



## **NXP Semiconductors Announces Third Quarter 2010 Results**

*GAAP revenue up 13%, comparable revenue up 25%, compared to Q3 2009  
Six consecutive quarters of growth and improved profitability*

- Year-on-year comparable revenue growth 25% for NXP, 36% for High Performance Mixed Signal
- GAAP gross margin increased to 41.8 percent; non-GAAP gross margin rose to 42.8 percent
- GAAP operating margin increased to 10.7 percent; non-GAAP operating margin rose to 17.4 percent
- 12-month trailing adjusted EBITDA \$972 million
- Net debt reduced \$555 million this year to \$3,687 million; \$1 billion in maturities extended to 2018
- Completed IPO in August; \$450 million net proceeds to strengthen the balance sheet

*In this release NXP presents financial performance on both a GAAP and non-GAAP basis (defined later in this release). A reconciliation of GAAP to non-GAAP numbers can be found later in this release.*

*Comparable growth is a non-GAAP financial measure that reflects the relative changes in sales between periods adjusted for the effects of foreign currency exchange rate changes and material acquisitions and divestments, as well as reclassified product lines.*

**Eindhoven, The Netherlands, November 2, 2010** –NXP Semiconductors N.V. (Nasdaq: NXPI) today reported financial results for its third quarter 2010, and provided guidance for the fourth quarter.

“The third quarter represented our sixth consecutive quarter of growth and significant operational improvement, as we continue to execute on our High Performance Mixed Signal solutions strategy,” said Richard Clemmer, NXP Chief Executive Officer. “Compared to the year ago quarter, revenue was up 25 percent on a comparable basis and NXP achieved 17.4 percent non-GAAP operating margin as we continued to see good results from our Redesign Program.

“Our success in winning new designs in our focus areas contributed to market share gains in High Performance Mixed Signal over the past year. We’ve seen particular success in identification, automotive entertainment and networking, microcontrollers, base stations and lighting markets. Our HPMS business represents 70 percent of NXP Product Revenue and is now operating at 56.5 percent non-GAAP gross margin and 23.1 percent non-GAAP operating margin, with room for further margin expansion. And we continue to see growth in new design wins in HPMS as customers turn to NXP to help them optimize their electronic end equipment. Product Revenue is the combination of our HPMS and Standard Products segments.

“We also made significant progress during the quarter in improving NXP’s capital structure. We completed an IPO with \$450 million in net proceeds as well as a \$1 billion bond offering which extended debt maturities to 2018. We generated \$158 million in cash from operations during the quarter and since the end of last year, we have reduced net debt by \$555 million,” Clemmer said.

### **Third Quarter 2010 GAAP Results**

Revenue was \$1,213 million, an increase of 12.6 percent from a year ago and an increase of 1.0 percent compared to prior quarter. The third quarter of 2009 included \$136 million in revenue from our former Home segment, a major portion of which was divested in the first quarter of 2010. Support for this business is now included in our Manufacturing Operations segment.

Gross profit was \$507 million, or 41.8 percent of revenue. This compares to \$322 million, or 29.9 percent of revenue last year and \$472 million, or 39.3 percent of revenue in the prior quarter.

Operating income was \$130 million, or 10.7 percent of revenue. This compares to a loss of \$129 million a year ago, or 12.0 percent of revenue, and an income of \$93 million, or 7.7 percent of revenue in the prior quarter.

### **Third Quarter 2010 non-GAAP Results**

Revenue was \$1,213 million, an increase on a comparable basis of 25.2 percent from a year ago and an increase of 1.1 percent compared to prior quarter. In addition to market recovery, revenue increased from last year due to strength in NXP's High Performance Mixed Signal segment which grew faster than the market and faster than our Standard Products segment.

Gross profit was \$519 million, or 42.8 percent of revenue. This compares to \$370 million, or 34.4 percent of revenue a year ago and \$482 million, or 40.1 percent of revenue in prior quarter. Gross margin improvements from last year resulted primarily from our Redesign Program, higher factory utilization and a richer product mix due to successes in High Performance Mixed Signal. Compared to prior quarter, gross margin improvements resulted primarily from our Redesign Program and higher factory utilization.

