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

FORM 6-K

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

May 4, 2017

NXP Semiconductors N.V.

(Exact name of registrant as specified in charter)

The Netherlands

(Jurisdiction of incorporation or organization)

60 High Tech Campus, 5656 AG, Eindhoven, The Netherlands

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

Yes No

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

Yes No

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

Yes No

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

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

This report contains NXP Semiconductors N.V.'s press release dated May 4, 2017 entitled: "NXP Semiconductors Reports First Quarter 2017 Results" and the interim report of NXP Semiconductors N.V. for the period ended April 2, 2017, which shall be incorporated by reference into our shelf registration statement on Form F-3 filed on March 4, 2016 (File No. [333-209942](#)) and any prospectus or prospectus supplement that form part thereof.

Exhibits

1. Press release dated May 4, 2017 entitled: "NXP Semiconductors Reports First Quarter 2017 Results".
2. Interim report of NXP Semiconductors N.V. for the period ended April 2, 2017.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized at Eindhoven, on the 4th day of May 2017.

NXP Semiconductors N.V.

/s/ D. Durn

D. Durn, CFO



NXP Semiconductors Reports First Quarter 2017 Results

Successful Completion of the Standard Products Divestment

Gross Debt Reduced to \$6.5 billion from \$9.2 billion

Dramatic Reduction of Financial Leverage

	Q1 2017
Revenue	\$2.211 billion
GAAP Gross margin	48.8%
GAAP Operating margin	75.9%
Non-GAAP Gross margin	51.7%
Non-GAAP Operating margin	27.1%

EINDHOVEN, The Netherlands, May 4, 2017 – NXP Semiconductors N.V. (NASDAQ: NXPI) today reported financial results for the first quarter ended April 2, 2017.

“NXP delivered good seasonal results for the first quarter of 2017, with revenue of \$2.21 billion, a decline of 1 percent year on year, and a decline of 9 percent versus the prior quarter, with period comparisons impacted by the successful divestment of our Standard Products business in early February,” said Richard Clemmer, NXP Chief Executive Officer.

“Our first quarter performance reflects a confirmation of a return to our annual growth trajectory. HPMS segment revenue was \$2.01 billion, an increase of 5 percent year on year and a decline of two percent sequentially. Standard Products segment revenue was \$118 million, representing approximately one month of revenue contribution prior to the close of the divestment.”

“Within the Automotive group, our first quarter revenue was a historical record at \$906 million, up 13 percent year on year due to strong demand across the entire product portfolio, with our automotive microcontroller and advanced analog products continuing to experience exceptional traction. Within the Secure Connected Devices group, our first quarter revenue was \$541 million, up 15 percent year on year as all major product lines contributed to a solid quarter, especially demand for our i.MX application processor products. In the Secure Interface and Infrastructure group, our first quarter revenue was \$450 million, up 6 percent year on year, with very strong growth in our Interface group, offset by flattish trends in RF Power and continued headwinds in the Digital Networking group which was restructured late last year. Lastly, in our Secure Identification Solutions group, our first quarter revenue was \$114 million, down 46 percent versus the same period a year ago, due to a combination of lower overall market demand and aggressive ASP compression. While we are disappointed with the revenue deceleration, we believe Secure Identification Solutions has reached a revenue trough.”

“In summary, our first quarter results are another solid step towards the successful integration of Freescale and NXP. With the divestment of our Standard Products group, our overall product portfolio has a sharpened focus on the higher growth, desirable margins, and stickier market segments. The revenue performance of our Auto, Application Processor, General Purpose MCU and Interface groups is especially encouraging as design win trends indicate our go-to-market and portfolio decisions are well aligned with our customer’s long-term requirements,” said Clemmer.

“Due to the disciplined focus by the entire NXP team, we were able to deliver better than anticipated financial results during the first quarter. Our results reflect strong execution notwithstanding normal seasonal operating expense headwinds, in addition to the stranded costs associated with the divestment of our Standard Products group, which we discussed when we announcement the action in June of 2016. In the first quarter, our GAAP operating margin was 75.9 percent due to the one-time gain associated with the divestment of Standard Products. Our first quarter non-GAAP operating margin was 27.1 percent, representing a 380-basis point improvement compared to the first quarter of 2016 and a 220-basis point decline sequentially due to stranded costs and annual fringe benefit accruals. With cash

on hand and the net proceeds from the successful completion of the Standard Products business divestment, we reduced our gross debt by \$2.7 billion. Due to significantly lower gross debt and solid cash generation, our overall financial leverage was reduced to 1.4x, a full quarter earlier than anticipated, and a level not achieved since the third quarter of 2015, prior to close of the Freescale transaction. In total, NXP has turned the corner in terms of annual revenue growth and continues to deliver non-GAAP operating margin improvement far in-excess of the original targets we communicated in past periods,” said Dan Durn, NXP Chief Financial Officer.

Summary of Reported First Quarter 2017 Results (\$ millions, unaudited)

	<u>Q1 2017</u>	<u>Q4 2016</u>	<u>Q1 2016</u>	<u>Q - Q</u>	<u>Y - Y</u>
Product Revenue	\$2,129	\$2,385	\$2,185	-11%	-3%
Corporate & Other	\$ 82	\$ 55	\$ 39	49%	110%
Total Revenue	\$ 2,211	\$ 2,440	\$ 2,224	-9%	-1%
GAAP Gross Profit	\$ 1,079	\$ 1,189	\$ 597	-9%	81%
Gross Profit Adjustments (1)	\$ (65)	\$ (59)	\$ (515)		
Non-GAAP Gross Profit	\$ 1,144	\$ 1,248	\$ 1,112	-8%	3%
GAAP Gross Margin	48.8%	48.7%	26.8%		
Non-GAAP Gross Margin	51.7%	51.1%	50.0%		
GAAP Operating Income / (Loss)	\$ 1,679	\$ 173	\$ (471)	871%	NM
Operating Income Adjustments (1)	1,080	(542)	(990)		
Non-GAAP Operating Income	\$ 599	\$ 715	\$ 519	-16%	15%
GAAP Operating Margin	75.9%	7.1%	-21.2%		
Non-GAAP Operating Margin	27.1%	29.3%	23.3%		

(1) **Please see “Non-GAAP Financial Measures” on page 4 of this release**

Additional Information for the First Quarter 2017:

- On October 27, 2016 Qualcomm, Incorporated (NASDAQ: QCOM) and NXP Semiconductors N.V. (NASDAQ: NXPI) announced a definitive agreement, unanimously approved by the boards of directors of both companies, under which Qualcomm will acquire NXP. Under the terms of the definitive agreement, a subsidiary of Qualcomm will commence a tender offer to acquire all the issued and outstanding shares of NXP for \$110.00 per share in cash. The tender offer commenced on November 18, 2016.
- On February 7, 2017 NXP announced it has completed the divestment of its Standard Products business, receiving \$2.75 billion in cash proceeds.
- On February 10, 2017 NXP announced that its subsidiaries NXP B.V. and NXP Funding LLC, delivered notice that it will pre-pay, together with accrued interest and applicable fees
 - All its outstanding floating-rate term loan due March 2017 (“Term Loan E”) in an aggregate principal amount of \$388 million;
 - All its outstanding floating-rate term loan due January 2020 (“Term Loan D”) in an aggregate principal amount of \$387 million;
 - All its outstanding floating-rate term loan due December 2020 (“Term Loan F”) in an aggregate principal amount of \$1,436 million.

Additionally, on March 9, 2017, NXP redeemed \$500 million of the outstanding aggregate principal amount of its 5.75% Senior Notes due 2021 (the “Notes”), which represents all the outstanding aggregate principal amount of the Notes. The funds for these pre-payments and redemption came from the net proceeds of the completion of the divestiture of the Standard Products business of NXP, and available surplus cash.

- Total gross debt was \$6.51 billion, a decline from the \$9.19 billion in the fourth quarter. Cash was \$2.24 billion, an increase from the \$1.89 billion in the fourth quarter, resulting in net debt of \$4.27 billion, a decline from the \$7.29 billion in the fourth quarter. Trailing twelve months, adjusted EBITDA was \$3.06 billion, an increase from \$2.98 billion in the fourth quarter. Financial leverage, defined as net debt divided by trailing twelve months adjusted EBITDA was 1.40x, an improvement from 2.45x in the fourth quarter.
- Cash flow from operations was \$625 million, a decline from the \$737 million in the fourth quarter. Net capital expenditures on property, plant and equipment was \$161 million, an increase from the \$131 million in the fourth quarter. Non-GAAP free cash flow, defined as cash flow from operations, less net capital expenditures on property, plant and equipment was \$464 million, a decline from the \$606 million in the fourth quarter.

- NXP repurchased 0.26 million shares for a total cost of \$26 million. Weighted average number of diluted shares (after deduction of treasury shares) for the three-month period ended April 2, 2017 was 344 million. Due to the pending acquisition by Qualcomm, NXP has suspended its open market share repurchases, shares are currently only repurchased in relation to employee equity award transactions.
- Net cash paid for interest was \$53 million.
- Net cash paid for income taxes related to on-going operations was \$29 million, with an additional \$27 million paid related to the divestment of the Standard Products business, for a total of \$56 million.
- SSMC, NXP's consolidated joint-venture wafer fab with TSMC, reported first quarter 2017 operating income of \$32 million, EBITDA of \$45 million and a closing cash balance of \$365 million.
- NXP combined wafer-fab utilization averaged 95 percent, as compared to 92 percent in the prior quarter.
- Working capital metrics inclusive of assets and liabilities held for sale on the balance sheet were:
 - Days of inventory was 97 days, a decline of 4 days sequentially versus the fourth quarter;
 - Days payable was 83 days flat sequentially from the fourth quarter;
 - Days sales was 41 days an increase from 39 days in the fourth quarter; and
 - The cash conversion cycle was 55 days, a decline from the 57 days in the fourth quarter.
- Channel inventory held by NXP's distribution partners was 2.2 months as compared to 2.4 months in the fourth quarter. Reconciling for the divestment of the Standard Products business, sales into the distribution channel was down 8 percent, sales out of the distribution channel was down 6 percent and total distribution channel inventory on a dollar basis was down 1 percent.

