standing alone (and not in combination, operation or use with other software, apparatus, data, technology or materials, except where the infringement or misappropriation does not arise from such combination, operation or use);

(ii) any modification(s) to any Transferred Material(s), Successor Version(s) and/or Combination Version(s) made by Seller, any of its Affiliates, any Divested Company, ***, any of their respective sublicensees or any Person on behalf of any of the foregoing;

(iii) Purchaser’s compliance with modifications requested by Seller or any of its Affiliates (or any Divested Company, *** through Seller or any of its

Affiliates) to any Transferred Material(s), Successor Version(s) and/or Combination Version(s) that comply with specifications or implementation instructions provided by Seller or any of its Affiliates (or any Divested Company, *** through Seller or any of its Affiliates) under a Statement of Work pursuant to the Technology Services Agreement, to the extent such compliance with the specifications or instructions could not be achieved without infringing or misappropriating the rights of a third party;

(iv) any instantiations of any Transferred Material(s), Successor Version(s) and/or Combination Version(s) generated by Seller, any of its Affiliates, any Divested Company, *** or any Person on behalf of any of the foregoing, except, solely with respect to Successor Version(s) and/or Combination Version(s), to the extent such infringement or misappropriation existed in such Successor Version(s) and/or Combination Version(s) in the form delivered by Purchaser to Seller;

(v) any use of any Transferred Material(s), Successor Version(s) and/or Combination Version(s) in combination with products or technology not provided by Purchaser if such infringement would not have arisen but for such combination or use;

(vi) any failure to implement a revision to any Successor Version(s) and/or Combination Version(s) delivered by Purchaser to Seller, which if implemented, would have avoided the infringement or misappropriation, provided that the revision is given to Seller free of charge with reasonable time, in light of the applicable circumstances, to implement it and does not substantially alter the functionality of the Successor Version(s) and/or Combination Version(s); or

(vii) any NXP Material(s) licensed or sublicensed to Purchaser under the Technology Services Agreement, standing alone (and not in combination, operation or use with other software, apparatus, data, technology or materials, except where the infringement or misappropriation does not arise from such combination, operation or use).

9.2 EXCEPT FOR A BREACH OF THE LICENSE GRANTS AND RESTRICTIONS UNDER CLAUSES 2.2, 2.4 AND 2.5, THE PAYMENT OBLIGATIONS UNDER CLAUSE 6.2, OR CONFIDENTIALITY UNDER CLAUSE 7, AND TO THE EXTENT ALLEGED IN THIRD PARTY CLAIMS COVERED BY INDEMNIFICATION OBLIGATIONS UNDER CLAUSE 9.1, NEITHER PARTY SHALL BE LIABLE FOR ANY LOSS OF PROFITS, LOSS OF USE, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY BREACH OR FAILURE UNDER THIS AGREEMENT, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE PARTIES ACKNOWLEDGE THAT THESE LIMITATIONS ON POTENTIAL LIABILITIES ARE AN ESSENTIAL ELEMENT IN THIS AGREEMENT.

9.3 EXCEPT FOR A BREACH OF THE LICENSE GRANTS AND RESTRICTIONS UNDER CLAUSES 2.2, 2.4 AND 2.5, THE PAYMENT OBLIGATIONS UNDER CLAUSE 6.2, OR CONFIDENTIALITY UNDER CLAUSE 7, AND PURCHASER'S OBLIGATIONS UNDER CLAUSE 9.1, IN NO EVENT SHALL EITHER PARTY'S LIABILITY UNDER THIS AGREEMENT EXCEED TWO MILLION U.S. DOLLARS (US$2,000,000) (IT BEING UNDERSTOOD THAT THE CIRCUMSTANCES FOR WHICH REMEDIES ARE AVAILABLE TO PURCHASER PURSUANT TO CLAUSES 5.4 AND 5.5 SHALL NOT BE DEEMED LIABILITIES OF SELLER THAT ARE SUBJECT TO THE FOREGOING LIMITATION). PURCHASER'S LIABILITY FOR ITS OBLIGATIONS UNDER CLAUSE 9.1 ABOVE, SHALL, IN CONJUNCTION WITH PURCHASER'S OBLIGATIONS UNDER SECTION 7.1 OF THE TECHNOLOGY SERVICES AGREEMENT, NOT EXCEED AN AGGREGATE OF FIVE MILLION U.S. DOLLARS (US$5,000,000). THESE LIMITATIONS OF LIABILITY ARE CUMULATIVE AND NOT PER INCIDENT. FOR PURPOSES OF CLARIFICATION, WITH RESPECT TO PURCHASER'S OBLIGATIONS UNDER CLAUSE 9.1 ABOVE AND SECTION 7.1 OF THE TECHNOLOGY SERVICES AGREEMENT, THE COMBINED LIABILITY UNDER THIS AGREEMENT AND THE TECHNOLOGY SERVICES AGREEMENT SHALL NOT EXCEED FIVE MILLION U.S. DOLLARS (US$5,000,000), IN THE AGGREGATE. FURTHERMORE THE EXCLUSIONS AND LIMITATIONS OF LIABILITY SET FORTH IN THIS CLAUSE 9.3 DO NOT APPLY IN CASE OF GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, OR INTENTIONAL BREACH, OR IN CASE OF PERSONAL INJURY OR DEATH.

10 TERM AND TERMINATION

10.1 Effective Date

This Agreement shall become effective as from the Closing Date and continue in full force and effect in accordance with its terms unless and until terminated by mutual agreement of the Parties. The rights and obligations of the Parties which by their nature would continue beyond termination of this Agreement shall survive and continue after any termination of this Agreement for as long as necessary to permit their full discharge.

11 ASSIGNMENT

Neither Purchaser nor VL C.V. may assign or transfer this Agreement or any of its rights or obligations hereunder without the prior written consent of Seller; provided, however, that either Purchaser or VL C.V. may assign this Agreement, in whole but not in part, along with all its rights and obligations hereunder (i) to an Affiliate of Purchaser or (ii) to a third party as part of a merger, acquisition or sale of Purchaser or substantially all of the business or assets of Purchaser related to the subject matter of this Agreement without such consent. Seller may not in whole or in part assign or transfer this Agreement or any of its rights or obligations hereunder without the prior written consent of Purchaser; provided, however, that Seller may assign this Agreement, in whole but not in part, and all of its rights and obligations hereunder (i) to an Affiliate of Seller or (ii) to a

third party as part of a merger, acquisition or sale of Seller or substantially all of the business or assets of Seller related to the subject matter of this Agreement without such consent, as long as the third party involved in such a merger, acquisition or sale is not a Purchaser Competitor.

12 APPLICABLE LAW; DISPUTE RESOLUTION PROCEDURE

12.1 Applicable law and dispute resolution

This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York applicable to contracts entered into and performed under the laws of the State of New York, without giving effect to such laws whose application would result in the application of the laws of another jurisdiction.

(i) Any claims or causes of action arising out of or in connection with this Agreement ("Claims") that relate to any Patent matter that is within the jurisdiction of the United States Court of Appeals for the Federal Circuit will be brought solely in the federal courts in the Southern District of New York or, if said court lacks subject matter jurisdiction, then in the Supreme Court of the State of New York, County of New York. Each Party hereby submits to the personal jurisdiction and venue of such courts and agrees to receives service of process at its address set forth herein.

(ii) With respect to all Claims other than those specified in clause (i) above, clauses 13.2 through 13.9 of the Asset Purchase Agreement are hereby incorporated by reference and made a part hereof as if fully set forth herein, provided that this clause 12.1 shall not preclude a Party from pursuing an action in any court of competent jurisdiction for the sole purpose of obtaining injunctive or similar relief in the case of a breach of clause 2 or clause 7 hereof.

(iii) If Claims are raised that fall within both clause 12.1(i) above and clause 12.1(ii) above, the Parties will resolve the Claims falling within clause 12.1(i) above first, and then proceed with the remaining claims under clause 12.1(ii) above. The Parties agree that a final or the unappealed judgment of any Claims under clause 12.1(i) above (a "**Final Judgment**") may be submitted to any court of competent jurisdiction within the Netherlands (or in any other jurisdiction), that such Final Judgment may be enforced by such court, and that neither Party will object to the enforcement by such court of such Final Judgment. Further, a Final Judgment may be taken by the prevailing party to the arbitrator handling any Claims under clause 12.1(ii) above.

13 MISCELLANEOUS

13.1 Entire Agreement

This Agreement and the documents, instruments and other agreements specifically referred to herein or therein or delivered pursuant hereto, including all Annexes hereto, constitute the entire agreement of the Parties with respect to the subject matter hereof and supersede all prior agreements, term sheets, letters of interest, correspondence (including e-mail) and undertakings, both written and oral, between Seller, on the one hand, and Purchaser, on the other hand, with respect to the subject matter hereof.

13.2 Amendment

Subject to applicable law, the Parties may amend this Agreement at any time in accordance with an instrument in writing signed on behalf of each of the Parties.

13.3 Notices

All notices and other communications hereunder will be in writing and deemed to have been duly given if given in accordance with the provisions of the Asset Purchase Agreement.

13.4 Severability

If any term or provision of this Agreement or the application of any such term or provision to any Person or circumstance is held by final judgment of a court of competent jurisdiction or arbiter to be invalid, illegal or unenforceable in any situation in any jurisdiction, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect. If the final judgment of such court or arbitrator declares that any term or provision hereof is invalid, void or unenforceable, the parties agree to, as applicable, (i) reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or (ii) replace any invalid, illegal or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the original intention of the invalid, illegal or unenforceable term or provision.

13.5 Extension; Waiver

Any Party hereto may, to the extent legally allowed, waive compliance with any of the agreements or conditions for the benefit of such Party contained herein. Any agreement on the part of a Party hereto to any such waiver will be valid only if set forth in an instrument in writing signed on behalf of such Party. Without limiting the generality or effect of the preceding sentence, no delay in exercising any right under this Agreement will constitute a waiver of such right, and no waiver of any breach or default will be deemed a waiver of any other breach or default of the same or any other provision in this Agreement.

13.6 No Third-Party Beneficiaries

This Agreement is for the sole benefit of the Parties, their permitted assigns, Affiliates and permitted sublicensees, and nothing herein, express or implied, is intended to or will confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

13.7 Costs

Except as otherwise expressly provided in this Agreement, all costs and expenses incurred in connection with this Agreement shall be borne by the Party incurring such costs and expenses, whether or not the Transaction is consummated.

13.8 Independent contractors

The Parties are and intend to remain independent contractors. Nothing contained in this Agreement shall be deemed or construed to constitute or create an agency, association, joint venture or partnership between the Parties, and neither Party shall have authority to act in the name of or on behalf of or otherwise to bind the other Party in any way, including the making of any representation or warranty, the assumption of any obligation or liability and the exercise of any right or power.

13.9 Export control

Each Party acknowledges that the technology transferred, assigned or licensed hereunder, including documentation and technical data, may be subject to export control regulations. Neither Party shall export or re-export (directly or indirectly) any technology or other materials transferred, assigned or licensed to it hereunder without complying with applicable export regulations, and upon request, each Party shall provide reasonable assistance to the other Party with respect to such compliance.

13.10 Language

This Agreement and all documents and notices issued under the terms of this Agreement shall be in the English language. Any translation into another language is for the convenience of the Parties only.

13.11 Counterparts

This Agreement may be executed in two (2) counterparts, and by each of the Parties in separate counterparts, each of which when executed will be deemed to be an original but both of which taken together will constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopy or by electronic delivery in Adobe Portable Document Format will be effective as delivery of a manually executed counterpart of this Agreement.

[SIGNATURE PAGES FOLLOW]

AGREED AND SIGNED ON NOVEMBER 16 2009 BY:

NXP B.V., as Seller

By: /S/ KARL HENRIK SUNDSTRÖM
Name: Karl Henrik Sundström
Title: EVP and Chief Financial Officer

By: /S/ GUIDO DIERICK
Name: Guido Dierick
Title: SVP and General Counsel

Virage Logic Corporation, as Purchaser

By: /S/ ALEXANDER SHUBAT
Name: Alexander Shubat
Title: President and Chief Executive Officer

AGREED AND SIGNED ON NOVEMBER 16 2009 BY:

VL C.V.

By: Virage Logic International, its general partner

By: /S/ BRIAN SEREDA
Name: Brian Sereda
Title: Chief Financial Officer

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

***

Annex I – IPTLA – Purchaser Competitors

***

Any Affiliate of any of the foregoing Persons, any Person holding directly or directly more than 50 percent of the nominal value of the share capital or more than 50 percent of the voting power at general or special meetings of shareholders of the foregoing Persons, any Person acquiring all or substantially all of the assets of any of the foregoing Persons or the surviving entity of any merger to which such Person is a party or constituent entity.

***

***

Annex L – IPTLA - High-Level IP Block Obligations and Restrictions

1. License Fees: For the first *** sublicenses with respect to High-Level IP Blocks under clause 2.2(b)(iii) of the Intellectual Property Transfer and License Agreement, Seller shall not be obligated to pay Purchaser any fees with respect thereto. Thereafter, Seller and Purchaser shall negotiate in good faith and mutually determine the fee for any additional sublicenses entered into pursuant to clause 2.2(b)(iii) on a case by case basis; *provided* that any such sublicense fee shall not be in excess of *** percent (***%) of the list price of the Purchaser Licensed IP embodied in the relevant High Level IP Block.

2. Timing of Sublicense Fee Payments: With respect to those sublicenses for which Seller is obligated to pay Purchaser a fee hereunder, Seller shall notify Purchaser promptly of its receipt of fees from a sublicense entered into pursuant to clause 2.2(b)(iii) of the Intellectual Property Transfer and License Agreement. Seller shall pay the fees due to Purchaser in accordance with paragraph 1 of this Annex L within forty-five (45) days after Seller's receipt of fees from such sublicense.

Annex M – IPTLA – Revenue Sharing Deductible Costs

Class of Expense	Direct	Indirect	Deductible costs
Salary			
Vacation Accrual Expense			
PTO			
Medical Insurance			
Dental Insurance			
Vision Insurance			
Other Benefits			
Cobra Expense			
Benefits Allocations Out			
Employee Insurance			
Fitness & Other Benefits			
Benefits			
Payroll Taxes			
Payroll Tax			
Severance Expense			
Severance			
Bonus Expense			
Gratuity			
Bonus			
Commission Expense			
Commission			
Relocations			
Relocation			
Auto Allowance			
Other Compensation			

Subtotal Compensation
Deprec - Furniture & Fixtures
Deprec - Computers & Equipment
Deprec - Software
Deprec - Building
Deprec - Leasehold Improvement
Amort - Intangibles - Patents
Amort - Intangibles - Goodwill
Depreciation & Amortization
Subcon/Consulting
Outside Services
Consulting
Lodging
Travel Meals
Auto Rental and Rental Gas
Transportation & Airfare
Travel Telecom
Taxi/shuttle/tips/parking toll
Other Exp.-Visa's/Medical
Auto Expense & Mileage
Business Meals
Entertainment
Meetings
Company Events
Special Events-T&E
Employee Meals
Employee Meals Off-Site
Travel and Entertainment
Benefit Plan Fees
Payroll Service Fees
Accounting & Auditing
Bank Fees
Insurance - General Liab
Insurance - D & O
Transfer Agent
Public Filings
Investor Relations
Professional Services
Legal-Corporate

Legal - Patents
Legal-Immigration
Legal Services
Equipment Lease
Equipment Expenses
Equipment
Freight
Postage
Office Supplies
Cafeteria Supplies
Supplies
Advertising & Promotion
Collateral
Public Relations
Trade Shows/Exhibition
Website
Partner Marketing Programs
Industry Assoc Sponsorships
Market Research
Marcom
Software Expenses
Software Maint
Software License Fees
SW Expense
Cell Phone
Telephone
Maintenance & Repairs
Rent - Office
Rent - Common Area Maint
Lease Termination
Offsite-Storage
Office Move and Related Exp.
Property Tax
Janitorial Expense
Security
Utilities
Facilities
Internet Connect
MIS

Test Chip Cost
Test Chip

Rep. Commission
External Commission

Recruiting Expense
Recruiting

Workers’ Compensation
Seminars & Education
Subscriptions & Dues
Other Expenses
Employee Welfare
Internal Communication
Custom / Duty Tax
Business License
Charitable Contributions
Other

Board compensation
Board

Bad Debts
Bad Debt
Subtotal Non-Compensation
Total Expense Before Alloc

Overhead Allocation
Facilities allocations-In
IT allocations-In
Allocation
Total Expense

***

***

***

***

***

***

CONFIDENTIAL TREATMENT REQUESTED - CONFIDENTIAL PORTIONS OF THIS DOCUMENT HAVE BEEN REDACTED AND SEPARATELY FILED WITH THE COMMISSION.

***** INDICATES CONFIDENTIAL MATERIAL REDACTED AND SEPARATELY FILED WITH THE COMMISSION**

SHAREHOLDERS AGREEMENT

THIS SHAREHOLDERS AGREEMENT (“this Agreement”) is made as of this 30th day of March 1999 by and among

EDB Investments Pte Ltd, a company incorporated in the Republic of Singapore and organized and existing under the laws of the Republic of Singapore, with its registered head office at 250 North Bridge Road, #27-04, Raffles City Tower, Singapore 179101 (“EDBI”)

of the first part

and

Koninklijke Philips Electronics N.V., a corporation organized and existing under the laws of The Netherlands, with its registered head office at Groenewoudseweg 1, 5621 BA Eindhoven, The Netherlands (“Philips”)

of the second part

and

Taiwan Semiconductor Manufacturing Company Ltd, a corporation organized and existing under the laws of the Republic of China, with its registered head office at No. 121 Park Avenue III, Science-Based Industrial Park, Hsinchu, Taiwan, Republic of China (“TSMC”)

of the third part

- - WITNESSETH - -

WHEREAS, EDBI, Philips and TSMC including their respective successors and permitted assignees and transferees of their respective entire ownership interest (collectively also referred to herein as the “Shareholders” and individually as a “Shareholder” during the period they have and/or have the right to acquire ordinary shares in SSMC (as defined)) wish to organize a major joint venture company between them in and for the manufacture of tested and untested semiconductor wafers/chips (dies) (“Products”) for supply only to TSMC and its Subsidiaries (“TSMC Group”) and to Philips and its Subsidiaries (“Philips Group”) with true commercial volume production to commence in the calendar year 2000 or thereabouts, it being understood that the term “Subsidiaries” as used in this Agreement in respect of any of the Shareholders shall mean and include any company or other business entity, present or future, in which that Shareholder owns or controls, directly or indirectly, more than fifty percent (50%) of the voting shares or otherwise has a controlling interest, but only so long as such ownership or control exists.

NOW, THEREFORE, in furtherance of the foregoing premise, the parties hereto hereby agree as follows:

ARTICLE I

THE NEW JOINT VENTURE COMPANY

1.01 Name and Articles of Association of the Joint Venture Company

Taking account that Philips has duly arranged for the purpose and has caused the incorporation under the laws of the Republic of Singapore of a new private company limited by shares by the name of "PT Semiconductor Manufacturing Company Pte Ltd", the Shareholders hereby confirm that promptly upon execution of this Agreement, they shall cause (i) the name of this company to be changed to "Systems on Silicon Manufacturing Company Pte Ltd" or another name mutually agreed, (ii) its authorized capital to be increased as specified in this Agreement and (iii) its Articles of Association to be amended for sake of consistency with the understanding of the Shareholders as set out in this Agreement.

The Articles of Association of the joint venture company, hereinafter referred to as "SSMC", shall at all times be maintained at the principal office of SSMC.

It is expressly understood that in the event of there being any conflict between the provisions of this Agreement and the Articles of Association of SSMC, then as among the Shareholders the provisions of this Agreement shall prevail and the Articles of Association of SSMC shall be amended with urgency so as to have them comply with the provisions of this Agreement.

1.02 Capitalization

The Articles of Association of SSMC will upon amendment as contemplated in the preceding Section 1.01 state for the sake of flexibility that the total authorized capital of SSMC shall be One Billion and Two Hundred Million Singapore Dollars (S$ 1,200,000,000), consisting of One Million and Two Hundred Thousand (1,200,000) ordinary shares, each with a par value of One Thousand Singapore Dollars (S$ 1,000).

All shares of SSMC shall be issued in registered form only, shall be of one class and shall have to be paid up in cash.

Upon amendment of the Articles of Association of SSMC as aforesaid, the Shareholders shall subscribe to, shall pay for and shall be issued new shares in SSMC such that (i) EDBI shall hold twenty percent (20%) of SSMC's then outstanding ordinary shares; (ii) Philips shall hold forty-eight percent (48%) of SSMC's then outstanding ordinary shares; and, (iii) TSMC shall hold thirty-two percent (32%) of SSMC's then outstanding ordinary shares.

The first SSMC share issue upon amendment of the Articles of Association will consist of Four Thousand Nine Hundred (4,900) SSMC shares, it being understood that at that time Philips already holds and has paid for One Hundred (100) such shares prior to amendment of the Articles of Association pursuant to the terms of this Agreement.

The number of shares within the authorized capital specified above which the Shareholders have agreed shall be issued in instalments to and shall be subscribed by the Shareholders proportionately, shall be such that at the time of the last share issue referenced hereinafter, the total nominal value of the issued share capital of SSMC in Singapore Dollars will be near equal to Six Hundred Million United States Dollars (US$ 600,000,000) on the basis of then current currency conversion rates at such last instalment or such lower amount as decided upon by the Board of Directors of SSMC by super majority vote as specified in the second part of the second paragraph of Section 2.04.

The actual timing of the instalment share issues after the first share issue referenced above and the exact number of shares included in each such further share issue will be decided upon by the Board of Directors of SSMC with due regard to, on the one hand, the agreed Initial Business Plan of SSMC attached as Annex A hereto and any agreed updates or amendments thereto and on the other hand, the agreed 60-40 equity debt ratio, as to which it is agreed that negative deviations are acceptable until such time that all start-up losses will have recuperated, on the understanding that the equity debt ratio of SSMC should never be worse than 40-60.

1.03 Option rights

At any time after the issued share capital of SSMC has been paid in full up to the agreed US$ 600 million reference value, but within five (5) years after the date of this Agreement or such other date as may be mutually agreed upon in writing between EDBI and Philips, Philips will have the right to purchase in one or more instances any or all of the shares held by EDBI against payment of a price determined on the basis of a detailed formula and other conditions set out in the frame of a separate Option Agreement between Philips and EDBI of even date with this Agreement.

TSMC will have the right, but not the obligation to buy from Philips a pro-rata share of the EDBI shares so acquired by Philips against payment of the all-inclusive price paid by Philips, including associated transfer costs, and acceptance of the conditions which Philips had to agree to when acquiring the said EDBI shares or any part thereof.

1.04 Purpose and Scope of Business of SSMC

The Shareholders shall organize and operate SSMC for the purpose of providing and selling manufacturing services in relation to the fabrication and supply of tested and untested Integrated Circuits (ICs) in wafer or die form ("Products") on the basis of product design specifications provided by its customers. Accordingly,

SSMC will not engage in full IC product design or in packaging, unless otherwise agreed by super majority decision of the Board of Directors of SSMC.

The scope of business of SSMC ("the Scope"), which shall focus on the fabrication of Products in advanced production processes of 0.35 micron and below on the basis of an annual output capacity equivalent to 350,000 8" wafers, shall be limited in that SSMC shall provide manufacturing services and supply Products to and only to TSMC Group and Philips Group. Accordingly, SSMC will not be engaged in marketing and sales, other than as required to supply its output to TSMC Group and Philips Group.

The Shareholders agree and confirm that SSMC will at all times operate and will be managed as an independent enterprise on a commercial basis. Its profit and growth ambitions are reflected in the agreed Initial Business Plan of SSMC referenced in Article VII and any agreed updates or amendments thereto approved by super majority decision of the Board of Directors of SSMC.

1.05 Costs

All costs directly related to the incorporation of SSMC and its first issue of shares, the subsequent re-organization of SSMC and outside financing arrangements according to the terms of this Agreement, including, without limitation, reasonable legal costs in that regard, which are incurred by or on behalf of any of the Shareholders with the consent of the other Shareholders prior to the date of the first share issue upon amendment of the Articles of Association of SSMC, will be reimbursed by SSMC.

ARTICLE II

BOARD OF DIRECTORS, AUDITORS

AND

SHAREHOLDERS' MEETINGS

2.01 The Board of Directors

The overall management policy of SSMC shall be established by, and the operations of SSMC shall be under the general guidance and control of the Board of Directors of SSMC, which shall have rights and privileges normally pertaining thereto as provided in the Republic of Singapore, unless expressly provided otherwise in this Agreement or in the Articles of Association of SSMC.

2.02 Number of Directors

SSMC shall have a Board of Directors composed of six (6) members. Each of the Shareholders will be from time to time entitled to nominate a number of Directors on a basis substantially proportionate to its then current shareholding in SSMC.

Employees of SSMC will not be eligible for appointment to the Board of Directors of SSMC, but the CEO of SSMC will be invited to the meetings of the Board of Directors as a non-voting member.

2.03 Election of Directors

Promptly upon amendment of the Articles of Association of SSMC and the issuance of shares to the Shareholders as specified in Section 1.02, third paragraph, the Shareholders shall elect and appoint a slate of Directors to the Board of Directors of SSMC according to the representation principle reflected in the preceding Section 2.02. Based on the participation ratio set forth in Section 1.02, third paragraph, EDBI, Philips and TSMC will have the right to nominate one (1), three (3) and two (2) member(s) to the SSMC Board of Directors, respectively, at the time referenced in the preceding sentence.

Each Shareholder will vote its SSMC shares on each future occasion such that the composition of the Board of Directors will be or yet again become in accordance with the principle of representation reflected in the preceding Section 2.02.

The chairman of the Board of Directors will be elected by the Directors appointed, on the understanding that for as long as Philips is the largest shareholder of SSMC, the Board of Directors will at all times elect a Chairman from among the Philips' representatives.

2.04 Directors' Meetings

Except as otherwise specifically provided hereinafter in this Section 2.04, the organization and operation of meetings of the Board of Directors of SSMC, including subjects such as the quorum requirements therefor and the votes required with respect to certain actions to be resolved by the Board of Directors, shall be as specified in the Articles of Association of SSMC.

However, notwithstanding any provision to the contrary in this Agreement or the Articles of Association of SSMC, SSMC shall not (and each of the Shareholders hereto undertakes to take all such steps as are necessary to ensure that SSMC does not), take any action unless the Board of Directors has decided in favour of such action with super majority approval, meaning a majority decision including at least one Board member appointed on the nomination of each of the Shareholders, in respect of the following:

(a) proposals to shareholders as regards amendment of the Memorandum or Articles of Association or any other constitutional documents of SSMC;

(b) proposals to shareholders to reduce or cancel the authorized and issued share capital of SSMC;

(c) proposals to shareholders to issue new shares beyond the levels specified hereinabove in Section 1.02;

(d) proposals to shareholders to liquidate SSMC;

(e) proposals to shareholders to have SSMC cease doing business;

(f) decisions and/or proposals to shareholders to admit new shareholders to SSMC other than allowed under this Agreement for wholly-owned Subsidiaries.

and in respect of the following by a super majority decision, in which at least one Board member appointed on the nomination of TSMC and one Board member appointed on the nomination of Philips have joined in the majority decision:

(g) the appointment and dismissal of Members of the Management Team;

(h) the adoption of the SSMC Business Plans (yearly updated, 4-year rolling plans as referenced in Article VII hereinafter), it being understood that the first year covered by such Business Plan can and will be considered as the annual budget;

(i) significant investments and divestments;

(j) investments outside SSMC's agreed waferfab business scope;

(k) substantial above-budget spendings, and/or (loan) indebtedness;

(l) technology transfer agreements between SSMC and any party.

The Board of Directors of SSMC shall meet at least every three (3) months. Unless in case of urgent circumstances, notice of every Board Meeting, including the agenda and relevant papers to be discussed in said Board Meeting shall be given to each Director and all contact-persons to whom notices are to be sent pursuant to Section 12.19, at least fourteen (14) days prior to such meeting and may be given in writing or by fax at the address from time to time notified to SSMC by such Director.

The quorum for each meeting of the Board of Directors of SSMC shall include at least one Director (or his alternate) nominated by each Shareholder. The quorum for reconvened/adjourned meetings shall be any three (3) Directors (or their alternates), provided such quorum includes at least one Director (or his alternate) on the part of two (2) of the SSMC Shareholders. The notice period for such reconvened/adjourned meeting shall at least be fourteen (14) days.

Decisions by the Board of Directors outside an official meeting duly convened shall require unanimous approval of all Board members.

For avoidance of any doubt, it is hereby confirmed that upon a permitted transfer of EDBI's shares to a third party, EDBI has the option to transfer in accordance with the terms of this Agreement its consent-rights set forth herein (including EDBI's right to appoint one member of the Board of Directors) to such third party if such third party purchases at least half the total number of shares subscribed by and issued to EDBI.

2.05 <u>Auditors</u>

The auditors of SSMC who shall be an accounting firm of international standing, shall be appointed by the General Shareholder Meeting of SSMC upon proposal by the Board of Directors. In this respect the Shareholders confirm that promptly upon amendment of the Articles of Association of SSMC they shall do all things necessary to have Messrs KPMG of Singapore appointed as auditors of SSMC, unless otherwise agreed by the Shareholders.

The duties of the auditors of SSMC shall be as specified in the Companies Act (Cap.50) of the Republic of Singapore as effective from time to time.

2.06 Vacancies

If any vacancy occurs, for any reason, in the Board of Directors of SSMC, such vacancy shall be filled by his alternate or an individual nominated by the Shareholder who had nominated the person to be replaced, and the Shareholders shall take such other actions, as may be necessary, to cause the appointment or election of such alternate or nominee to the SSMC Board of Directors. The new nominee shall serve the balance of the term of his predecessor.

2.07 Removals

No Director shall be removed, during the term for which he was elected, without the consent of the Shareholder that nominated that Director for election, which consent shall not be unreasonably withheld, unless that Director is engaged in any act or conduct which is clearly illegal or in violation of his duties hereunder. If any Shareholder proposes to remove any Director it had nominated, each of the other Shareholders shall vote the SSMC's shares held and/or controlled by it in favor of such removal.

2.08 The Shareholders

The shareholders of SSMC shall have the ultimate control over SSMC in conformity with the applicable laws of the Republic of Singapore as in effect at the time and from time to time.

As specified in SSMC's Articles of Association or as specified in any resolution duly passed or adopted at the shareholders' meetings of SSMC, or as required by any applicable provision of Singapore law, certain matters shall be referred to, and passed upon, only by the shareholders of SSMC, and the actions, or the refusal to take actions, of the Board of Directors and the officers of SSMC shall, in all respects and at all times, be in conformity with said charter document, any such resolutions or applicable law. Each Shareholder shall take whatever actions as are necessary to cause the Directors and officers of SSMC nominated by it to act in accordance with the provisions of this Section 2.08. With due regard to the above, it is recognized that the shareholders' meeting and the meeting of the Board of Directors are to act independently in accordance with the relevant and applicable provisions of Singapore law.