Operating expenses were \$305 million, compared to \$323 million a year ago and \$299 million in prior quarter. Compared to the prior quarter, we increased R&D investments in High Performance Mixed Signal while at the same time reducing G&A expense primarily due to the Redesign Program.

Operating income was \$211 million, or 17.4 percent of revenue. This compares to \$49 million, or 4.5 percent of revenue a year ago, and \$185 million, or 15.4 percent a year ago. This was the sixth consecutive quarter of significant improvement in High Performance Mixed Signal operating margins.

### **Non-GAAP Financial Summary**

(\$ in millions)				Q3 2010 variance to	
	Q3 2009	Q2 2010	Q3 2010	Q3 2009	Q2 2010
Revenue	1,077	1,201	<b>1,213</b>	136	12
Gross profit	370	482	<b>519</b>	149	37
% of revenue	34.4%	40.1%	<b>42.8%</b>	8.4%	2.7%
Operating income	49	185	<b>211</b>	162	26
% of revenue	4.5%	15.4%	<b>17.4%</b>	12.9%	2.0%

## Financial Reconciliation - GAAP to non-GAAP (unaudited)

### NXP Semiconductors

#### Q3 2010

(\$ in millions except share data)	GAAP	PPA effects	Restructuring	Other Incidental	Reconciling items**	Non-GAAP
	<b>Revenue</b>	<b>1,213</b>	-	-	-	-
<b>Gross profit</b>	<b>507</b>	<b>(3)</b>	<b>(7)</b>	<b>(2)</b>	-	<b>519</b>
Research and development expense	(149)	-	7	(1)	-	(155)
Selling expense	(65)	-	-	-	-	(65)
General and administrative expense	(165)	(68)	(1)	(11)	-	(85)
Other income (expense) net	2	-	-	5	-	(3)
<b>Operating income</b>	<b>130</b>	<b>(71)</b>	<b>(1)</b>	<b>(9)</b>	-	<b>211</b>
<b>Net income attributable to stockholders</b>	<b>369*</b>	<b>(71)</b>	<b>(1)</b>	<b>(9)</b>	<b>333</b>	<b>117*</b>
Weighted average diluted shares outstanding during the period (thousands)	238,734	-	-	-	-	238,734
<b>Diluted earnings per common share attributable to stockholders</b>	<b>1.55</b>	-	-	-	-	<b>0.49</b>

\*Includes stock based compensation expense \$7M (excluding that, GAAP net income would be \$376 million, non-GAAP \$124 million)

#### Q2 2010

(\$ in millions except share data)	GAAP	PPA effects	Restructuring	Other Incidental	Reconciling items**	Non-GAAP
	<b>Revenue</b>	<b>1,201</b>	-	-	-	-
<b>Gross profit</b>	<b>472</b>	<b>(3)</b>	<b>(2)</b>	<b>(5)</b>	-	<b>482</b>
Research and development expense	(137)	-	2	1	-	(140)
Selling expense	(65)	-	-	-	-	(65)
General and administrative expense	(176)	(81)	10	(11)	-	(94)
Other income (expense) net	(1)	-	-	(3)	-	2
<b>Operating income</b>	<b>93</b>	<b>(84)</b>	<b>10</b>	<b>(18)</b>	-	<b>185</b>
<b>Net income (loss) attributable to stockholders</b>	<b>(362)*</b>	<b>(84)</b>	<b>10</b>	<b>(18)</b>	<b>(363)</b>	<b>93*</b>
Weighted average diluted shares outstanding during the period (thousands)	215,252	-	-	-	-	216,435
<b>Diluted earnings (loss) per common share attributable to stockholders</b>	<b>(1.68)</b>	-	-	-	-	<b>0.43</b>

\*Includes stock based compensation expense \$7M (excluding that, GAAP net loss would be \$355 million, non-GAAP net income \$100 million)