Supplemental Information (\$ millions, unaudited) (1)

	Q1 2017	Q4 2016	Q1 2016	Q-Q	Y-Y
Automotive	\$ 906	\$ 863	\$ 805	5%	13%
Secure Identification Solutions (SIS)	\$ 114	\$ 147	\$ 212	-22%	-46%
Secure Connected Devices (SCD)	\$ 541	\$ 569	\$ 471	-5%	15%
Secure Interface & Infrastructure (SI&I)	\$ 450	\$ 483	\$ 423	-7%	6%
High Performance Mixed Signal (HPMS)	\$2,011	\$2,062	\$1,911	-2%	5%
Standard Products (STDP)	\$ 118	\$ 323	\$ 274	-63%	-57%
Product Revenue	\$2,129	\$2,385	\$2,185	-11%	-3%
Corporate & Other	\$ 82	\$ 55	\$ 39	49%	110%
Total Revenue	\$2,211	\$2,440	\$2,224	-9%	-1%

Note:

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

Guidance and Conference Call

As previously announced, NXP will not hold an earnings call nor provide forward guidance for the second quarter of 2017 due to the pending acquisition of NXP by Qualcomm.

Non-GAAP Financial Measures

In managing NXP's business on a consolidated basis, management develops an annual operating plan, which is approved by our Board of Directors, using non-GAAP financial measures. In measuring performance against this plan, management considers the actual or potential impacts on these non-GAAP financial measures from actions taken to reduce costs with the goal of increasing our gross margin and operating margin and when assessing appropriate levels of research and development efforts. In addition, management relies upon these non-GAAP financial measures when making decisions about product spending, administrative budgets, and other operating expenses. We believe that these non-GAAP financial measures, when coupled with the GAAP results and the reconciliations to corresponding GAAP financial measures, provide a more complete understanding of the Company's results of operations and the factors and trends affecting NXP's business. We believe that they enable investors to perform additional comparisons of our operating results, to assess our liquidity and capital position and to analyze financial performance excluding the effect of expenses unrelated to operations, certain non-cash expenses and share-based compensation expense, which may obscure trends in NXP's underlying performance. This information also enables investors to compare financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management.

These non-GAAP financial measures are provided in addition to, and not as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. The presentation of these and other similar items in NXP's non-GAAP financial results should not be interpreted as implying that these items are non-recurring, infrequent, or unusual. Reconciliations of these non-GAAP measures to the most comparable measures calculated in accordance with GAAP are provided in the financial statements portion of this release in a schedule entitled "Financial Reconciliation of GAAP to non-GAAP Results (unaudited)." Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at www.nxp.com/investor for additional information related to our rationale for using these non-GAAP financial measures, as well as the impact of these measures on the presentation of NXP's operations.

In addition to providing financial information on a basis consistent with U.S. generally accepted accounting principles (“GAAP”), NXP also provides the following selected financial measures on a non-GAAP basis: (i) Gross profit, (ii) Gross margin, (iii) Research and development, (iv) Selling, general and administrative, (v) Amortization of acquisition-related intangible assets, (vi) Other income, (vii) Operating income (loss), (viii) Operating margin, (ix) Financial Income (expense), (x) EBITDA, adjusted EBITDA and trailing 12 month adjusted EBITDA, and (xi) non-GAAP free cash flow and free cash flow as a percent of Revenue. The non-GAAP information excludes the amortization of acquisition related intangible assets, the purchase accounting effect on inventory and property, plant and equipment, merger related costs (including integration costs), certain items related to divestitures, share-based compensation expense, restructuring and asset impairment charges, non-cash interest expense on convertible notes, extinguishment of debt, changes in the fair value of the warrant liability prior to January 1, 2016 and foreign exchange gains and losses.

About NXP Semiconductors

NXP Semiconductors N.V. (NASDAQ: NXPI) enables secure connections and infrastructure for a smarter world, advancing solutions that make lives easier, better, and safer. As the world leader in secure connectivity solutions for embedded applications, NXP is driving innovation in the secure connected vehicle, end-to-end security & privacy, and smart connected solutions markets. Built on more than 60 years of combined experience and expertise, the company has 31,000 employees in more than 35 countries and posted revenue of \$9.5 billion in 2016. Find out more at www.nxp.com.

Forward-looking Statements

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

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Table 1: Condensed consolidated statement of operations (unaudited)

(\$ in millions except share data)

	Three Months Ended		
	April 2, 2017	December 31, 2016	April 3, 2016
Revenue	\$ 2,211	\$ 2,440	\$ 2,224
Cost of revenue	(1,132)	(1,251)	(1,627)
Gross profit	1,079	1,189	597
Research and development	(367)	(362)	(403)
Selling, general and administrative	(266)	(292)	(296)
Amortization of acquisition-related intangible assets	(365)	(363)	(367)
Total operating expenses	(998)	(1,017)	(1,066)
Other income (expense)	1,598	1	(2)
Operating income (loss)	1,679	173	(471)
Financial income (expense):			
Extinguishment of debt	(41)	—	(3)
Other financial income (expense)	(95)	(96)	(113)
Income (loss) before taxes	1,543	77	(587)
Benefit (provision) for income taxes	(230)	456 ¹⁾	199
Results relating to equity-accounted investees	5	4	1
Net income (loss)	1,318	537	(387)
Less: Net income (loss) attributable to non-controlling interests	13	17	11
Net income (loss) attributable to stockholders	1,305	520	(398)
Earnings per share data:			
Net income (loss) per common share attributable to stockholders in \$:			
Basic	\$ 3.88	\$ 1.55	\$ (1.16)
Diluted	\$ 3.79	\$ 1.51	\$ (1.16)
Weighted average number of shares of common stock outstanding during the period (in thousands):			
Basic	336,396	334,768	341,830
Diluted	344,011	343,546	341,830

- 1) On March 3, 2017 NXP filed its Annual Report on Form 20-F with the Securities and Exchange Commission ("SEC"). Regarding the recognition of tax benefits related to its financial statements as of December 31, 2016, NXP is required to consider all available evidence, including events that occur after December 31, 2016 but prior to the issuance of the financial statements. Due to the completion of the Standard Products divestment on February 6, 2017, NXP concluded that a substantial tax benefit should be recognized as of December 31, 2016, as the Standard Products divestiture provided an objectively verifiable source of income against which tax losses can be utilized. The full-year 2016 results presented in the Annual Report on Form 20-F update the financial results previously reported on February 2, 2017 for the subsequent divestment of the Standard Products business and the recognition of the tax benefit.

Table 2: Condensed consolidated balance sheet (unaudited)

(\$ in millions)	As of		
	April 2, 2017	December 31, 2016	April 3, 2016
Current assets:			
Cash and cash equivalents	\$ 2,238	\$ 1,894	\$ 1,488
Accounts receivable, net	983	1,033	1,054
Assets held for sale	—	1,104	8
Inventories, net	1,144	1,113	1,452
Other current assets	317	254	243
Total current assets	4,682	5,398	4,245
Non-current assets:			
Other non-current assets	816	962	595
Property, plant and equipment, net	2,279	2,352	2,848
Identified intangible assets, net	6,983	7,343	8,446
Goodwill	8,854	8,843	9,239
Total non-current assets	18,932	19,500	21,128
Total assets	23,614	24,898	25,373
Current liabilities:			
Accounts payable	975	973	948
Liabilities held for sale	—	198	—
Restructuring liabilities-current	95	129	193
Accrued liabilities	984	712	821
Short-term debt	11	421	736
Total current liabilities	2,065	2,433	2,698
Non-current liabilities:			
Long-term debt	6,498	8,766	8,270
Restructuring liabilities	22	22	31
Deferred tax liabilities	1,489	1,659	2,044
Other non-current liabilities	917	862	839
Total non-current liabilities	8,926	11,309	11,184
Non-controlling interests	234	221	299
Stockholders' equity	12,389	10,935	11,192
Total equity	12,623	11,156	11,491
Total liabilities and equity	23,614	24,898	25,373

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

(\$ in millions)	Three Months Ended		
	April 2, 2017	December 31, 2016	April 3, 2016
Cash Flows from operating activities			
Net income (loss)	\$ 1,318	\$ 537	\$ (387)
Adjustments to reconcile net income (loss):			
Depreciation and amortization	534	530	529
Stock-based compensation	68	82	99
Excess tax benefits from share-based compensation plans	—	—	(3)
Amortization of discount on debt	10	10	8
Amortization of debt issuance costs	3	4	5
Net gain on sale of assets	(1,597)	—	—
Loss on extinguishment of debt	41	—	3
Results relating to equity accounted investees	(5)	(4)	(1)
Changes in deferred taxes	25	(469)	(221)
Changes in operating assets and liabilities:			
(Increase) decrease in receivables and other current assets	4	67	—
(Increase) decrease in inventories	(28)	24	441
Increase (decrease) in accounts payable and accrued liabilities	244	(39)	(47)
Decrease (Increase) in other non-current assets	(1)	6	4
Exchange differences	12	(3)	10
Other items	(3)	(8)	(26)
Net cash provided by (used for) operating activities	625	737	414
Cash flows from investing activities:			
Purchase of identified intangible assets	(24)	(25)	(18)
Capital expenditures on property, plant and equipment	(161)	(131)	(88)
Purchase of interests in businesses, net of cash acquired	—	—	(2)
Proceeds from sale of interests in businesses, net of cash divested	2,614	—	—
Other	(1)	(1)	2
Net cash provided by (used for) investing activities	2,428	(157)	(106)
Cash flows from financing activities:			
Net (repayments) borrowings of short-term debt	—	—	(5)
Repayments under the revolving credit facility	—	(200)	—
Repurchase of long-term debt	(2,728)	—	(204)
Principal payments on long-term debt	(4)	(9)	(14)
Cash proceeds from exercise of stock options	36	25	45
Purchase of treasury shares	(26)	(62)	(266)
Excess tax benefits from share-based compensation plans	—	—	3
Net cash provided by (used for) financing activities	(2,722)	(246)	(441)
Effect of changes in exchange rates on cash positions	13	(9)	7
Increase (decrease) in cash and cash equivalents	344	325	(126)
Cash and cash equivalents at beginning of period	1,894	1,569	1,614
Cash and cash equivalents at end of period	2,238	1,894	1,488
Net cash paid during the period for:			
Interest	53	109	74
Income taxes	56	16	14