2.09 Shareholders' Meetings

Regular shareholders' meetings of SSMC shall be called as specified in the Articles of Association of SSMC. Special shareholders' meetings shall be called by the Board of Directors of SSMC, or by any other person entitled to call a shareholders' meeting under the Companies Act of the Republic of Singapore, by complying with the notice and other procedures with respect thereto set out in SSMC's

Articles of Association. It is hereby further confirmed that all Shareholders shall act in accordance with Section 2.04 and consequently no shareholder's resolution shall be taken on any of the issues indicated in Section 2.04, if and as long as the required Board of Directors decision has not been made in accordance with said Section 2.04 and so unless and until the Board of Directors has passed a resolution referring the matter to the Shareholders.

ARTICLE III

MANAGEMENT AND ACCOUNTING PRACTICES

3.01 Management Team

The SSMC Management Team will be responsible for the day-to-day operation of SSMC and will consist of such number of persons as the Board of Directors will determine from time to time.

The Management Team will in any event include a Chief Executive Officer ("CEO"), a Chief Operations Officer ("COO") and a Chief Financial Officer ("CFO"). In addition, the Management Team will include the two senior managers (if any) nominated by TSMC pursuant to the second paragraph of Section 3.03.

In specific cases, Management Team decisions will be subject to approval or super majority approval by the Board of Directors and/or the General Meeting of Shareholders as the case may be.

3.02 The CEO of SSMC

The CEO of SSMC will be an individual with proven capabilities in the management of an advanced IC production industry and will, upon good faith consultation between Philips and TSMC, be elected at the nomination of Philips by resolution of the Board of Directors of SSMC.

The CEO of SSMC shall be responsible for the overall control of the business and operation of SSMC and shall report to the Board of Directors of SSMC. Subject to the policies of SSMC set by the Board of Directors of SSMC, he shall supervise and control the day-to-day business and operations of SSMC.

3.03 Other Senior Management Personnel

Philips will be given the right to make nominations for the CFO and COO positions upon consultation with TSMC.

TSMC will have the right to nominate two expert senior managers, one of whom shall be the controller, to act as department heads under the responsibility of the CFO and the COO, if the COO and CFO would not be hired from or at the recommendation of TSMC.

During the initial joint venture period TSMC will have the right to send at any time an expert senior manager to work at SSMC in a senior position as operations engineer.

3.04 Salaries and Incentive Payments

All members of the senior management staff of SSMC, including the CEO and the members of the SSMC Management Team, shall be paid regular salaries for their services as determined by the Board of Directors of SSMC.

Incentive payments in line with local market conditions consistent with the goals of SSMC will be determined and applied according to decision by the Board of Directors of SSMC.

3.05 Accounting and Reporting Practices

(a) The fiscal year of SSMC shall start as of January 1 and end on December 31 of the same year.

(b) The CEO of SSMC shall cause to be prepared and furnished to the Board of Directors of SSMC a balance sheet of SSMC and SSMC's profit and loss statement and cash flow statement with explanatory notes , as of the end of each calendar month, quarter and year. Monthly and quarterly statements shall be furnished in accordance with the reporting requirements of Philips as generally applicable to the members of Philips Group, and year-end statements shall be furnished no more than thirty (30) days after the end of each year.

(c) All such financial statements shall be prepared in accordance with Philips General Accounting Principles consistently applied, in as far as not in conflict with the accounting principles prescribed by applicable Singapore Law. Unless a Shareholder reasonably objects thereto, SSMC shall further prepare its audited annual accounts in accordance with the Statements of Accounting Standard applicable in Singapore.

(d) As regard the year-end financial statements, it has been agreed that within one month following the end of each fiscal year, the CEO of SSMC will cause to be prepared and furnished to the Board of Directors of SSMC the unaudited annual accounts of SSMC (provisional balance sheet, profit and loss statement and cash flow statement with explanatory notes). The audited

annual accounts of SSMC will be submitted within two (2) months following the end of the fiscal year. The auditing of the year-end financial statement shall be done by SSMC's auditors appointed as specified in Section 2.05 at SSMC's cost and expense.

(e) SSMC, at its own expense, shall also produce any other reports required by the competent authorities in the Republic of Singapore.

ARTICLE IV

RESTRICTION ON TRANSFER OF SHARES

AND ON NEW ISSUES

4.01 Restriction on the Disposal of SSMC Shares

Each party hereto understands that the other parties are entering into this Agreement and subscribing to shares in SSMC in reliance upon the continuing involvement of the other parties in the business affairs and operations of SSMC, Philips and TSMC as business and technology partners and EDBI as a business investment promoter and financial shareholders for a limited period of time. Accordingly, except as permitted under Section 1.03, which specifies an option by Philips on shares owned by EDBI, none of the Shareholders shall divest any of its shares in SSMC within five (5) years after the date of this Agreement (except for any transfer to a wholly-owned Subsidiary as and when permitted pursuant to Section 4.03 hereof).

In addition, as regards TSMC and Philips it is further agreed between them that neither of them may divest any of its shares in SSMC from the sixth year up to and including the tenth anniversary of the date of this Agreement, to a third party outside its own Group without the prior written consent of the other party, which consent shall not unreasonably be withheld.

4.02 Right of First Refusal

With due regard to the provisions of Section 4.01 hereinabove and except in case of exercise of the option under Section 1.03, in the event that any Shareholder (the "Seller") receives at any time a bona fide offer (which offer the Seller shall be entitled to solicit) for its ownership interest in the registered capital of SSMC (a "Valid Offer") from either any Shareholders or an unrelated, independent third party, being any third party or any company in which a Shareholder owns or controls, directly or indirectly, fifty percent (50%) or less of the voting shares (the "Offeror") , the Seller may sell, assign and transfer all but not less than all of its

ownership interest to the Offeror, provided that the Seller shall first have offered to the other Party or Parties the following rights in accordance with the following provisions:

(a) the Seller shall first give to all of the other Shareholders (herein referred to as the "Non-Selling Parties") a written notice of its desire to sell and transfer its ownership interest ("Notice of Intent") to the Offeror and shall stipulate therein the price, term and conditions of the Valid Offer, and shall attach a copy of the Valid Offer;

(b) within sixty (60) days of receipt of the Notice of Intent, any one or more of the Non-Selling Parties shall give the Seller (i) notice of its intent to purchase the Seller's ownership interest upon the same terms and conditions as the Valid Offer ("Notice of Purchase"), (ii) notice of its objection to the Offeror ("Notice of Objection"), or (iii) notice of refusal of the aforementioned options ("Notice of Refusal"). In the event that any Non-Selling Party fails to give any of the notices contemplated in this subsection within the prescribed period, any such Non-Selling Party shall be deemed to have irrevocably given a Notice of Refusal;

(c) in the event that any one or more of the Non-Selling Party(ies) give(s) Notice of Purchase, the Seller shall sell and transfer its ownership interest to the Non-Selling Party(ies) having given Notice of Purchase, and in case of more than one such Non-Selling Party(ies), then on a pro rata basis according to their then shareholding in SSMC, which the Non-Selling Party(ies) shall purchase upon the same terms and conditions as the Valid Offer and the closing of said purchase shall take place on the sixtieth (60th) day following receipt of the Notice(s) of Purchase at 10:00 a.m. local time at the head office of SSMC or such other date, time and place as may be agreed upon in writing by the Seller and the Non-Selling Party(ies) concerned;

(d) in the event that any one or more of the Non-Selling Party(ies) give(s) Notice of Objection, which shall be exercised reasonably, the Seller shall not sell, assign and transfer any of its ownership interest to the Offeror and each such Non-Selling Party(ies) having given Notice of Objection shall within ten (10) days following the Notice of Objection send to the Seller its explanation of the reasons based on which such Non-Selling Party considers the concerned objection to the Offeror in the exercise of its reasonable discretion justified;

(e) in the event that all the Non-Selling Parties give Notice of Refusal or are deemed to have given a Notice of Refusal, the Seller may sell and transfer its ownership interest to the Offeror upon the price, terms and conditions of the Valid Offer, provided that the Offeror must purchase the Seller's entire ownership interest within ninety (90) days from the date of the Notice of Intent;

(f) notwithstanding any provision to the contrary herein, it is a mandatory condition of the Valid Offer that the Offeror shall pay cash to the Seller.

4.03 Permitted Transferees

In the event of any transfer of shares in SSMC during the term of this Agreement from a Shareholder to an outside third party, any company in which a Shareholder owns or controls, directly or indirectly, fifty percent (50%) or less of the voting shares or to a Subsidiary within its own Group, it shall be a condition precedent to such a transfer that the transferee and each of the Shareholders who shall dispose of any or all of its shares in SSMC or any beneficial interest therein and all Shareholders, shall enter into a further agreement to the effect that the rights and obligations of the disposing party under this Agreement are fully and effectively assumed by the transferee (provided that if a transferee does not acquire the entire interest of the transferor, such rights shall only be capable of being exercised jointly with the disposing party), without prejudice to any rights or obligations of any party for breach of this Agreement prior to the date of such disposal.

4.04 Pre-emptive Right

Each of the Shareholders, in its capacity as shareholder in SSMC, shall have a preemptive right (but not an obligation, except for the share issues referenced in the fourth paragraph of Section 1.02) to subscribe and pay for additional shares of SSMC, which may from time to time be issued or proposed for issuance, in proportion to its ownership of shares of SSMC immediately prior to such issuance.

ARTICLE V

BACK-UP SUPPORT

5.01 Financing

It is agreed that SSMC will be funded in accordance with the finance plan to be established in agreement between the Shareholders as part of the Initial Business Plan of SSMC and any agreed updated or amendments thereto. In this respect the Shareholders have taken due note that SSMC is eligible for and will be able to obtain a special Intech grant for some S$ 50 million and a special Capital Assistance Scheme loan for an amount of S$ 600 million at favourable terms. It is also noted that SSMC will enjoy a 10-year tax holiday in Singapore.

Other loans to support the operation of SSMC will be obtained from Shareholders or any of them, if found willing or from banks or similar institutions on

commercial terms and conditions, on the understanding that it will be the aim that if any security is required, SSMC arranges for such security on the basis of its own assets and activities.

As regards profits it is understood that unless otherwise decided by the Board of Directors by super-majority vote including at least one (1) representative of each of the Shareholders at the time participating in SSMC, net earnings shall be distributed in full by way of cash dividend, it being understood that in no event dividend payments shall be made till the time all SSMC's losses in previous years have been recuperated and that no dividend shall be paid during the period Philips has the right and option to buy shares in SSMC held by EDBI as specified in Section 1.03.

5.02 Technology Support

Each of TSMC and Philips will support SSMC by the transfer of full and complete information as regards advanced processes then in current volume production use at TSMC Group and Philips Group, as the case may be, as and when and in time as needed for SSMC to meet its agreed business objectives. It is expressly understood that the technology furnished by TSMC Group and Philips Group shall be used by SSMC only for production at the order of or as agreed by TSMC or Philips, as the case may be, and for no other purpose.

In addition to the general remuneration as specified in the Technology Cooperation Agreements between SSMC on the one hand and Philips and TSMC respectively, on the other hand, (hereafter "Technology Cooperation Agreements") , SSMC will pay the Group arranging the transfer of a new process all reasonable cost associated with such transfer and the installation of such process at SSMC.

The cost associated to technical support of a Group in the qualification of a new product will be borne in accordance with the terms of the Technology Cooperation Agreements.

Improvements to installed processes requiring technical support by the Party interested in its use will be provided to SSMC in accordance with the terms of the Technology Cooperation Agreements.

All other technical support, not covered by the above Technology Cooperation Agreements, will be provided by or at the instruction of TSMC and Philips to SSMC at arm's length prices.

Each of TSMC and Philips will use all reasonable efforts to have SSMC included under their patent cross license agreements with third parties to the extent current have made arrangements and licenses provide insufficient coverage. It is understood that this undertaking may justify a separate remuneration in the frame of the Technology Cooperation Agreements referred to above.

5.03 Lease

EDBI will use all reasonable endeavours to assist SSMC in securing a Lease Agreement covering land and buildings at the Pasir Ris Wafer Fab Park with Jurong Town Corporation on most favorable terms and conditions.

5.04 General Support

Apart from their direct participation, aid and contributions in and to the management and business of SSMC, each of the Shareholders, directly or through their respective designees, are willing to provide general back-up support services to SSMC on a commercial basis. For EDBI this undertaking means that it will assist SSMC in the search and hiring of expert personnel, whilst for Philips this undertaking includes the preparedness to have its Singapore Subsidiaries provide general head office services as and to the extent required

ARTICLE VI

CAPACITY RIGHTS AND LOADING COMMITMENTS

6.01 Capacity Rights and Prices

It is agreed that after the initial ramp-up period Philips Group and TSMC Group will have rights as regards the actual annual capacity of SSMC as follows:

Philips Group: 60%
TSMC Group: 40%

After the initial-ramp up the capacity of SSMC shall be determined on an annual basis as set forth in Annex A to this Agreement, which Annex contains the Initial Business Plan referred to in Article VII.

SSMC will charge TSMC Group and Philips Group for Products supplied to them at prevailing market prices to be determined each quarter or other agreed period in good faith agreement between expert representatives designated by TSMC, Philips and SSMC ***.

6.02 Loading Commitments

TSMC and Philips both will strive to load SSMC as much as possible. In this respect, it is agreed that if either TSMC or Philips concludes in respect of any particular year that its Group will not be able to load its capacity obligation for

any reason, it will promptly notify the CEO of SSMC. In that event the CEO will offer the capacity not utilized by that one Group to the other Group. Each of TSMC and Philips will ensure that its Group representative will respond to such notification by the CEO of SSMC without delay.

TSMC and Philips further agree that in respect of each year after the initial ramp-up period they and their respective Groups each will have the obligation to provide load to SSMC for minimum volumes equal to at least 70% of their respective rights on SSMC's annual capacity as determined in respect of each such year on the basis of the capacity calculations elaborated in Annex A.

In case total capacity usage in any particular year after initial ramp-up falls below 70% of total available capacity as determined on the basis of the capacity calculations elaborated in Annex A, a cost compensation scheme will be applicable which will provide full coverage for all unavoidable costs directly associated with any shortfall in respect of the agreed 70% of total available capacity as incurred by SSMC ("the Unavoidable Shortfall Costs"). Unless otherwise proposed and agreed in good faith upon reasonable consideration of all pertinent elements, shortfall cost compensation payment will be due and payable by TSMC and/or Philips, as the case may be, to the extent for any reason TSMC Group and/or Philips Group did not meet their respective loading obligations (i.e. Philips 70% of 60%, and TSMC 70% of 40%), but never for an aggregate amount higher than needed to cover the total amount of the Unavoidable Shortfall Costs.

Annex B to this Agreement shall provide the Rules as regards the calculation of shortfall compensation payments.

ARTICLE VII

BUDGETS AND BUSINESS PLANS

Before October 15 of each calendar year as long as the fiscal year of SSMC corresponds to the calendar year, the Management Team shall submit to the Board of Directors of SSMC for its approval a Business Plan according to an agreed format, which shall be forward looking and cover at least four (4) years. The first such Business Plan, also referred to as the Initial Business Plan, is attached as Annex A to this Agreement.

Each Business Plan will at all times deal with the following matters in detail:

Strategy, Products, SSMC technology plan, including technology roadmap, process assumptions, product/process qualification, quality management and capacity ramp-up, and the operations/financial plan including key assumptions, spending, staffing, factory loading, factory output, cost assumptions, profit/loss, the balance sheet, funds flow, the capital plan and accounting.

For greater certainty it is confirmed that the Business Plans of SSMC will pay due regard to the confirmed objective of the Shareholders that SSMC will meet performance parameters and achieve a ramp-up plan, which is according to best in-class standards.

The Board of Directors of SSMC shall approve each Business Plan with such modifications as it may deem necessary, within a period not exceeding one (1) month after receipt of the proposal by the Management Team as referenced in the first paragraph of this Article VII.

Upon approval by the Board of Directors of SSMC, the annual operational and investment budget for the following year, as contained in Business Plan concerned, shall be considered the approved operational and investment budget.

If, for any reason, the Board of Directors of SSMC shall not have approved an updated Business Plan for the next period, the operational and investment, budget for such next period shall be taken from the last Business Plan approved by the Board of Directors of SSMC.

ARTICLE VIII

EXCHANGE OF INFORMATION

AND

PROTECTION OF CONFIDENTIAL INFORMATION

It is recognized that in order to achieve an expeditious start for the desired cooperative relationship between the parties in and with regard to SSMC, certain highly confidential technical and business information will have to be disclosed in discussions among engineers and experts of the parties. In this connection it is agreed that each party shall use technical information received from the other party for review purposes only and shall treat as confidential and hold in strict confidence any and all business and technical information clearly marked by said other party as confidential, whether initially disclosed orally, or in writing, by demonstration or otherwise, provided that if such confidential information is not initially disclosed in writing, it is reduced to writing by the disclosing party within thirty (30) days after disclosure to the receiving party.

Confidential Information of the disclosing party will be treated by the receiving party in the same manner and with the same degree of care as it applies with respect to its own confidential information. The receiving party shall disclose confidential information of the disclosing party only to its employees and employees of its affiliated companies, who have a need to know and are aware of and have agreed to respect the conditions set forth herein.

The parties hereto agree that they shall not disclose confidential information received from the other party to third parties, unless and to the extent that the receiving party can prove by written record or otherwise that said information:

(a) was already in its possession prior to disclosure thereof by the other party;

(b) is or becomes publicly known through no fault of the receiving party;

(c) was lawfully obtained from a third party, who was free to disclose same without a confidentiality obligation;

(d) was necessarily disclosed as the result of a commercially available product by a person other than the receiving party;

(e) was disclosed as required by law; or

(f) was independently developed by the receiving party without use of the confidential information of the disclosing party.

The furnishing of any information hereunder shall not be construed as the granting of a license under any patent, patent application, copyright or any other industrial or intellectual property right or as implying any obligation other than as specifically recited herein.

The parties hereto further agree that except as required by law or in the framework of any dispute-resolution pursuant to Section 11.03 or in connection with obtaining outside legal advice on a confidential basis, they shall not disclose to any third party or make any public announcement to news media or otherwise with respect to the terms and conditions of this Agreement without the prior written consent of the other parties, to the extent such terms and conditions are not publicly known by any other means such as via the Articles of Association.

ARTICLE IX

FREEDOM OF ACTION

Except as may be expressly provided otherwise in this Agreement, nothing will impair the rights of the parties or their respective Group to develop, make, use, market, sell, procure, or otherwise deal in products or services now or in the future, individually or jointly with others, which may be competitive, or compatible with, or relate in any way to the Products.

ARTICLE X

COMMERCIAL EFFICACY:

CONTROL OVER AND LIABILITIES FOR ACTIONS BY

DIRECTORS AND OFFICERS

10.01 Obligation to give effect to this Agreement; Control over Directors and Officers.

Subject to applicable Singapore law, the parties hereto shall, in their capacity as Shareholders of SSMC, use all reasonable endeavors to assist SSMC in effecting commercial efficacy to the business of SSMC, as contemplated in this Agreement, and each of them shall help promote the business of SSMC by causing the Directors and Officers of SSMC nominated by it (in their capacity as such Directors and Officers) to take all necessary actions which are the duties, obligations and/or responsibilities of such Directors and Officers (including executing, delivering or filing certificates, agreements and instruments and complying in full with all legal requirements for the operations of SSMC) as if such Directors and Officers were the parties hereto and directly bound hereby, all in a timely fashion.

In addition, the parties hereto, in their capacity as Shareholders of SSMC, shall take all actions necessary to cause the Directors and Officers of SSMC nominated by them to comply with the terms of this Agreement, and to take such other actions as shall be needed to promote the agreed policies and objectives of SSMC.

10.02 Liability

The breach of any applicable law, rule, regulation or any provision of this Agreement or the Articles of Association of SSMC, or the taking of actions or the failure to take actions, prohibited or required by resolutions adopted at any shareholders' or Board of Directors' meeting, by any Director or officer of SSMC nominated by any party hereto, shall be deemed to be a breach of this Agreement by that party, who shall be liable to the other parties hereto and SSMC for all losses and damages arising therefrom, unless the party in breach shall have taken remedial actions within a period of sixty (60) days to have such breach cured.

ARTICLE XI

GOVERNING LAW AND RESOLUTION OF DISPUTES

11.01 Governing Law

This Agreement and each part thereof shall be governed by and construed in accordance with the laws of Republic of Singapore.

11.02 Negotiations

Parties hereto agree to endeavor to identify in advance issues that could generate controversies or disputes, in order to permit their early resolution by friendly negotiations, and to use their best efforts to negotiate in good faith, for a period of sixty (60) days or such other period as shall be mutually agreed upon by them, to resolve all such controversies or disputes in an amicable manner.

11.03 Arbitration

In the event that any controversy or dispute among parties hereto arising out of or in connection with the validity, effectiveness, construction or performance of this Agreement, or any amendment, modification or addition hereto, or as to the construction hereof, or with respect to the rights, obligations or liabilities of any party hereunder (unless such agreements, amendments, modifications or additions expressly state that they shall not be subject to this Article XI) cannot, in the sole judgment of any party to the controversy or dispute, be resolved by negotiation pursuant to the terms of the preceding Section 11.02, then such party may require that such controversy or dispute be referred to, and settled by, arbitration proceedings in Singapore in accordance with the Arbitration Rules of the Singapore International Arbitration Center (“SIAC Rules”) from time to time in force , which SIAC Rules are deemed to be incorporated by reference in this Section 11.03. The law of the arbitration shall be the International Arbitration Act Cap. 143A. The language of the arbitration shall be the English language.

Any award of the Arbitral Tribunal shall be rendered in writing; shall state the reasons on which it was based and shall be final and binding on all parties hereto. The cost of arbitration shall be borne and paid for as the Arbitral Tribunal may direct in the award.

11.04 Enforcement of Arbitral Award

Judgment upon any arbitral award rendered under the preceding Section 11.03 may be entered in a competent court in the Republic of Singapore, where application may be made to such court for judicial recognition of that award and an order of enforcement, as the law of such jurisdiction may require and allow.

Each party hereto hereby agrees that any judgment upon an arbitral award rendered under the preceding Section 11.03 may be executed against the assets of that party in any jurisdiction. Each party hereto hereby also irrevocably submits to the jurisdiction of the court of any jurisdiction in any legal action or proceeding relating to such execution.

ARTICLE XII

MISCELLANEOUS

12.01 Term and Termination

(a) This Agreement shall take effect on the date on which it is signed by each of the three signatory parties and shall continue unless otherwise agreed in full force and effect as long as TSMC and Philips (together with their designated Subsidiaries and/or employees) each control at least eighty percent (80%) of the original total shareholding subscribed to by each of them pursuant to Article 1.02.

(b) Upon the sale of all of its shares by EDBI, all rights and obligations of EDBI under this Agreement shall terminate except that all claims of any party hereto, including EDBI, against any other party for damages arising out of acts or omissions of such other party under this Agreement prior to the sale of all its shares by EDBI, shall survive such termination, and except that the provisions of Article VIII, Article XI and this Article XII shall survive such termination.

(c) Similarly, upon termination of this Agreement, all of the rights and obligations hereunder shall terminate except that all claims of any party hereto against any other party for damages arising out of acts or omissions of such other party under this Agreement prior to termination, shall survive such termination, and except that the provisions of Articles 1.01, 2.03, 2.04 second paragraph and subsections (a) to (f) as well as last paragraph, first paragraph of 4.01, 4.03, VIII, XI and XII shall survive such termination. For the avoidance of any doubt, it is hereby confirmed that also upon termination of this Agreement the Directors and Officers of SSMC shall (and when needed, caused by the Shareholders to) take all necessary actions which are the legal duties, obligations and/or responsibilities of such Directors and Officers.

12.02 Force Majeure

Notwithstanding any other provision of this Agreement, in the event that the performance of an obligation under this Agreement by a party is prevented due to acts of God, governmental acts or decisions, wars, hostilities, blockades, civil disturbances, revolutions, strikes, lockouts, fire, typhoons, tidal waves, flood or any other causes beyond the reasonable control of such party, such party shall not be responsible to the other parties hereto for failure or delay in the performance of its

obligations under this Agreement; provided that prompt notice shall have been given to all of the other parties of the occurrence of such force majeure event. If such an event continues for more than three (3) consecutive months, the parties hereto shall consult with each other about the continuation of this Agreement.

The foregoing provisions shall not exempt any party hereto from its duty to perform its obligations under this Agreement as soon as practicable after a force majeure event ceases to exist.

12.03 Representations and Warranties

Each of the Shareholders to warrant and represent as follows:

(a) It is a corporation duly organized and validly existing under the laws of its place of incorporation, and is not in receivership or liquidation or judicial management or any analogous situation.

(b) It has full corporate power and authority to enter into, execute, deliver and perform all of its obligations under the Agreements and any other agreements to be executed by the Shareholders.

(c) All actions, conditions and all corporate steps required to be taken, fulfilled and done (including the obtaining of any necessary consents) in order (i) to enable such party lawfully to enter into, exercise its necessary rights and perform and comply with its obligations under, this Agreement, and (ii) to ensure that those obligations are legally binding and enforceable have been taken, fulfilled and done.

(d) All agreements and instruments of such party contemplated hereby shall be the legal, valid binding agreement of such party, enforceable against such party in accordance with their terms.

(e) The execution, delivery and performance of the Agreements and the consummation of the transactions contemplated in it will not conflict with any law, order, judgment, decree, rule or regulation of any court, arbitral tribunal or government agency, or any agreement, instrument or indenture to which such party or any of its related corporations is a party or by which any thereof is bound.

12.04 Disclaimer of Agency

This Agreement does not constitute any party hereto as the representative or agent of any other party hereto or SSMC, nor does any party hereto have the right or authority to assume, create, or incur any liability or any obligation of any kind, express or implied, against or in the name of or on behalf of any other party hereto or SSMC, except as otherwise expressly stated herein.

None of the parties hereto is authorized to accept legal process on behalf of any other party hereto or SSMC.

12.05 Assignment

Unless otherwise provided in this Agreement, none of the parties hereto may assign, transfer or otherwise convey its rights, interest or obligations hereto, herein or hereunder in whole or in part to any party in or outside its Group, without (i) the prior written consent of all of the other parties hereto and (ii) the agreement of the assignee to be bound by and fulfill all of the obligations and duties hereunder of the assigning party, it being understood that the parties have agreed to accept an assignment of this Agreement by a party to a member of its Group directly or indirectly wholly owned by the respective Shareholder, if the assigning party expressly confirms the undertaking reflected under (ii) above.

12.06 Entire Agreement

This Agreement, together with its annexes, constitutes the entire agreement and understanding between the parties hereto with respect to all matters provided herein, and supersedes and cancels all previous negotiations, statements, representations, undertakings, and agreements, if any, theretofore made between the parties hereto including but not limited to that Heads of Agreement between Philips Semiconductors International B.V. and TSMC dated September 1/15, 1998.

12.07 Annexes

All Annexes to this Agreement shall be deemed an integral part hereof.

12.08 Indemnification

Members of the Board of Directors and all employees of SSMC will have no liability for acts, omissions or obligations of SSMC or for their actions and omissions on behalf of SSMC (for which SSMC shall take up a Directors’ and Officers’ liability insurance), except in the event of fraud or gross negligence.

Each such member or employee shall be indemnified by SSMC, for any liability arising out of actions or omissions of that member or employee on behalf of SSMC, except in the case of fraud or gross negligence.

12.09 Modifications or Amendments

No modification or amendment of this Agreement or any exhibit hereto shall be valid or binding, unless made in writing and signed by the duly authorized representatives of all parties hereto.

No waiver of any of the terms or conditions hereof shall be valid or binding, unless made in writing and signed by the duly authorized representatives of all parties hereto.

12.10 Counterparts

This Agreement may be executed in a number of counterparts, each such counterpart being deemed an original and all such counterparts together constituting one single instrument.

12.11 Section Headings

Section and Article headings herein are for convenience only and shall not affect the construction hereof.

12.12 Number

Unless the context otherwise requires, all words denoting the singular shall be taken to include the plural, and vice-versa.

12.13 Successors and Assigns

Subject to the provisions hereof, this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and permitted assigns.

12.14 Forbearance

The failure of any party hereto to seek redress for violation of, or to insist upon the strict performance of, any covenant, term, condition or obligation contained in this Agreement shall not prevent a subsequent similar act, which would have originally constituted a violation, from having the effect of any original violation.

12.15 Severability

Any provision of this Agreement which is invalid, illegal or unenforceable in any respect in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such invalidity, illegality or enforceability of the remaining provisions hereof,

and any such invalidity, illegality or unenforceability in any jurisdiction shall not invalidate or in any way affect the validity, legality or enforceability of such provision in any other jurisdiction.

12.16 Rights Cumulative

The rights and remedies provided in this Agreement are cumulative, and the exercise of any right or remedy by any party hereto shall not preclude or be deemed a waiver of such party's rights to arbitrate, sue or otherwise claim compensation for losses and damages, or pursue any and all other remedies. Said rights and remedies are given in addition to any other rights or remedies such party may have at law, or under any statute, rules, regulation, or otherwise, except to the extent as such rights and remedies are otherwise expressly restricted by this Agreement.

12.17 Controlling Language

This Agreement has been signed and delivered in the English language, which shall be controlling. In case of conflict or discrepancy between the original in the English language and any translation, the original shall always prevail.

12.18 Expenses

Subject to any other provision herein to the contrary, each party hereto shall bear the expenses incurred by it in the performance of this Agreement, except that the expenses relating to the formation of SSMC and the issuance of its stock certificates, including all related taxes, stamp duties, fees, registration charges and legal and notarial expenses, shall be borne by SSMC.

12.19 Notices

All notices, demands, consents, requests or other communications provided for or permitted to be given pursuant to this Agreement shall be in writing and shall be deemed properly delivered, given or served, when (a) personally delivered, (b) delivered by telecopier, or (c) mailed by certified or registered mail, postage prepaid, addressed to the Parties at the following addresses:

If to EDBI, to: EDB Investments Pte Ltd
250 North Bridge Road
#27-04 Raffles City Tower
Singapore 179101
Att.: General Manager and Legal Manager
Fax: (65) 3362503

If to Philips, to	Philips Semiconductors International B.V. Hurksestraat 19 5652 AH Eindhoven The Netherlands Att.: General Counsel Fax: (31) 40 2724005
If to TSMC,to:	Taiwan Semiconductor Manufacturing Company, Ltd. No 121 Park Avenue III Science-Based Industrial Park Hsinchu Taiwan, Republic of China Att.: President of TSMC Fax: (886) 3 5785295

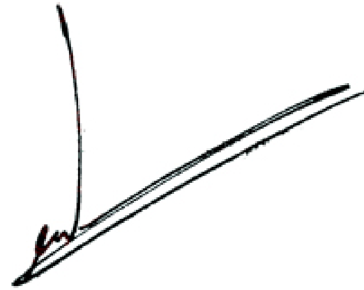
all notices so mailed shall be deemed received at the earlier of actual receipt or three (3) business days after depositing the same in the mail. Any party hereto may change its address for the purpose of this Section 12.19 by giving ten (10) days' prior written notice of such change of address to the other parties in the manner herein provided.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of this 30th day of March 1999

EDB Investments Pte Ltd

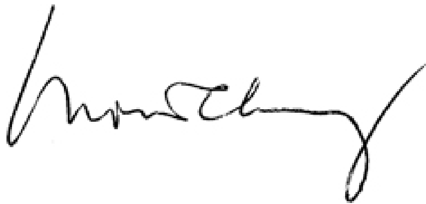
Name: Liow Voon Kheong
Designation: General Manager

Koninklijke Philips Electronics N.V.



