
**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**

March 3, 2009

Commission File Number: 333-142287

NXP B.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 the quarterly report of NXP B.V. (the “Company”) for the three months ended December 31, 2008, as furnished to the holders of the Company’s debt securities. This report also contains a copy of the press release entitled “NXP Semiconductors Announces Fourth Quarter 2008 Results,” dated 3 March, 2008.

Exhibits

1. Quarterly report of NXP Semiconductors Group
2. Press Release, dated 3 March, 2009.

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 3rd of March, 2009.

NXP B.V.

/s/ KARL-HENRIK SUNDSTRÖM

Karl-Henrik Sundström
(Chief Financial Officer)

NXP Semiconductors

Quarterly report of the NXP Group for the 4th quarter ended December 31, 2008

- Fourth quarter sales at USD 979* million compared to USD 1,678 million in the fourth quarter of 2007 and USD 1,216* million in the third quarter of 2008
- Comparable year-on-year sales decrease of 25.6% and comparable sequential sales decline of 21.9%
- Fourth quarter Adjusted EBITDA at USD 41 million, compared to USD 349 million in the fourth quarter of 2007 and USD 147 million in the third quarter of 2008
- Cash position of USD 1,796 million at the end of the fourth quarter including utilization of the revolving credit facility of USD 400 million
- Net cash used for operating activities in the fourth quarter of 2008 at USD 132 million, excluding redesign charges of USD 48 million
- Considerable advances made towards the execution of the redesign plans announced during the third quarter of 2008
- Factory loading 56% in the fourth quarter of 2008 compared to 68% in the third quarter of 2008 and 84% in the fourth quarter of 2007 resulting from the lower demand as a consequence of the unprecedented economic downturn in our industry
- Book to bill ratio in the fourth quarter of 2008 at 0.71 compared to 1.00 in the third quarter of 2008

* excluding wafer sales to ST-NXP Wireless JV and the July 2008 sales of the divested wireless business.

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 or raise sufficient capital 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.

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 update forward-looking statements after we distribute this document. In addition, this document contains information concerning the semiconductor industry, our market segments and business units 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.

Use of non-US GAAP information

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

A discussion of the non-US GAAP measures included in this document and a reconciliation of such measures to the most directly comparable US GAAP measure(s) are contained in this document.

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.



Table of Contents

| | <u>Page</u> |
|--|-------------|
| Introduction | 2 |
| Report on the performance of the NXP Group: | |
| Fourth quarter 2008 compared to fourth quarter 2007 | 3 |
| Group performance | 5 |
| Performance by segment | 13 |
| Fourth quarter 2008 compared to third quarter 2008 | |
| Full-year 2008 compared to full-year 2007 | |
| Liquidity and capital resources | 19 |
| Subsequent events | 20 |
| Outlook | 20 |
| Group Financial Statements: | |
| Consolidated statements of operations | 21 |
| Consolidated balance sheets | 22 |
| Consolidated statements of cash flows | 23 |
| Consolidated statements of changes in shareholder's equity | 24 |
| Information by segments | 25 |
| Main countries | 26 |
| Reconciliation of non-US GAAP information | 27 |
| Supplemental Guarantor information | |
| Quarterly statistics | 33 |

Table of Contents

Introduction

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

As from January 1, 2008, the Company has changed its reporting currency from Euro to US dollar in order to be more aligned with the semiconductor market and for comparison reasons with its peers.

The functional currency of the various entities in NXP's group consolidation has not changed.

For consolidation purposes, the financial statements of those entities, including the parent company NXP B.V., with a functional currency other than the US dollar, are translated into US dollar. Assets and liabilities are translated using the exchange rates on the respective balance sheet dates. Income and expense items in the statements of operations and cash flows are translated at monthly exchange rates. The effects of translating the financial position and results of operations from local functional currencies are reported as a component of 'Accumulated other comprehensive income' in the consolidated statements of changes in shareholder's equity. Financial data of previously reported periods are recalculated and the consequential effect on the line items in the financial statements is recorded as a translation difference in 'Accumulated other comprehensive income'.

The Company concluded that the (retrospective) change in reporting currency is justified under the provisions of SFAS No. 52.