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

	Three Months Ended		
	April 2, 2017	December 31, 2016	April 3, 2016
High Performance Mixed Signal (HPMS)	2,011	2,062	1,911
Standard Products	118	323	274
Product Revenue	2,129	2,385	2,185
Corporate and Other	82	55	39
Total Revenue	\$ 2,211	\$ 2,440	\$ 2,224
HPMS Revenue	\$ 2,011	\$ 2,062	\$ 1,911
Percent of Total Revenue	91.0%	84.5%	85.9%
HPMS segment GAAP gross profit	1,030	1,058	510
PPA effects	(58)	(59)	(493)
Restructuring	—	1	(3)
Stock based compensation	(8)	(10)	(13)
Other incidentals	—	—	—
HPMS segment non-GAAP gross profit	\$ 1,096	\$ 1,126	\$ 1,019
HPMS segment GAAP gross margin	51.2%	51.3%	26.7%
HPMS segment non-GAAP gross margin	54.5%	54.6%	53.3%
HPMS segment GAAP operating profit	81	124	(486)
PPA effects	(429)	(426)	(847)
Restructuring	9	1	(14)
Stock based compensation	(67)	(76)	(92)
Merger-related costs	(2)	—	—
Other incidentals	—	(1)	—
HPMS segment non-GAAP operating profit	\$ 570	\$ 626	\$ 467
HPMS segment GAAP operating margin	4.0%	6.0%	-25.4%
HPMS segment non-GAAP operating margin	28.3%	30.4%	24.4%
Standard Products Revenue	\$ 118	\$ 323	\$ 274
Percent of Total Revenue	5.3%	13.2%	12.3%
Standard Products segment GAAP gross profit	45	130	87
PPA effects	—	—	(1)
Restructuring	—	(1)	—
Stock based compensation	(1)	(1)	(1)
Other incidentals	4	13	—
Standard Products segment non-GAAP gross profit	\$ 42	\$ 119	\$ 89
Standard Products segment GAAP gross margin	38.1%	40.2%	31.8%
Standard Products segment non-GAAP gross margin	35.6%	36.8%	32.5%
Standard Products segment GAAP operating profit	31	92	39
PPA effects	—	1	(12)
Restructuring	—	—	(1)
Stock based compensation	(2)	(6)	(7)
Other incidentals	4	9	—
Standard Products segment non-GAAP operating profit	\$ 29	\$ 88	\$ 59
Standard Products segment GAAP operating margin	26.3%	28.5%	14.2%
Standard Products segment non-GAAP operating margin	24.6%	27.2%	21.5%
Corporate and Other Revenue	\$ 82	\$ 55	\$ 39
Percent of Total Revenue	3.7%	2.3%	1.8%
Corporate and Other segment GAAP gross profit	4	1	—
PPA effects	(1)	(1)	(2)
Restructuring	(1)	(1)	(1)
Stock based compensation	—	(1)	(1)
Other incidentals	—	1	—
Corporate and Other segment non-GAAP gross profit	\$ 6	\$ 3	\$ 4
Corporate and Other segment GAAP gross margin	4.9%	1.8%	0.0%
Corporate and Other segment non-GAAP gross margin	7.3%	5.5%	10.3%
Corporate and Other segment GAAP operating profit	1,567	(43)	(24)
PPA effects	(1)	(2)	(5)
Restructuring	(1)	(6)	(5)
Stock based compensation	1	—	—
Merger-related costs	(28)	(37)	(5)
Other incidentals	1,596 ¹⁾	1	(2)
Corporate and Other segment non-GAAP operating profit	\$ —	\$ 1	\$ (7)
Corporate and Other segment GAAP operating margin	1911.0%	-78.2%	-61.5%
Corporate and Other segment non-GAAP operating margin	0.0%	1.8%	-17.9%

1) Adjustment relates primarily to the gain on the sale of the SP business on February 6, 2017.

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

(\$ in millions except share data)

	Three Months Ended		
	April 2, 2017	December 31, 2016	April 3, 2016
Revenue	\$ 2,211	\$ 2,440	\$ 2,224
GAAP Gross profit	\$ 1,079	\$ 1,189	\$ 597
PPA effects	(59)	(60)	(496)
Restructuring	(1)	(1)	(4)
Stock Based Compensation	(9)	(12)	(15)
Other incidentals	4	14	—
Non-GAAP Gross profit	\$ 1,144	\$ 1,248	\$ 1,112
GAAP Gross margin	48.8%	48.7%	26.8%
Non-GAAP Gross margin	51.7%	51.1%	50.0%
GAAP Research and development	\$ (367)	\$ (362)	\$ (403)
Restructuring	12	2	(11)
Stock based compensation	(29)	(32)	(32)
Merger-related costs	(1)	—	—
Other incidentals	—	(1)	—
Non-GAAP Research and development	\$ (349)	\$ (331)	\$ (360)
GAAP Selling, general and administrative	\$ (266)	\$ (292)	\$ (296)
PPA effects	(6)	(5)	(1)
Restructuring	(3)	(6)	(5)
Stock based compensation	(30)	(38)	(52)
Merger-related costs	(29)	(37)	(5)
Other incidentals	—	(3)	—
Non-GAAP Selling, general and administrative	\$ (198)	\$ (203)	\$ (233)
GAAP amortization of acquisition-related intangible assets	\$ (365)	\$ (363)	\$ (367)
PPA effects	(365)	(363)	(367)
Non-GAAP amortization of acquisition-related intangible assets	\$ —	\$ —	\$ —
GAAP Other income (expense)	\$ 1,598	\$ 1	\$ (2)
PPA effects	—	1	—
Other incidentals	1,596 ¹⁾	(1)	(2)
Non-GAAP Other income (expense)	\$ 2	\$ 1	\$ —
GAAP Operating income (loss)	\$ 1,679	\$ 173	\$ (471)
PPA effects	(430)	(427)	(864)
Restructuring	8	(5)	(20)
Stock based compensation	(68)	(82)	(99)
Merger-related costs	(30)	(37)	(5)
Other incidentals	1,600 ¹⁾	9	(2)
Non-GAAP Operating income (loss)	\$ 599	\$ 715	\$ 519
GAAP Operating margin	75.9%	7.1%	-21.2%
Non-GAAP Operating margin	27.1%	29.3%	23.3%
GAAP Financial income (expense)	\$ (136)	\$ (96)	\$ (116)
PPA effects	—	—	3
Non-cash interest expense on convertible notes	(10)	(9)	(10)
Foreign exchange gain (loss)	(5)	(2)	(9)
Extinguishment on debt	(41)	—	(3)
Changes in fair value of warrant liability	—	—	—
Other financial expense	(5)	(6)	(4)
Non-GAAP Financial income (expense)	\$ (75)	\$ (79)	\$ (93)

1) Adjustment relates primarily to the gain on the sale of the SP business on February 6, 2017.

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

(\$ in millions)	Three Months Ended		
	April 2, 2017	December 31, 2016	April 3, 2016
Net Income (loss)	\$ 1,318	\$ 537	\$ (387)
Reconciling items to EBITDA			
Financial (income) expense	136	96	116
(Benefit) provision for income taxes	230	(456)	(199)
Depreciation	154	149	149
Amortization	380	381	380
EBITDA	\$ 2,218	\$ 707	\$ 59
Reconciling items to adjusted EBITDA			
Results of equity-accounted investees	(5)	(4)	(1)
Purchase accounting effect on inventory	—	—	448
Restructuring ¹⁾	(8)	5	20
Stock based compensation	68	82	99
Merger-related costs ¹⁾	30	37	5
Other incidental items ¹⁾	(1,596)	6	2
Adjusted EBITDA	\$ 707	\$ 833	\$ 632
Trailing twelve month adjusted EBITDA	\$ 3,056	\$ 2,981	\$ 2,143
¹⁾ Excluding depreciation property, plant and equipment and amortization of software related to:			
Restructuring	—	—	—
Other incidental items	(4)	(15)	—
 (\$ in millions)			
	Three Months Ended		
	April 2, 2017	December 31, 2016	April 3, 2016
Net cash provided by (used for) operating activities	\$ 625	\$ 737	\$ 414
Net capital expenditures on property, plant and equipment	(161)	(131)	(88)
Non-GAAP free cash flow	\$ 464	\$ 606	\$ 326
Non-GAAP free cash flow as a percent of Revenue	21%	25%	15%

NXP Semiconductors

INTERIM REPORT
NXP SEMICONDUCTORS N.V.

PERIOD ENDED
April 2, 2017

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

Use of fair value measurements

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

Use of non-U.S. GAAP information

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

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

This interim Management's Discussion and Analysis should be read in conjunction with the MD&A in our Annual Report on Form 20-F for the year ended December 31, 2016. The various sections of this MD&A contain a number of forward-looking statements that involve a number of risks and uncertainties, including any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, uncertain events or assumptions, and other characterizations of future events or circumstances. Such statements are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this filing and particularly in "Risk Factors" in Part I, Item 3D of our Annual Report on Form 20-F, and as may be updated in our subsequent Quarterly Reports on Form 6-K. Our actual results may differ materially, and these forward-looking statements do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that had not been completed as of May 4, 2017.

Introduction

The Company

NXP Semiconductors N.V. (including our subsidiaries, referred to collectively herein as "NXP", "NXP Semiconductors" and the "Company") is a global semiconductor company incorporated in the Netherlands as a Dutch public company with limited liability (*naamloze vennootschap*). We provide leading High Performance Mixed Signal and, up to February 6, 2017, Standard Product solutions that leverage our deep application insight and our technology and manufacturing expertise in radio frequency, analog, power management, interface, security and digital processing products. Our product solutions are used in a wide range of application areas including: automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer, computing and software solutions for mobile phones.