A.P.M. van der Poel
Executive Vice-President and Chairman and CEO Philips Semiconductors

Taiwan Semiconductor
Manufacturing Company Ltd



Morris Chang
Chairman of the Board & CEO

Annex A

SSMC Initial Business Plan—Starting Points

CapEx of MUS$*** for 360K wafers per year

Load shared 60/40 between Philips and TSMC

Load will be principally 0.25um, with some 0.35um and 0.18um

Wafers sold to TSMC and Philips at Market price less 10%

Royalty fees of *** of sales payable

Share Capital reaches a maximum of MUS$*** in Q2 of 2002

Thereafter debt maintained at ***

Cost levels benchmarked and agreed by TSMC and Philips

Ramp-up in line with the agreed plan; complete in Q4 2002

Ground-breaking Q2 1999; First wafers out Q4 2000

SSMC Initial Business Plan – Sales, Supplies and Results

US$ millions	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
8” Wafers:										
Installed Capacity		***	***	***	***	***	***	***	***	***
Yield		***	***	***	***	***	***	***	***	***
Wafers Out		***	***	***	***	***	***	***	***	***
Sales & Supplies		***	***	***	***	***	***	***	***	***
IFO	***	***	***	***	***	***	***	***	***	***
as % of sales & supplies			***	***	***	***	***	***	***	***
NEBT	***	***	***	***	***	***	***	***	***	***
NOC	***	***	***	***	***	***	***	***	***	***
CapEx	***	***	***	***	***	***	***	***	***	***
Operational Cash Flow	***	***	***	***	***	***	***	***	***	***
Cumulative	***	***	***	***	***	***	***	***	***	***
Headcount	***	***	***	***	***	***	***	***	***	***
Royalties paid			***	***	***	***	***	***	***	***
Dividends paid				***	***	***	***	***	***	***

SSMC Initial Business Plan – Financing

US$ millions	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
NOC	***	***	***	***	***	***	***	***	***	***
FINANCING:										
Philips	***	***	***	***	***	***	***	***	***	***
TSMC	***	***	***	***	***	***	***	***	***	***
EDBI	***	***	***	***	***	***	***	***	***	***
Share Capital	***	***	***	***	***	***	***	***	***	***
Accumulated losses	***	***	***	***	***	***	***	***	***	***
EQUITY	***	***	***	***	***	***	***	***	***	***
% debt	***	***	***	***	***	***	***	***	***	***
CAS loan	***	***	***	***	***	***	***	***	***	***
Other loans	***	***	***	***	***	***	***	***	***	***
TOTAL FINANCING	***	***	***	***	***	***	***	***	***	***

SSMC Initial Business Plan – Ramp-up Plan

8" Wafers:	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Installed Capacity:	***	***	***	***	***	***	***	***	***	***
January	***	***	***	***	***	***	***	***	***	***
February	***	***	***	***	***	***	***	***	***	***
March	***	***	***	***	***	***	***	***	***	***
Q1	***	***	***	***	***	***	***	***	***	***
April	***	***	***	***	***	***	***	***	***	***
May	***	***	***	***	***	***	***	***	***	***
June	***	***	***	***	***	***	***	***	***	***
Q2	***	***	***	***	***	***	***	***	***	***
July	***	***	***	***	***	***	***	***	***	***
August	***	***	***	***	***	***	***	***	***	***
September	***	***	***	***	***	***	***	***	***	***
Q3	***	***	***	***	***	***	***	***	***	***
October	***	***	***	***	***	***	***	***	***	***
November	***	***	***	***	***	***	***	***	***	***
December	***	***	***	***	***	***	***	***	***	***
Q4	***	***	***	***	***	***	***	***	***	***
TOTAL Year	***	***	***	***	***	***	***	***	***	***

Annex B

1. The annual budget, as defined in Article VII, will specify the total cost per wafer for the coming year based on the budgeted capacity. The total cost per wafer shall include all manufacturing cost plus operating expenses.

2. The shortfall compensation per wafer is defined as the ***

   The amount of the shortfall compensation per wafer for the coming year will be fixed at the time of preparing the budget.

3. The calculation of the number of wafers for which compensation is to be paid is shown in the following example:

	Capacity	Commitment 70%	Examples					
			A	B	C	D	E	F
TSMC	400	280	500	50	350	280	220	250
Philips	600	420	200	650	350	350	420	350
TOTAL	1000	700	700	700	700	630	640	600

   Shortfall compensation payable:

   A: Total commitment of 70% is met. No compensation payable.

   B: Total commitment of 70% is met. No compensation payable.

   C: Total commitment of 70% is met. No compensation payable.

   D: Total shortfall of 70 wafers. TSMC meets its commitment. Philips pays compensation on 70 wafers.

   E: Total shortfall of 60 wafers. Philips meets its commitment. TSMC pays compensation on 60 wafers.

   F: Total shortfall of 100 wafers. Neither party meets its commitment. TSMC pays compensation on 30 wafers. Philips pays compensation on 70 wafers.

4. The shortfall and compensation will be calculated on an annual basis. The amount of compensation will be invoiced and accounted for by SSMC prior to the end of the year to which it relates.

SHAREHOLDERS AGREEMENT
(SUPPLEMENTAL)

THIS SHAREHOLDERS AGREEMENT (SUPPLEMENTAL) (“this Supplement”) is made as of this 16th day of August 2002 by and among

EDB Investments Pte Ltd, a company incorporated in the Republic of Singapore and organized and existing under the laws of the Republic of Singapore, with its registered head office at 250 North Bridge Road, #27-04, Raffles City Tower, Singapore 179101 (“EDBI”)

of the first part

and

Koninklijke Philips Electronics N.V., a corporation organized and existing under the laws of The Netherlands, with its registered head office at Groenewoudseweg 1, 5621 BA Eindhoven, The Netherlands (“Philips”)

of the second part

and

Taiwan Semiconductor Manufacturing Company Ltd, a corporation organized and existing under the laws of the Republic of China, with its registered head office at No. 121 Park Avenue HI, Science-Based Industrial Park, Hsinchu, Taiwan, Republic of China (“TSMC”)

of the third part

EDBI, Philips and TSMC are hereinafter referred to collectively as “Parties” and individually as “Party”.

- -WITNESSETH- - -

WHEREAS, EDBI, Philips and TSMC entered into a Shareholders Agreement dated 2 March 1999 (“Shareholders Agreement”) concerning the setting up and operation of Systems on Silicon Manufacturing Company Pte Ltd (“SSMC”).

AND WHEREAS, the Parties acknowledge that SSMC is in negotiations with certain financial institutions concerning external loans for its general business purposes, pursuant to which it would no longer be possible to maintain the original agreed debt to equity ratios set out in Section 1.02 of the Shareholders Agreement (“Debt to Equity Ratios”).

NOW, THEREFORE, in furtherance of the foregoing premise, the Parties hereto hereby agree as follows:

ARTICLE I

WAIVER OF DEBT TO EQUITY RATIOS

1.01 Pursuant to Section 12.09 of the Shareholders Agreement, the Parties hereto waive the Debt to Equity Ratios with effect from 1 December 2001, such that the same no longer apply with effect from that date.

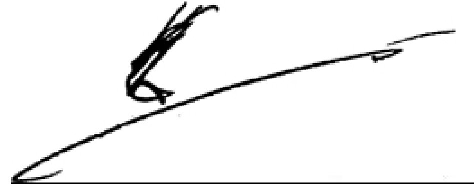
1.02 All other provisions of the Shareholders Agreement remain unchanged, save to the extent required to be amended mutatis mutandi be reason of Section 1.01 above.

IN WITNESS WHEREOF, the Parties hereto have executed this Supplement as of this 16th day of August 2002.

EDB Investments Pte Ltd

Name: Liow Voon Kheong
Designation: General Manager

Koninklijke Philips Electronics N.V.



Carlo van den Akker
General Counsel and Vice-President
(signing under Power of Attorney)

Taiwan Semiconductor
Manufacturing Company Ltd

Name: Rick Tsai
Designation: President

TSMC-ROYALPHILIPS-PSI AGREEMENT

THIS TSMC-ROYAL PHILIPS-PSI AGREEMENT (the "Agreement") is entered into by and between KONINKLIJKE PHILIPS ELECTRONICS N.V. of Amsterdam, the Netherlands ("Royal Philips"), PHILIPS SEMICONDUCTORS INTERNATIONAL B.V. of Eindhoven, the Netherlands ("PSI") and TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD of Hsin-Chu, Taiwan, Republic of China and its Subsidiaries ("TSMC") on September 25, 2006 (the "Effective Date"). Royal Philips, PSI and TSMC may be referred to individually as a Party or collectively as the Parties as the case may require.

BACKGROUND

PSI is a wholly-owned subsidiary of Royal Philips and has been and will continue to be the management company for the worldwide semiconductor businesses and operations of Philips Semiconductors;

PSI and TSMC have entered into the Crolles Agreements and the Capacity Support Agreement referred to below;

Royal Philips and TSMC have entered into the SSMC Agreements and the TCA referred to below;

Philips' current intention is to sell a majority of its shareholding in PSI to a group of private equity investors, upon which event, PSI will change its corporate name into NXP b.v. (which sale shall be hereinafter referred to as the "NXP Transaction");

TSMC desires to protect its confidential and proprietary information that has been provided to Royal Philips and PSI, and to continue its strategic collaborative engagements with PSI (to be renamed NXP if and when such transaction occurs);

By entering into this Agreement, TSMC, Philips and PSI agree as follows:

1. With respect to SSMC Shareholder Agreement of March 30, 1999 and Supplemental of August 16, 2000 ("SSMC Agreement"):

   The Parties agree that if NXP Transaction occurs, NXP shall assume all of Royal Philips and PSI's obligations under the SSMC Agreement, including, inter alia, obligations relating to protecting TSMC confidential and proprietary information, seeking TSMC's prior written consent to any subsequent sale or transfer to SSMC assets or shares, and TSMC's right of first refusal to purchase any and all of NXP's ownership interest in SSMC.

Subject to the Parties' agreement above, TSMC hereby approves the transfer by Royal Philips to PSI of all of the SSMC shares held by Royal Philips.

Royal Philips hereby cedes, assigns and transfers to PSI, with TSMCs approval, and PSI hereby accepts, all of Royal Philips' rights and obligations under SSMC Agreement.

2. With respect to TSMC-Philips Technology Cooperation Agreement of July 9, 1997 and amended and restated as of January 01, 2004 ("TCA"):

The Parties agree that if NXP Transaction occurs, NXP shall assume all of Royal Philips and PSI's obligations under the TCA, including, inter alia, obligations relating to protecting TSMC confidential and proprietary information, and seeking TSMC's prior written consent to any subsequent sale, transfer or assignment of the TCA.

Subject to the Parties' agreement above, TSMC hereby approves the transfer by Royal Philips all of its rights, liabilities and obligations arising from or relating to the Crolles Agreement to PSI.

Royal Philips hereby cedes, assigns and transfers to PSI, with TSMCs approval, and PSI hereby accepts, all of Royal Philips' rights and obligations under the TCA.

3. With respect to the Amended and Restated Technology Cooperation Agreement and the 2nd Amendment effective as of July 16, 2001 (the "Crolles Agreement"):

The Parties agree that if NXP Transaction occurs, NXP shall assume all of Royal Philips and PSI's obligations under the Crolles Agreement, including, inter alia, obligations relating to protecting TSMC confidential and proprietary information, and seeking TSMC's prior written consent to any subsequent sale, assignment to transfer of the Crolles Agreement.

Subject to the Parties' agreement above, TSMC hereby approves the transfer by Royal Philips all its rights, liabilities and obligations arising from or relating to the Crolles Agreement to PSI.

TSMC and PSI agree that notwithstanding the change of control experienced by PSI, PSI will remain Party to the Crolles Agreement, and will continue to be subject to its terms and conditions.

4. With respect to related Capacity Support Agreements effective on March 18, 2003 (for 0.13um products) and July 08, 2005 (for 90nm products) separately ("CSA"):

The Parties agree that if NXP Transaction occurs, NXP shall assume all of Royal Philips and PSI's obligations under the CSA, including, inter alia, obligations relating to protecting TSMC confidential and proprietary information, and seeking TSMC's prior written consent to any subsequent sale, assignment or transfer of the CSA.

Subject to the Parties' agreement above, TSMC hereby approves the transfer by Royal Philips all of its rights, liabilities obligations arising from or relating to the CSA to PSI.

TSMC and PSI agree that notwithstanding the change of control experienced by PSI, PSI will remain Party to the CSA, and will continue to be subject to its terms and conditions.

5. Miscellaneous:

A. The Parties hereby agree that nothing contained in this Agreement shall be construed or interpreted so that TSMC's consents will be extended beyond the scope of what have been expressly specified under this Agreement. In particular, notwithstanding Philips' notice to TSMC regarding Philips' proposed disposal of a majority interest in PSI or any other public reports on said disposal and PSI/NXP arrangements, nothing contained herein shall constitute TSMC's express or implied consent to future business arrangements by Philips or PSI with any third parties.

B. The terms and conditions of this Agreement shall supersede and take precedence over any and all contrary or conflicting terms and conditions under the SSMC Agreement, the Crolles Agreement, the TSC, and the CSA (collectively, the "TSMC-Philips Transactional Agreements").

C. If ambiguity arises under this Agreement or any of the TSMC-Philips Transactional Agreements, the Parties agree that such ambiguity shall be construed and interpreted in a way favorable to protect the Parties' technologies and intellectual property rights and assets. The Parties also agree that the rule of interpreting the contract against its drafter shall not apply herein.

D. Philips and PSI agree to cause NXP, immediately after NXP Transaction occurs, to be bound by and ratify this Agreement and all the terms and conditions of TSMC-Philips Transactional Agreements by countersigning below.

IN WITNESS WHEREOF, THE PARTIES HAVE CAUSED THIS AMENDMENT TO BE SIGNED BY THEIR DULY AUTHORIZED REPRESENTATIVES.

Royal Philips

By: ________________________
Name: Eric Coutinho
Title: General Secretary

TSMC

By: ________________________
Name: Richard L. Thurston
Title: Vice President & General Counsel

Date:	27-9-2006	Date:	27 September 2006
PSI		Ratified by NXP	
By:		By:	
Name:	G.R.C. Dierick	Name:	
Title:	SVP & General Counsel	Title:	
Date:	27-09-2006	Date:	

Lease Agreement

Chapter I Parties and Base of the Agreement

1. This Lease Agreement (hereinafter referred to as the "Agreement") is made and entered into this 15th day of September, 2009, at BDA by and between the Parties below:

   Beijing Economic-Technological investment & Development Corporation, a company organized and existing tinder the law of the People's Republic of China (hereinafter refers to PRC) with its registered legal address at F/14 Bo Da Building, No. 15 Ronghua Zhong Road, BDA 100176 (hereinafter referred to as the "Lessor"); and

   NXP Semiconductors (Beijing) Ltd, a, company organized and existing under the law of the People's Republic of China (hereinafter refers to PRC) with its registered legal address at No. 1 Jiuxianqiao East Road, Chaoyang District, Beijing 100016 (hereinafter referred to as the "Tenant").

   The Lessor and the Tenant may hereinafter be referred to the "Parties" collectively, or may be referred to a "Party" individually in the Agreement.

2. The Parties signed the "Build to Suit and Pre-Lease Agreement" on December 19, 2008 concerning the construction and lease of the new plant of NXP Semiconductors (Beijing) Ltd. The "Build to Suit and Pre-Lease Agreement" provided that the Parties shall sign a lease agreement concerning the rental and leasing of the leased facilities. The Agreement is entered into by the Lessor and the Tenant through friendly consultations in accordance with the provisions of PRC laws and "Build to Suit and Pre-Lease Agreement". The Parties agree that the Agreement shall be binding upon the Parties from the date of the Agreement coming into force. The Agreement shall come into force on the Transfer Date after seal of the Parties and signature of the respective legal representative of the Parties or his duly authorized agent.

Chapter II Definitions and Interpretation

3. The following words have the following meanings:

3.1	"NXP Semiconductors (Beijing) Ltd New Plant"		shall mean a general term for buildings, equipment, facilities, roads, venues, and other appurtenances and the land that the Lessor has invested and established at the No. 20 Tong Ji Nan Lu of BDA according to the provisions of the "Build to Suit and Pre-Lease Agreement", which will be leased to the Tenant, including the production plant and ancillary supporting office premises for production of mobile phone speakers and receivers. Their specific situation of project establishment see "Reply on the Project Proposal (Feasibility Study Report) of Beijing Economic-Technological Investment & Development Corporation's NXP Semiconductors (Beijing) Ltd New Plant" issued by BDA Management Committee on June 23, 2008.
3.2	"Government Agencies"	:	shall mean all relevant government departments or statutory bodies.
3.3	"Authorized Persons"	:	shall mean the employees, agents, contractors of the Parties and other persons authorized by the Parties.
3.4	"BDA"	:	shall mean Beijing Economic-Technological Development Area of China.
3.5	"Due Date for Payment"	:	shall mean the date that the rent, property management fees and other accounts under the Agreement are due and payable.
3.6	" Environmental Laws"	:	shall mean all laws, regulations, legal rules, rules, doctrines, regulations or provisions that will be implemented in China in the present or future, concerning the pollution, environmental protection, protection of human health and animal and plant health.
3.7	"Circumstances Permits"	:	shall mean the permission, license, consent, approval or other authorization and registration granted to any notice, report or

			assessment that the Tenant is required to declare, in accordance with the Environmental Laws concerning the Tenant's operation development and production business.
3.8	"Rental Facilities"	:	shall mean the production plant and office premises on the construction land that are customized in accordance with User's Requirement and Technical Specification, including but not limited to buildings and electrical and mechanical facilities.
3.9	"Transfer Date"		shall mean the date when the Lessor has completed the transfer of Rental Facilities to the Tenant in accordance with the provisions of Article 7 of the Agreement. The Transfer Date shall be the same date to the Lease Commencement Date
3.10	"Lease Commencement Date"		shall mean the date when the legal lease relationship between the Lessor and the Tenant comes into force. The Lease Commencement Date shall be the same date to the Transfer Date.
3.11	"Rent Start Date"		shall mean the start date when the rent between the Lessor and the Tenant shall be calculated and the Tenant shall pay rent to the Lessor, that is 1 January, 2010, except that the Rent Start Date shall be determined otherwise according to "Build to Suit and Pre-Lease Agreement" section 10.3.2.
3.12	"Decoration Deposit"	:	shall mean the deposit that the Tenant shall pay Beijing Boda Jingkai Property Management Limited Company in cash equating to the amount determined the actually-measured total Floor Area of the office building in accordance with the criteria of RMB 10 Yuan / sq m during the given period before the start of decoration works of the office building.

3.13	"Floor Area"	:	shall mean the Floor Area of Rental Facilities as defined in Article 5 of the Agreement.
3.14	"Building Land"		shall mean the land for the construction of Rental Facilities as specified in Annex I, that is the land of the first phase project of NXP Semiconductors (Beijing) Ltd New Plant, specifically see Article 5 of the Agreement.
3.15	"Project"		shall mean the first phase project of NXP Semiconductors (Beijing) Ltd New Plant, including the production plant and ancillary supporting office premises for production of mobile phone speakers and receivers.
3.16	"Land Area"	:	shall mean the area of the Building Land, specifically see Article 5 of the Agreement.
3.17	"Laws"	:	shall mean all laws, regulations, legal rules, rules and orders and so forth that will be implemented in China in the present or future.
3.18	"Rental Period"	:	shall mean the Rental Period as defined in Article 9 of the Agreement.
3.19	"Mechanical and Electrical Equipment"	:	shall mean the electrical and mechanical services equipment listed in the User's Requirement and Technical Specification.
3.20	"Payment Period"	:	shall mean the time when the Tenant shall pay the rent during the Rental Period in accordance with Article 11 of the Agreement. With the exception of the special circumstances that may arise for the payment of the first phase rent pursuant to Article 11, each Payment Period for the rest of rent shall be three months.

3.21	"Ancillary Facilities"		shall mean the venues and all ancillary buildings within the scope of the Building Land that shall exclude the Rental Facilities, including walls, roads, car parks, greening, street lamp and door in the factory area.
3.22	"Buildings and Venues"	:	shall mean a general term for the Rental Facilities, Ancillary Facilities and Building Land located within the area of No. 20 Tong Ji Nan Lu of BDA (address of the block see land use right certificate), specifically described in Article 5 of the Agreement.
3.23	China	:	shall mean the People's Republic of China.
3.24	Renovation		shall mean the renovation, upgrading, alteration, increase and expansion carried out by the Lessor for the Buildings and Venues.
3.25	"RMB"	:	shall mean China's statutory currency.
3.26	"Rent"	:	shall mean the rent that the Tenant shall pay to the Lessor in the Rental Period in accordance with the relevant provisions of Chapter II of the Agreement.
3.27	"Security Deposit"	:	shall mean the security deposit that the Tenant shall pay to the Lessor in accordance with Chapter III of the Agreement.
3.28	"Utility Provider"	:	shall mean the persons who provide public facilities for Buildings and Venues, including the providers of water, electricity, gas, heat and so on.
3.29	"Waste"	:	shall mean the wasted sludge, oil, chemicals, debris, pollutants, or other industrial waste and refuse.
3.30	"Business Day"	:	shall mean the working days determined according to Chinese Laws, that is every Monday until Friday that is not statutory holidays.

3.31 “User’s Requirement and Technical Specification” shall mean the design documents that the Lessor and the Tenant have commonly confirmed and duly signed, namely, “User’s Requirement and Technical Specification” that the Tenant and the Lessor signed on this day of , 2008.

3.32 “Loss” shall mean the direct economic losses that have occurred; except as otherwise expressly agreed, the loss referred to in the Agreement do not contain the expected operating profit and indirect losses.

4. Unless otherwise provided in the Agreement:

4.1 The singular includes the plural, and vice versa;

4.2 The title, headings and marginal notes to the provisions of all sections are inserted for convenience of reference only, do not act as the interpretation of terms or phrases involved in.

Chapter III Rental and Rent Payment for Buildings and Venues

5. The specific description of Buildings and Venues is as follows:

5.1 The Rental Facilities on the Building Land are constructed in accordance with the technical specifications of “User’s Requirement and Technical Specification” and the requirements of “Build to Suit and Pre-Lease Agreement”. Their estimated Floor Area is approximately 24,843.91 square meters, and the estimated area of Building Land is approximately 20,000 square estimates; and

5.2 Any structures, buildings, adjunct, ancillary buildings, expansion and Lessor’s equipment and facilities on the Building Land and in the Rental Facilities.

5.3 The Floor Area of Rental Facilities and the area of Building Laud shall finally be determined by the final measured area identified by government departments. The Buildings and Venues are described in more detail in General Map of Annex I, and the markers and textual representation define the boundary line. If the difference between the measured Floor Area and the design area of Rental Facilities transferred by the Lessor is more than three percent (3%) of such design area, the Tenant has the right to terminate the Agreement.

6. The Lessor shall lease the Buildings and Venues to the Tenant, in accordance with the terms and provisions of the Agreement. In view of this, the Tenant shall pay rent in accordance with the terms and provisions of the Agreement, as detailed in this chapter.

7. Transfer Date. Lease Commencement Date and Rent Start Date

7.1 Transfer Date means the date when the following two conditions are met, namely, the date when the Lessor has completed the transfer of Buildings and Venues to the Tenant.

7.1.1 The Project is accepted as qualified in accordance with provisions of Article 15 of the “Build to Suit and Pre-Lease Agreement”, and relevant government departments issues the Recording Form for the Final Checking and Acceptance of the Completion of the Construction Project of Rental Facilities and the proof that certification of real estate is being handled;

7.1.2 The Lessor deliveries the key of Rental Facilities to the Tenant (i.e. deliveries the Rental Facilities) and Ancillary Facilities (excluding greening of Building Land).

7.2 Transfer Date is also Lease Commencement Date. The Agreement shall come into force from the Lease Commencement Date. Upon the Agreement coming into force, the Tenant has the right to make reasonable use of Buildings and Venues, provided that the Tenant, as the user of Rental Facilities, has assumed all the obligations and responsibilities relating to use of Rental Facilities in accordance with the Agreement, “Build to Suit and Pre-Lease Agreement”, and laws and regulations.

7.3 After the transfer date, the start date, when the rent between the Lessor and the Tenant shall be calculated and the Tenant shall pay rent to the Lessor, shall be 1 January, 2010. Except that the Rent Start Date shall be determined otherwise according to “Build to Suit and Pre-Lease Agreement” section 10.3.2, the Tenant shall pay rent to the Lessor in accordance with the relevant provisions of the Agreement from January 1, 2010. The Lessor and the Tenant acknowledge that, from Lease Commencement Date to Rent Start Date, the Tenant may be exempt from house lease use fees of the rent but shall pay the property management fees to

the Lessor. The property management fees shall be paid by Tenant to the property management company of NXP New Plant Park (i.e. Beijing Boda Jingkai Property Management Limited Company, hereinafter referred to as the "Property Management Company") designated by the Lessor according to the relevant property management agreement in accordance with the criteria of 4 Yuan / per square meter per month from the Lease Commencement Date.

7.4 The Lessor and the Tenant agree and acknowledge that: after the Transfer Date, the Lessor shall complete the greening of Building Land in accordance with the requirements of "User's Requirement and Technical Specification" before April 30, 2010 (including the present day).

8. After the Transfer Date, the Lessor shall deliver the following documents to the Tenant promptly (not more than three working days) from acquiring the originals of the following documents:

(1) Measurement Report for Floor Area of Rental Facilities (copy with official seal of the Lessor);

(2) Recording Form for the Final Checking and Acceptance of the Completion of the Construction Project of Rental Facilities (copy with official sea! of the Lessor);

(3) Proof that certification of real estate is being handled (original);

(4) Fire fighting Certification of Rental Facilities (copy with official seal of the Lessor);

(5) House Ownership Certificate of Rental Facilities (copy with official seal of the Lessor);

The Lessor shall ensure the authenticity and validity of the above-mentioned documents and certificates, and shall stamp copies of relevant documents on the straddle with official seals. The Tenant shall ensure that the above-mentioned documents and certificates are used only for lease matters hereunder and for proof of company registration, tax registration changes and commercial insurance of the Tenant.

9. Rental Period: the Rental Period shall be a period of 5 consecutive years from the effective date of the Agreement (that is, Lease Commencement Date). If the Tenant decides to throw partial lease or terminate the Agreement in the first five-year period, it shall not enjoy any rent concessions hereunder, and the Lessor is entitled to require the Tenant make up the rent in full pursuant to Section 13.3 of Article 13 hereof. The Tenant shall be responsible for compensation for all economic losses incurred by the Lessor. Upon the expiration of Rental Period of 5 consecutive years, the Tenant may enjoy continuous renewal option on many occasions, and each renewal period shall be 5 years, otherwise the Tenant does not enjoy the priority right to renew. The continuous renewal right of the Tenant shall not exercised in a discontinuous manner any other way that may infringe the rights and interests of the Lessor, otherwise the Lessor is entitled to decide by itself to refuse the renewal.

10. Rent criteria in the Rental Period: rent includes only two parts of lease use fees and property management fees. The rent criteria for the first five-year period in the Rental Period is RMB 41/ square meter / month, including the standard of lease use fees (that is, RMB 37 / square meter / month) and the standard of property management fees (that is, RMB 4 / square meter / month). For the first 5 consecutive years of the lease term, the rent criteria of RMB 41/ square meter / month shall be not changed because of reasonable adjustments made by the Lessor and the Tenant by consensus during the design and construction. If the aforementioned rent criteria is adjusted in accordance with Article 13 “Rent Concessions” hereof, the rent to be paid by the Tenant shall be determined pursuant to the adjusted rent criteria.

11. Payment Period: the Tenant shall pay rent to the Lessor in advance quarterly. The Tenant shall pay the first-quarter rent in full within five Business Days prior to Rent Start Date herein (“Due Date for Payment”). If the date when the Tenant shall pay rent actually in accordance with Clause 10.3.2 of “Build to Suit and Pre-Lease Agreement” is postponed, the Tenant shall, within five Business Days prior to the date of actual rent payment (“Due Date for Payment”), pay in full the rent for the period from the date of actual rent payment until the start date of the next Payment Period. In addition, during the Payment Period, the Tenant shall pay the current-quarter rent prior to the fifth day of the first month (i.e. January, April, July and October) of each quarter of each year (“Due Date for Payment”). If the fifth day of such payment month is a national statutory holiday (including weekends), the deadline for the payment of rent shall be the first Business Day after such statutory holiday.

12. Rent Payment

12.1 The Parties agree that, for purpose of lease of Buildings and Venues hereunder, the Tenant shall pay the rent payable in RMB to the Lessor.

12.2 The Parties agree that, the rent shall be calculated and determined for each Payment Period from Rent Start Date based on the rent criteria provided in Article 10 hereof and the final accurate Floor Area of Rental Facilities confirmed by the relevant government departments.

12.3 The Lessor and the Tenant acknowledge that: if the government departments have not yet confirmed the final measured Floor Area of Rental Facilities on or before the first Due Date for Payment, the Parties agree that, the rent hereunder shall be calculated pursuant to the measured area estimated by the third party measurement agency jointly confirmed by the Parties hereto. Once the government departments confirm the final measured Floor Area, the rent hereunder shall be determined in accordance with the results confirmed by such government departments. In the case of any rent adjustment resulting from the difference between the measurement results estimated by such third party agency and the final measured Floor Area confirmed by such government departments, such rent adjustment shall be made when the first calculation and payment of rent pursuant to the final measured Floor Area confirmed by such government departments, on the principle of refund for any overpayment or a supplemental payment for any deficiency and without interest.

1.2.4 The Lessor and the Tenant acknowledge that, from Lease Commencement Date to Rent Start Date, the Tenant may be exempt from house lease use fees of the rent but shall pay the property management fees to the Lessor. The property management fees shall be paid by Tenant to the Property Management Company according to the relevant property management agreement in accordance with the criteria of 4 Yuan / per square meter per month from the Lease Commencement Date.