**Q3 2009**

(\$ in millions except share data)						
	GAAP	PPA effects	Restructuring	Other Incidental	Reconciling items**	Non-GAAP
<b>Revenue</b>	<b>1,077</b>	-	-	-	-	<b>1,077</b>
<b>Gross profit</b>	<b>322</b>	<b>(3)</b>	<b>16</b>	<b>(61)</b>	-	<b>370</b>
Research and development expense	(172)	-	(2)	-	-	(170)
Selling expense	(82)	-	(1)	2	-	(83)
General and administrative expense	(160)	(83)	(10)	3	-	(70)
Other income (expense) net	(37)	-	(1)	(38)	-	2
<b>Operating income (loss)</b>	<b>(129)</b>	<b>(86)</b>	<b>2</b>	<b>(94)</b>	-	<b>49</b>
<b>Net income (loss) attributable to stockholders</b>	<b>418*</b>	<b>(86)</b>	<b>2</b>	<b>(94)</b>	<b>648</b>	<b>(52)*</b>
Weighted average diluted shares outstanding during the period (thousands)	216,429	-	-	-	-	215,252
<b>Diluted earnings (loss) per common share attributable to stockholders</b>	<b>1.93</b>	-	-	-	-	<b>(0.24)</b>

\*Includes stock based compensation expense \$5M (excluding that, GAAP net income would be \$423 million, non-GAAP net loss \$47 million).

"PPA effects" reflect the net impact of acquisition accounting applied to the Formation of NXP on September 29, 2006 and all subsequent acquisitions. "Other incidental items" consist of process and product transfer costs (which refer to the costs incurred in transferring a production process and products from one manufacturing site to another), costs related to our separation from Philips and gains and losses resulting from our divestment activities. We present other incidental items in our analysis of our results of operations because these costs, gains and losses, have affected the comparability of our results over the years.

**\*\*Reconciling Items in non-GAAP net income calculation:**

(\$ in millions)	Q3 2009	Q2 2010	Q3 2010
<b>Excluded:</b>			
Foreign exchange gain (loss) on debt	142	(330)	<b>323</b>
Gain on extinguishment of long term debt	528	-	<b>55</b>
Other financial expense	(18)	(5)	<b>(19)</b>
Provision for income taxes	(13)	(1)	<b>(28)</b>
Results relating to equity-accounted investees	-	(29)	<b>(5)</b>
<b>Added:</b>			
Cash Taxes	(9)	(2)	<b>(7)</b>
<b>Total</b>	<b>648</b>	<b>(363)</b>	<b>333</b>

## Segment Results

### Segment Revenue

(\$ in millions)	Q3 2009	Q2 2010	Q3 2010	Q3 2010 variance to	
				Q3 2009	Q2 2010
High Performance Mixed Signal	547	719	715	168	(4)
Standard Products	256	289	314	58	25
Product Revenue	803	1,008	1,029	226	21
Manufacturing Operations	96	154	148	52	(6)
Corporate and Other	42	39	36	(6)	(3)
Divested Home Activities	136	-	-	(136)	-
Total NXP revenue	1,077	1,201	1,213	136	12

### High Performance Mixed Signal Segment Results

(\$ in millions, unless otherwise stated)	Q3 2009	Q2 2010	Q3 2010	Q3 2010 variance to	
				Q3 2009	Q2 2010
Revenue	547	719	715	168	(4)
% of Product Revenue	68.1%	71.3%	69.5%	1.4%	(1.8)%
GAAP gross profit	242	379	403	161	24
% of revenue	44.2%	52.7%	56.4%	12.2%	3.7%
Non-GAAP gross profit	251	378	404	153	26
% of revenue	45.9%	52.6%	56.5%	10.6%	3.9%
Operating income	7	97	120	113	23
% of revenue	1.3%	13.5%	16.8%	15.5%	3.3%
Non-GAAP operating income	74	150	165	91	15
% of revenue	13.5%	20.9%	23.1%	9.6%	2.2%