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

On June 14, 2016, NXP announced an agreement to divest its Standard Products business (SP) to a consortium of financial investors consisting of Beijing JianGuang Asset Management Co., Ltd ("JAC Capital") and Wise Road Capital LTD ("Wise Road Capital"). On February 6, 2017 we divested SP, receiving \$2.6 billion in cash proceeds, net of cash divested. For a further discussion, see Note 3 "Acquisitions and Divestments".

On October 27, 2016, NXP entered into a purchase agreement (the "Purchase Agreement") with Qualcomm River Holdings B.V. ("Buyer"), a wholly-owned, indirect subsidiary of QUALCOMM Incorporated. Pursuant to the Purchase Agreement, Buyer commenced a tender offer to acquire all of the issued and outstanding common shares of NXP for \$110 per share in cash, for estimated total cash consideration of \$38 billion. The tender offer is not subject to any financing condition. An Extraordinary General Meeting of NXP's shareholders was convened on January 27, 2017, in connection with the offer where the shareholders of NXP approved all resolutions brought before them, with 95% of the votes cast in favor of each such resolution. In light of the foregoing, the tender offer is now conditioned on the tender of 80% of the outstanding shares of NXP, and Buyer, with NXP's prior written consent (not to be unreasonably withheld, conditioned or delayed), may reduce the required threshold to a percentage not less than 70% of the outstanding shares. Pending the receipt of certain regulatory approvals, as well as satisfaction of other customary closing conditions, the proposed transaction is expected to close by the end of calendar 2017.

The Purchase Agreement contains certain termination rights for NXP and Buyer. If the Purchase Agreement is terminated under certain circumstances, including termination by NXP to enter into a superior proposal for an alternative acquisition transaction or a termination following a change of recommendation by the NXP Board, NXP will be obligated to pay to Buyer a termination

compensation equal to \$1.25 billion in cash. If the Purchase Agreement is terminated under certain circumstances, including circumstances relating to the failure to obtain antitrust approvals or failure to complete in all material respects certain internal reorganization steps and related dispositions with respect to NXP, Buyer will be obligated to pay to NXP a termination compensation equal to \$2 billion in cash.

During the three month period ended April 2, 2017, NXP incurred expenses of \$11 million associated with the proposed acquisition by the Buyer. The expenses consisted of legal and consulting costs, retention incentives and costs related to dedicated resources associated with the proposed acquisition.

Results of Operations

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

(\$ in millions, unless otherwise stated)	<u>Q1 2017</u>	<u>Q1 2016</u>
Revenue	2,211	2,224
% nominal growth	(0.6)	51.6
Gross profit	1,079	597
Research and development	(367)	(403)
Selling, general and administrative	(266)	(296)
Amortization of acquisition-related intangible assets	(365)	(367)
Other income (expense)	1,598	(2)
Operating income (loss)	1,679	(471)

Q1 2017 compared to Q1 2016

In the quarter ended April 2, 2017, revenue slightly decreased as compared to the quarter ended April 3, 2016 reflecting the impact of the divestment of the SP business on February 6, 2017, as only one month of activity is in the current period compared to a full quarter of activity in the first quarter of 2016. Gross profit increased in the first quarter of 2017 as compared to the first quarter of 2016 primarily as a result of the absence of the impact of purchase accounting on inventory (\$448 million) that was recognized in the first quarter of 2016, in addition to the continued improvement of our operational performance. Operating expenses in the first quarter of 2017 decreased as compared to the first quarter of 2016 as a result of realized synergies from the acquisition of Freescale in addition to the impact of the divestment of SP, with only one month of operating activities in the current period. Other income (expense) increased due to the realized gain on the sale of the SP business.

The table below depicts the Purchase Price Accounting (“PPA”) effects (reflecting the amortization related to the fair value adjustments resulting from the acquisition of Freescale in addition to the formation of NXP) for each of the three month periods ended April 2, 2017 and April 3, 2016, respectively, per line item in the statement of operations:

(\$ in millions, unless otherwise stated)	<u>Q1 2017</u>	<u>Q1 2016</u>
Gross profit	(59)	(496)
Selling, general and administrative	(6)	(1)
Amortization of acquisition-related intangible assets	(365)	(367)
Operating income (loss)	(430)	(864)

Revenue

The following table presents revenue and revenue growth by segment for each of the three month periods ended April 2, 2017 and April 3, 2016, respectively:

(\$ in millions, unless otherwise stated)

	Q1 2017		Q1 2016
	Revenue	Growth %	Revenue
HPMS	2,011	5.2	1,911
SP	118	(56.9)	274
Corporate and Other	82	110.3	39
Total	2,211	(0.6)	2,224

Q1 2017 compared to Q1 2016

Revenue remained virtually flat, decreasing by \$13 million to \$2,211 million in the first quarter of 2017 compared to \$2,224 million in the first quarter of 2016, a year-on-year decline of 0.6%, reflecting the impact of the divestment of the SP business on February 6, 2017.

Our HPMS segment saw an increase in revenue of \$100 million to \$2,011 million in the first quarter of 2017 compared to \$1,911 million in the first quarter of 2016, resulting in 5.2% year-on-year growth. The growth in revenue was driven primarily by increased demand in Automotive and to a lesser extent in Secure Connected Devices and Secure Interface & Infrastructure offset by lower sales in Secure Identification Solutions due to a combination of lower overall market demand and aggressive average sales price compression.

Revenue of our SP segment was \$118 million in the first quarter of 2017, compared to \$274 million in the first quarter of 2016. The first quarter of 2017 includes only one month of revenue up until the divestment of the SP business on February 6, 2017, whereas the first quarter of 2016 includes a full quarter of revenue. As of the divestment date, revenue derived from services to the former SP activities (Nexperia) in order to support their separation and, on a limited basis, their ongoing operations, is included in the Corporate & Other segment. As the Nexperia business develops or acquires its own foundry and packaging capabilities, our revenue from this source is expected to decline.

Gross Profit

The following table presents gross profit by segment for each of the three month periods ended April 2, 2017 and April 3, 2016, respectively:

(\$ in millions, unless otherwise stated)

	Q1 2017		Q1 2016	
	Gross profit	% of segment revenue	Gross profit	% of segment revenue
HPMS	1,030	51.2	510	26.7
SP	45	38.1	87	31.8
Corporate and Other	4	4.9	—	—
Total	1,079	48.8	597	26.8

Q1 2017 compared to Q1 2016

Gross profit in the first quarter of 2017 was \$1,079 million, or 48.8% of revenue compared to \$597 million, or 26.8% of revenue in the first quarter of 2016, an increase of \$482 million. This increase was primarily driven by the absence of the impact of purchase accounting on inventory recognized in the first quarter of 2016, as a result of the acquisition of Freescale, in addition to the continued improvement of our operational performance.

Our HPMS segment had a gross profit of \$1,030 million, or 51.2% of revenue in the first quarter of 2017, compared to \$510 million, or 26.7% of revenue in the first quarter of 2016. The increase in the gross profit percentage was primarily driven by the absence of the impact of purchase accounting on inventory (\$448 million) in the first quarter of 2016, in addition to the continued improvement of our operational performance.

Gross profit in our SP segment was \$45 million, or 38.1% of revenue in the first quarter of 2017, compared to \$87 million, or 31.8% of revenue in the first quarter of 2016. The first quarter of 2017 includes only one month of revenue up until the divestment of the SP business on February 6, 2017, whereas the first quarter of 2016 includes a full quarter of revenue.

Operating expenses

The following table presents operating expenses by segment for each of the three month periods ended April 2, 2017 and April 3, 2016:

(\$ in millions, unless otherwise stated)	Q1 2017		Q1 2016	
	Operating expenses	% of segment revenue	Operating expenses	% of segment revenue
HPMS	949	47.2	996	52.1
SP	14	11.9	48	17.5
Corporate and Other	35	42.7	22	56.4
Total	998	45.1	1,066	47.9

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

(\$ in millions, unless otherwise stated)	Q1 2017	Q1 2016
Research and development	367	403
Selling, general and administrative	266	296
Amortization of acquisition-related intangible assets	365	367
Operating expenses	998	1,066

Q1 2017 compared to Q1 2016

Operating expenses decreased \$68 million to \$998 million in the first quarter of 2017, compared to \$1,066 million in the first quarter of 2016. The decrease in operating expenses is the result of realized synergies from the acquisition of Freescale, in addition to the impact of the divestment of SP, with only one month of operating activities in the current period.

In our HPMS segment, operating expenses amounted to \$949 million, or 47.2% of revenue in the first quarter of 2017, compared to \$996 million, or 52.1% of revenue in the first quarter of 2016. The decrease is the result of realized synergies from the acquisition of Freescale.

Operating expenses in our SP segment decreased to \$14 million, or 11.9% of revenue in the first quarter of 2017, compared to \$48 million, or 17.5% of revenue in the first quarter of 2016. The decrease in operating expenses was due to the inclusion of only one month of activities in the first quarter of 2017, compared to a full quarter of activities in the first quarter of 2016.

Operating income (loss)

The following table presents operating income (loss) by segment for each of the three month periods ended April 2, 2017 and April 3, 2016:

(\$ in millions, unless otherwise stated)	Q1 2017		Q1 2016	
	Operating income (loss)	% of segment revenue	Operating income (loss)	% of segment revenue
HPMS	81	4.0	(486)	(25.4)
SP	31	26.3	39	14.2
Corporate and Other	1,567	n.m.*)	(24)	(61.5)
Total	1,679	75.9	(471)	(21.2)

*) not meaningful

Q1 2017 compared to Q1 2016

Operating income (loss) increased \$2,150 million to \$1,679 million in the first quarter of 2017, compared to (\$471) million in the first quarter of 2016. The increase in operating income (loss) is primarily the result of the realized gain on the divestment of the SP business of \$1,597 million. The increase in our HPMS segment, is the result of the items discussed above.