12.5 The Tenant shall pay rent in accordance with each Payment Period, and the specific payment time (that is, “Due Date for Payment”) is detailed in Article 11 hereof.

12.6 The rent shall be paid on Due Date for Payment of each Payment Period. The house lease use fees of the rent shall be paid by the Tenant to the person authorized by the Lessor, and the property management fees of the rent shall be paid by the Tenant to the Property Management Company. The Lessor undertakes that the service standards provided by the Property Management Company during the Rental Period shall not be lower than the provision of Annex 8 of “Build to Suit and Pre-Lease Agreement”, and the Property Management Company shall not unilaterally raise the standard of property management fees.

12.7 The Lessor or the person authorized by the Lessor shall, upon receipt of house lease use fees paid by the Tenant, provide the legitimate invoices matching the amount of such fees. The Lessor shall urge the Property Management Company to provide the legitimate invoices matching the amount of property management fees upon receipt of such fees paid by the Tenant, except otherwise agreed by the Tenant and the Property Management Company.

13. Rent Concessions

13.1 Upon the following conditions are met at the same time, the Tenant is entitled to enjoy rent concessions granted by the Lessor, namely:

13.1.1 The Tenant shall make its best efforts to make its business and tax registration for all its business in BDA (the relevant procedures of submitting reports for approval shall be applied for by the Tenant and the expenses incurred shall be assumed by the Tenant), within six months from the date when the Lessor provides the Tenant with relevant licenses necessary for business and tax registration (including the Recording Form for the Final Checking and Acceptance of the Completion of the Construction Project of Rental Facilities and the proof that certification of real estate is being handled). However, in the case of any delay for any cause beyond the control of the Tenant, the Lessor agrees to defer a period of three month. If the Tenant has not yet make its business and tax registration for all its business in BDA upon the expiration of such three month, the Tenant is not entitled to enjoy any preferential conditions (including rent concessions) hereunder and the rent criteria shall be determined and implemented in accordance with the relevant provisions of Section 13.3 of this Article.

13.1.2 During the validity term of the Tenant's license (for details of copy of the approval certificate of foreign-invested enterprises of the Tenant, see Annex 7 to "Build to Suit and Pre-Lease Agreement"), the Tenant shall not split or transfer in any way all its investments to Beijing or any other place in China, and shall register all its investments in BDA. Otherwise the Tenant is not entitled to enjoy any preferential conditions (including rent concessions) hereunder, and shall make up the rent hereunder in full to the Lessor in accordance with the provisions of Section 13.3 of this Article.

13.2 If all the conditions referred to in Section 13.1 of this Article are met, the Lessor shall, from

the date of completion of the Tenant's tax registration for all its business in BDA, grant the Tenant the rent concession period for 2 years and 6 months with exemption from house lease use fees of the rent (the criteria of house lease use fees is 37 Yuan / square meter / month). Such exemption for 2 years and 6 months shall be implemented from the first Payment Period after the date of completion of the Tenant's tax registration for all its business in BDA, and shall apply for ten Payment Periods, during which the Tenant shall pay in full the property management fees of the rent to the Property Management Company.

13.3 If the Tenant fails to meet any of the conditions referred to in Section 13,1 of this Article, it is not entitled to enjoy any rent concessions granted by the Lessor, and shall make up the rent hereunder in full to the Lessor in accordance with the following provisions: the Lessor is entitled to determine the rent criteria for Payment Periods pursuant to the average price of industrial plant rental market in BDA in the same period (hereinafter referred to as the "New Rent Criteria"). Such average price shall be assessed and determined by an independent third party evaluating agency jointly designated by the Parties. However, the Tenant shall not unreasonably refuse such designation in any form. The Tenant shall, within a reasonable time given by the Lessor, make up all rent concessions enjoyed by the Tenant from Rent Start Date, that is the difference between the total amount of rents calculated pursuant to New Rent Criteria and the total amount of rents actually paid by the Tenant from Rent Start Date.

14. Rent criteria for renewable period: during the renewal period, the rent is still the total of house lease use fees and property management fees. The floating up or down or remaining of rent criteria for renewal period shall make reference to the average price of industrial plant rental market in BDA in the same period (including house lease use fees and property management fees). The Lessor agrees that the adjustment range of rent criteria for renewable period shall not exceed ±5% of the rent criteria (including house lease use fees and property management fees) for the last Rental Period applicable to lease of Rental Facilities hereunder. The actually-implemented rent criteria shall be determined by the Parties through consultation. The terms and conditions of the renewal agreement shall be agreed in writing and be signed by the Parties separately.

If the aforementioned rent criteria is adjusted in accordance with Article 13 "Rent Concessions" hereof, the rent to be paid by the Tenant shall be determined pursuant to the adjusted rent criteria.

Chapter IV Security Deposit

15. The Tenant shall pay the Lessor the Security Deposit amounting to a total of three million RMB Yuan by check or wire transfer within seven Business Days from the effective date of the Agreement. At any time, the Tenant hasn't the right to deem the Security Deposit as the unpaid rent hereunder. If the Tenant does not perform its obligations hereunder, the Lessor is entitled to use the Security Deposit in accordance with the relevant provisions hereof.

16. During the entire Rental Period, the Security Deposit shall be kept and may not be used to offset the rent, damages for breach of contract and any other costs. Upon the expiry of Rental Period or termination hereof, the Lessor has the right to use the Security Deposit for the deduction of the rent payable by the Tenant, identified damages for breach of contract and any other costs that shall be borne by the Tenant. In the case of any remainder after completion of such deductions, the remainder of Security Deposit shall promptly be refunded by the Lessor to the Tenant. During the Rental Period, the Lessor does not have obligation to pay the Tenant any interest and capital occupation charges or any other costs of the same nature.

17. During the Rental Period, if the Tenant terminates the Agreement without statutory or agreed reason prior to expiry of Rental Period, the Lessor have the right to detain all the Security Deposit as liquidated damages to be paid by the Tenant, and the Tenant does not have right to request refund of Security Deposit.

18. Unless agreed in writing by the Parties otherwise, upon expiry of Rental Period or termination hereof, the Security Deposit shall be refunded to the Tenant in accordance with the relevant provisions of this Chapter within 30 calendar days after the Tenant perform its obligations hereunder, provided that the Rental Facilities are returned to the Lessor in the state provided hereunder.

Chapter V Repair and Maintenance of Rental Facilities

19. The Lessor and the Tenant acknowledge that,

During the Rental Period, under the precondition of the Tenant's normal use of Rental Facilities and public facilities, all maintenance obligations thereof shall be borne by the Lessor, and the related costs and expense incurred therefrom shall be borne by the Lessor, except for the maintenance obligations that shall be borne by the utility providers or other competent authorities or other organizations in accordance with the relevant provisions. The Lessor shall, upon the Tenant's request, assist the Tenant and utility providers or other competent authorities or other organizations in implementing relevant maintenance obligations.

The repair and maintenance obligations of facilities and equipment invested and constructed by the Tenant ("Tenant's Assets") and related costs and expense incurred therefrom and risk-related losses shall be borne by the Tenant.

If a Party, who has repair and maintenance obligations in accordance with the Agreement, fails to take timely action to perform such obligations (such action will inevitably cause serious damage of leased land or Rental Facilities or seriously reduce their real value, or cause the Tenant to be unable to normally use Rental Facilities, or pose a threat to property or safety of life of the Tenant or its personnel), and fails to take action to perform its obligations to maintain and repair within 15 Business Days after written notice delivered by the other Party, the other Party shall have the right to take reasonable measures to maintain and repair, all related costs and expense incurred therefrom shall be borne by the Party who has repair and maintenance obligations, and have the right to request such Party to make full compensation for its losses (excluding loss of anticipated profits, and costs and expenses that shall be borne by the Party raising such request on its own).

20. During the Rental Period, based on the situation of damage of Rental Facilities and its appurtenances (excluding Tenant's Assets), the Lessor is entitled to decide by itself to make maintenance of Rental Facilities and its appurtenances, and is entitled to determine maintenance contractor according to relevant laws and regulations and the Lessor's rules and regulations. The Lessor shall conclude a contract with such maintenance contractor concerning such maintenance. The Lessor shall give a notice to the Tenant about the specific time of maintenance before such maintenance, and make best efforts to minimize the impact on the Tenant's normal production and operation.

The Tenant shall, upon the Tenant's reasonable request, provide the necessary assistance for repair and maintenance made by the Lessor.

21. From the Transfer Date, the Tenant shall, in accordance with the Agreement and the nature of Rental Facilities, make reasonable use of Rental Facilities (including but not limited to renovation works), and keep Rental Facilities and its appurtenances in good and tenantable state. The Lessor agrees that, it shall, before transfer of Rental Facilities and its appurtenances, provide necessary training for the Tenant's equipment operator or provide necessary instructions for use of Rental

Facilities and its appurtenances. The Tenant shall conclude property management services agreement with the Property Management Company concerning Rental Facilities and its appurtenances, and bear the full cost incurred therefrom, including but not limited to property management fees. During the Rental Period, for purpose of normal and reasonable use of Buildings and Venues, the Lessor and its Authorized Persons may enter Buildings and Venues to make inspection or check the state and circumstances thereof (including state and circumstances of the Tenant's actual use thereof) provided that the Tenant allows such action and the Lessor and its Authorized Person are accompanied by the Tenant's persons concerned.

22. If the Lessor reasonably believes that an emergency occurs that may cause great damage to or significant adverse impact on Rental Facilities, it has the right to make prompt access to Buildings and Venues and take appropriate action.

Chapter VI Damage of Buildings and Venues

23. In the case of occurrence of incident that may cause great damage to Buildings and Venues or Rental Facilities, the Tenant shall give a written or oral notice to the Lessor about the nature or description of such incident immediately (not more than eight hours) after the time of such occurrence. If Tenant informs Lessor by written notice, the written notice should be sent to Lessor by hands; if Tenant informs Lessor orally, Tenant should call Lessor at 67881173. If Lessor change such contact number, it should inform Tenant 3 working days in writing before the change. For the purposes of this Chapter, great damage to Buildings and Venues or Rental Facilities ("Great Damage") shall mean that an incident will inevitably cause serious damage of Buildings and Venues or Rental Facilities or seriously reduce their real value, or cause the Tenant to be unable to normally use Rental Facilities, or pose a threat to property or safety of life of the Tenant or its personnel.

24. If the damage to Buildings and Venues or Rental Facilities is caused by the Tenant and/or its persons and/or its Authorized Persons and/or other persons who have obtained the Tenant's consent to enter Buildings and Venues or Rental Facilities.

24.1 The Tenant shall restore Buildings and Venues or Rental Facilities to its original state or mutually-recognized state during a reasonable period given by the Lessor, and shall bear the full cost incurred therefrom; and

24.2 If the Tenant fails to restore Buildings and Venues or Rental Facilities to its original state or mutually-recognized state during such reasonable period, the Lessor has the right to make repair and maintenance thereof by itself or by way of commission, and the Tenant shall bear the full cost incurred therefrom. In the case of loss incurred by the Lessor caused by such damage or the Tenant's failure or delay to make repair and maintenance (excluding the expected profit and the costs that shall be borne by the Lessor in accordance with the Agreement), the Lessor shall have the right to demand compensation from the Tenant.

24.3 The Tenant shall be responsible for all the litigation, claims, losses, damages, penalties and legal liability resulting from damage of Buildings and Venues or Rental Facilities which is caused by the Tenant, as well as the costs and expenses occurred therefrom.

25. If it is necessary to employ external professional bodies to assess the damage to Buildings and Venues and/or to provide professional services, the Lessor shall seek prior consent (which will not be unreasonably withheld by the tenant) of the Tenant concerning such employment. If the external professional bodies identify that there is damage to Buildings and Venues and that such damage is caused by the Tenant and/or its persons and/or its Authorized Persons and/or other persons who have obtained the Tenant's consent to enter Buildings and Venues or Rental Facilities, the Tenant shall bear the costs of such employment, as well as the full cost for investigation. If the external professional bodies identify that there is not damage to Buildings and Venues or that such damage is not caused by the Tenant and/or its persons and/or its Authorized Persons and/or other persons who have obtained the Tenant's consent to enter Buildings and Venues or Rental Facilities, the Lessor shall bear the costs of such employment, as well as the full cost for investigation.

26. If the damage is not damage to Buildings and Venues or that such damage is not caused by the Tenant and/or its persons and/or its Authorized Persons and/or other persons who have obtained the Tenant's consent to enter Buildings and Venues or Rental Facilities, the Lessor shall bear the costs of repair and maintenance. Upon occurrence of the damage of Buildings and Venues or Rental Facilities, the Lessor shall begin to make repair and maintenance thereof in a reasonable period of time. If the Lessor fails to begin to make repair and maintenance thereof in such period, the Tenant has the right to make repair and maintenance thereof by itself or by way of commission, and the Lessor shall bear the full cost incurred therefrom. In the case of loss incurred by the Tenant caused by such damage or the Lessor's failure or delay to make repair and maintenance (excluding the expected profit and the costs that shall be borne by the Tenant in accordance with the Agreement), the Tenant shall have the right to demand compensation from the Lessor.

Chapter VII Public Facilities

27. The Lessor shall provide Rental Facilities that have access to water, electricity and sewage, and pay the construction charges, connection fees and maintenance costs relating to the public facilities. However, the Lessor is not responsible for the continuity of supply thereof, or the quality of public facilities provided by the public facilities providers for Buildings and Venues.

28. During the Rental Period, the Tenant shall bear the fees for all public facilities used by it (including but not limited to, water, electricity, gas, heat, communications fees), and the costs and operating expenses relating to business development in the Buildings and Venues and Rental Facilities. However, the Lessor shall pay all the taxes and fees relating to Buildings and Venues and Rental Facilities that shall be assumed by the Lessor according to the Laws.

Chapter VIII Payment of Other Fees

29. During the Rental Period, water fees, electricity fees, air-conditioning management fees, heating costs, telephone charges, Internet communication fees, as well as all the other costs arising from production and operation or office, shall be borne by the Tenant on its own.

30. For the purposes of payment of the costs referred to in Article 29 hereof, the Tenant shall enter into a written agreement with relevant energy or services providers, and the Lessor shall provide the appropriate assistance.

31. During the Rental Period, if the Tenant requests a higher capacity of water, electricity and / or sewage disposal facilities and / or other public facilities services, or additional types of public facilities, the Lessor may arrange additional connection and ail costs incurred therefrom shall be borne by the Tenant, provided that the. following conditions are met at the same time:

31.1 The Tenant gives a prior notice to the Lessor and obtain the consent of the Lessor’s; and

31.2 The Tenant provides necessary application to public facilities providers and the Lessor provides necessary assistance for applying to the relevant government departments for approval; and

31.3 The Tenant pays extra project connection costs, enlargement charges or other costs charged by the relevant government departments relating to extra connection and / or enlargement of such public facilities; and

31.4 The Tenant pays the installation costs and maintenance costs for connection of such public facilities.

Chapter IX Use of Buildings and Venues

32. The Rental Facilities of which the Lessor is responsible for the construction are used for industrial purposes, rather than as a residence or commercial purposes. The Tenant ensures that it will use the Buildings and Venues for the purposes approved by the government departments (that is, for purposes of industrial production and warehousing logistics), or for ancillary office and other purposes permitted by the government departments in accordance with the Laws

33. The Tenant shall take reasonable measures to deal with industrial waste and refuse in accordance with the provisions of the Laws.

34. During the Rental Period, the Tenant shall, in its operations, comply with the environmental laws and regulations relating to the use of Buildings and Venues required by the government departments, and the safety standards, regulations and guidelines reasonably required by the Lessor. The Tenant shall, upon request of the government departments and / or the Lessor, take reasonable measures to prevent violation of such environmental laws and regulations, safety standards, regulations and guidelines, and to reduce air pollution, noise pollution, water pollution or other contamination, and the full costs shall be borne by the Tenant on its own. Before the Tenant carries out operation activities in Buildings and Venues, it must obtain the corresponding license (including but not limited to circumstances permit) issued by the government departments in accordance with the requirements of relevant laws and regulations, and the Lessor shall provide the necessary assistance to the Tenant in order to the Tenant obtaining such permits.

35. The Tenant shall not:

35.1 conduct, or allow to be conducted, any dangerous or illegal activities in the Buildings and Venues; or

35.2 allow anyone living in the Buildings and Venues; or

35.3 retain, or allow to be retained, any animal in the Buildings and Venues.

35.4 change the architectural layout, gardens and landscapes in the Building Land, and the ground or driveway in the Buildings and Venues, unless the prior written consent of the Lessor.

36. If the Lessor reasonably believes that the following consequences may occur, the Tenant can neither place in an arbitrary or dangerous manner, nor allow to be placed in an arbitrary or dangerous manner, any article in the Buildings and Venues or any part thereof:

36.1 In the case of property damage or personal injury; or

36.2 In the case of hindrance of the performance of the Lessor's obligations hereunder; or

36.3 In the case of any obstruction or damage in the Buildings and Venues.

37. The Tenant may not use or store any dangerous goods or explosives, or allow to be used or be stored, in the Buildings and Venues without the prior written consent of the Lessor and government departments (if necessary). Otherwise, the Tenant shall compensate the Lessor for all losses and damages incurred by such use and storage and any claims and litigation thereof. The Tenant use or store any dangerous goods or explosives in accordance with the provisions of the Laws.

38. The Tenant shall remove and clear any article that violates the Agreement from the Buildings and Venues in accordance with the instructions of the Lessor, and the costs incurred therefrom shall be borne by the Tenant on its own.

39. If the Lessor reasonably believes that the following circumstances may happen to any activity, the Tenant may not conduct, or allow to be conducted, such activity in the Buildings and Venues:

39.1 Any activity may affect the operating or other legal rights of the Lessor or adjacent or nearby site occupant. In this case, the Tenant must take the necessary measures to avoid a violation of the obligations hereunder and / or a circumstance that may affect such legal rights.

40. The Lessor is not be responsible for any loss, damage or inconvenience incurred by the Tenant arising from any act such as obstruction, disturbance or conflict of adjacent or nearby site occupant. However, the Lessor shall, based on the identity of the owner, assist the Tenant in requiring such adjacent or nearby site occupant to eliminate obstruction, disturbance or conflict.

41. The Tenant shall use Rental Facilities in accordance with the design load listed in User's Requirement and Technical Specification. The Tenant may not use or increase load to the wall, roof or structure of Rental Facilities. Such use or load increase will cause tension injury to Rental Facilities or affect structural components, frame structure, roof, foundation, joist and outside wall relating thereto.

42. The Tenant shall, if necessary, additionally construct suitable basis for machinery and equipment in Rental Facilities and Buildings and Venues in accordance with prior written consent of the Lessor and government departments obtained by the Tenant. The full cost incurred therefrom shall be borne by the Tenant.

43. The Tenant accepts and understands the following circumstances of the Buildings and Venues: baseboard, drainage and driveway are directly constructed on the venues, user pipes are paved in the venues; as time goes on, after the grounds in, on or near the Buildings and Venues are compacted, settlement, subsidence and cracks may happen to such grounds. Such settlement, subsidence and cracks must comply with regulatory requirements in China.

44. The Tenant accepts and understands the following circumstances of the Rental Facilities: flooring block of grounds / production areas are supported by the foundation systems, and the designed foundation systems only support the given load listed in User's Requirement and Technical Specification; as time goes on, after the grounds in, on or near the Buildings and Venues are compacted, settlement, subsidence and cracks may happen to such grounds. Such settlement, subsidence and cracks must comply with regulatory requirements in China.

45. The Lessor is not responsible for any loss, damage or inconvenience incurred by the Tenant or any other person, arising from settlement or cracks of flooring block, baseboard or drainage of any grounds / production areas, or floor board, flooring block or baseboard of Rental Facilities and Buildings and Venues caused by the Tenant's use exceeding the ground load listed in User's Requirement and Technical Specification.

46. The Tenant shall use Rental Facilities in accordance with the designed electric power load listed in User's Requirement and Technical Specification. Without the prior written approval of the Lessor, the Tenant may not change, modify or hinder the existing power load, fixtures and equipment within or near the Buildings and Venues.

47. The Tenant may not conduct, or allow to be conducted, any activity that may cause the followings:

47.1 Any activity may affect the structural stability of Rental Facilities and the safety of Buildings and Venues; or

47.2 Any activity may affect fire safety of Buildings and Venues; or

47.3 Any activity may cause fire danger or other dangers of Buildings and Venues.

48. The Tenant shall abide by fire safety requirements of the Laws and government departments. If fire safety equipment installed the Lessor (including part of the Lessor's devices) must by changed for purpose of the Tenant's production and operation, the Tenant shall bear the full cost incurred therefrom on its own, and such changes must meet the following conditions:

48.1 To abide by the provisions of laws and regulations;

48.2 To obtain the prior written consent of the Lessor's and the approval of government departments (if necessary);

48.3 To make such changes compatible with devices of the Lessor, but fire safety equipment installed by the Lessor previously (including any of the Lessor's devices or part thereof) and the installation of such fire safety equipment must comply with fire safety laws and the relevant norms and standards;

48.4 The Tenant is responsible for maintenance costs thereof.

Chapter X Insurance

49. Within 15 calendar days after transfer of Rental Facilities and the Lessor obtaining a certificate of housing ownership of Rental Facilities, the Lessor shall purchase property insurance comprehensive insurance, and ensure that the above insurance is effective for the Rental Period. Ail costs and charges incurred therefrom shall be borne by the Lessor. In the case of insured event of Rental Facilities, the insurance indemnity received by the Lessor shall first be used for payment of restoration costs of Buildings and Venues. The Lessor shall, in the third quarter of each year, provide a copy of the current-year insurance policy to the Tenant. Within 15 calendar days from Lease Commencement Date, the Tenant shall, of its own, purchase relevant insurance for all machinery and equipment and facilities whose ownership belongs to the Tenant.

Chapter XI Decoration and Alteration of Buildings and Venues

50. Upon the Agreement coming into force, the Tenant may, as legitimate use of Rental Facilities, carry out decoration of the office building and assume the full cost thereof its own. The Tenant shall be responsible for employ the contractor of decoration works and pay the full cost thereof.

51. Before the beginning of decoration, the Tenant shall obtain prior written confirmation of the Lessor on the design and construction program of such decoration, and pay Decoration Deposit in cash, to the Lessor or its Authorized Person or the Property Management Company, equaling to the amount determined pursuant to the measured total Floor Area of the office building in accordance with the standard of 10 RMB Yuan / sq m within the time specified by the Lessor. If the Tenant fails to carry out decoration in accordance with design and construction program confirmed by the Lessor in writing, and / or in the case of damage of Buildings and Venues arising from the Tenant’s decoration, the Lessor has the option to have priority on Decoration Deposit to be paid by the Tenant to cover liquidated damages or damages. If the Decoration Deposit is not enough to compensate for the same, the Tenant shall pay the shortage within the time specified by the Lessor.

52. If the Tenant desires to alter the Buildings and Venues (including but not limited to decoration carried out by the Tenant), the Tenant shall obtain the written consent of the Lessor’s (which will not be unreasonably withheld) prior to such alteration. The Lessor may require the Tenant to agree to abide by some reasonable conditions, including but not limited to:

52.1 The Tenant shall, upon the termination or dissolution hereof, restore Buildings and Venues to its original state and then return the same to the Lessor in accordance with the relevant provisions hereof.

52.2 Prior to the beginning of alterations, the Tenant shall submit, to the Lessor and government departments, the plans of such alterations to apply for the written approval. After receipt of relevant approval from the Lessor and government departments, the Tenant shall, in accordance with the approved plans of alterations, carry out alterations by the reasonable way, to ensure that minimize the alteration damage to Buildings and Venues and surrounding land (except approved by the Lessor otherwise).

52.3 The Tenant is responsible for the maintenance of the Lessor's Buildings and Venues altered by the Tenant, and the costs incurred therefrom shall be borne by the Tenant, except agreed by the Parties in writing otherwise.

52.4 If the Tenant constructs any building in the courtyard of project land without the written consent of the Lessor, all property rights of such building shall vest in the Lessor, and the Tenant shall be responsible for the following costs:

(1) The increased rent arising from such increased buildings;

(2) The increased real estate taxes and other taxes and fees arising from such increased buildings (including sales tax, urban maintenance and construction tax and surtax for education expenses).

53. The Agreement is a lease agreement for the first phase of the NXP Semiconductors (Beijing) Ltd New Plant Project. The customized lease matters of the second phase construction of the Project shall be confirmed by a written agreement signed by the Parties separately.

Chapter XII Renovation in Order to Enter the Buildings and Venues

54. The Tenant accepts Buildings and Venues and acknowledges that: during the Rental Period, if it is necessary to carry out the renovation works, the Lessor has the right to carry out renovation works in

Buildings and Venues, but the Lessor shall give at least a 30 calendar days written notice to the Tenant about start working of such renovation works. If the Lessor and / or its Authorized Persons enter Buildings and Venues, the Lessor shall ensure that its Authorized Persons take reasonable measures to avoid or reduce, to the best of one's abilities, the impact that renovation works may cause on the normal production and operation activities of the Tenant. The Tenant shall, upon reasonable demand of the Lessor, properly perform its obligations as follows in accordance the Agreement (if necessary) and bear all related costs of its own within a reasonable period of time specified by the Lessor:

54.1 Removal, relocation or change of any or all of the facilities of the Tenant;

54.2 Removal or relocation of any existing property of the Tenant or its Authorized Person in the Buildings and Venues;

If the Tenant fails to perform its obligations hereunder, the Lessor shall have the right to remove, relocate, re-arrange and / or alter any or each of the facilities and goods of the Tenant on behalf of the Tenant (without prejudice to any other rights or remedies of the Lessor hereunder). All reasonable costs incurred therefrom shall be deemed as the Tenant's debt payable to the Lessor.

Chapter XIII Ownership, Obligations and Responsibilities

55. The Lessor ensures that it has the right to lease the Buildings and Venues, and will abide by its obligations under the Agreement.

56. The Tenant ensures to abide by its obligations under the Agreement.

57. If the Tenant occupies any region beyond the borders of the Buildings and Venues, the Tenant shall, immediately or within a reasonable period of time specified by the Lessor (if any), correct and withdraw such occupation and bear the full cost incurred therefrom of its own.

58. Unassignable: during the Rental Period, the Tenant may not assign, transfer or partition the rights and interests herein without the prior written consent of the Lessor, except provided herein otherwise. During the Rental Period, the Tenant agrees that, without prejudice to lease right of the Tenant hereunder, the Lessor may transfer all or part of the rights and obligations to the Lessor's wholly-owned subsidiary company or holding subsidiary company, and such three parties shall sign a

separate written agreement thereon. Without the prior written consent of the Tenant, the Lessor may not assign, transfer or partition the ownership of Rental Facilities or the interests herein to any other third party.

Upon obtaining the prior written consent of the Lessor, the Tenant may sublet Rental Facilities to its affiliated companies and / or business partners (called be the "Sublessee"), provided that the Tenant shall give at least 15 Business Days prior notice to the Lessor about the situation of the Sublessee (including but not limited to, its relationship with the Tenant, the business content, assets, etc.). The Tenant shall still perform its obligations and assume its responsibilities under the Agreement and the "Build to Suit and Pre-Lease Agreement" to the Lessor. For the Sublessee's act relating to Rental Facilities, the Tenant shall perform its obligations and assume its responsibilities in accordance with the provisions of the Agreement and the "Build to Suit and Pre-Lease Agreement" to the Lessor. The affiliated companies and / or business partners of the Tenant shall mean the Tenant's affiliated companies that meet the requirements of industrial policies of the development zone and produce the similar products, lie in the upstream and downstream of industry chain of similar products.

59. A Party hereto shall, within one month from the date of change of its name and / or registered address, send the following written documents to the other Party:

a) a written notice of change of name and / or registered address; and

b) a new copy of business license.

60. The Lessor is not responsible for loss of or damage to the Tenant or its employees, agents or other Authorized Persons and / or the Tenant's property arising from breakage or defect of any part of Rental Facilities or Buildings and Venues, unless such breakage or defect is due to quality defect of Buildings and Venues or willful intention or gross negligence of the Lessor or its employees, agents or other Authorized Persons.

61. Apart from the reasons attributable to the Lessor, the Tenant shall be responsible for compensation for economic loss, injury of or damage to person or movable or immovable property in Buildings and Venues or Rental Facilities arising from the following:

a) Occupation or use of the Buildings and Venues; or

b) Any willful intention, negligence or default of the Tenant and/or its persons and/or its Authorized Persons, and/or other persons who have obtained the Tenant's consent to enter Buildings and Venues or Rental Facilities; or

c) Violation of the Tenant's obligations under the Agreement and the "Build to Suit and Pre-Lease Agreement" and other relevant agreement / contract.

In addition, the Tenant shall be responsible for compensation for all the losses suffered by the Lessor arising from such reasons (excluding the expected profit and the costs that shall be borne by the Lessor in accordance with the Agreement), damages, penalties and liabilities.

62. Similarly, the Lessor shall be responsible for compensation for economic loss, injury of or damage to person or movable or immovable property in Buildings and Venues or Rental Facilities arising from the following:

a) A major defect or other serious quality problems of the Buildings and Venues or Rental Facilities; or

b) Any willful intention, negligence or default of the Lessor and/or its employees and/or its Authorized Persons; or

c) Violation of the Lessor's obligations under the Agreement and the "Build to Suit and Pre-Lease Agreement" and other relevant agreement / contract.

In addition, the Lessor shall be responsible for compensation for all the losses suffered by the Tenant arising from such reasons (excluding the expected profit and the costs that shall be borne by the Tenant in accordance with the Agreement), damages, penalties and liabilities.

Chapter XIV Return of the Buildings and Venues; Extension of the Rental Period

63. If the Tenant does not renew the Rental Facilities upon the expiration of the Rental Period, the Tenant shall, within 15 days after such expiration or within the specified time after termination hereof, organize evacuation of all the relevant personnel from Rental Facilities and Buildings and Venues,

and remove, from Rental Facilities, all the equipment, facilities, devices and other items owned and managed by the Tenant for purpose of production, operation and office and for other allowed purposes, by a reasonable way without damage or causing smallest damage to Rental Facilities and Buildings and Venues, and restore Buildings and Venues or Rental Facilities to its original state (excluding the natural wear and tear due to use) and then return the same to the Lessor. During the course of removal of the Tenant, all direct economic losses caused by willful or negligent acts of the Tenant shall be borne by the Tenant.

The Tenant shall return the Buildings and Venues that meet the agreed state and where there is no facility of the Tenant's, occupier or any kind of goods.

64. If, upon the termination hereof or the expiration of the Rental Period without renewal, the Tenant fails to return the Buildings and Venues within a time specified herein not due to the Lessor's reasons,

64.1 The Tenant is considered to occupy Buildings and Venues without authorization of the Lessor, and there is no extension or renewal of the lease hereunder;

64.2 The Tenant shall, for a period of from the date when the Tenant shall return Buildings and Venues until the actual return day thereof pursuant to Article 66 hereof, pay the rent amounting to double of monthly rent that apply upon the termination hereof or the expiration of the Rental Period.