- Revenue in the third quarter was \$715 million, an increase of 35.7 percent from last year on a comparable basis with strength across all four High Performance Mixed Signal focus areas. Compared to prior quarter, revenue was essentially flat as capacity constraints limited our growth potential in certain identification, microcontroller and automotive areas while at the same time, in specific consumer and PC market areas, demand was not as strong as prior quarter.
- Non-GAAP gross margin reached 56.5 percent compared to 45.9 percent last year and 52.6 percent in the prior quarter. Gross margin improvements from last year resulted primarily from our Redesign Program as well as higher revenue and factory utilization. Compared to prior quarter, gross margin improvements resulted primarily from our Redesign Program and higher factory utilization.
- Non-GAAP operating margin reached 23.1 percent, an increase of almost 10 points compared to last year, and the sixth consecutive quarterly increase.
- During the quarter NXP announced the acquisition of Jennic, a leading developer of low power RF solutions for wireless applications. Jennic's state-of-the-art portfolio of complementary 802.15.4 and Zigbee technologies provides NXP with a comprehensive wireless semiconductor platform for emerging technologies including eMetering, smart lighting, building automation, asset tracking and device remote controls.

## Standard Products Segment Results

(\$ in millions, unless otherwise stated)

	Q3 2009	Q2 2010	Q3 2010	Q3 2010 variance to	
				Q3 2009	Q2 2010
Revenue	256	289	<b>314</b>	58	25
% of Product Revenue	31.9%	28.7%	<b>30.5%</b>	(1.4)%	1.8%
GAAP gross profit	50	89	<b>109</b>	59	20
% of revenue	19.5%	30.8%	<b>34.7%</b>	15.2%	3.9%
Non-GAAP gross profit	57	90	<b>110</b>	53	20
% of revenue	22.3%	31.1%	<b>35.0%</b>	12.7%	3.9%
Operating income (loss)	(4)	29	<b>55</b>	59	26
% of revenue	(1.6)%	10.0%	<b>17.5%</b>	19.1%	7.5%
Non-GAAP operating income	21	49	<b>70</b>	49	21
% of revenue	8.2%	17.0%	<b>22.3%</b>	14.1%	5.3%

- Revenue in the third quarter was \$314 million, a comparable increase of 26.6 percent from last year and 8.8 percent from prior quarter. Strength was seen across most product areas as we were able to increase output to meet higher customer demands.
- Non-GAAP gross margin, at 35.0 percent, was unusually high this quarter due to a number of favorable factors including very high utilization, strong pricing and the impact of the Redesign Program.
- Non-GAAP operating margin reached 22.3 percent, an increase of approximately 5 points compared to prior quarter.

## Capital Structure

- In July, NXP completed bond transactions to extend the maturities of approximately \$1 billion of debt to 2018.
- In August, NXP completed its IPO and listed 34 million new shares on the NASDAQ Global Select Market under the ticker symbol "NXPI".
- In the quarter, NXP generated \$158 million of operating cash flow, net of \$60 million in payments related to the Redesign Program.
- Since the beginning of the Redesign Program in September 2008 through the end of the third quarter 2010, \$614 million of restructuring costs have been paid out, and we estimate that the total program costs will be no greater than \$725 million through the end of 2011.
- During the quarter, proceeds from the IPO plus cash generated from operations were used to buy back \$461 million of outstanding debt and repay \$100 million on our revolving credit facility.
- Cash balance at the end of the quarter was \$962 million.
- More recently, in October, Standard & Poor's upgraded NXP's corporate credit rating to "B-".

## Additional Information

- Orders related to Product Revenues were \$871 million in the third quarter, a reduction from prior quarter as lead times for some products moved toward more normal levels and customers, particularly distributors, adjusted their orders.
- NXP inventory was \$504 million in the third quarter compared to \$599 million a year ago and \$470 million in the prior quarter, as we were able to rebuild certain depleted inventories during the third quarter. Inventory turns (based on COGS) were 65 days in third quarter compared to 76 days a year ago and 59 days in the prior quarter.
- Utilization in our wafer fabs averaged 99 percent in the third quarter compared to 73 percent a year ago and 96 percent in the prior quarter. Capacity expansion plans are underway and begin to impact later this year and

throughout 2011. The largest investments are in our SSMC wafer fab in Singapore which primarily supports the high growth areas of our High Performance Mixed Signal business.