[Table of Contents](#)

Fourth quarter 2008 compared to fourth quarter 2007

- all amounts in millions of US dollars unless otherwise stated; data included are unaudited
- financial reporting in accordance with US GAAP
- the total purchase price paid for the acquisition of all of NXP's issued and outstanding shares by KASLION Acquisition B.V. on September 29, 2006 has been pushed down to NXP B.V. and allocated to the fair value of assets acquired and liabilities assumed. Reference is also made to footnote 1 of NXP's Annual Report 2007. The impact on the 2008 financial results of the purchase price accounting ("PPA") used in connection with this acquisition and subsequent acquisitions and divestments has been separately provided; adjusted financial results are also provided to eliminate the impact of these accounting effects. This presentation does not comply with US GAAP; however, the Company believes it provides investors with a useful basis of comparison with prior year results
- Earnings before Interest and Taxes ("EBIT") as applied by the Company, has the same meaning as income from operations as presented in the accompanying consolidated financial statements
- Adjusted EBIT refers to EBIT adjusted for incidental items such as restructuring, litigation, IT system reorganization costs, exit of product lines, other non operations-related items, impairments and the effects of purchase price accounting
- comparable sales growth reflects relative changes in sales between periods adjusted for the effects of foreign currency exchange rate changes, material acquisitions, divestments and reclassified product lines (consolidation changes)
- our IC Manufacturing Operations segment has been renamed Manufacturing Operations

Recent Developments

Economic and financial crisis

We have been impacted significantly in the fourth quarter of 2008 by the unprecedented economic downturn in our industry. The financial crisis and semiconductor market conditions caused a rapid deterioration of demand towards the end of the third quarter especially in the automotive and consumer sectors. In the fourth quarter this deterioration broadened over all sectors leading to a sequential nominal sales decline of 25.3%. The lowered sales and decreased visibility severely impacted the utilization of our factories, which declined to 56% in the fourth quarter compared to 68% in the third quarter of 2008. Also, our book to bill ratio declined to 0.71 compared to 1.00 in the third quarter of 2008 as a consequence of which our visibility on future potential sales levels has declined. Margins were strongly affected by the lowered sales and related lower utilization of our factories, resulting in an EBIT loss of USD 258 million in the last quarter of 2008.

Redesign Program

On September 12, 2008, we announced a redesign program (the "Redesign Program") intended to right-size our cost base to match our revenue profile following the disposition of our wireless business.

The Redesign Program was intended to be completed by the end of 2010 and targeted a reduction in annual operating costs of USD 550 million, benchmarked against our 2008 forecast cost base, adjusted for the disposition of our wireless business. This reduction was to be delivered mainly through a significant restructuring of our manufacturing base, the refocusing and resizing of central research and development ("R&D"), and reductions in support functions, and was expected to affect approximately 4,500 employees globally.

As initially envisaged, planned savings in the manufacturing base of USD 300 million on a run-rate basis were intended to be realized by the end of 2010, with R&D and support functions costs expected to be reduced by approximately USD 250 million in 2009. The related cash expense of the restructuring was estimated at USD 800 million, of which USD 600 million would be spent in 2009, and the remainder in 2010.

Since the announcement of the Redesign Program, we have made significant progress in detailing the Redesign Program and deploying the required measures within NXP, including taking a restructuring charge of USD 500 million in the third quarter of 2008 and completing the required consultations with unions and employee representatives in each jurisdiction except France.

Table of Contents

In light of deteriorating financial and market conditions, beginning in the third quarter and then accelerating in the fourth quarter, we have now taken steps to accelerate and expand the Redesign Program. Savings are now expected to be realized more quickly than previously anticipated. We also expect that savings will be significantly higher than we originally estimated and also expect that the costs of the program will be lower than initially expected. We now estimate the costs of the program at USD 700 million rather than USD 800 million. As a result of this lower estimate and its impact on our actions notwithstanding the expansion of the program, in the fourth quarter we reversed a portion of the associated restructuring charge, reducing it from USD 500 million to USD 443 million in the fourth quarter.

Although we have made significant progress in implementing our Redesign Program, there can be no assurance that we will be able to realize the intended gains in full or on our intended timetable and at the expected cost. The expected U.S. dollar amount of savings may also be affected by currency fluctuations, as a portion of our cost base is denominated in currencies other than U.S. dollars.