64.4 The Tenant shall pay all the amounts payable but unpaid and interest thereof (including but not limited to unpaid rent, property management fees, liquidated damages or compensation); and

64.5 The Tenant shall be responsible for all losses suffered by the Lessor arising from the Tenant's failure to return Buildings and Venues on time, and for well-grounded claims against the Lessor.

65. If the Tenant fails, in accordance with the Agreement, to organize the personnel evacuation or removal of equipment, facilities, devices and other items, and / or to restore Buildings and Venues to its original state, and / or to compensate for damage to Buildings and Venue, personal injury or harm of the Lessor due to willful or negligent act of the Tenant, the Lessor has the right (but not the

obligation) to perform the obligations of the Tenant on behalf of the Tenant and the Tenant shall be responsible for all the costs incurred therefrom, The Lessor has the option to first conduct deduction of the cost to be borne by the Tenant from the Security Deposit.

66. When the Lessor exercises its rights hereunder to restore Buildings and Venues to the agreed state on behalf of the Tenant, the Tenant shall give up all its rights for the Lessor and compensation for all losses arising from damage to Buildings and Venues and personal injury due to willful or negligent act of the Tenant, and / or for the cost arising from the Lessor's disposal of facilities, property and goods remained by the Tenant in the Buildings and Venues.

The facilities, property and goods remained by the Tenant in the Buildings and Venues after returning Buildings and Venues to the Lessor, shall vest in the Lessor, and be the Lessor has the right to dispose of the same of its own. The Tenant shall neither claim any rights nor request payment of any cost to the Lessor.

67. The Parties hereto shall, on the agreed date or the last day of returning Buildings and Venues, jointly survey the Buildings and Venues in order to ensure that the Tenant has returned Buildings and Venues in accordance with the Agreement and perform its obligations hereunder.

68. The Tenant shall, within three calendar months prior to the expiration of the Rental Period, or from the date of termination hereof, allow the possible future tenant accompanied by the Lessor and the Tenant or its Authorized Persons to enter the Buildings and Venues for survey in a reasonable period of time. However, the Lessor must give at least three calendar days prior written notice to the Tenant. Such survey may not cause significant impact on normal production and operation activities of the Tenant.

69. Under the precondition that the following conditions are met at the same time, the Tenant has a option to renew the lease for many times. The rental term of each renewal shall be 5 consecutive years from the expiry of Rental Period.

69.1 Prior to the expiration of the Rental Period, the Tenant shall give at least 3 months written notice to the Lessor, to inform its willingness to extend the Rental Period; and

69.2 No major default events occurs to the Tenant; and

69.3 The terms and conditions of the renewal agreement shall be consistent with the terms and conditions of the Agreement (other than the Rental Period and rent) and be signed by the Parties separately in writing; and

69.4 The continuous renewal right of the Tenant shall be not exercised in a discontinuous manner any other way that may infringe the rights and interests of the Lessor, otherwise the Lessor is entitled to decide by itself to refuse the renewal; and

69.5 During the renewal period, the rent is still the total of house lease use fees and property management fees. The floating up or down or remaining of rent criteria for renewal period shall make reference to the average price of industrial plant rental market in BDA in the same period (including house lease use fees and property management fees). The Lessor agrees that the adjustment range of rent criteria for renewable period shall not exceed ±5% of the rent criteria (including house lease use fees and property management fees) for the last Rental Period applicable to lease of Rental Facilities hereunder. The actually-implemented rent criteria shall be determined by the Parties through consultation. The terms and conditions of the renewal agreement shall be agreed in writing and be signed by the Parties separately; and

69.6 Other reasonable conditions agreed by the Parties are met.

70. In the case of conformity with Article 68 of the Agreement, the Lessor shall complete the signature of renewal contract with the Tenant within 10 Business Days after the Tenant giving written renewal notice.

Chapter XV Termination of the Agreement

71. Termination of the lease:

71.1 The Agreement shall be terminated upon the expiration of Rental Period or renewal period. The Parties may not dissolve the lease legal relationship upon the expiration of Rental Period, unless a material breach hereof by a Party occurs or a force majeure event lasts more than 60 calendar days. However, in the case of a material breach hereof by a Party, the other Party has the right to terminate the Agreement.

71.2 After Lease Commencement Date, in the case of termination of the lease arising from a material breach hereof by the Tenant, or in the case of a material breach hereof by the Tenant,

71.2.1 The Tenant shall, within a period specified by the Lessor, pay all rent payable but unpaid and other costs that shall be borne by the Tenant (upon termination of the lease, the rent shall be calculated until the actual return date of Buildings and Venues in accordance with the Agreement or the Lessor's requirement); and

71.2.2 In the case of termination of the lease arising from a material breach hereof by the Tenant, the Lessor has the right to confiscate the full Security Deposit. If the Tenant has not delivered the Security Deposit, the Lessor has the right to require the Tenant to pay liquidated damages amounting to the amount of Security Deposit, i.e. RMB 3 million Yuan; and

71.2.3 In the case of a material breach hereof by the Tenant but no termination of the lease occurs, the Lessor has the right to require the Tenant to continue to perform its obligations hereunder and to pay the Lessor liquidated damages amounting to the amount of Security Deposit, i.e. RMB 3 million Yuan; and

71.2.4 In the case of termination of the lease arising from a material breach hereof by the Tenant, the Tenant shall, within 15 calendar days from termination hereof, remove from Rental Facilities and Buildings and Venues and return the same to the Lessor. Upon the expiry of lease, the Lessor has right to re-enter Buildings and Venues and dispose of the Tenant's property in Buildings and Venues, and the Tenant may not raise any objection thereto at any time and under any condition; and

71.2.5 The Tenant shall pay the interest at an interest rate of five per ten thousandths (0.05%) of the amount payable but unpaid for each late day, for the period from Due Date for Payment to the Lessor's receipt of the full payment; and

71.2.6 In addition to such liquidated damages, in the case of any other losses suffered by the Lessor arising from a material breach hereof by the Tenant, the Tenant shall compensate for other direct economic losses suffered by the Lessor (excluding loss of profits, and costs that shall be borne by the Lessor in accordance with the Agreement).

71.3 After Lease Commencement Date, in the case of termination of the lease arising from a material breach hereof by the Lessor, or in the case of a material breach hereof by the Lessor,

71.3.1 The Tenant has the right to unilaterally terminate the Agreement and shall, within three months from the termination hereof, organize evacuation of all the relevant personnel and remove, from Rental Facilities, all its equipment, facilities, devices and other items for purpose of production, operation and office and for other allowed purposes in accordance with the method specified herein, restore Buildings and Venues or Rental Facilities to its original state (excluding the natural wear and teat-due to use) and then return the same to the Lessor. However, the Tenant agrees to pay to the Lessor the rent for a period of such three months in accordance with the rent criteria specified herein.

71.3.2 The Lessor shall refund the Security Deposit to the Tenant within 7 Business Days after the Tenant completes the evacuation of all the relevant personnel and removal of all its equipment, facilities, devices and other items from Rental Facilities and returns the same to the Lessor in accordance with the method specified herein;

71.3.3 In the case of termination of the lease arising from a material breach hereof by the Lessor, the Lessor shall refund the Security Deposit to the Tenant in accordance with the above provisions, and pay liquidated damages amounting to the amount of Security Deposit, i.e. RMB3 million Yuan; and

71.3.4 In the case of a material breach hereof by the Lessor but no termination of the tease occurs, the Tenant has the right to require the Lessor to continue to perform its obligations hereunder and to pay liquidated damages amounting to the amount of Security Deposit, i.e. RMB3 million Yuan; and

71.3.5 In addition to such liquidated damages, in the case of any other losses suffered by the Tenant arising from a material breach hereof by the Lessor, the Lessor shall compensate for other direct economic losses suffered by the Tenant (excluding loss of profits, payable rent for the period of removal specified in Section 71.3.1, and costs that shall be borne by the Lessor in accordance with the Agreement).

71.4 After Lease Commencement Date, in the case of any of the following circumstances, it is regarded as a refusal of the Tenant to continue the performance of the Agreement and it constitutes a material breach of the Tenant:

71.4.1 The Tenant fails to pay all or part of the rent payable and other payables within 30 calendar days after Due Date for Payment and fails to pay such amount within 15 calendar days from the date of written reminder from the Lessor;

71.4.2 In the case of damage of Buildings and Venues arising from willful or negligent act of the Tenant, the Tenant fails to remedy such damage within 30 calendar days after the date of notice given by the Lessor requiring such remedy;

71.4.3 The Tenant goes into insolvency or liquidation proceedings (whether compulsory or voluntary), or its business license is revoked or expires without renewal;

71.4.4 The Tenant gives a notice to the Lessor of intention of termination hereof without statutory or agreed reason.

71.4.5 The Tenant breaches its remedial obligations hereunder and fails to remedy such breach within a reasonable period of time in accordance with the Agreement or the Lessor’s requirements after receipt of written notice from the Lessor requiring remedy thereof;

71.4.6 The Tenant can not deliver Security Deposit to the Lessor in full and on time in accordance with the Agreement;

71.4.7 The Agreement can not be performed because the Tenant refuses to perform its obligations hereunder without statutory or agreed reason;

71.4.8 The Tenant is not allowed to enter the Rental Facilities by Building Land granter or other government departments due to the Tenant’s reasons or other reasons relating to the Tenant, in accordance with certain agreement binding upon the Tenant and / or Lessor, except clue to changes of national laws and regulations or policies.

71.5 After the Agreement coming into effect, in the case of any of the following circumstances, it is regarded as a refusal of the Lessor to continue the performance of the Agreement and it constitutes a material breach of the Lessor:

71.5.1 The Tenant can neither exercise its lease right hereunder nor make normal use of Rental Facilities arising from a third party’s exercise of the right, or the Lessor can not make the assignee of Rental Facilities to ensure that the Tenant may exercise the lease right and renewal right hereunder;

71.5.2 The Lessor disposes of ownership of Rental Facilities by way of sale, transfer or other forms without giving a notice to the Tenant of the right of preemption;

71.5.3 The Rental Facilities are sequestrated by judiciary departments or their use is restricted or prohibited by government departments due to the Lessor’s reason, which influences on the Tenant’s use of Rental Facilities;

71.5.4 The Lessor goes into insolvency or liquidation proceedings (whether compulsory or voluntary), or its business license is revoked or expires without renewal;

71.5.5 The Lessor breaches its remedial obligations hereunder and fails to remedy such breach within a reasonable period of time in accordance with the Agreement or the Tenant’s requirements after receipt of written notice from the Tenant requiring remedy thereof;

71.5.6 The Lessor is not allowed to enter the Rental Facilities by Building Land granter or other government departments due to the Lessor's reasons or other reasons relating to the Lessor, in accordance with certain agreement binding upon the Tenant and / or Lessor, except due to changes of national laws and regulations or policies.

71.5.7 The Tenant cannot continue to make normal use of Buildings and Venues due to the Lessor's unilateral reason during the Rental Period (including renewal periods).

Chapter XVI Force Majeure

72. If, as a result of force majeure, either Party can not perform its obligation hereunder in whole or in part within the required time, the time limit of the performance hereof or the subordinate terms hereof shall be extended accordingly based on the influence of such force majeure. Force majeure including but not limited to a serious fire, severe weather, floods, earthquakes, plague or other infectious diseases, war, and any other causes of the natural forces (that is, an event or result that can not be foreseen, is inevitable and can not be overcome).

73. When the force majeure event occurs, the affected Party shall, in the shortest time (not more than 8 hours after the time of such occurrence), notify the other Party, and as soon as possible (not more than five calendar days after the time of such occurrence), provide sufficient evidence to the other Party evidencing the causes, nature and seriousness of such event.

74. In case of force majeure event, the Parties shall make the best effort to reduce to the minimum the impact of such event on the performance of the Agreement.

75. In case of force majeure event, and if such event lasts for a duration of more than 60 calendar days, the Parties are entitled to give 15 calendar days prior written notice of termination of the Agreement.

Chapter XVII Comply with Laws and Regulations; Dispute Resolution

76. The Parties shall abide by relevant Chinese laws and regulations, particularly in relation to:

76.1 Use of Buildings and Venues;

76.2 Performance of the obligations hereunder of the Tenant and Lessor; and

76.3 Planning and environmental protection or safety relating to the Rental Facilities and / or Buildings and Venues.

77. The Tenant must, immediately (not more than two calendar days) after receipt of any notice from Government Agencies relating to Buildings and Venues, give a written notice to the Lessor thereof.

78. Conclusion, validity, construction and performance of the Agreement, as well as dispute resolution arising from or in connection with the Agreement shall be governed by Chinese laws.

79. In the case of any dispute arising from or in connection with the Agreement, including breach, termination, validity or interpretation of the Agreement, the Parties shall first try to resolve such dispute through friendly consultations. If such dispute is not resolved within 60 calendar days from a Party giving a notice to the other Party requiring consultation, the Parties agree to resolve such dispute through arbitration by the Beijing Arbitration Commission in accordance with the procedures and rules for arbitration in effect at the time. The arbitration is submitted to a panel of three arbitrators. The place of arbitration is in Beijing and arbitration language is Chinese. The arbitral award is final and binding upon the Parties. The arbitration expenses shall be borne by the losing party unless otherwise awarded by the arbitration organization.

80. When a dispute has arisen and is during the course of arbitration, in addition to the controversial matters, the Parties shall continue to exercise their respective rights and perform their respective obligations hereunder.

Charter XVIII Interest and Other Amounts

81. The Tenant shall pay the interest at an interest rate of five per ten thousandths(0.05%) of the amount payable but unpaid for each late day, for the period from Due Date for Payment to the Lessor’s receipt of the full payment.

82. All amounts hereunder shall be paid in RMB.

83. The Lessor shall pay taxes and fees in connection with the Agreement that the Lessor shall pay in accordance with the Laws. If the Tenant constructs a building in Buildings and Venues resulting in government department increasing real estate taxes and other taxes and fees, the Tenant shall pay such increased taxes and fees to such government department. If such increased taxes and fees are levied on the Lessor, the Tenant shall repay the Lessor such taxes and fees paid by the Lessor.

84. The Tenant shall pay all costs, fees and taxes relating to its business activities, and guarantee that if the Tenant's failure to pay the same will not affect or prejudice the interest of Buildings and Venues.

85. The Tenant shall pay taxes and fees in connection with the Agreement that the Tenant shall pay in accordance with the Laws.

86. Either Party shall bear its own legal costs incurred for negotiations, preparation and signing of the Agreement.

87. The Lessor shall ensure that, if necessary, registration record for the Agreement shall be handled at government department..

88. Either Party shall perform and carry out its obligations hereunder and bear its own associated costs.

89. When the breaching Party shall compensate all reasonable costs and expenses to the other Party pursuant to the Agreement, such compensation may not include loss of profits at any time.

Chapter XIX Other Rights and Obligations of the Tenant

90. Right of Preemption

90.1 During the Rental Period (including renewal periods), the Lessor is entitled to dispose of Rental Facilities by way of sale, transfer or other forms in accordance with the provisions of the laws and regulations, without prejudice to the Tenant's rights hereunder.

90.2 During the Rental Period (including renewal periods), if the Lessor disposes of Rental Facilities by way of sale, transfer or other forms, the Tenant has the preferential right to purchase such Rental Facilities under sale or transfer or dispose.

90.3 During the Rental Period (including renewal periods), if the Lessor disposes of Rental Facilities by way of sale, transfer or other forms, it shall give 60 calendar days prior written notice to the Tenant.

90.4 The Lessor agrees that it shall not, during the Rental Period (including renewal periods), sell or transfer all or part of Rental Facilities to the competitors of the Tenant.

90.5 If the Lessor transfers Rental Facilities and the Tenant fails to exercise its right of preemption, the Lessor shall enable the assignee to undertake that the assignee ensure the exercise of renewal right of the Tenant. If the assignee breaches the contract, the Lessor shall provide the necessary assistance for the exercise of renewal right of the Tenant.

91. Right of outdoor release of the Tenant's name and corporate logo on Rental Facilities

During the Rental Period (including renewal periods), the Tenant may display its name and / or corporate logo on Rental Facilities. However, the specific location, form, size, etc. of placing and displaying shall be subject to the prior approval by government competent authorities and the written consent of the Lessor, and the full cost incurred shall be borne by the Tenant on its own. The Lessor shall provide the necessary assistance to the Tenant.

Chapter XX Miscellaneous

92. Any written notice involved in the Agreement shall be served in person or by mail.

93. Any notice between the Parties that revolves their rights and obligations hereunder shall be in writing. The effective date of such written notice shall be determined in accordance with the following provisions:

93.1 In the ease of delivery in person, the effective date is the date of delivering such notice at the recipient's address;

93.2 In the case of delivery by mail, the effective date is the seventh day from the date of putting such notice into the envelope showing the recipient's address and sending out such notice with sufficient postage.

94. Each notice hereunder shall be sent to the address indicated on signature page or such address as the recipient notifies to the other Party at any time.

95. The following circumstances neither harm the rights of the Lessor nor act as waiver of such rights or claims for the Tenant's breach hereunder.

95.1 The Lessor fails to or forgets to exercise its rights as the Lessor in accordance with the Agreement or Chinese laws and regulations;

95.2 The Lessor receives or accepts rent or other payments;

96. The following circumstances neither harm the rights of the Tenant nor act as waiver of such rights or claims for the Lessor's breach hereunder.

96.1 The Tenant fails to or forgets to exercise its rights for the Lessor in accordance with the Agreement or Chinese laws and regulations;

97. If, at any time, any terms hereof or any part thereof is held legally invalid or become invalid, or unenforceable in any respect, the effectiveness of the remaining terms or the rest of such terms (to the extent of separability between the remaining terms and invalid or unenforceable terms, or between invalid or unenforceable terms and the rest thereof) will not be affected or damaged.

98. The contents of the "Build to Suit and Pre-Lease Agreement" that require observing and performance after the Agreement coming into force, the contents of the "Build to Suit and Pre-Lease Agreement" that it is still necessary to comply with and perform in accordance with the nature and purpose of the Agreement, and the contents of the "Build to Suit and Pre-Lease Agreement" that are not provided for in the Agreement, shall remain in full force and effect after the Agreement coming

into force. Matters not provided for in the “Build to Suit and Pre-Lease Agreement” shall be subject to the provisions of the Agreement (if any). If certain matters are provided for in the “Build to Suit and Pre-Lease Agreement” and are also provided for in the Agreement, and in the case of any inconsistency between such provisions, the provisions of the Agreement shall prevail.

99. The Parties acknowledge that, the Agreement and matters in connection with the Agreement shall be governed by “Contract Law of People’s Republic of China”, “Property Law of People’s Republic of China”, “General Principles of The Civil Law of The People’s Republic of China”, “The Regulations of Beijing Economic-Technological Development Area” and other relevant laws and regulations of the PRC state and Beijing municipality.

100. The Agreement is made in Chinese and English. For each language version, the Agreement is separately made in eight originals, of which the Lessor holds five originals the Tenant holds three originals. Chinese texts and English texts of the Agreement are equally authentic. In the case of any conflict between Chinese texts and English texts, the Chinese text shall prevail.

101. All annexes to the Agreement are an integral part of the Agreement, and have the same legal force and effect with the body of the Agreement.

102. Matters not provided for in the Agreement shall be agreed by the Parties through consensus, and the Agreement shall be modified or amended correspondingly. All modifications and amendments shall be in writing and sealed by the Parties and signed by legal representative of the Parties or their duly authorized agent.

The Parties sign the Agreement on the date firstly set forth herein.

Signature:

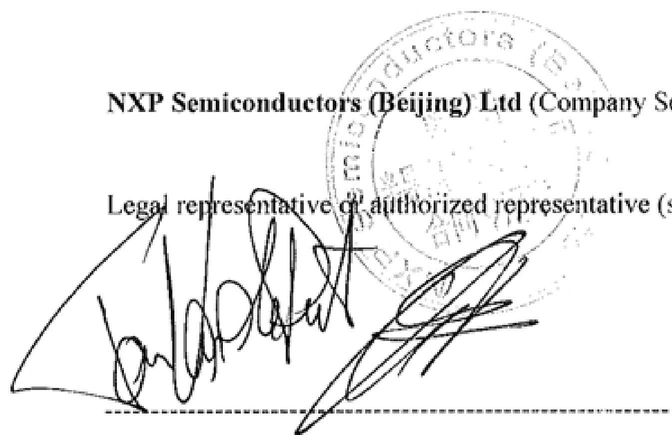
Beijing Economic-Technological Investment & Development Corporation (Company Seal)

Legal representative or authorized representative (signature)

Registered Address: F/14 Bo Da Building, No. 15 Ronghua Zhong Road, BDA,100176

Telephone:

Fax:



NXP Semiconductors (Beijing) Ltd (Company Seal)

Legal representative or authorized representative (signature)

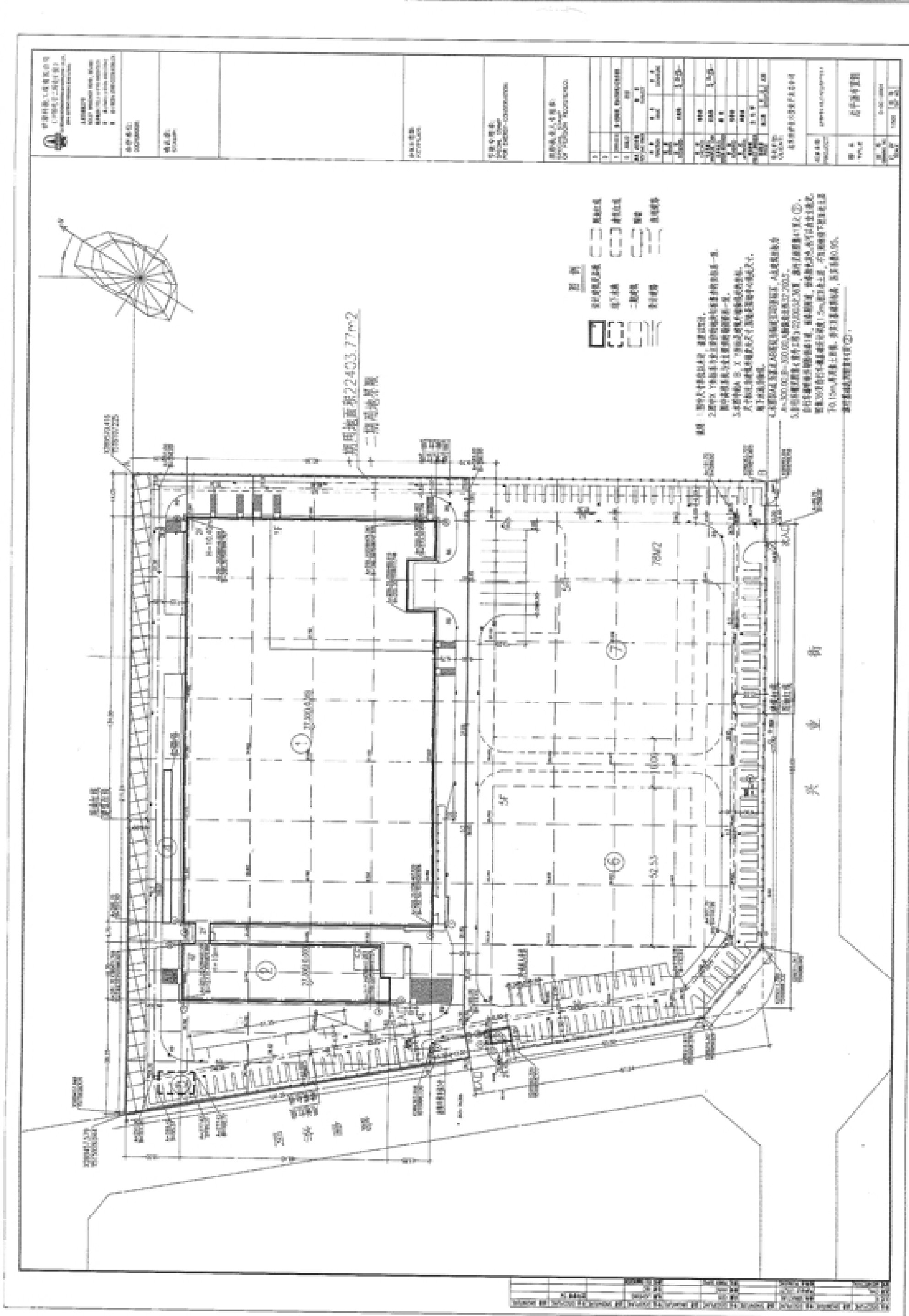
Registered Address: No.1 Jiuxianqiao East Road, Chaoyang District, Beijing 100016

Telephone:

Fax:

Annex I: General Map of Buildings and Venues

Lease Agreement



Tenancy Contract

Landlord: Huangjiang Investment Development Company
(hereinafter called "Landlord")

Tenant: Philips Semiconductors (Guangdong) Company Ltd.
(hereinafter called "Tenant")

Scope of Tenancy and Rental

1. The Landlord hereby agrees to lease its factory building, office building, canteen building,) dormitory buildings (to be constructed) and entertainment centre and related facilities situated at Tian Mei High Tech. Industrial Park, Huang Jiang Town, Dongguan City together with the land on which such buildings are erected thereon (which is more particularly identified in the annexed plan and colored pink) ("Leased Factory") to Tenant.

The area of the Leased Factory is as follows:-

a.	Factory building:	35,395 square meters
b.	Office building:	5,295 square meters
c.	Canteen building	6,185 square meters
d.	Dormitory buildings (4 blocks)	16,001 square meters
e.	Entertainment center	6,715 square meters
	Total:	69,591 square meters

The actual area of the Leased Factory shall be confirmed at the construction work completion examination.

The factory, office and canteen buildings shall be connected by bridges designed according to the usage requirements of the Tenant.

The rental of the Leased Factory will be the higher of the following:-

(a) Yearly rental shall be RMB96 per square meter (i.e. monthly rental of RMB 8 per square meter); or

(b) Yearly rental equal to thirteen percent (13%) of the actual construction costs of the Leased Factory.

The parties agree that the "construction costs" of the Leased Factory shall include the following items:-

(i) building costs of the entertainment center, factory, office, canteen and dormitory buildings;

(ii) quality examination and construction supervision costs;

(iii) design costs;

(iv) land surveying costs;

(v) costs for constructing the road(s) in the Factory Site (as defined below);

(vi) drainage and sewage costs within the enclosing walls and the Factory Site;

(vii) water and electricity supplies from the exterior of the Leased Factory to the area within the enclosing walls of the Factory Site.

It is hereby confirmed by the parties that the Tenant shall be entitled during the term of this Contract to use the rooftop of the Leased Factory free of charge (but shall be in compliance with the relevant use regulations).

2. An area of 58,300 square meters of land in which the Leased Factory is situated (which is more particularly identified in the annexed plan and colored blue) (“the Factory Site”) is also provided to the Tenant to use during the term of the tenancy free of charge.

The Landlord shall be responsible at its own costs to cover the Factory Site by cement except the area marked as the green area in the annexed plan. Regarding the green area, the Landlord shall be responsible at its own costs to flatten the land by mud to the same level as the factory roads.

The Tenant shall be entitled, at its own costs, to use the Factory Site as car park, play ground, green area and any other purposes, provided that the Tenant shall not be entitled to construct any buildings on such Factory Site (unless with the prior consent of the Landlord).

Notwithstanding the above, subject to the consent of the Landlord (which shall not be unreasonably withheld), the Tenant may construct other outdoor rooms, namely waste yard, chemical storage room and other additional facilities on the Factory Site. Such additional facilities shall comply with relevant construction, fire safety regulations and the parties shall discuss and agree the applicable rent.

The land, with an area of 14,000 square meters, situated at the front right side of the Leased Factory (which is the third stage development of the reserved land according to the plan, and more particularly identified in the annexed plan and colored red), the parties agree that this land is reserved for expansion of the Factory Site by the Tenant. This land will be reserved for expansion until 31 December 2007. The Tenant shall not be liable for any fee during the reserve period.

Before the Tenant decides to build a factory on this land, the Tenant shall be responsible for its own costs in planting trees and grass. The planting of trees and grass thereon shall be finished before 30 April 2004.

If construction work of a factory in the size similar to the Leased Factory (108.9m x 75.6m x 4 floors) is not commenced before 31 December 2007, the Landlord shall has the right commencing on 1 January 2008 to resume the land for other purposes or charging a land abandonment fee from the Tenant for its continuous use as a green area. The standard monthly charge of land abandonment fee is RMB2.00 per square meter for each month.

Rent Free Period

3. The Landlord agrees to grant a twelve (12) months rent-free period to the Tenant. In other words, the Tenant shall not be required to pay any rent to the Landlord during the first twelve (12) months from the tenancy commencement date.

Rental Adjustment and Payment

4. The rent of the Leased Factory shall be fixed during the initial 5 years of the Contract. From the 6th year onwards, if the annual interest rate of bank loan exceeds 6.6% or below 5.5%, the rent will be adjusted in accordance with the exceeded or lowered percentage.

5. The rent payable hereunder shall be paid each month in advance on or before the 7th day of each calendar month, by transferring the relevant amount to a bank account of the Landlord.

6. If the rent shall be unpaid for a period of more than 7 days after the same become due and payable, Tenant shall be liable to pay a late penalty fee equal to 1% of the relevant amount per day.

   The Landlord shall be entitled to terminate this Contract and claim against the Tenant under the terms of Clause 8 if Tenant breaches the Contract by default in rental payment for a period of more than 3 months.

Duration of Tenancy

7. Subject to Clauses 8 and 9, the tenancy created under this Contract shall be for a term of 13 years commencing from 1 October 2003

8. During the initial eight (8) years of the said thirteen (13) years of tenancy, if the Tenant shall early terminate the Contract for whatever reasons (except by reasons of the Landlord), Tenant shall unconditionally pay up-front the rental payable for the remaining period of the said eight (8) years plus one (1) year rental (which is equivalent to the amount of rent saved during the one (1) year rent free period) to the Landlord.

The Tenant shall be entitled to early terminate this Contract at any time during the last five (5) years of this tenancy by giving six (6) months prior written notice to the Landlord.

9. If the Landlord fails to allow the Tenant to enter into the Leased Factory, office building, canteen to commence the installation work for the facilities and equipments on or before 30th July 2003, the Tenant shall be entitled to terminate this Contract immediately. In such case, the Landlord shall refund all rental deposits to Tenant without any deduction and pay Tenant an additional sum equal to the rental deposits as compensation for breach of this material term.

10. Upon expiration of the tenancy, if Tenant is interested to renew the tenancy, the Landlord shall negotiate the new tenancy terms with Tenant in good faith. The Landlord agrees that Tenant shall have the right of first refusal if other conditions are the same.