- Net capital expenditures on property, plant and equipment were \$67 million in the third quarter and \$166 million year-to-date, compared to \$42 million year-to-date last year.
- SSMC, our joint-venture wafer fab with TSMC which we consolidate, reported third quarter operating income of \$31 million, EBITDA of \$43 million and had an ending cash balance of \$318 million.
- Stock based compensation expense, which is included in our GAAP and non-GAAP operating income, was \$7 million in the third quarter compared to \$5 million in the year ago quarter and \$7 million in the prior quarter.

#### **Fourth Quarter Outlook**

During the quarter, as lead times continued to move toward more normal levels for most of our products, and customers gained more confidence in their ability to obtain product, we began to see adjustments in order patterns. While demand in our large Identification and Automotive businesses remains strong, we are seeing some mixed signals in certain consumer, PC and industrial markets. We believe the signs we are seeing point to a semiconductor market that is transitioning to more normal seasonal growth patterns.

We expect Product Revenue in the fourth quarter to be relatively flat sequentially, on a comparable basis. Non-GAAP operating income is expected to be up 3 percent to 7 percent sequentially as our margins continue to benefit from the results of our Redesign Program.

*A portion of NXP's Product Revenue is denominated in currencies other than its U.S. dollar reporting currency. Due to the difficulty of forecasting fluctuations in foreign currency exchange rates relative to the U.S. dollar, primarily the Euro, NXP provides revenue guidance only on a "comparable basis". With respect to the Euro, these fluctuations tend to be offset by fluctuations in Euro based cost such that there is minimal impact on operating income.*

#### **Conference Call and Webcast Information**

NXP will host a conference call to discuss its results and outlook today at 8:00 a.m. U.S. Eastern Time (1:00 p.m. Central European Time). To listen to the webcast, please visit the Investor Relations section of the NXP website at [http://www.nxp.com/Q3\\_2010\\_Results](http://www.nxp.com/Q3_2010_Results). The webcast will be recorded and available for replay shortly after the call concludes.

#### **About NXP Semiconductors**

NXP Semiconductors N.V. (Nasdaq: NXPI) provides High Performance Mixed Signal and Standard Product solutions that leverage its leading RF, Analog, Power Management, Interface, Security and Digital Processing expertise. These innovations are used in a wide range of automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. Headquartered in Europe, the company has approximately 28,000 employees working in more than 25 countries and posted revenue of US\$ 3.8 billion in 2009. For more information visit [www.nxp.com](http://www.nxp.com).

#### **Forward-looking Statements**

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 our SEC filings. Copies of our filings are available from our Investor Relations department or from the SEC website, [www.sec.gov](http://www.sec.gov).



**NXP Semiconductors****Interim condensed consolidated statements of operations (unaudited)**

(\$ in millions except share data)

	For the three months ended		
	Q3 2009	Q2 2010	Q3 2010
<b>Revenue</b>	1,077	1,201	<b>1,213</b>
Cost of revenue	(755)	(729)	<b>(706)</b>
<b>Gross profit</b>	322	472	<b>507</b>
Research and development expense	(172)	(137)	<b>(149)</b>
Selling expense	(82)	(65)	<b>(65)</b>
General and administrative expense	(160)	(176)	<b>(165)</b>
Total operating expense	(414)	(378)	<b>(379)</b>
Other income (expense)	(37)	(1)	<b>2</b>
<b>Operating income (loss)</b>	(129)	93	<b>130</b>
<b>Financial income (expense):</b>			
Interest income (expense) net	(82)	(78)	<b>(80)</b>
Foreign exchange gain (loss) on debt	142	(330)	<b>323</b>
Gain on extinguishment of long term debt	528	-	<b>55</b>
Other financial expense	(18)	(5)	<b>(19)</b>
<b>Income (loss) before taxes</b>	441	(320)	<b>409</b>
Provision for income taxes	(13)	(1)	<b>(28)</b>
<b>Income (loss) after taxes</b>	428	(321)	<b>381</b>
Results relating to equity-accounted investees	-	(29)	<b>(5)</b>
<b>Net income (loss)</b>	428	(350)	<b>376</b>
Net income (loss) attributable to non-controlling interests	(10)	(12)	<b>(7)</b>
Net income (loss) attributable to stockholders	418	(362)	<b>369</b>
Weighted average number of shares outstanding during the period (thousands)			
-Basic	215,252	215,252	<b>237,295</b>
-Diluted	216,429	215,252	<b>238,734</b>
<b>Earnings (loss) per common share attributable to stockholders</b>			
-Basic	1.94	(1.68)	<b>1.56</b>
-Diluted	1.93	(1.68)	<b>1.55</b>

1) As adjusted for the impact of the 1:20 reverse stock split.