Financial income (expense)

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

(\$ in millions, unless otherwise stated)	Q1 2017	Q1 2016
Interest income	4	2
Interest expense	(86)	(107)
Total interest expense, net	(82)	(105)
Foreign exchange rate results	(12)	(10)
Extinguishment of debt	(41)	(3)
Miscellaneous financing costs/income, net	(1)	2
Total other financial income (expense)	(54)	(11)
Total	(136)	(116)

Q1 2017 compared to Q1 2016

Financial income (expense) was an expense of \$136 million in the first quarter of 2017, compared to an expense of \$116 million in the first quarter of 2016. This increase of \$20 million is the result of the increase of \$38 million in debt extinguishment costs from the early repayment of debt in the first quarter of 2017 offset by a decrease of \$21 million in interest expense as a result of lower debt levels (a decrease in total debt of \$2.5 billion when comparing the first quarter of 2017 to the first quarter of 2016).

Benefit (provision) for income taxes

Q1 2017 compared to Q1 2016

Our effective tax rate reflects the impact of tax incentives, a portion of our earnings being taxed in foreign jurisdictions at rates different than the Netherlands statutory tax rate and the mix of income and losses in various jurisdictions. Our effective tax rate for the first quarter of 2017 was an expense of 14.9% compared with a benefit of 33.9% for the first quarter of 2016. The significant change in our effective tax rate was primarily due to the significant Netherlands tax expense related to the SP divestment, which contemplates the beneficial impact of the Dutch innovation box, offset by the tax benefit on the amortization of purchase accounting adjustments related to Freescale.

Net income (loss)

The following table presents the composition of net income for the periods reported:

(\$ in millions, unless otherwise stated)	Q1 2017	Q1 2016
Operating income (loss)	1,679	(471)
Financial income (expense)	(136)	(116)
Benefit (provision) for income taxes	(230)	199
Result equity-accounted investees	5	1
Net income (loss)	1,318	(387)

Non-controlling interests

Q1 2017 compared to Q1 2016

Non-controlling interests are related to the third party share in the result of consolidated companies, predominantly SSMC. Their share of non-controlling interests amounted to a profit of \$13 million in the first quarter of 2017, compared to a profit of \$11 million in the first quarter of 2016.

Employees

As of April 2, 2017 we had 29,700 full-time equivalent employees (as of December 31, 2016: 40,400 full-time equivalent employees). The following table indicates the percentage of full-time equivalent employees per geographic area:

% as of	April 2, 2017	December 31, 2016
Europe and Africa	20	18
Americas	20	15
Greater China	24	28
Asia Pacific	36	39
Total	100	100

The decrease in full-time equivalents from December 31, 2016 is a result of the divestment of the SP business on February 6, 2017.

Liquidity and Capital Resources

We derive our liquidity and capital resources primarily from our cash flows from operations. We continue to generate strong positive operating cash flows. At the end of the first quarter of 2017, our cash balance was \$2,238 million, an increase of \$344 million compared to December 31, 2016. Taking into account the available amount of the Secured Revolving Credit Facility of \$600 million, we had access to \$2,838 million of liquidity as of April 2, 2017.

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

Our capital expenditures were \$161 million in the first three months of 2017, compared to \$88 million in the first three months of 2016.

Our total debt amounted to \$6,509 million as of April 2, 2017, a decrease of \$2,678 million from December 31, 2016 (\$9,187 million) as a result of the repurchase of the Term Loans which was done utilizing the cash proceeds from the divestment of the SP business along with cash generated from operating activities

At April 2, 2017 our cash balance was \$2,238 million of which \$365 million was held by SSMC, our consolidated joint venture company with TSMC. Under the terms of our joint venture agreement with TSMC, a portion of this cash can be distributed by way of a dividend to us, but 38.8% of the dividend will be paid to our joint venture partner.

Share Repurchases

During the three month period ended April 2, 2017, we repurchased \$26 million, or 0.3 million shares of our common stock pursuant to our share buyback program at a weighted average price of \$98.58 per share. Share repurchases since the announcement of the potential acquisition by Qualcomm solely relate to employee equity transactions.

Cash flows

Our cash and cash equivalents during the first three months of 2017 increased by \$331 million as follows:

(\$ in millions, unless otherwise stated)	<u>Q1</u> <u>2017</u>	<u>Q1</u> <u>2016</u>
Net cash provided by (used for) operating activities	625	414
Net cash provided by (used for) investing activities	2,428	(106)
Net cash provided by (used for) financing activities	<u>(2,722)</u>	<u>(441)</u>
Net cash increase (decrease) in cash and cash equivalents, prior to the effect of changes in exchange rates on cash positions	331	(133)

Cash Flow from Operating Activities

In the first quarter of 2017 our operating activities provided \$625 million in cash compared to \$414 million in cash in the first quarter of 2016. For the first three months of 2017 compared to the first three months of 2016, the \$211 million increase in cash provided by operations was primarily due to higher net income (loss) (\$1,318 million compared to (\$387) million, respectively), adjustments to net income (loss) ((\$921) million compared to \$419 million, respectively) and lower changes in working capital (\$219 million compared to \$398 million, respectively). Net income (loss) and the adjustments to net income (loss) were significantly impacted by the realized gain on the divestment of the SP business of \$1,597 million. Changes in assets and liabilities when comparing the periods, were primarily driven by the changes in inventory and accounts payable.

Cash Flow from Investing Activities

Investing cash flows consist primarily of capital expenditures, cash used for acquisitions and proceeds from divestitures. Cash provided by investing activities was higher for the first three months of 2017 compared to the first three months of 2016, driven by the divestment of the SP business.

Cash Flow from Financing Activities

Financing cash flows consist primarily of repurchases of common stock, issuance and repayment of short-term and long-term debt, and proceeds from the exercise of stock options. More cash was used for financing activities in the first three months of 2017 compared to the first three months of 2016 due to higher repurchases of debt.

YTD 2017 Financing Activities

2017 and 2020 Term Loans

On February 7, 2017, NXP B.V., together with NXP Funding LLC, delivered notice that it would repay (i) all its outstanding floating-rate term loan due March 2017 ("Term Loan E") in an aggregate principal amount of \$388 million, (ii) all its outstanding floating-rate

term loan due January 2020 (“Term Loan D”) in an aggregate principal amount of \$387 million and (iii) all its outstanding floating-rate term loan due December 2020 (“Term Loan F”) in an aggregate principal amount of \$1,436 million, in each case, together with accrued interest and applicable fees. The repayment occurred in February 2017 with the funds for these repayments coming from the proceeds of the divestment of the SP business.

2021 Senior Unsecured Notes

On February 7, 2017, NXP B.V. together with NXP Funding LLC, delivered notice that it would repay to holders of its 5.75% Senior Unsecured Notes due 2021 (the “Notes”) \$500 million of the outstanding aggregate principal amount of these Notes, which represented all of the outstanding aggregate principal amount of the Notes. The repayment occurred in March 2017 and the funds for this redemption came from available surplus cash.

YTD 2016 Financing Activities

2016 Senior Unsecured Notes

On February 23, 2016, NXP B.V., together with NXP Funding LLC, issued redemption notices for an aggregate principal amount of \$200 million of its \$500 million outstanding 3.5% senior notes due 2016. The funds from this redemption came from available surplus cash.

Contractual Obligations

During the first three months of 2017, our contractual obligations increased by \$16 million resulting from normal business operations.

Off-balance Sheet Arrangements

At the end of the first quarter of 2017, we had no off-balance sheet arrangements other than operating leases and other commitments resulting from normal business operations.

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

(\$ in millions, unless otherwise stated)

	For the three months ended	
	April 2, 2017	April 3, 2016
Revenue	2,211	2,224
Cost of revenue	(1,132)	(1,627)
Gross profit	1,079	597
Research and development	(367)	(403)
Selling, general and administrative	(266)	(296)
Amortization of acquisition-related intangible assets	(365)	(367)
Other income (expense)	1,598	(2)
Operating income (loss)	1,679	(471)
Financial income (expense):		
Extinguishment of debt	(41)	(3)
Other financial income (expense)	(95)	(113)
Income (loss) before income taxes	1,543	(587)
Benefit (provision) for income taxes	(230)	199
Results relating to equity-accounted investees	5	1
Net income (loss)	1,318	(387)
Less: Net income (loss) attributable to non-controlling Interests	13	11
Net income (loss) attributable to stockholders	1,305	(398)
Earnings per share data:		
<i>Net income (loss) per common share attributable to Stockholders in \$</i>		
- Basic		
- Diluted	3.88	(1.16)
	3.79	(1.16)
Weighted average number of shares of common stock outstanding during the period (in thousands):		
- Basic	336,396	341,830
- Diluted	344,011	341,830

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements

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

(\$ in millions, unless otherwise stated)

	For the three months ended	
	<u>April 2, 2017</u>	<u>April 3, 2016</u>
Net income (loss)	1,318	(387)
Other comprehensive income (loss), net of tax:		
Change in fair value cash flow hedges	4	4
Change in foreign currency translation adjustment	56	51
Change in net actuarial gain (loss)	3	5
Change in unrealized gains/losses available-for-sale securities	3	—
Total other comprehensive income (loss)	66	60
Total comprehensive income (loss)	1,384	(327)
Less: Comprehensive income (loss) attributable to non-controlling interests	13	11
Total comprehensive income (loss) attributable to stockholders	1,371	(338)

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements

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

(\$ in millions, unless otherwise stated)