Impairments and write down of tax assets

Conditions began to weaken from the third quarter of 2008, particularly in our Home business which was particularly strongly impacted by the weakened market environment in 2008 and which saw declines most strongly in the cathode ray tube (“CRT”) TV market and in the retail set top box (“STB”) business. Taking into account these developments, the current market environment, the divestiture of the wireless business and the implementation of the Redesign Program, the application of the impairment test resulted in the write-down of goodwill and intangibles of USD 714 million, recorded in the third quarter of 2008. We have not recognized a deferred tax asset associated with these impairment charges based on our estimates of future profitability, which had a substantial impact on our effective tax rate.

Revolving credit facility

At December 31, 2008, the Company had a senior secured revolving credit facility of USD 703 million (denominated: EUR 500 million) entered into on September 29, 2006, in order to finance working capital requirements and general corporate purposes, of which USD 298 million was unused as at end of the year.

On February 13, 2009, NXP received proceeds of USD 200 million by drawing under its available revolving credit facility. As of that date, the total amount drawn under the facility was USD 600 million, with approximately EUR 39 million of remaining availability after taking into account USD 5 million of bank guarantees under the facility.

Other information

Amounts and data included in this Quarterly report are unaudited, except for the full year 2008 information in the Group Financial Statements as set out on pages 21 to 33 of this Quarterly report that is based on NXP’s 2008 Group financial statements. In accordance with article 2:395 of the Netherlands Civil Code, we state that our auditor, Deloitte Accountants B.V., has issued an unqualified opinion on these 2008 Group financial statements.

For a better understanding of the Company’s financial position and results and of the scope of the audit of Deloitte Accountants B.V., this report should be read in conjunction with the financial statements from which these Group Financial Statements have been derived and the auditors’ report of Deloitte Accountants B.V. thereon issued on March 3, 2009.

We have published the US GAAP Group Financial Statements on March 3, 2009 on our website. The general meeting of shareholders has not yet adopted the financial statements.

[Table of Contents](#)

Group performance

Operational items

In millions of USD unless otherwise stated

| | <u>Q4 2007</u> | <u>Effects of PPA</u> | <u>Q4 2007 excl. PPA</u> | <u>Q4 2008</u> | <u>Effects of PPA</u> | <u>Q4 2008 excl. PPA</u> |
|---|--------------------|---------------------------|------------------------------|--------------------|---------------------------|----------------------------------|
| Sales | 1,678 | — | 1,678 | 1,026 | — | 1,026 |
| % nominal growth | 9.4 | | 9.4 | (38.9) | | (38.9) |
| % comparable growth | 9.3 | | 9.3 | (25.6) | | (25.6) |
| Gross margin | 636 | (32) | 668 | 186 | (10) | 196 |
| Selling expenses | (107) | — | (107) | (72) | — | (72) |
| General and administrative expenses: | | | | | | |
| – Impairment goodwill and other intangibles | — | — | — | (8) | — | (8) |
| – Other general and administrative expenses | (314) | (150) | (164) | (156) | (77) | (79) |
| Research and development expenses | (362) | — | (362) | (192) | (5) | (187) |
| Other income (expense) | 2 | — | 2 | (16) | — | (16) |
| EBIT | (145) | (182) | 37 | (258) | (92) | (166) |
| EBITA | (38) | (32) | (6) | (398) | (10) | (388) |
| EBITDA | 195 | — | 195 | (263) | — | (263) |
| Incidental items | (105) | — | (105) | (60) | — | (60) |
| Adjusted EBITA | | | 148 | | | (84) |
| Adjusted EBITDA | | | 349 | | | 41 |
| Employees in FTE | 37,627 | | | 30,174 | | |

[Table of Contents](#)

EBIT to Adjusted EBITDA

In millions of USD

| | Q4 2007 | Q4 2008 |
|--|------------|------------|
| EBIT | (145) | (258) |
| Exclude: | | |
| PPA effects amortization intangible fixed assets | 150 | 82 |
| PPA effects depreciation tangible fixed assets | 32 | 10 |
| Impairment goodwill and other intangibles | — | 8 |
| Exit of product lines | 12 | — |
| Restructuring costs | 38 | 41 |
| Other incidental items | 55 | 19 |
| Adjusted EBIT | 142 | (98) |
| Exclude: | | |
| Remaining amortization intangible fixed assets | 6 | 14 |
| Remaining depreciation tangible fixed assets | 201 | 125 |
| Adjusted EBITDA | 349 | 41 |