**NXP Semiconductors**  
**Interim condensed consolidated balance sheets (unaudited)**

(\$ in millions unless otherwise stated)	Sep 27, 2009	Jul 4, 2010	Oct 3, 2010
<b>Current assets:</b>			
Cash and cash equivalents	1,061	842	962
Receivables:			
Accounts receivable – net	503	524	520
Other receivables	74	64	50
Total receivables	577	588	570
Assets held for sale	-	47	47
Inventories	599	470	504
Other current assets	145	162	140
<b>Total current assets</b>	<b>2,382</b>	<b>2,109</b>	<b>2,223</b>
<b>Non-current assets:</b>			
Investments in equity-accounted investees	48	166	159
Other non-current financial assets	21	36	20
Other non-current assets	367	170	148
Property, plant and equipment	1,474	1,188	1,205
Intangible assets excluding goodwill	2,111	1,592	1,641
Goodwill	2,708	2,294	2,515
<b>Total non-current assets</b>	<b>6,729</b>	<b>5,446</b>	<b>5,688</b>
<b>Total assets</b>	<b>9,111</b>	<b>7,555</b>	<b>7,911</b>
<b>Current liabilities:</b>			
Accounts and notes payable	511	619	619
Liabilities held for sale	-	26	29
Accrued liabilities	834	559	559
Short-term provisions	80	186	133
Other current liabilities	107	42	48
Short-term debt	610	609	509
<b>Total current liabilities</b>	<b>2,142</b>	<b>2,041</b>	<b>1,897</b>
<b>Non-current liabilities:</b>			
Long-term debt	4,703	4,447	4,140
Long-term provisions	835	380	458
Other non-current liabilities	105	111	111
<b>Total non-current liabilities</b>	<b>5,643</b>	<b>4,938</b>	<b>4,709</b>
Non-controlling interests	189	219	226
Stockholder's equity	1,137	357	1,079
<b>Total equity</b>	<b>1,326</b>	<b>576</b>	<b>1,305</b>
<b>Total liabilities and equity</b>	<b>9,111</b>	<b>7,555</b>	<b>7,911</b>

## NXP Semiconductors -

### Interim condensed consolidated statements of cash flows (unaudited)

(\$ millions unless otherwise stated)