	April 2, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	2,238	1,894
Accounts receivable, net	983	1,033
Assets held for sale	—	1,104
Inventories, net	1,144	1,113
Other current assets	317	254
Total current assets	4,682	5,398
Non-current assets:		
Other non-current assets	816	962
Property, plant and equipment, net of accumulated depreciation of \$2,448 and \$2,314	2,279	2,352
Identified intangible assets, net of accumulated amortization of \$2,533 and \$2,169	6,983	7,343
Goodwill	8,854	8,843
Total non-current assets	18,932	19,500
Total assets	23,614	24,898
Liabilities and equity		
Current liabilities:		
Accounts payable	975	973
Liabilities held for sale	—	198
Restructuring liabilities-current	95	129
Accrued liabilities	984	712
Short-term debt	11	421
Total current liabilities	2,065	2,433
Non-current liabilities:		
Long-term debt	6,498	8,766
Restructuring liabilities	22	22
Deferred tax liabilities	1,489	1,659
Other non-current liabilities	917	862
Total non-current liabilities	8,926	11,309
Equity:		
Non-controlling interests	234	221
Stockholders' equity:		
Preferred stock, par value €0.20 per share:		
- Authorized: 645,754,500 shares (2016: 645,754,500 shares)		
- issued: none		
Common stock, par value €0.20 per share:		
- Authorized: 430,503,000 shares (2016: 430,503,000 shares)		
- Issued and fully paid: 346,002,862 shares (2016: 346,002,862 shares)		
	71	71
Capital in excess of par value	15,746	15,679
Treasury shares, at cost:		
- 9,052,979 shares (2016: 10,609,980 shares)		
	(791)	(915)
Accumulated other comprehensive income (loss)	100	34
Accumulated deficit	(2,737)	(3,934)
Total Stockholders' equity	12,389	10,935
Total equity	12,623	11,156
Total liabilities and equity	23,614	24,898

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements

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

(\$ in millions, unless otherwise stated)

	For the three months ended	
	<u>April 2, 2017</u>	<u>April 3, 2016</u>
<i>Cash flows from operating activities:</i>		
Net income (loss)	1,318	(387)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	534	529
Share-based compensation	68	99
Excess tax benefits from share-based compensation plans	—	(3)
Amortization of discount on debt	10	8
Amortization of debt issuance costs	3	5
Net gain on sale of assets	(1,597)	—
Loss on extinguishment of debt	41	3
Results relating to equity-accounted investees	(5)	(1)
Changes in deferred taxes	25	(221)
<i>Changes in operating assets and liabilities:</i>		
(Increase) decrease in receivables and other current assets	4	—
(Increase) decrease in inventories	(28)	441
Increase (decrease) in accounts payable and accrued liabilities	244	(47)
Decrease (increase) in other non-current assets	(1)	4
Exchange differences	12	10
Other items	(3)	(26)
Net cash provided by (used for) operating activities	625	414
<i>Cash flows from investing activities:</i>		
Purchase of identified intangible assets	(24)	(18)
Capital expenditures on property, plant and equipment	(161)	(88)
Purchase of interests in businesses, net of cash acquired	—	(2)
Proceeds from sale of interests in businesses	2,614	—
Other	(1)	2
Net cash provided by (used for) investing activities	2,428	(106)
<i>Cash flows from financing activities:</i>		
Net (repayments) borrowings of short-term debt	—	(5)
Repurchase of long-term debt	(2,728)	(204)
Principal payments on long-term debt	(4)	(14)
Cash proceeds from exercise of stock options	36	45
Purchase of treasury shares	(26)	(266)
Excess tax benefits from share-based compensation plans	—	3
Net cash provided by (used for) financing activities	(2,722)	(441)
Effect of changes in exchange rates on cash positions	13	7
Increase (decrease) in cash and cash equivalents	344	(126)
Cash and cash equivalents at beginning of period	1,894	1,614
Cash and cash equivalents at end of period	2,238	1,488

	For the three months ended	
	<u>April 2, 2017</u>	<u>April 3, 2016</u>
<i>Supplemental disclosures to the condensed consolidated cash flows</i>		
Net cash paid during the period for:		
Interest	53	74
Income taxes	56	14

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements

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

(\$ in millions, unless otherwise stated)

	Outstanding number of shares (in thousands)	Common stock	Capital in excess of par value	Treasury shares at cost	Accumulated other comprehensive income (loss)	Accumulated deficit	Total Stockholders' equity	Non- controlling interests	Total equity
Balance as of December 31, 2016	335,392	71	15,679	(915)	34	(3,934)	10,935	221	11,156
Net income (loss)						1,305	1,305	13	1,318
Other comprehensive income					66		66		66
Share-based compensation plans			67				67		67
Treasury shares	(260)			(26)			(26)		(26)
Shares issued pursuant to stock awards	1,817			150		(114)	36		36
Dividends non-controlling interests									
Cumulative effect adjustments						6	6		6
Balance as of April 2, 2017	336,949	71	15,746	(791)	100	(2,737)	12,389	234	12,623

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements

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

1 Basis of Presentation and Overview

We prepared our interim condensed consolidated financial statements that accompany these notes in conformity with U.S. generally accepted accounting principles, consistent in all material respects with those applied in our Annual Report on Form 20-F for the year ended December 31, 2016.

We have made estimates and judgments affecting the amounts reported in our consolidated condensed financial statements and the accompanying notes. The actual results that we experience may differ materially from our estimates. The interim financial information is unaudited, but reflects all normal adjustments that are, in our opinion, necessary to provide a fair statement of results for the interim periods presented. This interim information should be read in conjunction with the consolidated financial statements in our Annual Report on Form 20-F for the year ended December 31, 2016.

On October 27, 2016, NXP entered into a purchase agreement (the "Purchase Agreement") with Qualcomm River Holdings B.V. ("Buyer"), a wholly-owned, indirect subsidiary of Qualcomm Incorporated. Pursuant to the Purchase Agreement, Buyer commenced a tender offer to acquire all of the issued and outstanding common shares of NXP for \$110 per share in cash, for estimated total cash consideration of \$38 billion. The tender offer is not subject to any financing condition. An Extraordinary General Meeting of NXP's shareholders was convened on January 27, 2017, in connection with the offer where the shareholders of NXP approved all resolutions brought before them, with 95% of the votes cast in favor of each such resolution. In light of the foregoing, the tender offer is now conditioned on the tender of 80% of the outstanding shares of NXP, and Buyer, with NXP's prior written consent (not to be unreasonably withheld, conditioned or delayed), may reduce the required threshold to a percentage not less than 70% of the outstanding shares. Pending the receipt of certain regulatory approvals, as well as satisfaction of other customary closing conditions, the proposed transaction is expected to close by the end of calendar 2017.

The Purchase Agreement contains certain termination rights for NXP and Buyer. If the Purchase Agreement is terminated under certain circumstances, including termination by NXP to enter into a superior proposal for an alternative acquisition transaction or a termination following a change of recommendation by the NXP Board, NXP will be obligated to pay to Buyer a termination compensation equal to \$1.25 billion in cash. If the Purchase Agreement is terminated under certain circumstances, including circumstances relating to the failure to obtain antitrust approvals or failure to complete in all material respects certain internal reorganization steps and related dispositions with respect to NXP, Buyer will be obligated to pay to NXP a termination compensation equal to \$2 billion in cash.

During the three month period ended April 2, 2017, NXP incurred expenses of \$11 million associated with the proposed acquisition by the Buyer. The expenses consisted of legal and consulting costs, retention incentives and costs related to dedicated resources associated with the proposed acquisition.

2 Recent Accounting Pronouncements

Accounting standards adopted in 2017

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. The new standard requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital pools. The standard also allows for the employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting. In addition, the ASU allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. The new standard became effective for us on January 1, 2017. The adoption of this standard did not have a material impact on our financial position or results of operations.

In October 2016, the FASB issued ASU 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. Under ASU 2016-16, the selling (transferring) entity is required to recognize a current tax expense or benefit upon transfer of the asset. Similarly, the purchasing (receiving) entity is required to recognize a deferred tax asset or deferred tax liability, as well as the related deferred tax benefit or expense, upon receipt of the asset. The new standard became effective for us on January 1, 2017, due to the Company's decision to early adopt. The adoption of this standard did not have a material impact on our financial position or results of operations.

Recently issued accounting standards

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes all existing revenue recognition requirements, including most industry-specific guidance. The new standard requires a company to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which delayed the effective date of the new standard from January 1, 2017 to January 1, 2018. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. The Company is still in the process of completing its analysis on the impact of this guidance at this time, with the consideration that the Company currently recognizes distributor revenue based on sell-in accounting, the Company does not expect the adoption of Topic 606 to have a material impact on our financial position or results of operations.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net). In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing. In May 2016, the FASB issued ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients and ASU 2016-11, Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting. In December 2016, the FASB issued ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers. These amendments provide additional clarification and implementation guidance on the previously issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606).

The amendments in ASU 2016-08 clarify how an entity should identify the specified good or service for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. ASU 2016-10 clarifies the following two aspects of ASU 2014-09: identifying performance obligations and licensing implementation guidance. ASU 2016-11 rescinds several SEC Staff Announcements that are codified in Topic 605, including, among other items, guidance relating to accounting for consideration given by a vendor to a customer, as well as accounting for shipping and handling fees and freight services. ASU 2016-12 provides clarification to Topic 606 on how to assess collectability, present sales tax, treat noncash consideration, and account for completed and modified contracts at the time of transition. In addition, ASU 2016-12 clarifies that an entity retrospectively applying the guidance in Topic 606 is not required to disclose the effect of the accounting change in the period of adoption. The effective date and transition requirements for these amendments are the same as the effective date and transition requirements of ASU 2014-09, which is effective for fiscal years, and for interim periods within those years, beginning after December 15, 2017. The Company does not expect the adoption of this guidance to have a material impact on our financial position or results of operations.

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

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

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash flow, and other Topics. ASU 2016-15 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. The Company does not expect the adoption of this guidance to have a material impact on our financial position or results of operations.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. ASU 2017-01 introduces a screen to determine when an integrated set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated as a business. ASU 2017-01 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. The Company does not expect the adoption of this guidance to have a material impact on our financial position or results of operations.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Instead, the one step quantitative impairment test calculates goodwill impairment as the excess of the carrying value of a reporting unit over its fair value, up to the carrying value of the goodwill. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption permitted. The ASU should be applied on a prospective basis. The Company does not expect the adoption of this guidance to have a material impact on our financial position or results of operations.