Key data excl. PPA, incidental items and impairment charge

In millions of USD unless otherwise stated

| | Year-on-year | | Sequential | | Year-to-date | |
|---|--------------|------------|------------|------------|--------------|------------|
| | Q4 2007 | Q4 2008 | Q3 2008 | Q4 2008 | Q4 2007 | Q4 2008 |
| Sales | 1,678 | 979 | 1,336 | 979 | 6,321 | 5,358 |
| Wireless business wafer sales | — | 47 | 38 | 47 | — | 85 |
| Total group sales | 1,678 | 1,026 | 1,374 | 1,026 | 6,321 | 5,443 |
| Sales growth % excl. wafer sales: | | | | | | |
| % nominal growth | 9.4 | (41.7) | (12.3) | (26.7) | 1.3 | (15.2) |
| % comparable growth | 9.3 | (25.6) | 1.0 | (21.9) | 1.4 | (6.6) |
| Gross margin | 706 | 211 | 414 | 211 | 2,414 | 1,771 |
| As % of sales | | | | | | |
| (excl. sales of wafers to wireless JV) | 42.1% | 21.6% | 31.0% | 21.6% | 38.2 | 33.1 |
| Selling expenses | (103) | (73) | (90) | (73) | (407) | (381) |
| General and administrative expenses | (129) | (46) | (110) | (46) | (455) | (418) |
| Research and development expenses | (338) | (176) | (235) | (176) | (1,308) | (1,092) |
| Other income | 6 | (14) | 28 | (14) | 28 | 23 |
| Adjusted EBIT | 142 | (98) | 7 | (98) | 272 | (97) |
| Adjusted EBITA | 148 | (84) | 15 | (84) | 297 | (57) |
| Adjusted EBITDA | 349 | 41 | 147 | 41 | 1,031 | 485 |
| Currency effects included in adjusted EBIT: | | | | | | |
| Sales - translation effect | | (20) | | (35) | | 88 |
| Gross margin - translation effect | | (6) | | (11) | | 48 |
| - currency contracts | 36 | (28) | (42) | (28) | 59 | (64) |
| Operating expenses - translation effect | | 16 | | 29 | | (101) |
| Total effect on adjusted EBIT(DA) | 36 | (18) | (42) | (10) | 59 | (117) |

[Table of Contents](#)

Sales

Sales by segment

In millions of USD unless otherwise stated

| | Year-on-year | | | | Sequential | | | |
|-----------------------------|--------------|-------|------------------|------------------|------------|-------|------------------|------------------|
| | Q4 | Q4 | % change | | Q3 | Q4 | % change | |
| | 2007 | 2008 | Nom. | Comp. | 2008 | 2008 | Nom. | Comp. |
| Mobile & Personal | 563 | 115 | (79.6) | (22.9) | 282 | 115 | (59.2) | (28.5) |
| Home | 241 | 223 | (7.5) | (31.0) | 212 | 223 | 5.2 | (18.6) |
| Automotive & Identification | 342 | 263 | (23.1) | (20.5) | 326 | 263 | (19.3) | (15.6) |
| MultiMarket Semiconductors | 426 | 307 | (27.9) | (26.9) | 425 | 307 | (27.8) | (24.7) |
| Manufacturing Operations | 76 | 47 | ● ⁽¹⁾ | ● ⁽¹⁾ | 69 | 47 | ● ⁽¹⁾ | ● ⁽¹⁾ |
| Corporate and Other | 30 | 24 | ● ⁽¹⁾ | ● ⁽¹⁾ | 22 | 24 | ● ⁽¹⁾ | ● ⁽¹⁾ |
| Sales ⁽²⁾ | 1,678 | 979 | | | 1,336 | 979 | | |
| Wafer sales wireless JV | — | 47 | ● ⁽¹⁾ | ● ⁽¹⁾ | 38 | 47 | ● ⁽¹⁾ | ● ⁽¹⁾ |
| Sales | 1,678 | 1,026 | (38.9) | (25.6) | 1,374 | 1,026 | (25.3) | (21.9) |