Rental Deposit

11. In order to ensure the compliance of the terms herein by Tenant, Tenant agrees to pay the Landlord upon the signing of this Contract a rental deposit equal to two (2) months' rental.

    The Landlord shall return the above rental deposit without interest to Tenant upon expiration or early termination of the tenancy. However, if Tenant has committed any breach of the terms herein, the Landlord shall be entitled to deduct a reasonable sum from the rental deposit to indemnify the actual damages incurred by the Landlord as a result of such breach.

Delivery of possession of the Leased Factory and the lands

12. The Landlord must deliver possession of the Leased Factory and the Factory Site referred to above to Tenant as from the commencement date of the tenancy.

Electricity Supply

13. The Landlord shall connect the Leased Factory with electricity supply and bear the costs, provide transformer network to the connection point of the main transformer and bear the related costs.

14. The Landlord shall procure the electricity supply department to ensure continuous electricity supply to the Leased Factory, and have priority supply in electricity. Except force majeure cases, suspension of electricity supply (namely for regular or annual maintenance purposes) shall not be more than 6 times per year (and each time shall not be longer than 4 hours).

Water Supply

15. The Landlord shall connect the Leased Factory with water supply (up to the mutually agreed connection point) and bear the costs, including water connection charges, equipment and facilities, installation charges etc.

16. The Landlord shall procure the water supply department to ensure continuous water supply to the Leased Factory, and have priority in water supply. Except force majeure cases, suspension of water supply (namely for regular or annual maintenance purposes) shall not be more than 6 times per year (and each time shall not be longer than 4 hours).

Fire Protection Facilities

17. The Landlord shall ensure that the design and construction of the Leased Factory shall comply the fire protection regulation in relation to construction in China. Tenant shall be responsible for installing the fire protection facilities and bear such related costs.

Other Facilities

18. The Landlord shall be responsible at its own costs for procuring the Factory Site, leveling the land, the construction of the Leased Factory, the bridges between the Leased Factory, fencing wall around the Factory Site, faeces treatment tank and other facilities according to the design stipulated by the Tenant.

19. The Landlord shall at its own costs to apply for construction of the Leased Factory, and obtain land and property use right certificate.

Roads

20. The Landlord shall be responsible at its own costs to construct a road of thirteen (13) meters wide connecting the Leased Factory and the factory rented under a previous Tenancy Agreement dated 15th February 2000 according to the design stipulated by Tenant.

21. All the roads shall be constructed and strengthened that it can withstand 10 to 15 tons trucks traffic.

Landlord's Obligations

22. All installation and construction works which the Landlord is responsible must be completed by the Landlord before the commencement date of the tenancy. If the Landlord fails to complete part or all of the works (except the dormitory buildings and entertainment center) before 30th July 2003 and if the Tenant decides to

continue to rent the Leased Factory and the Factory Site, Tenant shall be entitled (but not obliged) to complete the remaining works at its own costs and then deduct all relevant losses from the rental payable hereunder.

In addition, all such installation and construction shall be in compliance with the quality and safety standard stipulated by the relevant authorities in China. If any such works fail to meet the relevant quality and safety standard, the Landlord shall be liable to repair and rectify all defects and liable for the damages caused as a result of this breach.

23. If the Landlord fails to complete the construction of the dormitory buildings and obtain all necessary government approval certificates on or before the 31st December 2003, the Tenant shall be entitled to terminate this Contract by giving six .(6) months prior written notice to the Landlord. If the Tenant decides not to terminate this Contract, the Tenant shall be entitled (but not obliged) to complete the remaining works at its own costs and then deduct all relevant losses from the rental payable hereunder.

24. The Landlord shall deliver the Leased Factory and the Factory Site to Tenant in good, clean and tenantable condition for Tenant's use.

25. The Landlord shall not take back the Leased Factory and the Factory Site during the term of the tenancy (unless otherwise stipulated in this Contract).

26. Provided that Tenant paying the rent and performing and observing Tenant's obligations herein contain, Tenant shall be entitled to peacefully enjoy the Leased Factory and the Factory Site throughout the term of this Contract without any interruption by the Landlord (except normal communication between the parties excepted and as required by the law of the People's Republic of China).

27. If and when during the term of this Contract, the Leased Property or the Factory Site or any part thereof are damaged or destroyed by force majeure or inherent structural problem, the rent or a fair proportion thereof according to the nature and the extent of the damage sustained shall cease to be payable until the Leased Property or the Factory Site shall have been rebuilt or reinstated by the Landlord. If upon the expiry of a period of two (2) months commencing on the date of the damage or destruction the Leased Factory and the Factory Site have not been rebuilt or reinstated by the Landlord, Tenant shall be entitled to terminate this Contract by giving seven (7) days' notice.

28. The Landlord hereby represents and warrants that it has the necessary legal capacity and right to lease the Leased Factory and the Factory Site to Tenant. The Landlord has also obtained all the necessary authorizations from all relevant authorities in the People's Republic of China in respect of this Contract and the leasing of the Leased Factory and the Factory Site to Tenant, including government approval and/or mortgagee consent (if applicable). The Landlord shall be liable to keep Tenant fully indemnified against actual losses and damages incurred by Tenant as a result of any breach of the Landlord's warranties herein.

The Landlord shall provide certified copy of the land use right certificate, property use right certificate, power of attorney (if applicable), the Landlord's business license, construction work completion certificate and other relevant documents to Tenant for record.

29. If during the term of the tenancy, all or part of the Leased Factory and the Factory Site are transferred or Tenant's right to use the Leased Factory and the Factory Site is affected, the Landlord shall ensure that such transferee or third party having an effect on Tenant's right to use the Leased Factory and the Factory Site will continue to abide by the terms of this Contract. The Landlord shall also be liable to keep Tenant fully indemnified against actual losses and damages suffered by Tenant if any of Tenant's interests herein are affected or prejudiced by such transferee or third party.

30. The Landlord warrants that:-

(a) the factory building can be used for industrial purpose; and

(b) the dormitory buildings can lawfully be used for residential purpose for Tenant's employees under the PRC laws and regulations; and

(c) the canteen building can be used for making and serving food and drink to Tenant's employees and comply with the health, hygiene and fire regulations, but design construction and facilities and equipments of the Tenant shall comply with relevant regulations;

(d) the office building can be used for office purpose;

(e) the entertainment center can be used for general entertainment purpose.

The Landlord further warrants that the loading capacity of the Leased Factory shall not be less than those set out in Appendix B.

31. The Landlord shall be responsible to pay all taxes in respect of the Leased Factory and the Factory Site. The Landlord specifically confirms that the business tax for rental income, land use fee, real estate tax shall be borne by the Landlord.

32. The Landlord shall be responsible for any structural and inherent defects of the Leased Factory, Factory Site and other facilities provided by the Landlord and shall do the necessary repair to such defects and shall be liable for all damages caused by such defects. However, if Tenant installs equipment or facilities in excess of the loading capacity and uses the Leased Factory improperly, and the Leased Factory suffers from structural defects as a result thereof, the Landlord shall not be responsible for any damages caused therefor.

The Landlord specifically agrees that any structural or inherent defects of the following items shall be repaired by the Landlord (as long as they are provided by the Landlord):-

a. walls and windows of the Leased Factory;

b. fencing wall of the Factory Site;

c. drainage and sewage system;

d. roads;

e. water supply facilities; and

f. electricity supply facilities.

Tenant's Obligations

33. Tenant shall promptly pay all rent in accordance with the terms of this Contract.

34. Tenant shall be entitled to make non-structural alterations to the Leased Factory.

35. Tenant shall not change the use of the Leased Factory unless with the prior consent of the Landlord. If any part of the Leased Factory and the related facilities are damaged by Tenant by default or negligence and improper usage, Tenant shall reinstate the same into their condition at the beginning of the tenancy (fair wear and tear and structural and inherent defects excepted). If Tenant is in breach of this term, Tenant shall be liable for damages according to Clause 44 of this Contract.

36. Tenant shall not be entitled to assign or sub-let the tenancy created hereunder to any party without the prior consent of the Landlord (save & except any subsidiary or associated companies of Tenant).

37. Upon the expiry of this Contract, Tenant shall deliver possession of the Leased Factory and the Factory Site at the conditions they were at the beginning of the tenancy (fair wear and tear and structural and inherent defects excepted). However, Tenant shall not be liable to remove or demolish any fixture or fitting affixed to the Leased Factory, the facilities (if any) erected on the Factory Site and any fixture or fitting affixed thereon.

38. Tenant shall perform the activities which have been approved by the PRC Government within the area of the Leased Factory and the lands, and shall pay the relevant fees, taxes, and shall comply with the laws and regulations of the PRC and shall operate legally. Otherwise, Tenant shall be responsible for all liabilities.

39. Tenant shall be responsible for the maintenance of the Leased Property and the related facilities (structural or inherent defects or damages caused by force majeure excepted) at its own cost (unless otherwise stipulated in this Agreement).

40. During the term of this Contract, the Tenant shall have the right to use the Leased Factory and the Factory Site but not the ownership thereof. Tenant shall not be entitled to use the Leased Factory or the Factory Site for mortgage or payment of debt etc. All debts incurred by Tenant during operation are not related to the Landlord.

Tenant's other benefits

41. Within a period of twenty four (24) months from the tenancy commencement date, the Landlord shall not charge the Tenant for any integrated service fees (综合服务费).

42. Within a period of ten (10) years from the tenancy commencement date, the Landlord shall not charge the Tenant for the following taxes:-

    (a) The profits tax payable to the Landlord; and

    (b) The value added tax payable to the Landlord;

    (c) The employee's individual income tax payable to the Landlord.

    In relation to point (a) above, the ten (10) years period shall commence from the first year in which the Phase II factory of the Tenant has to pay profits tax.

43. For all the employees employed by the Tenant (including operational workers with university degree or above), as long as they are not Dongguan resident, the Landlord shall arrange to transfer such employees' Hu Kou (户口) to Dongguan City, and shall not charge any city population capacity increase fee.

Others

44. If either party fails to perform its obligations hereunder, it shall constitute a breach of this Contract. The parties agree that the party in breach shall pay the other party the direct loss and damage (excluding indirect loss and damages).

45. This Contract shall be governed by and construed in accordance with the laws of the People's Republic of China.

46. Any dispute in connection with this Contract shall be settled amicably through friendly negotiation. In case no settlement can be reached through negotiation within fifteen (15) days after written notification from one party to the other party of the existence of the dispute, such dispute or claim shall be referred to and finally settled by arbitration at the China International Economic and Trade Arbitration Commission Shenzhen Branch ("Arbitration") in accordance with the Arbitration Rules of the China International Economic and Trade Arbitration Commission ("CIETAC Rules") which rules are deemed to be incorporated by reference into this clause. The law applicable to the Arbitration shall be the laws of the People's Republic of China. The arbitrators shall be appointed in

accordance with the CIETAC Rules whereby each party will appoint one arbitrator, and the two arbitrators appointed as aforesaid will appoint a third arbitrator. The language to be used in the Arbitration proceeding shall be Chinese.

47. The attachment to this Contract is an inseparable part of this Contract, and is equally enforceable.

48. If this Contract is unclear with respect to certain matters, the parties shall discuss to resolve such ambiguities.

49. The Co-operation Agreement made between the parties dated 18th April 2002 shall be superseded and replaced by this Contract.

50. This Contract is written both in the Chinese and English languages. If there are any conflicts between the two versions, the Chinese version shall prevail.

51. This Contract shall become effective upon the signing thereof by the parties hereto, notarized by a Notary Public and registered in the Housing Bureau. Save and except as provided in this Contract, this Contract shall not be terminated or amended without the consent of both parties. There are six originals of this Contract, two for each party and one for the Notary Public and one for the Housing Bureau. The parties shall share the notarization and registration cost and expenses in equal shares.

52. Each party shall bear its own legal costs in relation to the preparation, negotiation and execution of this Contract.

This Contract is signed on the 26th day of September 2003.

Huangjiang Investment Development Company

Signature:

Title:

Seal:

Philips Semiconductors (Guangdong) Company Ltd.

Signature:

Title:

Seal:

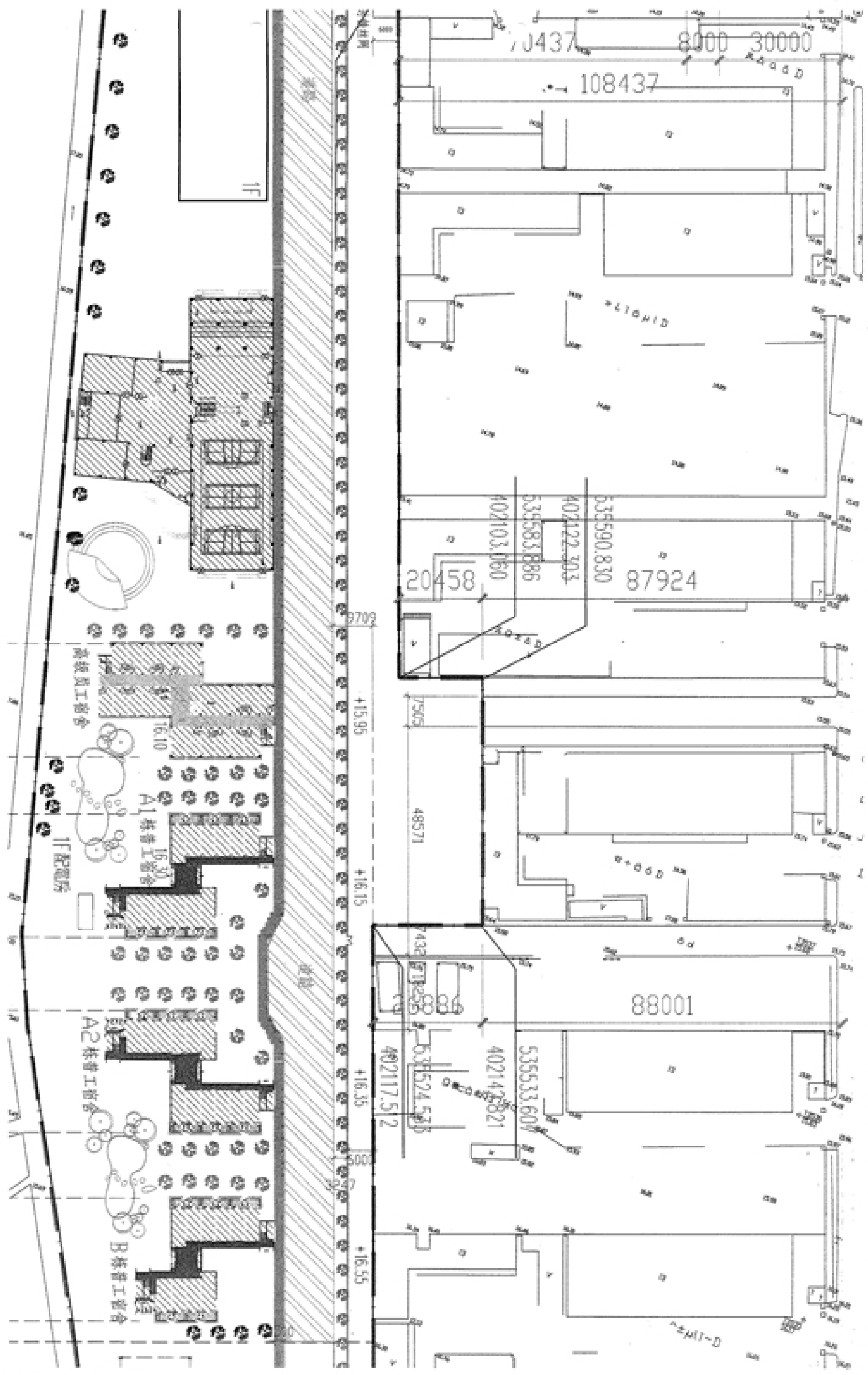
Notary Public:

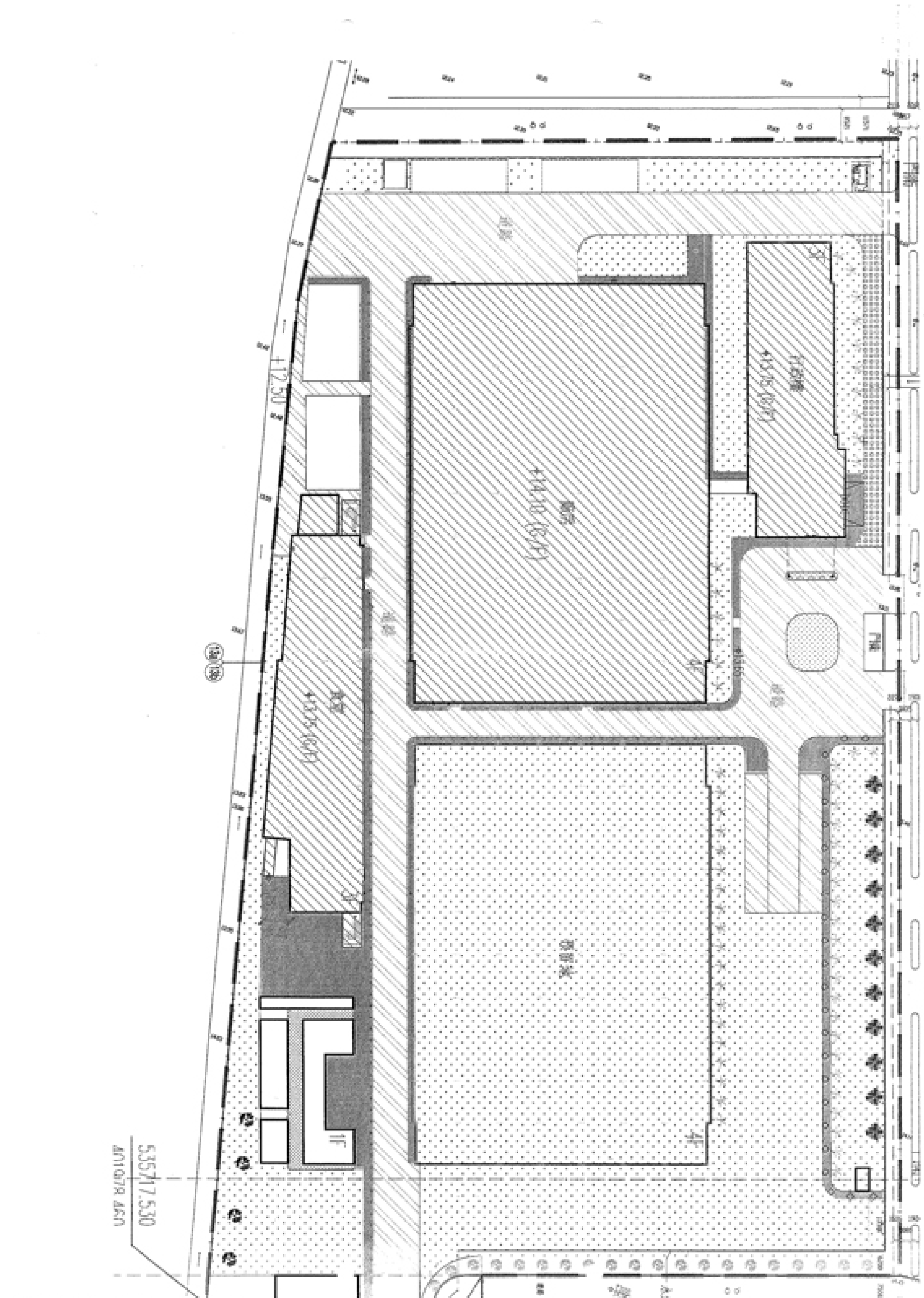
Housing Bureau:

Attachment: Appendix A Floor Plan

Appendix B Loading capacity of the Leased Factory

Appendix A





Appendix B

Loading capacity of the Leased Factory

Office building:	楼面	200 kg / sq. m.
	屋面	150 kg / sq. m.
	挑台	250 kg / sq. m.
Factory building:	楼面	1000 kg / sq. m.
	库房地台	2000 kg / sq. m.
	屋面	300 kg / sq. m.
	机房	700 kg / sq. m. (电梯机房)
	天桥	250 kg / sq. m.
	大型设备均支承在梁上	
Canteen building:	楼面	300 kg / sq. m.
	屋面	150 kg /sq. m.

May, 2009

STRICTLY PERSONAL

NXP Management Equity Plan 2009

Stock Option terms 2009

Article 1
Definitions

In these NXP Management Equity Stock Option Plan Conditions the following definitions shall apply:

1. Board	:	the management board of KASLION;
2. CEO	:	the chief executive officer from time to time of NXP;
3. Change of Control	:	a sale, directly or indirectly, of Shares in KASLION in a transaction or series of related transactions resulting in the Initial Sponsors as hereinafter defined, and for each of its members, their respective affiliates (a) together no longer holding, directly or indirectly, 50% or more of the Shares and other equity instruments issued from time to time by KASLION save as otherwise provided below or (b) the sale or divestment of more than 50% of the assets of KASLION to a non-affiliate in a transaction or series of related transactions whereby the net proceeds of such asset sale are to be distributed to shareholders of KASLION, provided always in each case that in the event of a Listing there shall only be a Change of Control if the Initial Sponsors or their respective affiliates together no longer own, directly or indirectly, 30% or more of the Shares and any other equity instruments issued from time to time by KASLION;
4. Conditions	:	the terms and conditions set out in this NXP Management Equity Stock Option Plan 2009;
5. Date of Grant	:	the date at which a Stock Option is granted pursuant to these Conditions. The relevant Date of Grant with respect to any grant hereunder shall be determined by KASLION and the Participant shall be informed on this;
6. Depositary Receipt	:	the depositary receipt (*certificaat van aandeel*) issued by the Foundation in relation to each Share to be acquired by it upon the exercise of a Stock Option, which depositary receipt is governed by Conditions of Administration (*administratievoorwaarden*) approved by the Board;
7. Eligible Individual	:	means an employee of the NXP group or such other person as determined by the Board;
8. Employing Company	:	any company within the NXP group of companies and such other company as NXP may from time to time designate or approve;
9. Exercise Price	:	the price to be paid by the Participant to the Foundation upon exercising a Stock Option to enable it to subscribe for a Share and issue a Depositary Receipt to the Participant. Such price will be EUR 0.10 for series 1 Stock Options; EUR 0.75 for series 2 Stock Options; EUR 1.50 for series 3 Stock Options; and EUR 2.00 for series 4 Stock Options. It being understood that, in order to avoid that Stock Options are being granted " in the money", the respective Exercise Prices will be increased from time to time to avoid that the actual fair market value upon grant would exceed the Exercise Prices as referred to in the first sentence of this provision.

10. Foundation	:	the Stichting Management Co-Investment NXP, a foundation (*stichting*) formed under the laws of The Netherlands, having its registered office (*zetel*) at Eindhoven and is registered with the Chamber of Commerce under number 34256080;
11. Grant	:	the instrument by which the Board grants a Stock Option to one or more Eligible Individuals;
12. Initial Sponsors	:	(a) KKR European Fund II, Limited Partnership; (b) Silver Lake Partners II Cayman, L.P.; (c) AlpInvest Partners CS Investments 2006 C.V.; (d) Bain Capital IX, L.P.; (e) Bain Capital Fund VIII-E, L.P.; (f) Apax Europe V - A, L.P.; (g) Apax Europe VI - A, L.P.; (h) such other persons to whom those sponsors have syndicated part of their direct or indirect investment in the Investor as per January 1, 2007; and (i) for each of the aforegoing persons, their respective affiliates;
13. Investor	:	KASLION Holding B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), incorporated under the laws of The Netherlands, having its seat (*statutaire zetel*) in Eindhoven, The Netherlands and its registered office at Jachthavenweg 118, 1081 KJ, Amsterdam, registered at the Chamber of Commerce under number 34253301;
14. KASLION	:	KASLION Acquisition B.V.;
15. Listing	:	the listing of any shares, in a form determined by KASLION, on a recognised stock exchange;
16. NCC	:	nomination and compensation committee of the supervisory board of NXP;
17. NXP	:	NXP B.V.;
18. Participant	:	an individual who participates in the Plan and holds any Stock Options or Depositary Receipts under these Conditions;
19. Plan	:	this NXP Management Equity Stock Option Plan 2009;

20. Sale	:	direct or indirect sale and transfer of Shares of the business to a third party not affiliated to one of the Initial Sponsors or a group company of NXP;
21. Share	:	a common share in the capital of KASLION as further defined in KASLION's articles of association;
22. Stock Option	:	the conditional right granted by KASLION to an Eligible Individual to acquire one Depositary Receipt in relation to a Share to be issued by KASLION to the Foundation, subject to these Conditions. The Stock Options may be granted in four series: series 1, series 2, series 3 and series 4;
23. Vesting Date	:	means the vesting date ascribed to it in Article 3.

Article 2
Grant of Stock Options

Any Stock Options may be granted by the Board to an Eligible Individual, subject to the Conditions and any additional terms as may be imposed on Grant. Any Stock Options offered to any such individual and the terms and conditions governing such Stock Options shall be deemed accepted by such individual with effect from the applicable Date of Grant in case KASLION has not received, in accordance with a procedure established by KASLION, a notice of rejection of such Stock Options at a date determined by KASLION.

Article 3
Vesting

1. Except as otherwise provided in Article 3.2 and 3.3, Stock Options will vest as indicated in the Grant. Unvested or lapsed Stock Options cannot be exercised.
2. In case of a Change of Control, the Stock Options will be 100% vested (accelerated vesting). If in the event of a divestment of a Business Unit, being any of Automotive & Identification, Home and MultiMarket Semiconductors, the Participant has not served notice of termination of employment upon a member of the NXP group nor has been served with notice of termination of employment by a member of the NXP group, the Stock Options held by each such Participant employed within such Business Unit shall be 100% vested upon the time of the divestment.
3. The CEO may, following consultation with the Investor, in individual cases, determine a vesting schedule for the relevant Stock Options more favourable for the relevant Participant than would apply pursuant to paragraphs 1 or 2 of this Article 3. Under no circumstances shall the use of this right by the CEO or the approval granted by the Investor create or imply rights for any other Participant.

Article 4
Exercise of Stock Options

1. A Participant may exercise (part of) his vested Stock Options only upon a Sale or Change of Control. The Participants shall be notified in writing by the Board of the occurrence of such Sale or Change of Control. In no event shall there be any obligation to deliver any Depositary Receipts to a Participant prior to such a Sale or Change of Control. Stock Options not exercised upon a Change of Control shall lapse automatically on a Change of Control.

2. In order to exercise Stock Options, the Participant must notify KASLION in accordance with a procedure determined by KASLION.

The notice by the Participant shall state:

- the Date of Grant of the Stock Options he wishes to exercise;
- the number of Stock Options to be exercised; and
- whether Depositary Receipts to be obtained upon such exercise:

(i) be sold, on behalf of the Participant as soon as possible. Upon such sale, the aggregate revenue of the Depositary Receipts sold upon exercise of the Stock Options less the respective Exercise Prices multiplied by the number of such Stock Options, and further costs and taxes in accordance with Articles 7, 11.4 and 12, will be paid to the Participant in accordance with a procedure determined by KASLION, subject to Articles 10 and 11; or

(ii) be delivered to the Participant as provided for in the Articles 4.3 and 4.4 hereof, subject to Articles 10 and 11.

In case the Participant elects to have the Depositary Receipts to be delivered to him, his notice shall be accompanied by the payment in full of the Exercise Price for the respective series of Stock Options exercised, multiplied by the number of Stock Options so being exercised, and costs and taxes as stipulated in Articles 7, 11.4 and 12. Such payment shall be made: (a) in cash, (b) through simultaneous sale through the Foundation of Depositary Receipts, or the underlying Shares of such Depositary Receipts, acquired on exercise, subject to it being permitted under the applicable regulations, (c) through additional methods prescribed by KASLION or (d) by a combination of any such method.

3. Subject to these Conditions, if the Participant elects Depositary Receipts to be delivered to him upon exercise as provided in Article 4.2 (ii), KASLION will, following receipt by the Foundation of the full Exercise Price, issue to the Foundation the Shares underlying the exercised Stock Options and procure that the Foundation delivers to the relevant Participants the Depositary Receipts on or as soon as reasonably practicable after the exercise of a Stock Option. In no event shall KASLION have any obligation to deliver any Depositary Receipts to a Participant prior to the exercise of any Stock Options.

4. Each Participant shall comply with any applicable “insider trading” laws and regulations.

Article 5
Non-transferability

The Stock Options are strictly personal and may not be assigned, transferred, pledged, hypothecated, or otherwise encumbered or disposed of in any manner. Depositary Receipts may not be transferred, other than according to the Conditions of Administration, the exercise of the drag-along or tag-along rights, respectively, in Article 10, or to the Investor. For the avoidance of doubt, in case of death of the Participant all vested Stock Options and all Depositary Receipts held by such Participant at the date of death shall pass to such Participant’s heirs or legatees in accordance with applicable inheritance laws. The Participant may not engage in any transactions on any exchange on the basis of any Stock Option or any Depositary Receipt. Any violation of the terms of this Article 5 in relation to Stock Options will cause all Stock Options to become immediately null and void without further notice and without the Participant being entitled to any compensation. Any violation of the terms of Article 5 in relation to Depositary Receipts will render said transaction null and void without further notice and without the Participant being entitled to any compensation.

Article 6
Capital Adjustments in corporate events

KASLION shall, after approval of the NCC, make such equitable adjustments to the number of Stock Options, the Exercise Price for the respective series, the number or kind of Shares to be issued on exercise of Stock Options or the number or kind of Depositary Receipts, or replace such Shares or Depositary Receipts by shares or depositary receipts for shares in the capital of a KASLION group company, as is appropriate to reflect corporate events such as a stock-dividend or stock-split, a recapitalization, a merger, a consolidation, a spin-off, a combination or exchange of shares or other significant corporate change, or any distribution of reserves to holders of Shares.

Article 7
Costs and Taxes

1. All costs of delivering any Depositary Receipts, or Shares underlying such Depositary Receipts, under these Conditions to a Participant and any other costs connected with the Depositary Receipts, or Shares underlying such Depositary Receipts, shall be borne by the Participant.
2. Any and all taxes, duties, levies, charges or social security contributions ("Taxes") which arise under any applicable national, state, local or supra-national laws, rules or regulations, whether already effective on the Date of Grant of any Stock Options or becoming effective thereafter, and any changes or modifications therein and termination thereof which may result for the Participant in connection with these Conditions (including, but not limited to, the grant of the Stock Options, the ownership of the Stock Options and/or the delivery of any Depositary Receipts under these Conditions, the ownership and/or the sale of any Depositary Receipts acquired under these Conditions) shall be for the sole risk and account of the Participant.
3. KASLION 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 KASLION or any Employing Company to the Participant, or requiring the Participant or beneficiary of the Participant, to pay to KASLION or any Employing Company as indicated by KASLION an amount necessary to settle any Taxes and any costs determined by KASLION necessary to be withheld in connection with these Conditions (including, but not limited to, the grant of the Stock Options or the delivery of any Depositary Receipts under these Conditions).
4. KASLION shall not be required to deliver any Depositary Receipts and KASLION may delay (or cause to be delayed) the transfer of any Depositary Receipts to a Participant until KASLION has received an amount, or the Participant has made such arrangements required by KASLION necessary to satisfy any withholding of any Taxes and any costs to be borne by the Participant in connection with these Conditions as determined by KASLION.