In March 2017, the FASB issued ASU 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (“net benefit cost”). The ASU requires that the service cost component be presented separately from the other components of net benefit cost. Services costs should be presented with other employee compensation costs within operations or capitalized in inventory or other assets in accordance to the company’s accounting policies. The other components of net benefit costs should be presented separately outside of a subtotal of income from operations, if one is presented. ASU 2017-07 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. The presentation of the service cost component should be applied retrospectively, and any capitalization of the service cost component should be applied prospectively. The Company does not expect the adoption of this guidance to have a material impact on our financial position or results of operations.

3 Acquisitions and Divestments

There were no material acquisitions during the first three months of 2017.

On February 6, 2017, we divested our Standard Products (“SP”) business to a consortium of financial investors consisting of Beijing JianGuang Asset Management Co., Ltd (“JAC Capital”) and Wise Road Capital LTD (“Wise Road Capital”), receiving \$2.6 billion in cash proceeds, net of cash divested. Prior to February 6, 2017, the results of the SP business were included in the reportable segment SP.

The gain on the sale of \$1,597 million is included in the Statement of Operations in the line item “Other income (expense)” and is composed of the following:

Total cash consideration	2,750
Assets held for sale	(1,117)
Cash divested	(138)
Liabilities held for sale	199
Other adjustments	(69)
Transaction costs	(28)
Gain	1,597

There were no material acquisitions or divestments during the first three months of 2016.

4 Identified Intangible Assets

Identified intangible assets as of April 2, 2017 and December 31, 2016 respectively were composed of the following:

	April 2, 2017		December 31, 2016	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
IPR&D 1)	1,345	—	1,380	—
Marketing-related	82	(22)	81	(18)
Customer-related	1,150	(371)	1,146	(322)
Technology-based	6,819	(2,046)	6,790	(1,739)
	9,396	(2,439)	9,397	(2,079)
Software	120	(94)	115	(90)
Identified intangible assets	9,516	(2,533)	9,512	(2,169)

1) IPR&D is not subject to amortization until completion or abandonment of the associated research and development effort.

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

2017 (remaining)	1,051
2018	1,437
2019	1,476
2020	1,190
2021	462

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

The expected weighted average remaining life of identified intangibles is 5 years as of April 2, 2017 (December 31, 2016: 5 years).

5 Supplemental Financial Information

Statement of Operations Information:

Depreciation, amortization and impairment

	For the three months ended	
	April 2, 2017	April 3, 2016
Depreciation of property, plant and equipment	154	149
Amortization of internal use software	5	7
Amortization of other identified intangible assets (*)	375	373
Total	534	529

(*) Includes impairment charges relative to IPR&D, which was acquired as part of the acquisition of Freescale of \$12 million for the three month period ending April 3, 2016.

Financial income and expense

(\$ in millions, unless otherwise stated)	For the three months ended	
	April 2, 2017	April 3, 2016
Interest income	4	2
Interest expense	(86)	(107)
Total interest expense, net	(82)	(105)
Foreign exchange rate results	(12)	(10)
Extinguishment of debt	(41)	(3)
Miscellaneous financing costs/income, net	(1)	2
Total other financial income (expense)	(54)	(11)
Total	(136)	(116)

Earnings per share

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

(\$ in millions, unless otherwise stated)	For the three months ended	
	April 2, 2017	April 3, 2016
Net income (loss)	1,318	(387)
Less: net income (loss) attributable to non-controlling interests	13	11
Net income (loss) attributable to stockholders	1,305	(398)
Weighted average number of shares outstanding (after deduction of treasury shares) during the year (in thousands)	336,396	341,830
Plus incremental shares from assumed conversion of:		
Options ¹⁾	5,455	—
Restricted Share Units, Performance Share Units and Equity Rights ²⁾	2,160	—
Warrants ³⁾	—	—
Dilutive potential common share	7,615	—
Adjusted weighted average number of share outstanding (after deduction of treasury shares) during the year (in thousands)	344,011	341,830
EPS attributable to stockholders in \$:		
Basic net income (loss)	3.88	(1.16)
Diluted net income (loss)	3.79	(1.16)

- 1) Stock options to purchase up to 0.5 million shares of NXP's common stock that were outstanding in Q1 2017 (Q1 2016: 11.7 million shares) were anti-dilutive and were not included in the computation of diluted EPS because the exercise price was greater than the average fair market value of the common stock or the number of shares assumed to be repurchased using the proceeds of unrecognized compensation expense and exercise prices was greater than the weighted average number of shares underlying outstanding stock options.
- 2) Unvested RSU's, PSU's and equity rights of 0.4 million shares that were outstanding in Q1 2017 (Q1 2016: 7.6 million shares) were anti-dilutive and were not included in the computation of diluted EPS because the number of shares assumed to be repurchased using the proceeds of unrecognized compensation expense was greater than the weighted average number of outstanding unvested RSU's, PSU's and equity rights or the performance goal has not been met yet.
- 3) Warrants to purchase up to 11.2 million shares of NXP's common stock at a price of \$133.32 per share were outstanding in Q1 2017 (Q1 2016: 11.2 million shares at a price of \$133.32). Upon exercise, the warrants will be net share settled. At the end of Q1 2017 the warrants were not included in the computation of diluted EPS because the warrants exercise price was greater than the average fair market value of the common shares. (As a net loss was incurred in Q1, 2016, the warrants were not included in the Q1 2016 computation of diluted EPS).

Balance Sheet Information

Cash and cash equivalents

At April 2, 2017 and December 31, 2016, our cash balance was \$2,238 million and \$1,894 million, respectively, of which \$365 million and \$316 million was held by SSMC, our consolidated joint venture company with TSMC. Under the terms of our joint venture agreement with TSMC, a portion of this cash can be distributed by way of a dividend to us, but 38.8% of the dividend will be paid to our joint venture partner.

Inventories

Inventories are summarized as follows:

	April 2, 2017	December 31, 2016
Raw materials	51	52
Work in process	865	854
Finished goods	228	207
	<u>1,144</u>	<u>1,113</u>

The portion of finished goods stored at customer locations under consignment amounted to \$56 million as of April 2, 2017 (December 31, 2016: \$53 million).

The amounts recorded above are net of allowance for obsolescence of \$95 million as of April 2, 2017 (December 31, 2016: \$84 million).

Accumulated other comprehensive income (loss)

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

	Currency translation differences	Change in fair value cash flow hedges	Net actuarial gain/(losses)	Unrealized gains/losses available-for sale securities	Accumulated Other Comprehensive Income (loss)
As of December 31, 2016	113	(2)	(81)	4	34
Other comprehensive income (loss) before reclassifications	56	5	6	3	70
Amounts reclassified out of accumulated other comprehensive income (loss)	—	(1)	—	—	(1)
Tax effects	—	—	(3)	—	(3)
Other comprehensive income (loss)	<u>56</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>66</u>
As of April 2, 2017	169	2	(78)	7	100

6 Fair Value of Financial Assets and Liabilities

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

	Fair value hierarchy	April 2, 2017		December 31, 2016	
		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Assets:					
Notes hedge	3 ¹⁾	289	289	258	258
Other financial assets	2	43	43	40	40
Derivative instruments – assets	2	5	5	3	3
Liabilities:					
Short-term debt	2	(11)	(11)	(15)	(15)
Short-term debt (bonds)	2	—	—	(406)	(406)
Long-term debt (bonds)	2	(5,472)	(5,712)	(7,752)	(8,011)
2019 Cash Convertible Senior Notes	2	(1,025)	(1,331)	(1,014)	(1,310)
Other long-term debt	2	—	—	(1)	(1)
Notes Embedded Conversion Derivative	3 ¹⁾	(289)	(289)	(258)	(258)
Derivative instruments – liabilities	2	(9)	(9)	(6)	(6)

(1) During the fourth quarter of 2016, the Notes hedges and the Notes Embedded Conversion Derivative were transferred from level 2 to level 3 of the fair value hierarchy.

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

Other financial assets and derivatives

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

Notes hedges and Notes Embedded Conversion Derivative

At April 2, 2017, the Notes hedges and the Notes Embedded Conversion Derivative are measured at fair value using level 3 inputs. The instruments are not actively traded and are valued at the measurement date using an option pricing model that uses observable inputs for the share price of NXP's common stock, the risk-free interest rate, dividend yield and the term, in combination with a significant unobservable input for volatility, that we determine based upon a hypothetical market place and is a factor of 32%-48%. The change in the fair value of the Notes hedges and Notes Embedded Conversion Derivative was solely the gain and loss, respectively for each instrument that was recognized.

Debt

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

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

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

7 Debt

Short-term debt

	April 2, 2017	December 31, 2016
Short-term bank borrowings	—	—
Current portion of long-term debt (*)	(11)	421
Total	(11)	421

(*) Net of adjustment for debt issuance costs.

Long-term debt

The following table summarizes the outstanding long-term debt as of April 2, 2017 and December 31, 2016:

	Maturities	April 2, 2017		December 31, 2016	
		Amount	Effective rate	Amount	Effective rate
Floating-rate term loan	Mar, 2017	—	—	388	2.770
Floating-rate term loan	Jan, 2020	—	—	387	3.270
Floating-rate term loan	Dec, 2020	—	—	1,436	3.270
Fixed-rate 3.75% senior unsecured notes	Jun, 2018	750	3.750	750	3.750
Fixed-rate 4.125% senior unsecured notes	Jun, 2020	600	4.125	600	4.125
Fixed-rate 4.125% senior unsecured notes	Jun, 2021	1,350	4.125	1,350	4.125
Fixed-rate 5.75% senior unsecured notes	Feb, 2021	—	—	500	5.750
Fixed-rate 3.875% senior unsecured notes	Sep, 2022	1,000	3.875	1,000	3.875
Fixed-rate 4.625% senior unsecured notes	Jun, 2022	400	4.625	400	4.625
Fixed-rate 5.75% senior unsecured notes	Mar, 2023	500	5.750	500	5.750
Fixed-rate 4.625% senior unsecured notes	Jun, 2023	900	4.625	900	4.625
Fixed-rate 1% cash convertible notes	Dec, 2019	1,150	1.000	1,150	1.000
Floating-rate revolving credit facility	Dec, 2020	—	—	—	—
Total principal		6,650		9,361	
Liabilities arising from capital lease transactions		11		15	
Unamortized discounts, premiums and debt issuance costs		(35)		(61)	
Fair value of embedded cash conversion option		(117)		(128)	
Total debt, including unamortized discounts, premiums, debt issuance costs and fair value adjustments		6,509		9,187	
Current portion of long-term debt		(11)		(421)	
Long-term debt		6,498		8,766	

YTD 2017 Financing Activities

2017 and 2020 Term Loans

On February 7, 2017, NXP B.V., together with NXP Funding LLC, delivered notice that it would repay (i) all its outstanding floating-rate term loan due March 2017 (“Term Loan E”) in an aggregate principal amount of \$388 million, (ii) all its outstanding floating-rate term loan due January 2020 (“Term Loan D”) in an aggregate principal amount of \$387 million and (iii) all its outstanding floating-rate term loan due December 2020 (“Term Loan F”) in an aggregate principal amount of \$1,436 million, in each case, together with accrued interest and applicable fees. Repayment occurred in February 2017 and the funds for these repayments came from the proceeds of the divestment of the SP business.