(1) Percentage not meaningful

(2) Excluding sales of wafers wireless JV

Sales

Sales, excluding sales of wafers to the wireless JV of USD 47 million, were USD 979 million for the 4th quarter of 2008 compared to USD 1,678 million for the 4th quarter of 2007, a decrease of 41.7 % on a nominal basis. The nominal sales decline was mainly due to consolidation changes of USD 319 million from the formation of the NuTune joint venture and ST-NXP Wireless (“ST-NXP”). On a comparable basis, sales declined by 25.6% due to the unprecedented economic downturn in the semiconductors industry. Furthermore, sales for the 4th quarter of 2008 were affected by an unfavorable currency effect of USD 20 million compared to the same quarter last year.

The weak economic environment in the 4th quarter of 2008 affected all segments. The remaining Mobile & Personal activities showed a sales decline of 22.9% on a comparable basis mainly driven by weak demand in the mobile phone market. Home segment sales decreased on a comparable basis by 31% due to the weak market for mainstream (retail) Set-Top Boxes and Can Tuners. The market for Flat TV retail sales also showed negative growth in the 4th quarter of 2008 compared to the same quarter last year. The Automotive & Identification business showed a 20.5% decline on a comparable basis. This followed a steep deterioration in the automotive market starting in the 3rd quarter of 2008. Sales in Identification were also weak. Sales in the MultiMarket segment declined by 26.9% on a comparable basis due to lower end customer demand and strong inventory control measures at distribution partners.

Nominal sales declined by 25.3% in the 4th quarter compared to the 3rd quarter of 2008. Sales were negatively affected by the divestment of our wireless activities which was only partly offset by the NuTune joint venture and acquired Conexant’s Broadband Media Processing activities. The sequential quarter-on-quarter comparable sales decreased by 21.9% compared to the 3rd quarter of 2008. The decline was across all of the business segments due to the weak economic environment experienced in the global market. In addition, sales for the 4th quarter were affected by an unfavorable currency effect of USD 35 million compared to the 3rd quarter of 2008.

Gross margin

Excluding PPA effects and incidental items, the gross margin was USD 211 million in the 4th quarter of 2008 compared to USD 706 million in the same quarter last year. The divestment of our wireless activities had a negative effect of USD 157 million on the gross margin. The gross margin was strongly affected by lower sales and related lower factory utilization (56% in the 4th quarter of 2008 compared to 84% in the 4th quarter of 2007). Furthermore, gross margin for the 4th quarter of 2008 included a loss of USD 28 million from currency contracts, compared to a gain of USD 36 million in the corresponding period last

Table of Contents

year. As a result, gross margin as a percentage of sales declined to 21.6% in the 4th quarter of 2008 compared to 42.1% in the corresponding period in 2007.

Incidental items for the 4th quarter of 2008 amounted to a loss of USD 15 million which includes process transfer costs of USD 13 million and restructuring related costs of USD 3 million. Incidental items amounting to a loss of USD 38 million in the 4th quarter of 2007 were mainly related to restructuring and the divestment of our Cordless & VoIP Terminal operations.

Excluding the PPA effects and incidental items, the gross margin sequentially decreased to 21.6% in the 4th quarter of 2008 from 31.0% in the 3rd quarter of 2008. Lower sales volumes and related lower factory utilization (56% in the 4th quarter compared to 68% in the 3rd quarter) led to a lower gross margin. Furthermore, the gross margin in the 4th quarter of 2008 was affected by unfavorable currency translation effects of USD 11 million. This was partly offset by a gain on currency contracts of USD 14 million as compared to the 3rd quarter of 2008.

Selling expenses

Selling expenses, excluding incidental items, were USD 73 million compared to USD 103 million in the corresponding quarter last year. The lower selling expenses were mainly caused by the divestment of the wireless activities (USD 21 million) partly offset by additional expenses (USD 5 million) related to the acquisitions in the Home segment. Selling expenses as a percentage of sales adjusted for incidental items for the 4th quarter of 2008 were 7.5% against 6.1% in the same quarter last year, an increase largely driven by the rapid decline in sales volume.

Incidental items in the 4th quarter of 2008 amounted to a gain of USD 1 million mainly related to a release of a restructuring provision.