Article 8
Termination of Employment

1. Notwithstanding anything herein to the contrary and except as otherwise provided in Articles 8.2, 8.3. or 8.4 hereof, if a Participant

   (a) dies, or becomes permanently disabled (as defined under the statutory local social security regulations; or

   (b) retires in accordance with the relevant NXP group member's retirement scheme;

   such Participant, or his heirs or legatees in accordance with Article 5, upon a Change of Control may exercise all Stock Options, and upon a Sale may exercise a pro rata part of his Stock Options, in each case such Stock Options which are vested at the time of the termination of the employment with the Employing Company, in accordance with Article 4, and subject to Articles 10 and 11 hereof. All unvested Stock Options shall be forfeited effective as of the date of termination of the employment without the Participant being entitled to any compensation or any obligation on the part of KASLION or any Employing Company.

2. Notwithstanding anything herein to the contrary and except as otherwise provided in Articles 8.1, 8.3 and 8.4 hereof, if a Participant

   (a) is dismissed for urgent reasons as defined in article 7:678 of the Dutch Civil Code (or the equivalent thereof in other jurisdictions if Dutch law is not applicable to his employment);

   (b) voluntarily resigns and subsequently, in the two (2) year period following such resignation, directly or indirectly and in any capacity whatsoever engages in any activities in competition with the activities of any member of the Group; or

   (c) breaches any of the obligations imposed by or pursuant to the Conditions and the Grant;

   such Participant's vested and unvested Stock Options shall be forfeited effective as of the date of termination of the employment without the Participant being entitled to any compensation or any obligation on the part of KASLION or any Employing Company.

3. Notwithstanding anything herein to the contrary and except as otherwise provided in Articles 8.1, 8.2. and 8.4 hereof, and subject to Articles 10 and 11, if a Participant ceases to be an employee of any member of the NXP group as a result of facts or circumstances other than those mentioned in Articles 8.1 and 8.2,

   - all his Stock Options, unvested upon termination of the employment, shall be forfeited effective as of the date of termination of the employment without the Participant being entitled to any compensation or any obligation on the part of KASLION or any Employing Company;
   - upon a Sale or Change of Control, the Participant receives a cash-payment for the Stock Options vested upon the termination of the employment with an Employing Company, it being understood that in the event of a Sale this payment will only relate to a pro rata part of the Stock Options as stipulated in Article 10, such cash-payment based on the lower of:

   (a) the Fair Market Value, as determined in accordance with Article 9, of the Depositary Receipts upon the end of the quarter prior to the quarter in which the employment was terminated minus the respective Exercise Prices multiplied by the number of such Stock Options and further costs and taxes in accordance with Articles 7, 11.4 and 12, and

   (b) the fair market value of the Depositary Receipts upon a Sale or Change of Control, this fair market being calculated and determined by, and at the sole discretion of, the Board of KASLION, minus the respective Exercise Prices multiplied by the number of such Stock Options and further costs and taxes in accordance with Articles 7, 11.4 and 12.

The amount due will be transferred to a bank account designated by the Participant as soon as reasonably practical upon a Sale or Change of Control.

4. The CEO may, following approval by the NCC, in individual cases including divestment and Sale scenario's, determine a price for the relevant Depositary Receipts, or other conditions applicable to the Stock Options or Depositary Receipts, more favourable for the relevant Participant than would apply pursuant to these Conditions. Under no circumstances shall the use of this right by the CEO or the approval granted by the NCC create or imply rights for any other Participant.

Article 9
Fair Market Value

1. Fair Market Value shall be determined by the Board, subject to the right of the NCC to review and approve same, and in accordance with the following:

   (i) In any period before a Listing: the pro rata portion of the value of the entire share capital of KASLION which is arithmetically attributable to the Shares underlying the relevant Depository Receipts, determined on a fully diluted basis taking into account all options and other rights to receive any shares in the capital of KASLION, if any, existing at the relevant time, whereby the value of the entire issued share capital of KASLION shall be determined in accordance with both the 'income approach' and the 'market approach', supported by an analysis conducted by an external independent qualified valuation firm, as follows:

   - Discounted Cash Flow (DCF) analysis is a valuation technique that provides an estimation of the value of based on the cash flows that an asset or business can be expected to generate
   - Comparable Companies Approach is a form of the market approach that provides an estimation of the value of a business based on the prevailing market prices of comparable companies like Texas Instruments Inc., Infineon Technologies AG, STMicroelectronics NV, National Semiconductor Corp., Microchip Technology Inc., ON Semiconductor Corp., Atmel Corp., Fairchild Semiconductor International Inc., Analog Devices Inc.; and

   (ii) In any period after a Listing: the weighted average of the closing stock prices on the last consecutive 15 trading days immediately preceding the relevant time on the stock exchange on which the Listing has occurred. If the Listing has occurred on more than one stock exchange, the closing stock price on the stock exchange on which the highest volume of shares has been traded in the aggregate of the relevant 15 trading days shall be used.

Article 10
Drag-along right and tag-along right

1. In the event of a Sale or Change of Control a Participant has the right to exercise his Stock Options and in the event of a Sale a Participant has the right to exercise his vested Stock Options, all in accordance with article 4 of these Conditions. If the Participant elects Depositary Receipts to be delivered to him, the Participant is aware and agrees that the Investor has the right, in relation to any Sale or Change of Control to require that the Foundation sells to the relevant buyer a percentage of the Shares held by it equal to the percentage of Shares sold by the Investor, on customary terms and conditions and for a consideration per Share equal to that received by the Investor.
2. In the event that the Foundation sells and transfers any Shares, the Participant having exercised (part of) his Stock Options shall receive from the Foundation in respect of each of his Depositary Receipts corresponding to these Shares the net proceeds of such sale received by the Foundation as set out in the Conditions of Administration.
3. Subject to Articles 4, 8 and 11, each Participant having exercised (part of) his Stock Options has the right, in relation to any Sale by the Investor, to demand to be given the opportunity to sell that number of Depository Receipts held by such Participant determined by multiplying that number of his Depository Receipts by a percentage equal to the percentage of all the Investor's Shares to be so sold, and on customary terms and conditions and for a consideration per Share equal to that received by the Investor.
4. Where Articles 10.1 and 10.3 refer to "customary terms", this implies - among other things - that the Foundation shall on behalf of the Participants having exercised (part of) their Stock Options, make such representations and warranties concerning the relevant underlying business as are customary and usual in the context of the relevant transaction, subject to the CEO being allowed to participate in the negotiation of such representations and warranties and to make fair disclosure against the same and on the basis furthermore that any liability under such representations and warranties shall be pro rata the number of shares sold for their benefit.

Article 11
Listing

1. It shall be in the sole discretion of the Investor when and in which form a Listing takes place. Participants are obliged to cooperate and give all consents and take all other measures reasonably requested by the Investor in this respect and to enter into such customary lock-up agreement as the Investor may reasonably request on the basis of advice received from the investment bank(s) acting as lead manager(s) for that Listing or as may be requested by the relevant underwriter(s) ("Lock-Up"), such request to be made after Investor has consulted with the Board as to the views of the Participants (such consultation being without prejudice to the obligation of the Participants to agree to such a request by Investor) and to comply with all applicable rules on insider trading.
2. Despite anything to the contrary in these Conditions, in the event of a Listing by way of a primary offering (i.e. listing of newly issued securities only), no Participant shall have any right to request the sale of any of his Depositary Receipts or any of the underlying Shares or any of the securities into which they may have been converted.

3. In the event of a sale of shares on or following a secondary offering, the sale of listed securities must be effected in compliance with any applicable Lock-up, other customary restrictions as may be requested by the underwriters and any applicable insider trading rules.

4. Participants, having exercised (part of) their Stock Options, are entitled to all sales proceeds relating to such a sale by the Foundation of Shares, net of the relevant pro rata portion of any Permitted Expenses and net of any taxes related to such sale in respect of which there is a withholding obligation, all in accordance with Article 12. Permitted Expenses means any related transaction costs, fees and expenses, including without limitation all costs, fees and expenses incurred in respect of lawyers, accountants, investment banks, underwriters, debt providers, other financiers, consultants, and other advisors irrespective of the entity engaging them and all out of pocket expenses paid for or payable to third parties by the Investor, any of the Initial Sponsors or any of their respective affiliates and excluding only any fees payable to any of the Initial Sponsors or their respective affiliates such as success fees and advisory fees.

Article 12
Net proceeds

1. In any circumstances when any payment is due to a Participant, this shall always be paid net of the *pro rata* portion of Permitted Expenses and net of any taxes.

2. Where consideration other than cash is received in respect of a transaction triggering the payment to a Participant, KASLION shall have the choice, in its sole discretion, to cause the payment due to the Participant to be settled either in cash or in the same form of consideration as was received by the Investor, provided that if the latter includes securities or other assets that are not Readily Marketable Securities, KASLION shall undertake to put in place such arrangements as may be necessary to ensure that the relevant Participants are able to dispose of such securities or other assets at the same time and on the same terms as the Investor is able to dispose of such securities or other assets as it may hold to an unaffiliated third party (unless the Participants have agreed with the party paying the consideration to keep all or a portion of said securities for a period of time). Readily Marketable Securities means securities that are listed on a recognized investment exchange and may be immediately disposed of through the relevant exchange.

Article 13
General Provisions

1. The Board, following approval by the NCC, shall have the authority to interpret these Conditions, to establish, amend, and rescind any rules and regulations relating to these Conditions, to determine the terms and conditions of any agreements entered into hereunder, to make all other determinations necessary or advisable for the administration of these Conditions, and to determine other conditions applicable to the delivery of Depositary Receipts, or shares underlying such Depositary Receipts, pursuant to and cash-payment for the Stock Options more favourable for the relevant Participant than would apply pursuant to the Conditions. The Board may delegate the authority to practice administrative and operational functions with respect to the Conditions to officers or employees of subsidiaries of NXP and to service providers. Under no circumstances shall the use of the rights by the Board under this Article 13 create or imply rights for any other Participant.

2. No Participant shall have any rights or privileges of holders of depositary receipts (including the right to receive dividends and to vote) with respect to Depositary Receipts to be delivered pursuant to the exercise of Stock Options until such Depositary Receipts are actually delivered to such Participant in accordance with these Conditions.

3. The (value of) Stock Options granted to, or Depositary Receipts, or underlying Shares, acquired by, a Participant pursuant to such Stock Option under these Conditions shall not be considered as compensation in determining a Participant's benefits under any benefit plan of an Employing Company, including but not limited to, group life insurance, long-term disability, family survivors, or any retirement, pension or savings plan.

4. Nothing contained in these Conditions or in any grant made or agreement entered into pursuant hereto shall confer upon any Participant any right to be retained in employment with any Employing Company, or to be entitled to any remuneration or benefits not set forth in these Conditions or interfere with or limit in any way with the right of any Employing Company to terminate such Participant's employment or to discharge or retire a Participant at any time.

5. If a provision of these Conditions is deemed illegal or invalid, the illegality or invalidity shall not affect the remaining parts of these Conditions, these Conditions shall be construed as if the illegal or invalid provisions had not been included in these Conditions.

6. Where the context requires, words in either gender shall include also the other gender.

7. These Conditions shall be governed by and construed in accordance with the laws of The Netherlands. Any dispute arising under or in connection with these Conditions shall be settled by the competent courts in Amsterdam, The Netherlands, subject to appeal (*hoger beroep*) and supreme court appeal (*cassatie*).

— — — — —

Exhibit 10.25

CONDITIONS OF ADMINISTRATION

STICHTING MANAGEMENT CO-INVESTMENT NXP

1. DEFINITIONS

1.1 The following definitions shall apply in these Conditions of Administration:

Affiliate means, in relation to the Initial Sponsors:

(a) any member of the relevant Initial Sponsor's group (*groepsmaatschappij* as such concept is defined in article 2:24b of the Dutch Civil Code);

(b) any fund which is advised by, or the assets of which are managed (whether solely or jointly with others) from time to time by, the relevant Initial Sponsor or any member of that Initial Sponsor's group (*groepsmaatschappij*);

(c) any fund of which that relevant Initial Sponsor, any member of that Initial Sponsor's group (*groepsmaatschappij*), or that Initial Sponsor's general partner, trustee, nominee, manager or adviser, is a general partner, trustee, nominee, manager or adviser;

(d) any fund which is advised by, or the assets of which are managed (whether solely or jointly with others) from time to time by, the relevant Initial Sponsor's general partner, trustee, nominee, manager or adviser; or

(e) any direct or indirect parent undertaking of the relevant Initial Sponsor's or any direct or indirect subsidiary undertaking of that parent;

Available Receipts has the meaning given to it in Article 2.2;

Available Shares has the meaning given to it in Article 2.1;

Board means the management board (*bestuur*) of the Foundation;

Board of Management means the board from time to time of managing directors (*directie*) of NXP B.V. a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), incorporated under the laws of The Netherlands, having its seat (*statutaire zetel*) in Eindhoven, The Netherlands;

Business Day means a day other than a Saturday, Sunday or public holiday in The Netherlands;

Business Unit means any of the four constituent business units of the Group known as;

(a) Mobile & personal

(b) Multi Market Semiconductors;

(c) Automotive & Identification; and

(d) Home;

Call Option has the meaning ascribed thereto in Article 5.1;

Cash means, at any time, and determined on a consolidated basis and in accordance with the Group accounting policies, cash as recorded in the accounting records of the relevant member of the Group and to which members of the Group are alone beneficially entitled (excluding for the avoidance of doubt any cash held by any foundations) but only to the extent that:

(a) repayment of that cash is not contingent on the prior discharge of any other indebtedness of any member of the Group or of any other person whatsoever or on the satisfaction of any other condition relating to the performance of any obligation by any member of the Group;

(b) the relevant member of the Group has not created any Encumbrance over that cash; and

(c) such cash is capable of being applied or made available for application in repayment or prepayment of existing indebtedness of the members of the Group (less any material costs or expenses or withholding taxes which may be incurred by any member of the Group if such cash were to be so applied), and excluding with respect to consolidated but not wholly owned subsidiaries, such as Jilin NXP Semiconductors Co Ltd and Systems on Silicon Manufacturing Company Pte Ltd, an amount equal to the Cash of such subsidiary determined as aforesaid multiplied by the percentage of the equity of such subsidiary which is not directly or indirectly owned by the Company.

In determining Cash there shall be no double counting;

CEO means the chief executive officer from time to time of NXP B.V.;

Change of Control	means: (a) a sale, directly or indirectly, of Shares in the Company in a transaction or series of related transactions resulting in the Initial Sponsors together no longer owning, directly or indirectly, 50% or more of the Shares and other equity instruments issued from time to time by the Company; or (b) the sale or divestment of more than 50% of the assets of the Group to a non-Affiliate in a transaction or series of related transactions whereby the net proceeds of such asset sale, subject to existing contracts, is to be distributed to Shareholders, provided always in each case that after a Listing there shall only be a change of control if the Initial Sponsors or their respective Affiliates together no longer own, directly or indirectly, 30% or more of the Shares and other equity instruments issued from time to time by the Company;
Company	means KASLION Acquisition B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), incorporated under the laws of The Netherlands, having its seat (*statutaire zetel*) in Eindhoven, The Netherlands, registered at the Chamber of Commerce under number 34253298;
Completion	means the date of completion by the Company of the transaction set out in the stock purchase agreement dated 28 September 2006 between Koninklijke Philips Electronics N.V., NXP B.V. and the Company;
Conditions of Administration	means these terms and conditions (*administratievoorwaarden*) governing the Depositary Receipts and established in accordance with article 12 of the articles of association of the Foundation, as validly amended or supplemented from time to time;
Cost	means, in relation to any Depositary Receipt the amount paid for such Depositary Receipt by the relevant DRH;
Deed of Transfer	means a deed of transfer of Depositary Receipts in the form approved by the Supervisory Board from time to time;
Depositary Receipt	means the depositary receipt (*certificaat van aandeel*) issued by the Foundation in relation to each Share acquired by it, which depositary receipt is governed by these Conditions of Administration (*administratievoorwaarden*);
DRH	means the holder of one or more Depositary Receipts;

Encumbrance	means a charge, pledge, usufruct, lien, option, restriction, right of pre-emption, claim, third party right or interest or other encumbrance or security interest of any kind, or any type of preferential agreement (including, without limitation, title transfer and retention arrangements) having a similar effect and "**Encumber**" shall mean the creation of an Encumbrance;
Executive	means an employee of any member of the Group designated eligible to become a DRH by: (a) insofar as it concerns a member of the Board of Management: the Supervisory Board upon the initial proposal of the CEO; and (b) insofar as it concerns any other employee: the CEO acting in his discretion;
Executive Loan	has the meaning ascribed to it in Article 3.1
Exercise Window	has the meaning ascribed to it in Article 5.2;
Exit	means a Sale resulting in a Change of Control;
Fair Market Value	means fair market value determined in accordance with Article 7;
Foundation	means Stichting Management Co-Investment NXP, a foundation (*stichting*) formed under the laws of The Netherlands, having its registered office (*zetel*) at Eindhoven and its registered with the Chamber of Commerce under number 34256080;
Group	means the Company, its direct and indirect subsidiaries from time to time within the meaning of article 2:24a of the Dutch Civil Code and those other group companies of the Company from time to time within the meaning of article 2:24b of the Dutch Civil Code the results of which the Company is required to consolidate when preparing its group financial statements, including the Crolles alliance but excluding for the avoidance of doubt any direct or indirect shareholder of the Company;
Initial Sponsors	means: (a) KKR European Fund II, Limited Partnership; (b) Silver Lake Partners II Cayman, L.P.; (c) AlpInvest Partners CS Investments 2006 C.V.; (d) Bain Capital IX, L.P.;

(e) Bain Capital Fund VIII-E, L.P.;

(f) Apax Europe V - A, L.P.;

(g) Apax Europe VI - A, L.P.;

(h) such other persons to whom those sponsors syndicate part of their direct or indirect investment in the Investor within 90 days after Completion; and

(i) for each of the aforegoing persons, their respective Affiliates;

Investor means KASLION Holding B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), incorporated under the laws of The Netherlands, having its seat (*statutaire zetel*) in Eindhoven, The Netherlands and its registered office at Jachthavenweg 118, 1081 KJ, Amsterdam, registered at the Chamber of Commerce under number 34253301;

Listing means the listing of shares of the Company on a recognised stock exchange;

LTM means last twelve months;

Lock-up has the meaning ascribed thereto in Article 9;

MEP Documents means the documents that together implement the participation of the Executives in the capital of the Company, consisting of these Conditions of Administration, the articles of association of the Foundation, the Shareholders Agreement, the Option terms and, in relation to each DRH, the Deed of Transfer signed by that DRH;

Permitted Expenses means any related transaction costs, fees and expenses, including without limitation all costs, fees and expenses incurred in respect of lawyers, accountants, investment banks, underwriters, debt providers, other financiers, consultants, and other advisors irrespective of the entity engaging them and all out of pocket expenses paid for or payable to third parties by the Investor, any of the Initial Sponsors or any of their respective Affiliates and excluding only any fees payable to any of the Initial Sponsors or their respective Affiliates such as success fees and advisory fees;

Readily Marketable Securities means securities that are listed on a recognised investment exchange and may be immediately disposed of through the relevant exchange;

Qualified Leaver A	has the meaning ascribed thereto in Article 6.1.1;
Qualified Leaver B	has the meaning ascribed thereto in Article 6.1.2;
Qualified Leaver C	has the meaning ascribed thereto in Article 6.1.3;
Reference Date	means, in relation to a DRH, the date of payment by such DRH to the Investor, the Foundation or the relevant transferor (as the case may be) of an amount equal to the Cost of the Depositary Receipts subscribed for by or sold to that DRH;
Relevant Event	means in relation to a DRH: (a) the termination of the employment of a DRH with a member of the Group; or (b) a material breach by a DRH of the DRH's obligations under any of the MEP Documents; or (c) in the case of the DRH who is not an Executive, the relevant DRH no longer meeting the qualifications imposed in his Deed of Transfer.
Relevant Percentage	has the meaning ascribed thereto in Article 6.1;
Reserved Pool	has the meaning ascribed thereto in Article 2.2;
Sale	means the direct or indirect sale and transfer of Shares or assets of the Business to a third party not affiliated to one of the Initial Sponsors or a Group Company;
Share	means an ordinary share in the share capital of the Company;
Shareholder	means any holder of Shares;
Shareholders Agreement	means the shareholders agreement dated 29 September 2006 between the Investor, Koninklijke Philips Electronics N.V. and the Foundation, as amended by any subsequent agreements between the above-mentioned parties;
Supervisory Board	means the board of supervisory directors (*raad van commissarissen*) of NXP B.V. from time to time;
Transferor	has the meaning ascribed thereto in Article 5.7;

1.2 In these Conditions of Administration:

1.2.1 a reference to a document is a reference to that document as modified or replaced from time to time;

1.2.2 a reference to a “person” includes a reference to a body corporate (*rechtspersoon*) and any other legal entity;

1.2.3 the term “subsidiary” of a company shall mean a legal entity with respect to which that company is able to direct, immediately or through one or more subsidiaries, (i) the exercise of more than half of the votes at a general meeting of shareholders, (ii) the appointment of more than half of the members of the management board (if any), or (iii) the appointment of more than half of the members of the supervisory board (if any);

1.2.4 references to the singular include a reference to the plural and vice versa, and reference to the masculine include a reference to the feminine and neuter and vice versa;

1.2.5 references to Articles, unless the context otherwise requires, are references to Articles of these Conditions of Administration;

1.2.6 wherever the word “include”, “includes, or “including” is used in this Agreement, it shall be deemed to be followed by the words “without limitation”; and

1.2.7 references to any gender include each other gender.

1.3 These Conditions of Administration supplement the articles of association of the Foundation. In the event there is a conflict between any provision of the articles of association of the Foundation and a provision of these Conditions of Administration, these Conditions of Administration shall prevail.

2. AVAILABLE SHARES AND DEPOSITARY RECEIPTS, RESERVED POOL, PRICE, LOAN AND DRH’S

2.1 The total number of Shares available for issue by the Company to the Foundation under the MEP Documents, amounts to 433,500,000 (12,000,000 plus 421,500,000) Shares, representing a paid-up ordinary share capital amount of EUR 4,215,000 and in aggregate nine point two percent (9.2%) of the fully diluted share capital of the Company post the date of launching the NXP Stock Option Plan 2009 (taking into account the Stock Options to be granted under this NXP Stock Option Plan 2009, and taking into account the still outstanding Stock Options granted under previous plans)(the “**Available Shares**”**),** all without prejudice to Article 10 and 11.3.

2.2 The Foundation shall issue one Depositary Receipt for every Share it holds in trust (*ten titel van beheer),* numbered in the same manner as the Share against which it is issued and transfer to the persons referred to in Article 2.6. Accordingly, the total number of Depository Receipts available for allocation and transfer to the Executives will in the aggregate represent nine point two (9.2%) of the fully diluted share capital of the Company post the date of launching the NXP Stock Option Plan 2009 (taking into account the Stock Options to be granted under this NXP Stock Option Plan 2009, and taking into account the still outstanding Stock Options granted under previous plans) (the “**Available Receipts**”**)**.

Out of the Available Receipts, a pool (the "**Reserved Pool**") shall be reserved for allocation to new Executives recruited by a member of the Group, new Executives joining the group as a result of an acquisition by a member of the Group and existing employees promoted to Executive level after Completion. Depository Receipts forming part of the Reserved Pool from time to time will be allocated in accordance with Article 2.3.

2.3 Other than upon the exercise of stock options by Participants in the NXP Management Equity Program 2007 and the NXP Stock Option Plan 2009, the Available Receipts (including those in the Reserved Pool) shall be allocated by:

2.3.1 insofar as it concerns a member of the Board of Management: the Supervisory Board upon the initial proposal of the CEO;

2.3.2 insofar as it concerns any other Executive: the CEO acting in his discretion; and

2.3.3 insofar as it concerns a non-Executive: the CEO with the prior written approval of the Supervisory Board,

and transferred in accordance with the allocation set out above.

2.4 A person can only acquire Depositary Receipts if such person:

2.4.1 is a Participant in the NXP Management Equity Program 2007 or the NXP Stock Option Plan 2009 exercising his conditional rights to acquire Depositary Receipts in relation to Shares to be issued to the Foundation ("**Options**"); or

2.4.2 is an Executive; or

2.4.3 is the Investor or, upon designation by the Investor, the Foundation or a Group Company, holding as a warehouse pending allocation in accordance with these Conditions of Administration; or

2.4.4 is another person designated by the CEO with the prior written approval of the Supervisory Board.

2.5 Other than upon exercising an Option under the NXP Management Equity Program 2007 or the Stock Option Plan 2009 whereby a Participant pays to the Foundation the price to be paid by the Participant to the Foundation upon exercising an Option (the "**Exercise Price**") to enable it to subscribe for a Share and issue a Depositary Receipt to the Participant, upon the relevant Depositary Receipts being allocated in accordance with Article 2.3, they shall be transferred by the Investor to the relevant person for a consideration as determined in accordance with Article 2.6. Such consideration shall be paid by the Executive to the Investor in cash upon transfer of the relevant Depositary Receipts to the Executive save as otherwise arranged pursuant to clause 3.

2.6 Depositary Receipts shall only be validly transferred through a Deed of Transfer in a form approved by the Supervisory Board.

2.7 The purchase price payable for Depositary Receipts shall be:

2.7.1 For Depositary Receipts issued upon exercise of Options under the NXP Management Equity Program 2007 or the Stock Option Plan 2009: the respective Exercise Price; and

2.7.2 For Depositary Receipts transferred by the Investors: the Fair Market Value of the underlying Shares corresponding to such Depositary Receipts.

2.8 Any payment to be made by an Executive under the MEP Documents shall be made in cash to such bank account in the name of the Foundation or the Investor as the Foundation and the Investor, respectively, may direct.

2.9 Where a Depositary Receipt is jointly owned, the joint owners can only be represented towards the Foundation by an individual empowered to do so by the joint owners acting together in writing. Once such written power of attorney is received by the Foundation, the Foundation may, regardless of the terms of the power of attorney, rely on its continued validity until the same is revoked by a written instrument signed by each of the joint owners and delivered to the Foundation.

3. EXECUTIVE LOAN

3.1 If the Executive so requests and the Supervisory Board and the Investor approve, the consideration payable by the Executive for the purchase of his Depositary Receipts from the Investor may remain outstanding by way of a loan to the relevant Executive (the "**Executive Loan**").

3.2 The principal amount of the Executive Loan outstanding from time to time will bear interest at an annual rate that is equal to the minimum interest for employee loans in the relevant jurisdictions from time to time, such interest to be capitalised annually and added to the principle amount of the loan.

3.3 Irrespective of the amount due to the DRH in the relevant circumstances, the Executive Loan shall be repayable upon the earlier of:

3.3.1 The DRH receiving or being entitled to receive the consideration for the sale hereunder of his or her Depositary Receipts prior to an Exit (including pursuant to the Call Option and including where repayment is set off with the consideration due to the DRH contemplated in Article 6.6), in which case the Executive shall repay a *pro rata* portion of the Executive Loan and accrued but unpaid interest thereon according to the ratio that the number of Depositary Receipts sold bears to the total number of Depositary Receipts held by him immediately prior to such sale;

3.3.2 an Exit wherein drag-along or tag-along rights under Article 8 are exercised and Shares are sold for which Depositary Receipts have been issued to the relevant Executive, in which case the Executive shall repay a *pro rata* portion of the Executive Loan and accrued but unpaid interest thereon according to the ratio that the number of such Shares sold by the Foundation bears to the total number of Depositary Receipts held be him immediately prior to such sale; and

3.3.3 the fifteenth (15th) anniversary of the date the relevant DRH acquired the Depositary Receipts to which his Executive Loan, in which case the Executive shall repay the total amount of the Executive Loan and accrued but unpaid interest thereon.

3.4 Each DRH making use of this Executive Loan facility hereby irrevocably authorises and instructs the Foundation to deduct from any amount payable to such DRH under these Conditions of Administration an amount equal to the total amount repayable by such DRH to the Investor pursuant to Article 3.3, and to immediately remit same on that DRHs behalf to the Investor on account and in reduction of the DRH's indebtedness under the Executive Loan facility and to remit the balance of such amount, if any, to the relevant DRH.

4. TRANSFER RESTRICTIONS FOR DEPOSITARY RECEIPTS; ENCUMBRANCES

4.1 A DRH may not transfer Depositary Receipts, other than:

4.1.1 with the prior written consent of the Supervisory Board; or

4.1.2 pursuant to the exercise of the Call Option described in Article 5 or the exercise of the drag-along or tag-along rights respectively in Article 9.

4.2 Depositary Receipts may only be transferred by way of a written instrument (*onderhandse akte)* in a form approved by the Supervisory Board and signed by the Foundation, each relevant transferee and each relevant DRH. A transfer in any other form will be null and void.

4.3 A DRH may not Encumber Depositary Receipts, except with the prior written approval of the Board and the Supervisory Board.

5. CALL OPTION

5.1 Each Qualified Leaver B and a Qualified Leaver C hereby grants an irrevocable call option to the Investor ("**Call Option**") over all of the Depositary Receipts held by that DRH from time to time, exercisable upon a Relevant Event occurring with respect to a DRH and on the terms stated in Articles 5 and 6.

5.2 If a Qualified Leaver B or a Qualified Leaver C becomes subject to a Relevant Event then, in the 90 days following the Investor becoming aware of the Relevant Event (the "**Exercise Window**"**),** the Investor may, but need not, exercise the Call Option in whole or in part and require (as the case may be):

5.2.1 subject to Article 5.4, the relevant DRH to sell all or part of his Depositary Receipts to a person or persons designated by the Investor; or (at the option of the Investor);

5.2.2 subject to Article 5.4, the Foundation to sell all or part of the underlying Shares corresponding to the Depositary Receipts in respect of which the Call Option is exercised to a person or persons designated by the Investor against simultaneous cancellation of the relevant Depositary Receipts.

5.3 For the avoidance of doubt, in the case of a partial exercise of the Call Option the Investor shall remain able to exercise at any time within the remaining Exercise Window the Call Option in respect of the balance of the relevant Depositary Receipts.

5.4 In the event that the Investor exercises its Call Option then all the Depositary Receipts of that Qualified Leaver B or Qualified Leaver C purchased pursuant to such exercise will be added to the Reserved Pool.

5.5 From the occurrence of any Relevant Event in relation to any DRH until completion of the transfer of the relevant Depositary Receipts, the relevant DRH's rights attached to the Depositary Receipts shall be suspended (*opgeschort*).