2021 Senior Unsecured Notes

On February 7, 2017, NXP B.V. together with NXP Funding LLC, delivered notice that it would repay to holders of its 5.75% Senior Unsecured Notes due 2021 (the “Notes”) \$500 million of the outstanding aggregate principal amount of these Notes, which represented all of the outstanding aggregate principal amount of the Notes, as permitted under Article 3 of the indenture dated February 14, 2013 and paragraph 5 of the Notes. Repayment occurred in March 2017 and the funds for this redemption came from available surplus cash.

Certain terms and Covenants of the notes

The Company is not required to make mandatory redemption payments or sinking fund payments with respect to the notes. The indentures governing the notes contain covenants that, among other things, limit the Company’s ability and that of restricted subsidiaries to incur additional indebtedness, create liens, pay dividends, redeem capital stock or make certain other restricted payments or investments; enter into agreements that restrict dividends from restricted subsidiaries; sell assets, including capital stock of restricted subsidiaries; engage in transactions with affiliates; and effect a consolidation or merger. The Company has been in compliance with any such indentures and financing covenants as of April 2, 2017.

No portion of long-term and short-term debt as of April 2, 2017 has been secured by collateral on substantially all of the Company’s assets and of certain of its subsidiaries (December 31, 2016: \$2,211 million).

8 Litigation

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

Based on the most current information available to it and based on its best estimate, the Company also re-evaluates at least on a quarterly basis the claims that have arisen to determine whether any new accruals need to be made or whether any accruals made need to be adjusted. Based on the procedures described above, the Company has an aggregate amount of \$21 million accrued for legal proceedings pending as of April 2, 2017, consistent with the amount accrued for at December 31, 2016. The accruals are included in "Accrued liabilities" and "Other non-current liabilities". There can be no assurance that the Company's accruals will be sufficient to cover the extent of its potential exposure to losses, but historically, legal actions have not had a material adverse effect on the Company's business, results of operations or financial condition.

The Company also estimates the aggregate range of reasonably possible losses in excess of the amount accrued based on currently available information for those cases for which such estimate can be made. The estimated aggregate range requires significant judgment, given the varying stages of the proceedings (including the fact that many of them are currently in preliminary stages), the existence of multiple defendants (including the Company) in such claims whose share of liability has yet to be determined, the numerous yet-unresolved issues in many of the claims, and the attendant uncertainty of the various potential outcomes of such claims. Accordingly, the Company's estimate will change from time to time, and actual losses may be more than the current estimate. As at April 2, 2017, the Company believes that for all litigation pending its aggregate exposure to loss in excess of the amount accrued could range between \$0 and \$125 million.

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

In addition, the Company is currently assisting Motorola in the defense of eight personal injury lawsuits due to indemnity obligations included in the agreement that separated Freescale from Motorola in 2004, and is defending one suit related to semiconductor operations that occurred prior to NXP's separation from Philips. The multi-plaintiff Motorola lawsuits are pending in Cook County, Illinois, and the legacy NXP suit is pending in Santa Fe, New Mexico. These claims allege a link between working in semiconductor manufacturing clean room facilities and birth defects in 55 individuals. The eight Motorola suits allege exposures that occurred between 1965 and 2006. Each suit seeks an unspecified amount of damages in compensation for the alleged injuries; however, legal counsel representing the plaintiffs has indicated they will seek substantial compensatory and punitive damages from Motorola for the entire inventory of claims which, if proven and recovered, the Company considers to be material. In the Motorola suits, a portion of any indemnity due to Motorola will be reimbursed to NXP if Motorola receives an indemnification payment from its insurance coverage. Motorola has potential insurance coverage for many of the years indicated above, but with differing types and levels of coverage, self-insurance retention amounts and deductibles. We are in discussions with Motorola and their insurers regarding the availability of applicable insurance coverage for each of the individual cases. Motorola and NXP have denied liability for these alleged injuries based on numerous defenses.

9 Related-Party Transactions

The Company's related parties are the members of the board of directors of NXP Semiconductors N.V., the members of the management team of NXP Semiconductors N.V., equity-accounted investees and Qualcomm Incorporated. As of the divestment of the SP business on February 7, 2017, the newly formed Nexperia has become a related party.

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

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

	For the three months ended	
	April 2, 2017	April 3, 2016
Revenue	8	12
Purchase of goods and services	20	20

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

	April 2, 2017	December 31, 2016
Receivables	41	13
Payables and accruals	105	29

As part of the divestment of the SP business, we entered into a lease commitment to Nexperia in the amount of \$41 million and committed \$50 million to an investment fund affiliated with Nexperia's owners.

10 Restructuring

At each reporting date, we evaluate our restructuring liabilities, which consist primarily of termination benefits, to ensure that our accruals are still appropriate.

The following table presents the changes in restructuring liabilities in 2017, by segment:

	Balance January 1, 2017	Additions	Utilized	Released	Other changes	Balance April 2, 2017
HPMS	148	7	(26)	(16)	1	114
SP	3	—	—	—	(3)	—
Corporate and Other	—	—	—	—	3	3
	151	7	(26)	(16)	1	117

The total restructuring liability as of April 2, 2017 of \$117 million is classified in the consolidated balance sheet under current liabilities (\$95 million) and non-current liabilities (\$22 million).

The components of the restructuring charges recognized in the consolidated statements of operations, for each of the three month periods ended April 2, 2017 and April 3, 2016 are as follows:

	For the three months ended	
	April 2, 2017	April 3, 2016
Personnel lay-off costs	7	14
Other exit costs	1	7
Release of provisions/accruals	(16)	(1)
Net restructuring charges	(8)	20

These restructuring charges, for the periods indicated, are included in the following line items in the consolidated statement of operations:

	For the three months ended	
	<u>April 2, 2017</u>	<u>April 3, 2016</u>
Cost of revenue	1	4
Selling, general and administrative	3	5
Research and development	(12)	11
Net restructuring charges	(8)	20

11 Benefit/Provision for Income Taxes

Benefit/provision for income taxes:

	For the three months ended	
	<u>April 2, 2017</u>	<u>April 3, 2016</u>
Tax expense (benefit)	230	(199)
Effective tax rate	14.9%	(33.9)%

Our effective tax rate reflects the impact of tax incentives, a portion of our earnings being taxed in foreign jurisdictions at rates different than the Netherlands statutory tax rate, and the relative mix of income and losses across those jurisdictions. Our effective tax rate for the first three months of 2017 was an expense of 14.9% compared with a benefit of 33.9% for the first three months of 2016. The significant change in our effective tax rate was primarily due to the significant Netherlands tax expense related to the divestment of the SP business, which contemplates the beneficial impact of the Dutch innovation box, offset by the tax benefit on the amortization of purchase accounting adjustments related to Freescale.

The Company benefits from income tax incentives in certain jurisdictions which provide that we pay reduced income taxes in those jurisdictions for a fixed period of time that varies depending on the jurisdiction. The predominant income tax holiday is expected to expire at the end of 2024. The impact of this tax holiday decreased foreign taxes by \$5 million and \$4 million for the first quarters of 2017 and 2016, respectively. The benefit of this tax holiday on net income per share (diluted) was \$0.01 for the first quarter of 2017 and \$0.01 for the first quarter of 2016.

12 Segment Information

Prior to February 6, 2017, NXP was organized into two reportable segments, High Performance Mixed Signal (“HPMS”) and Standard Products (“SP”). As of February 6, 2017, the SP reportable segment was divested and HPMS remains as the sole reportable segment. Corporate and Other represents the remaining portion to reconcile to the Consolidated Financial Statements.

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

Because the Company meets the criteria for aggregation set forth under ASC 280 “Segment Reporting”, and the operating segments have similar economic characteristics, the Company aggregates the results of operations of the Automotive, Secure Identification Solutions, Secure Connected Devices and Secure Interfaces and Infrastructure operating segments into one reportable segment, HPMS, and prior to February 6, 2017, the Standard Products and General Purpose Logic operating segments into another reportable segment, SP.

Revenue and operating income (loss)

	For the three months ended	
	<u>April 2, 2017</u>	<u>April 3, 2016</u>
Revenue		
HPMS	2,011	1,911
SP	118	274
Corporate and Other 1)	82	39
	<u>2,211</u>	<u>2,224</u>

	For the three months ended	
	<u>April 2, 2017</u>	<u>April 3, 2016</u>
Operating income (loss)		
HPMS	81	(486)
SP	31	39
Corporate and Other 1)	1,567	(24)
	<u>1,679</u>	<u>(471)</u>

- 1) Corporate and Other is not a segment under ASC 280 "Segment Reporting". Corporate and Other includes revenue related to Manufacturing Operations, unallocated expenses not related to any specific business segment and corporate restructuring charges. The gain on the sale of the divestment of SP business is included in the operating income of Corporate and Other.