Selling expenses, excluding incidental items, were USD 73 million in the 4th quarter of 2008 compared to USD 90 million in the 3rd quarter of 2008. The lower selling expenses were due to the divestment of our wireless activities, the ongoing Redesign Program and favorable currency translation effects of USD 4 million.

General and administrative expenses

Excluding PPA and incidental items, G&A expenses were reduced from USD 129 million in the 4th quarter of 2007 to USD 46 million in the same quarter of 2008. The divestment of our wireless activities resulted in a lower G&A expense of USD 18 million. The reduction in G&A expenses was also achieved due to the effect of the Redesign Program and a release in non-cash charges for the share-based compensation program of USD 13 million as compared to a charge of USD 26 million in the corresponding quarter last year.

Incidental items in the 4th quarter of 2008 amounted to a loss of USD 33 million mainly related to IT system reorganization costs of USD 30 million and restructuring costs of USD 3 million.

Excluding PPA effects and incidental items, G&A expenses reduced from USD 110 million in the 3rd quarter of 2008 to USD 46 million in the 4th quarter of 2008. The decrease in G&A expenses was mainly due to the divestment of our wireless activities (USD 6 million), the ongoing Redesign Program and non-cash releases for the share-based compensation program of USD 13 million. Furthermore, G&A expenses in the 4th quarter were also affected by favorable currency translation effects of USD 5 million.

Research and development expenses

Excluding PPA and incidental items, R&D expenses amounted to USD 176 million in the 4th quarter of 2008 compared to USD 338 million in the corresponding quarter last year. The lower R&D expenses were mainly due to the divestment of our wireless activities and the effect of exited businesses with an impact of USD 98 million and USD 17 million respectively. Furthermore substantial

Table of Contents

reductions have been realized through the ongoing Redesign Program in the Home segment and Corporate and Other. These reductions were partly offset by additional costs of USD 24 million related to acquisitions made in the Home segment. R&D expenses in the 4th quarter of 2008 were also affected by favorable currency translation effects of USD 11 million compared to the same quarter last year.

The incidental items in the 4th quarter of 2008 were a loss of USD 11 million, of which USD 7 million was related to acquisitions made in the Home segment and the remaining USD 4 million was related to restructuring costs.

Excluding PPA and incidental items, R&D expense in the 4th quarter decreased to USD 176 million from USD 235 million in the 3rd quarter of 2008. The lower R&D expenses were due to the divestment of our wireless activities (USD 52 million) partly offset by additional costs in the new activities in the Home segment (USD 12 million) and a favorable currency translation effect of USD 19 million.

Other income

Excluding incidental items, Other income amounted to a loss of USD 14 million in the 4th quarter of 2008 compared to a gain of USD 6 million in the same quarter last year.

The incidental items in the 4th quarter of 2008 were a loss of USD 3 million due to additional costs of USD 20 million related to the ST-NXP Wireless transaction, partly offset by a gain of USD 8 million related to the sale of assets. Other income in the 4th quarter of 2007 was mainly related to gains from the disposal of various fixed assets.

[Table of Contents](#)

EBIT

In millions of USD unless otherwise stated

| | Q4 2007 | | | Q4 2008 | | |
|-----------------------------|---------|---------------|------------------|---------|---------------|------------------|
| | EBIT | Adjusted EBIT | As a % of sales | EBIT | Adjusted EBIT | As a % of sales |
| Mobile & Personal | (60) | — | — | (2) | (2) | (1.7) |
| Home | (62) | (24) | (10.0) | (67) | (24) | (10.8) |
| Automotive & Identification | 31 | 70 | 20.5 | (9) | 37 | 14.1 |
| MultiMarket Semiconductors | 41 | 84 | 19.7 | (29) | (1) | (0.3) |
| Manufacturing Operations | 22 | 55 | ● ⁽¹⁾ | (75) | (40) | ● ⁽¹⁾ |
| Corporate and Other | (117) | (43) | ● ⁽¹⁾ | (76) | (68) | ● ⁽¹⁾ |
| | (145) | 142 | 8.5 | (258) | (98) | (9.6) |

(1) Not meaningful

EBIT

EBIT in the 4th quarter of 2008 was a loss of USD 258 million compared to USD 145 million in the same quarter last year. Included are PPA effects of USD 92 million (2007: USD 182 million), incidental items of a loss of USD 60 million (2007: loss of USD 105 million) and an additional impairment charge of USD 8 million. Incidental items in the 4th quarter 2008 mainly consisted of a loss related to the ST-NXP Wireless transaction of USD 11 million, process transfer costs of USD 14 million, IT system reorganization costs of USD 30 million, acquisition related expenses of USD 8 million and restructuring related costs of USD 5 million. These were partly offset by a gain of USD 8 million related to the sale of assets.