5.6 Payment of the consideration for the Depositary Receipts transferred pursuant to the Call Option shall, to the extent not capable of being made simultaneous with the transfer by way of set off against the Executive Loan, remain outstanding, interest free, and shall occur promptly following receipt by the Investor of any proceeds upon an Exit.

5.7 If a Relevant Event applies to a DRH (hereinafter referred to as the "**Transferor**"), the DRH shall notify the Board and the Investor in writing within 5 days after the occurrence of the Relevant Event. The Investor shall then in consultation with the Board:

5.7.1 determine the price payable for the relevant Depositary Receipts in accordance with Article 6;

5.7.2 notify the Transferor and the Board of said price.

5.8 In the event that the Transferor fails to duly notify the Relevant Event to the Board in accordance with Article 5.7, the Board shall inform the Transferor that he is under the obligation to offer his Depositary Receipts pursuant to Article 5.7. If the Transferor then fails to make the offer within 10 days of being so informed, the Board shall be irrevocably authorised on behalf of the Transferor to take such action and sign such documents as is necessary or appropriate if the Call Option is being exercised, without incurring any liability whatsoever towards the Transferor.

5.9 The Investor may, following consultation with the CEO, offer the Company, the Foundation or the other DRHs the possibility to purchase all or part of the Depositary Receipts in relation to which the Call Option is exercised, without prejudice to the provision of paragraph 5.4.

6. CALL PRICE

6.1 The price payable in relation to the Depositary Receipts (as the case may be pursuant to exercise of the Call Option) shall be as follows:

6.1.1 an amount equal to the higher of the Cost and the Fair Market Value as at the Relevant Event of all of the DRH's Depositary Receipts if the DRH:

(a) dies, or becomes permanently disabled (as defined under the statutory local social security regulations);

(b) retires in accordance with the relevant Group member's retirement scheme; or

(c) ceases to be an employee of the Group due to or following a Change of Control,

such DRH to be considered a "**Qualified Leaver A**";

6.1.2 an amount equal to the lower of the Cost and the Fair Market Value as at the Relevant Event of all of the DRH's Depositary Receipts if the DRH:

(a) is dismissed for urgent reasons as defined in article 7:678 of the Dutch Civil Code (or the equivalent thereof in other jurisdictions if Dutch law is not applicable to his employment contract);

(b) voluntarily resigns and subsequently, in the two (2) year period following such resignation, directly or indirectly and in any capacity whatsoever engages in any activities in competition with the activities of any member of the Group; or

(c) breaches any of the obligations under the MEP Documents,

such DRH to be considered a "**Qualified Leaver B**";

6.1.3 An amount equal to the Fair Market Value as at the Relevant Event for the Depositary Receipts which constitute the DRH's Relevant Percentage and an amount equal to the lower of the Cost and the Fair Market Value as at the Relevant Event of the Depositary Receipts that are not included in the relevant DRH's Relevant Percentage if the DRH ceases to be an employee of any member of the Group as a result of facts or circumstances other than those mentioned in Articles 6.1.1 and 6.1.2. Such DRH is considered to be a "**Qualified Leaver C**".

6.2 The CEO may, following consultation with the Investor, in individual cases, determine a price for the relevant Depositary Receipts, or other conditions applicable to a transfer of Depositary Receipts, more favourable for the relevant Transferor than would apply pursuant to these conditions of administration. Under no circumstances shall the use of this right by the CEO or the approval granted by the Investor create or imply rights for any other DRH.

7. DETERMINATION OF FAIR MARKET VALUE

7.1 Fair Market Value shall be determined by the Board, subject to the right of the Supervisory Board to review and approve same, and in accordance with the following formula :

7.1.1 In any period before a Listing: the *pro rata* portion of the value of the entire share capital of the Company which is arithmetically attributable to the Shares

underlying the relevant Depository Receipts, determined on a fully diluted basis taking into account all options and other rights to receive any shares in the capital of the Company, if any, existing at the relevant time, including all Available Shares, whereby the value of the entire issued share capital of the Company shall be determined in accordance with both the 'income approach' and the 'market approach', supported by an analysis conducted by an external independent qualified valuation firm, as follows:

- Discounted Cash Flow (DCF) analysis is a valuation technique that provides an estimation of the value of based on the cash flows that an asset or business can be expected to generate
  - Comparable Companies Approach is a form of the market approach that provides an estimation of the value of a business based on the prevailing market prices of comparable companies like Texas Instruments Inc., Infineon Technologies AG, STMicroelectronics NV, National Semiconductor Corp., Microchip Technology Inc., ON Semiconductor Corp., Atmel Corp., Fairchild Semiconductor International Inc., Analog Devices Inc.; and and

7.1.2 In any period after a Listing: the weighted average of the closing stock prices on the last consecutive 15 trading days immediately preceding the relevant time on the stock exchange on which the Listing has occurred. If the Listing has occurred on more than one stock exchange, the closing stock price on the stock exchange on which the highest volume of shares has been traded in the aggregate of the relevant 15 trading days shall be used;

8. DRAG-ALONG RIGHT AND TAG-ALONG RIGHT

8.1 The DRH is aware and agrees that the Investor has the right, in relation to any Sale to require that the Foundation sells to the relevant buyer a percentage of the Shares held by it equal to the percentage of Shares sold by the Investor, on customary terms and conditions and for a consideration per Share equal to that received by the Investor.

8.2 In the event that the Foundation sells and transfers any Shares, the DRH shall receive from the Foundation in respect of each of his Depositary Receipts corresponding to these Shares, the net proceeds of such sale received by the Foundation as set out in these Conditions of Administration

8.3 Subject to Article 9, each DRH has the right, in relation to any Sale by the Investor other than as referred to in Article 12, to demand to be given the opportunity to sell that number of Depository Receipts held by such DRH determined by multiplying that number of his Depository Receipts by a percentage equal to the percentage of all the Investor's Shares to be so sold, and on customary terms and conditions and for a consideration per Share equal to that received by the Investor.

8.4 Where Articles 8.1 and 8.3 refer to "customary terms", this implies - among other things - that the Foundation shall on behalf of the Executives, make such representations and warranties concerning the relevant underlying business as are customary and usual in the

context of the relevant transaction, subject to the CEO being allowed to participate in the negotiation of such representations and warranties and to make fair disclosure against the same and on the basis furthermore that any liability under such representations and warranties shall be pro rata the number of shares sold for their benefit.

9. LISTING

It shall be in the sole discretion of Investor when and in which form a Listing takes place. DRHs are obliged to cooperate and give all consents and take all other measures reasonably requested by Investor in this respect and to enter into such customary lock-up agreement as the Investor may reasonably request on the basis of advice received from the investment bank(s) acting as lead manager(s) for that Listing or as may be requested by the relevant underwriter(s) ("**Lock-Up**"), such request to be made after Investor has consulted with the Board of Management as to the views of the DRHs (such consultation being without prejudice to the obligation of the DRHs to agree to such a request by Investor) and to comply with all applicable rules on insider trading.

9.1 Despite anything to the contrary in the MEP Documents, in the event of a Listing by way of a primary offering (i.e. listing of newly issued securities only), no DRH shall have any right to request the sale of any of his Depositary Receipts or any of the underlying Shares or any of the securities into which they may have been converted.

9.2 In the event of a sale of shares on or following a secondary offering, the sale of listed securities must be effected in compliance with any applicable Lock-up, other customary restrictions as may be requested by the underwriters and any applicable insider trading rules.

9.3 DRHs are entitled to all sales proceeds relating to such a sale by the Foundation of Shares, net of the relevant pro rata portion of any Permitted Expenses and net of any taxes related to such sale in respect of which there is a withholding obligation, all in accordance with clause 14.1.

10. PRE-EMPTION RIGHTS

10.1 Where, on an issue of Shares Shareholders have a right of pre-emption[1], the Foundation shall notify each DRH thereof in writing and shall set a time period in which the DRHs must notify the Foundation whether or not they wish the Foundation to exercise such pre-emption rights in relation to the Shares underlying their Depositary Receipts and if so, the number of new Shares they wish the Foundation to subscribe for, for a price equal to the issue price of the newly issued Shares.

10.2 Where the DRHs have timely notified the Foundation of their desire to acquire additional Depositary Receipts pursuant to Article 10.1 and have provided the Foundation with the necessary funds in cash in order to allow it to subscribe for the relevant Shares and have complied with all other terms and conditions applicable to the issue, the Foundation shall exercise its pre-emption rights and forthwith upon acquisition of said Shares issue a corresponding number of Depository Receipts to the relevant DRHs.

[1] The usual pre-emption rights on new share issues will be included in the Company's articles of association.

10.3 The provisions of this Article 10 are also applicable *mutatis mutandis* to an offer of Shares to the Foundation pursuant to an offering procedure (*aanbiedingsregeling*) that may be applicable from time to time pursuant to the articles of association of the Company upon an intended sale of Shares by one or more of the Shareholders.

11. EXERCISE OF RIGHTS

11.1 the Foundation shall claim all dividends and other distributions in respect of Shares and shall exercise all of its rights and obligations under any agreement to which it is a party, including an agreement amongst all or some Shareholders.

11.2 the Foundation shall make available to the DRHs such dividends and distributions received by it promptly upon receipt from the Company, it being understood that where a distribution is made in the form of Shares, the Foundation shall issue Depositary Receipts to the DRHs upon distribution of bonus Shares or stock dividends paid by the Company.

11.3 Where the Company makes a distribution on Shares which is at the request of the Shareholder in cash or in Shares, the Foundation shall as soon as possible give written notice thereof to the DRHs entitled to the economic benefit of such distributions and shall set a time period in which the DRHs must notify the Foundation whether they wish the Foundation to elect for cash or Shares on their behalf. Such DRHs shall inform the Foundation of their preference within the time period set by the Foundation. If the parties have not given such notice on time, the Foundation shall have the distributions made in the way the Foundation shall determine.

11.4 Final distributions upon Shares in case of the Company’s liquidation shall be paid by the Foundation to DRHs against cancellation of the Depositary Receipts.

12. SYNDICATION AND INTRA-GROUP TRANSFERS

12.1 Despite anything to the contrary in any of the MEP Documents and without triggering the tag-along option granted under Article 8, the Investor and each of its direct and indirect shareholders and their respective Affiliates shall always be able to freely transfer Shares (or any indirect interest in the Company):

12.1.1 for syndication purposes within 90 days following Completion; and/or

12.1.2 to Affiliates at any time.

13. TAXES

13.1 If and to the extent the investment by a DRH for any reason whatsoever gives rise to any tax or similar liability (save only for capital duty payable by the Company upon the issue of Shares or other securities), directly or indirectly, for the Company or any member of the Group, the relevant DRH shall indemnify and hold harmless the Company and the relevant members of the Group from such taxes or similar liabilities. Any liability of a DRH arising under this indemnity may be set-off against any payment at any time due to that DRH by the Company or any member of the Group, without prejudice to the right of the Company and the relevant members of the Group to claim payment from the DRH.

13.2 For the avoidance of doubt, the liability of DRHs under this indemnity shall be on a several basis and not joint and several with other DRHs.

14. NET PROCEEDS

14.1 In any circumstances when any payment is due to a DRH, this shall always be paid net of the *pro rata* portion of Permitted Expenses and net of any taxes.

14.2 Where consideration other than cash is received in respect of a transaction triggering the payment to a DRH, the Investor shall have the choice, in its sole discretion, to cause the payment due to the DRH to be settled either in cash or in the same form of consideration as was received by the Investor, provided that if the latter includes securities or other assets that are not Readily Marketable Securities, the Investor shall undertake to put in place such arrangements as may be necessary to ensure that the relevant DRHs are able to dispose of such securities or other assets at the same time and on the same terms as the Investor is able to dispose of such securities or other assets as it may hold to an unaffiliated third party (unless the DRHs have agreed with the party paying the consideration to keep all or a portion of said securities for a period of time).

15. EXTERNAL DEBT FACILITIES

All rights under the MEP Documents and any related documents are subject to any restrictions that may be imposed by the third party providers of long-term finance to the Group.

16. INVESTOR DISCRETION TO MAKE EXCEPTIONS

The Investor may at any time, acting in its sole and unfettered discretion, waive, amend any of the terms of the MEP Documents and/or may make any exceptions to the rules set out in the MEP Documents as the Investor deems fit in each case to the effect that any DRH or any group of DRHs will be treated more favourably than if the terms of the MEP Documents were applied. For the avoidance of doubt, if the Investor chooses to exercise this discretionary power it shall not be obliged to treat all DRHs present or future DRHs equally.

17. COSTS

No costs shall be charged by the Foundation to the DRHs. All costs incurred by the Foundation shall be for the account of the Company.

18. CANCELLATION

18.1 DRHs do not have the right to seek the termination of the administration of Shares or the Depositary Receipts by the Foundation.

18.2 Notwithstanding the provisions of the articles of association of the Foundation regarding the cancellation of Depositary Receipts and winding-up of the Foundation, no DRH shall have the right to obtain Shares in return for handing in his Depositary Receipts.

18.3 These conditions of administration will cease to be effective in relation to and the relevant Depositary Receipts will be cancelled (*geroyeerd*) immediately upon expiration of any lock up imposed following a Listing. Upon such cancellation, the DRHs shall receive the underlying Shares in exchange for the Depositary Receipts being cancelled.

19. AMENDMENTS

19.1 These Conditions of Administration may be amended by the Board in the manner and under the same restrictions as set out in article 9 of the articles of association of the Foundation regarding amendment of such articles of association. However, an amendment to these Conditions of Administration can be made by a non-notarial deed.

19.2 These Conditions of Administration and all the related documents may be varied at the request of the Investor (and the Board shall in such cases resolve to amend these Conditions of Administration accordingly) if:

19.2.1 such variation is made for *bona fide* tax, financing or other structuring reasons, provided that all reasonable efforts are taken to ensure that such variation shall not affect the economic position of DRHs (including their general tax position); or

19.2.2 the Board of Management approves the proposed changes (in which case it shall not be necessary to obtain the consent of the other DRHs).

19.3 Any amendment shall only become effective and enforceable against the Foundation and all DRHs, after having been validly adopted by resolution of the Board.

19.4 The Board shall notify in writing each DRH, at his address as referred to in article 3 of the articles of association of the Foundation, of any amendment to the articles of association of the Foundation or of these Conditions of Administration.

20. LAW AND JURISDICTION

20.1 These Conditions of Administration and each Deed of Transfer and the relationship between the Foundation and the DRHs generally, shall be governed by and construed in accordance with the laws of The Netherlands.

20.2 Any dispute arising under or in connection with these Conditions of Administration or any relevant Deed of Transfer shall be settled by the competent courts in Amsterdam, The Netherlands, subject to appeal (*hoger beroep)* and supreme court appeal (*cassatie*).

Exhibit 10.26

April 1st, 2008

Article 1
Definitions

In these NXP Global Equity Incentives Program Conditions 2008 the following definitions shall apply:

1.	Change of Control	:	a sale, directly or indirectly, of Shares in KASLION in a transaction or series of related transactions resulting in the private equity consortium owning Shares in KASLION (jointly: the "Initial Sponsors"), and for each of its members, their respective affiliates (a) together no longer holding, directly or indirectly, 50% or more of the Shares issued by KASLION or (b) the sale or divestment of more than 50% of the assets of KASLION to a non-affiliate in a transaction whereby the net proceeds are to be distributed to shareholders of KASLION, provided that always in each case after a Listing there shall only be a Change of Control if the Initial Sponsors or their respective affiliates together no longer own, directly or indirectly, 30% or more of the Shares and other equity instruments issued from time to time by KASLION.
2.	Common Shares	:	Ordinary shares in the capital of KASLION, with a nominal value of EUR 0.01 each, as further defined from time to time in KASLION's articles of association.
3.	Conditions	:	the NXP Global Equity Incentives Program Conditions 2008.
4.	Date of Grant	:	the date at which a Restricted Stock Unit is granted pursuant to these Conditions to be determined by NXP.
5.	Delivery Date	:	the date when an Exit takes place or any other date designated by KASLION.
6.	Employing Company	:	any company within the NXP group of companies and such other company as NXP may from time to time designate or approve.
7.	Exit	:	a Change of Control.
8.	KASLION	:	KASLION Acquisition B.V.
9.	Listing	:	the listing of any shares, in a form determined by KASLION on a recognized stock exchange.
10.	NXP	:	NXP B.V.

11. Participant : an individual who owns any Restricted Stock Unit under these Conditions.

12. Restricted Stock Unit : the conditional right granted to a Participant to receive one Common Share, or depositary receipts for this Common Share, for no consideration, subject to these Conditions

13. Sale : direct or indirect sale and transfer of Shares or assets of the business to a third party not affiliated to one of the Initial Sponsors or a group company of NXP.

14. Shares : Common Shares or depositary receipts for these Common Shares.

15. Vesting Date : A Restricted Stock Unit vests on April 1, 2011 or, if earlier and subject to the discretion of the Management Board of KASLION, upon an Exit or upon termination of the employment as referred to in Article 7, section 1 A.2.

Article 2
Grant of Restricted Stock Units

Any Restricted Stock Units may be granted on behalf of the Management Board of KASLION to an eligible employee, subject to the Conditions, any other policies or guidelines that may apply to such individual, and any required regulatory filings, applications or registrations. 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 a notice of rejection of such rights within fourteen (14) days of the notice of grant of such rights or such later date as may be determined by NXP.

Article 3
Delivery and Holding of Shares

1. Subject to these Conditions, and with the exceptions referred to in Article 7 for the leaver scenario's, KASLION will deliver Shares pursuant to a Restricted Stock Unit to a Participant on or as soon as reasonably practicable upon an Exit. In no event shall there be any obligation to deliver any Shares to a Participant prior to the relevant Delivery Date.

2. The Participant is aware and agrees that KASLION has the right, in relation to any Exit or Sale, to require that the Participant sells to the relevant buyer a (part of) the Shares held by such Participant, on customary terms and conditions and for a consideration per Share equal to that received by the sellers in the Exit or Sale and will enter into such

customary lock-up agreements as may be reasonably requested by the Management Board of KASLION at that time.

3. In the leaver scenario defined in Article 7, section A. under 1, the amount due will be transferred to a bank account designated by the Participant as soon as reasonably practical upon an Exit.

4. Each Participant shall comply with any applicable "insider trading" laws and regulations and the NXP's Business Code of Conduct with respect to Inside Information.

Article 4
Non-transferability

The Restricted Stock Units are strictly personal and may not be assigned, transferred (except that, in case of death of the Participant any Restricted Stock Unit granted to such Participant at the date of his death shall pass to his heirs or legatees), pledged, hypothecated, or otherwise encumbered or disposed of in any manner. The Participant may not engage in any transactions on any exchange on the basis of any Restricted Stock Unit. Any violation of the terms of this Article 4 will cause the Restricted Stock Units to become immediately null and void without further notice and without the Participant being entitled to any compensation.

Article 5
Capital Adjustments in corporate events

KASLION may make equitable adjustment or substitution of the number or kind of Shares subject to the Restricted Stock Units or the replacement of such Shares by shares in the capital of a KASLION group company, as it, in its sole discretion, deems equitable to reflect any significant corporate event or Exit scenario of or by KASLION, 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 dividends as meant in the articles of association of KASLION.

Article 6
Costs and Taxes

1. All costs of delivering any Shares under these Conditions to a Participant and any other costs connected with the Shares shall be borne by the Participant.

2. Any and all taxes, duties, levies, charges or social security contributions ("Taxes") which arise under any applicable national, state, local or supra-national laws, rules or regulations, whether already effective on the Date of Grant of any 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 these Conditions (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 these Conditions, the ownership and/or the sale of any Shares acquired under these Conditions) shall be for the sole risk and account of the Participant.

3. KASLION 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 KASLION or any Employing Company to the Participant, or requiring the Participant or beneficiary of the Participant, to pay to KASLION an amount necessary to settle any Taxes and any costs determined by KASLION necessary to be withheld in connection with these Conditions (including, but not limited to, the grant of the Restricted Stock Units or the delivery of any Shares under these Conditions).

4. KASLION shall not be required to deliver any Shares and KASLION may delay (or cause to be delayed) the transfer of any Shares to Participant until KASLION has received an amount, or the Participant has made such arrangements required by KASLION necessary to satisfy any withholding of any Taxes and any costs to be borne by the Participant in connection with these Conditions as determined by KASLION.

Article 7
Termination of Employment

1. In case a Participant is no longer employed by any Employing Company, one of the following scenarios shall need to be followed:

A. Scenario leaver A

1. In the event a Participant ceases to be an employee of the Employing Company for any other reason than referred to under B. below:

   - all unvested Restricted Stock Units shall be forfeited effective as of the date of termination of the employment without the Participant being entitled to any compensation or any obligation on the part of KASLION or any Employing Company;
   - upon Exit, the Participant receives a cash-payment for the Restricted Stock Units vested upon the termination of the employment with an Employing Company, such cash-payment based on the lower of: (a) the fair market value of the Shares upon the end of the calendar year prior to the calendar year in which employment terminated, and (b) the fair market value of the Shares upon Exit, the fair market value of the Shares being calculated and determined

by, and at the sole discretion of, the Management Board of KASLION.

2. The Management Board of KASLION may, in its sole discretion, in the cases a Participant dies or becomes permanently disabled (as defined under the statutory local social security regulations), offer an immediate payout in cash for the vested Restricted Stock Units, based upon the value of the Restricted Stock Units upon the end of the calendar year prior to the calendar year in which employment terminated instead of payment upon Exit.

B. **Scenario leaver B**

In the event a Participant (i) is dismissed for urgent reasons as defined in article 7:678 of the Dutch Civil Code (or its equivalent in any other jurisdiction if Dutch law is not applicable on the Participant's employment), (ii) ceases to be an employee of the Employing Company, irrespective of the reason of termination of the employment, and subsequently, within one year (for grade 70 or 80 Participants) or two years (for grade 90 Participants) following such termination, directly or indirectly and in any capacity whatsoever engages in any activities in competition, as to be determined by KASLION, with the activities of NXP or any company belonging to the NXP group of companies, (iii) discloses proprietary information to any unauthorized person outside of Kaslion or NXP or uses or attempts to use such proprietary information other than in connection with the business of NXP, or (iv) is in any way in breach of the Conditions, subject to Article 4, such Participant's vested and unvested Restricted Stock Units shall be forfeited effective as of the date of termination of the employment in the cases referred to in (i) and (ii), and as of the dates of the occurrence of the events in the cases referred to in (iii) and (iv), without the Participant being entitled to any compensation or any obligation on the part of KASLION or any Employing Company.

Article 8
General Provisions

1. KASLION shall have the authority to interpret these Conditions, to establish, amend, and rescind any rules and regulations relating to these Conditions, to determine the terms and conditions of any agreements entered into hereunder, to make all other determinations necessary or advisable for the administration of these Conditions, and to determine other conditions applicable to the delivery of Shares pursuant to and cash-payment for the Restricted Stock Units more favorable for the relevant Participant than would apply pursuant to the Conditions. KASLION may delegate the authority to practice administrative and operational functions with respect to the Conditions to officers or employees of subsidiaries of NXP and to service providers. Under no circumstances shall the use of the rights by KASLION under this Article 8 create or imply rights for any other Participant.

2. 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 Restricted Stock Units until such Shares are actually delivered to such Participant in accordance with Article 3 of these Conditions.
3. The (value of) Restricted Stock Units granted to, or Shares acquired by, a Participant pursuant to such Restricted Stock Unit under these Conditions shall not be considered as compensation in determining a Participant's benefits under any benefit plan of an Employing Company, including but not limited to, group life insurance, long-term disability, family survivors, or any retirement, pension or savings plan.
4. Nothing contained in these Conditions or in any grant made or agreement entered into pursuant hereto shall confer upon any Participant any right to be retained in employment with any Employing Company, or to be entitled to any remuneration or benefits not set forth in these Conditions or interfere with or limit in any way with the right of any Employing Company to terminate such Participant's employment or to discharge or retire a Participant at any time.
5. If a provision of these Conditions is deemed illegal or invalid, the illegality or invalidity shall not affect the remaining parts of these Conditions, these Conditions shall be construed as if the illegal or invalid provisions had not been included in these Conditions.
6. Where the context requires, words in either gender shall include also the other gender.
7. These Conditions shall be governed by and construed in accordance with the laws of The Netherlands, without regard to its principles of conflict of laws.

• • • • •

Exhibit 23.1

The following consent is in the form that will be signed upon completion of the 1-for-20 reverse stock split of the common stock of NXP Semiconductors N.V., described in Note 1 under paragraph “Reverse stock split” to the consolidated financial statements and assuming that from April 16, 2010 to the date of such completion no other material events have occurred that would affect the accompanying financial statements and disclosure therein.

/s/ KPMG Accountants N.V.

Consent of Independent Registered Public Accounting Firm

The Board of Management and Stockholders of NXP Semiconductors N.V.

We consent to the use of our report dated April 16, 2010, except as to note 33 which is as of May 24, 2010, with respect to the consolidated balance sheet of NXP Semiconductors N.V. (formerly KASLION Acquisition B.V.) as of December 31, 2009, and the related consolidated statements of operations and comprehensive income, cash flows, and changes in equity, for the year ended December 31, 2009, included herein and to the reference to our firm under the heading “Experts” in the prospectus.

Amstelveen, the Netherlands, , 2010

Exhibit 23.2

To the Board of Management and Stockholders of
NXP Semiconductors N.V.

Consent of Independent Registered Public Accounting Firm

We consent to the use in this Registration Statement on Form F-1/A of our report dated April 16, 2010 (except as to Note 1, under paragraph "Reverse stock split", which is as of   ), relating to the consolidated financial statements of NXP Semiconductors N.V. and subsidiaries appearing in the Prospectus, which is part of this Registration Statement. We also consent to the reference to us under the heading "Experts" in such Prospectus.

Amsterdam, the Netherlands, July   , 2010

The foregoing consent is in the form that will be signed upon completion of the 1-for-20 reverse stock split of the common stock of NXP Semiconductors N.V., described in Note 1 under paragraph "Reverse stock split" to the consolidated financial statements and assuming that from April 16, 2010 to the date of such completion no other material events have occurred that would affect the accompanying financial statements and disclosure therein.

/s/   Deloitte Accountants B.V.

Amsterdam, the Netherlands, June 30, 2010

SIMPSON THACHER & BARTLETT LLP

A LIMITED LIABILITY PARTNERSHIP
CITYPOINT
ONE ROPEMAKER STREET
LONDON, EC2Y 9HU
+44 (0)20 7275 6500

FACSIMILE +44 (0)20 7275 6502

June 30, 2010

VIA EDGAR AND FEDERAL EXPRESS

Ms. Mary Beth Breslin
Division of Corporation Finance
Securities and Exchange Commission
Division of Corporate Finance
100 F Street NE, Mail Stop 3030
Washington, D.C. 20549
U.S.A.

RE: NXP Semiconductors N.V. Amendment No. 2 to Registration Statement on Form F-1 (File No. 333-166128), Filed on June 10, 2010

Ladies and Gentlemen:

On behalf of NXP Semiconductors N.V. (the “Company”), we hereby submit for your review Amendment No. 3 (“Amendment No. 3”) to the above-referenced registration statement (the “Registration Statement”) of the Company, originally filed with the Securities and Exchange Commission (the “Commission”) on April 16, 2010, pursuant to the Securities Act of 1933, as amended. An electronic version of Amendment No. 3 has been concurrently filed with the Commission through the Commission’s electronic data gathering, analysis and retrieval (“EDGAR”) system. We have enclosed four copies of Amendment No. 3, which have been marked to show changes from the Amendment No. 2 to the Registration Statement (“Amendment No. 2”), as filed on June 10, 2010. The Registration Statement has been revised in response to the Staff’s comments and generally updates the information contained therein.

In addition, we are providing the following responses to the comments contained in the comment letter of the staff of the Commission (the “Staff”) to the Company, dated June 24, 2010, relating to the Registration Statement. For convenience of reference, the text of the comments in the Staff’s letter has been reproduced in bold herein. Please note that all page numbers in our responses are references to the page numbers of Amendment No. 3, unless otherwise noted. The responses and information described below are based upon information provided to us by the Company.

Company Information, page 5

1. **We note your response to comments 3 and 16 and may have further comments after you submit the disclosure requested.**

In response to the Staff’s comment regarding its prior comment 3, the Company has revised the disclosure accordingly.

In addition, in response to the Staff’s comment regarding its prior comment 3, we respectfully inform the Staff that the Company will file the form of registration rights agreements, to be entered into by the Private Equity Consortium, Philips, the Management Foundation and the Company, with a future pre-effective amendment to the Registration Statement.

We note the Staff's comment regarding its prior comment 16 and respectfully inform the Staff that all market size data in Amendment No. 3 is the most current available data. In addition, the Company will continue to update market size data in all future pre-effective amendments to the Registration Statement as and when more current information becomes available.

Loss of our key management . . ., page 24

2. Expand the disclosure added here to quantify the reduction in shareholding required and to clarify who are "eligible employees." Also tell us what exhibit governs this arrangement.

In response to the Staff's comment, the Company has revised the disclosure on page 24 accordingly and has filed the NXP Management Equity Plan 2009, the conditions of administration of the Management Foundation and the NXP Global Equity Incentive Program as Exhibits 10.24, 10.25 and 10.26, respectively, with Amendment No. 3.

Use of Proceeds, page 34

3. Please update the third paragraph of this section.

In response to the Staff's comment, the Company has revised the disclosure on page 34 accordingly.

Sales. Marketing, and Customers, page 109

4. Please note that the example mentioned in prior comment 17 was not an exhaustive list of potential material effects of the laws you cite. Please revise your disclosure or expand your response accordingly.

In response to the Staff's comment, the Company has revised the disclosure on page 109 accordingly.

Exhibit Index, page II-6

5. Please note that we may have further comments after you file the Virage Logic exhibit as well as other exhibits to be filed by amendment

In response to the Staff's comment, the Company has filed together with this Amendment No. 3 its agreement with Virage Logic, as well as a number of other exhibits.

6. Please file a complete copy of your agreements. We note, for example, the annexes mentioned in Exhibits 10.6 and 10.9 are not included.

In response to the Staff's comment, subject to our separate Confidential Treatment Requests, the Company has filed complete copies of all agreements that have been filed as exhibits, including by refiling Exhibits 10.6 and 10.9.

* * * * *

Should you have any questions regarding this filing or wish to discuss the above responses, please do not hesitate to contact Nicholas J. Shaw at +44-(0)20-7275-6558, Gil J. Strauss at +44-(0)20-7275-6516 or Wim De Vlieger at +44-(0)20-7275-6154 of Simpson Thacher & Bartlett LLP.

Very truly yours,

/S/ NICHOLAS J. SHAW

Nicholas J. Shaw

Enclosures

Cc: Gabriel Eckstein
Kevin Kuhar
Jay Webb