	For the three months ended		
	Q3 2009	Q2 2010	Q3 2010
<b>Cash Flows from operating activities</b>			
<b>Net income (loss)</b>	428	(350)	<b>376</b>
Adjustments to reconcile net income (loss) to net cash provided (used for):			
Depreciation and amortization	202	169	<b>162</b>
Impairment goodwill and other intangibles	-	-	-
Impairment assets held for sale	-	-	-
Net (gain) loss on sale of assets	38	1	<b>(7)</b>
Gain on extinguishment of debt	(528)	-	<b>(55)</b>
Results relating to equity accounted investees	-	28	<b>6</b>
Dividends paid to non-controlling interests	-	-	<b>(1)</b>
<b>Changes in operating assets and Liabilities:</b>			
(Increase) decrease in trade receivables	(20)	(24)	<b>43</b>
(increase) decrease in inventories	19	1	<b>(24)</b>
Increase (decrease) in trade payables	19	71	<b>(20)</b>
<b>Changes in trade working capital</b>	<b>18</b>	<b>48</b>	<b>(1)</b>
(Increase) decrease in other receivables	11	11	<b>64</b>
Increase (decrease) in other payables	(34)	(166)	<b>(42)</b>
Changes in provisions	(57)	(3)	<b>(29)</b>
Changes in deferred taxes	22	(28)	<b>56</b>
Exchange differences	(156)	363	<b>(382)</b>
Other items	5	8	<b>11</b>
<b>Net cash provided by (used for) operating activities</b>	<b>(51)</b>	<b>81</b>	<b>158</b>
<b>Cash flows from investing activities:</b>			
Purchase of intangible assets	(3)	(1)	<b>(2)</b>
Capital expenditures on property, plant and equipment	(11)	(76)	<b>(69)</b>
Proceeds from disposals of property, plant and equipment	2	24	<b>2</b>
Proceeds from disposals of assets held for sale	-	-	-
Proceeds from the sale of securities	-	-	-
Purchase of other non-current financial assets	-	-	<b>(1)</b>
Proceeds from the sale of other non-current financial assets	-	-	<b>27</b>
Purchase of interests in businesses	-	-	<b>(8)</b>
Proceeds from (consideration related to) sale of interests in businesses	3	-	-
<b>Net cash (used for) provided by investing activities</b>	<b>(9)</b>	<b>(53)</b>	<b>(51)</b>
<b>Cash flows from financing activities:</b>			
Net (repayments) borrowings of short-term debt	2	(2)	-
Amounts drawn under the revolving credit facility	200	-	-
Repayments under the revolving credit facility	(200)	-	<b>(100)</b>
Repurchase of long-term debt	(286)	(1)	<b>(1,370)</b>
Net proceeds from the issuance of long-term debt	-	-	<b>974</b>
Principal payments on long-term debt	-	-	<b>(1)</b>
Net proceeds from the issuance of common stock	-	-	<b>450</b>
<b>Net cash provided by (used for) financing activities</b>	<b>(284)</b>	<b>(3)</b>	<b>(47)</b>
Effect of changes in exchange rates on cash positions	32	(53)	<b>60</b>
Increase (decrease) in cash and cash equivalents	(312)	(28)	<b>120</b>
Cash and cash equivalents at beginning of period	1,373	870	<b>842</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,061</b>	<b>842</b>	<b>962</b>

For a number of reasons, principally the effects of translation differences and consolidation changes, certain items in the statements of cash flows do not correspond to the differences between the balance sheet amounts for the respective items.

## **Non-GAAP Reporting**

Certain information referred to in this release, including “comparable growth”, “non-GAAP gross margin”, “non-GAAP operating margin”, and “EBITDA”, has not been derived in accordance with generally accepted accounting principles (GAAP). Reconciliations of these non-GAAP measures to the most comparable measure calculated in accordance with GAAP are provided in this release. Non-GAAP information should not be considered a substitute for any information derived or calculated in accordance with GAAP. We provide this information because our management uses it in assessing performance and allocating resources among our various segments and because the financial community uses it in its analysis of NXP's operating performance, historical results and projections of NXP's future operating results. The non-GAAP measures used herein are not measures of financial performance or condition, liquidity or profitability in accordance with GAAP, and should not be considered as alternatives to net income (loss), operating income, or any other performance measures determined in accordance with GAAP. Our use of the terms non-GAAP gross profit, non-GAAP operating income and Adjusted EBITDA varies from others in our industry. Adjusted EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments, debt service requirements and replacement of fixed assets. Adjusted EBITDA and non-GAAP operating income have limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of NXP's financial results as reported under GAAP.

## **Segments**

### **Q3 2010**

(\$ in millions)					
	<u>GAAP</u>	<u>PPA effects</u>	<u>Restructuring</u>	<u>Other Incidentals</u>	<u>Non-GAAP</u>
Gross profit					
HPMS	403	(1)	-	-	404
Standard Products	109	-	(1)	-	110
Manufacturing Operations	2	(2)	(6)	(2)	12
Corporate and Other	(7)	-	-	-	(7)
Divested Home Activities	-	-	-	-	-
Total NXP	507	(3)	(7)	(2)	519
Operating income (loss)					
HPMS	120	(48)	5	(2)	165
Standard Products	55	(14)	(1)	-	70
Manufacturing Operations	(8)	(7)	(6)	(2)	7
Corporate and Other	(37)	(2)	1	(5)	(31)
Divested Home Activities	-	-	-	-	-
Total NXP	130	(71)	(1)	(9)	211

### **Q2 2010**

(\$ in millions)					
	<u>GAAP</u>	<u>PPA effects</u>	<u>Restructuring</u>	<u>Other Incidentals</u>	<u>Non-GAAP</u>
Gross profit					
HPMS	379	(1)	2	-	378
Standard Products	89	-	(1)	-	90
Manufacturing Operations	(6)	(2)	(3)	(5)	4
Corporate and Other	10	-	-	-	10
Divested Home Activities	-	-	-	-	-
Total NXP	472	(3)	(2)	(5)	482
Operating income (loss)					
HPMS	97	(58)	5	-	150
Standard Products	29	(19)	(1)	-	49
Manufacturing Operations	(13)	(7)	(2)	(4)	-

Corporate and Other	(20)	-	8	(14)	(14)
Divested Home Activities	-	-	-	-	-
<b>Total NXP</b>	<b>93</b>	<b>(84)</b>	<b>10</b>	<b>(18)</b>	<b>185</b>

### **Q3 2009**

(\$ in millions)					
	<u>GAAP</u>	<u>PPA effects</u>	<u>Restructuring</u>	<u>Other Incidentals</u>	<u>Non-GAAP</u>
<b>Gross profit</b>					
HPMS	242	(1)	(5)	(3)	251
Standard Products	50	(1)	(2)	(4)	57
Manufacturing Operations	(15)	(1)	24	(53)	15
Corporate and Other	(7)	-	(1)	(1)	(5)
Divested Home Activities	52	-	-	-	52
<b>Total NXP</b>	<b>322</b>	<b>(3)</b>	<b>16</b>	<b>(61)</b>	<b>370</b>
<b>Operating income (loss)</b>					
HPMS	7	(57)	(5)	(5)	74
Standard Products	(4)	(19)	(2)	(4)	21
Manufacturing Operations	(56)	(7)	22	(79)	8
Corporate and Other	(55)	(1)	(13)	(4)	(37)
Divested Home Activities	(21)	(2)	-	(2)	(17)
<b>Total NXP</b>	<b>(129)</b>	<b>(86)</b>	<b>2</b>	<b>(94)</b>	<b>49</b>

### **NXP Semiconductors - Adjusted EBITDA**

(\$ in millions)	<u>Q3 2009</u>	<u>Q2 2010</u>	<u>Q3 2010</u>
<b>Net Income</b>	428	(350)	376
Financial income (expense)	(570)	413	(279)
Provision for income taxes	13	1	28
Depreciation	113	83	91
Amortization	89	86	71
<b>EBITDA</b>	73	233	287
Results of equity-accounted investees	-	29	5
Restructuring <sup>1)</sup>	6	(11)	-
Other incidental items <sup>1)</sup>	68	18	9
<b>Adjusted EBITDA</b>	147	269	301
<b>Adjusted EBITDA - last 12 months</b>	206	818	972

1) Excluding depreciation property, plant and equipment related to restructuring cost and other incidental items (Q3 2009: restructuring \$8 million, other incidental items minus \$26 million; Q2 2010: restructuring \$1 million; Q3 2010: restructuring \$1 million).

## Comparable revenue growth calculation

Percent	Q3 2010 versus Q3 2009				Q3 2010 versus Q2 2010			
	Nominal growth	Currency effects	Consolidation changes	Comparable growth	Nominal growth	Currency effects	Consolidation changes	Comparable growth
HPMS	30.7	5.0	-	35.7	(0.6)	0.1	-	(0.5)
Standard Products	22.7	3.9	-	26.6	8.7	0.1	-	8.8
Product Revenue	28.1	4.7	-	32.8	2.1	0.1	-	2.2
Manufacturing Operations	54.2	-	(75.0)	(20.8)	(3.9)	-	-	(3.9)
Corporate and Other	(14.3)	0.5	-	(13.8)	(7.7)	-	-	(7.7)
Total NXP	12.6	4.0	8.6	25.2	1.0	0.1	-	1.1

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

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