Adjusted EBIT for the 4th quarter of 2008 was a loss of USD 98 million compared to a profit of USD 142 million in the same quarter last year. The increased loss is mainly due to lower margins as a consequence of reduced sales volume and related lower factory utilization, partly offset by cost reductions. Furthermore, Adjusted EBIT for the 4th quarter included a loss on currency contracts of USD 28 million compared to a gain of USD 36 million in the corresponding quarter last year.

Adjusted EBIT for the 4th quarter of 2008 was a loss of USD 98 million compared to a profit of USD 7 million in the 3rd quarter of 2008. The increased loss is mainly related to lower margins as a consequence of lower sales volume and related lower factory utilization (56% in the 4th quarter compared to 68% in the 3rd quarter), partly offset by the reduced cost base.

Result on ST-NXP Wireless transaction

In the 4th quarter, the result on the Wireless transaction has been adjusted due to additional transaction-related costs of USD 20 million and a reduction in net assets divested of USD 9 million. On balance the loss on this transaction increased from USD 402 million in the 3rd quarter to USD 413 million for the full year.

Furthermore, a non-cash impairment charge of USD 249 million was recorded in the 4th quarter under “result on equity-accounted investees” resulting from the decline in the fair value of our 20% shareholding in the ST-NXP Wireless joint-venture.

Table of Contents

The result on the ST-NXP Wireless transaction as reflected in the year to date period is set out below:

| | |
|---|--------------|
| Gross cash proceeds | 1,550 |
| Transaction-related costs | (84) |
| Cash divested | <u>(33)</u> |
| Net cash proceeds | 1,433 |
| 20% shareholding ST-NXP Wireless J.V. at fair value at acquisition date | <u>341</u> |
| Total consideration | 1,774 |
| Net assets divested: | |
| Intangible assets (incl. goodwill) | (1,327) |
| Property, plant and equipment | (303) |
| Inventories | (231) |
| Remaining assets | (165) |
| Liabilities | <u>50</u> |
| | (1,976) |
| Liabilities deducted from transaction result | <u>(211)</u> |
| Result on transaction included in income from operations | <u>(413)</u> |

Adjusted EBITA

Excluding PPA effects and incidental items, Adjusted EBITA for the 4th quarter of 2008 was a loss of USD 84 million compared to a gain of USD 148 million in the same quarter last year.

Adjusted EBITDA

Adjusted EBITDA amounted to a profit of USD 41 million in the 4th quarter of 2008 compared to a gain of USD 349 million in the corresponding quarter last year. The divestment of the wireless activities together with the weak economic environment affected the gross margin partly offset by lower operating expenses. The difference between Adjusted EBITA and Adjusted EBITDA in the 4th quarter of 2008 is explained by depreciation costs of USD 125 million.

[Table of Contents](#)

Net income

In millions of USD

| | <u>Q4 2007</u> | <u>Effects of PPA</u> | <u>Q4 2007 excl. PPA</u> | <u>Q4 2008</u> | <u>Effects of PPA</u> | <u>Q4 2008 excl. PPA</u> |
|-----------------------------------|----------------|-----------------------|--------------------------|----------------|-----------------------|--------------------------|
| EBIT | (145) | (182) | 37 | (258) | (92) | (166) |
| Financial income (expense) | (38) | — | (38) | (175) | — | (175) |
| Income tax (expense) benefit | 301 | 215 | 86 | 32 | 180 | (148) |
| Result equity-accounted investees | (33) | — | (33) | (248) | — | (248) |
| Minority interest | (16) | — | (16) | 4 | — | 4 |
| Net income (loss) | <u>69</u> | <u>33</u> | <u>36</u> | <u>(645)</u> | <u>88</u> | <u>(733)</u> |

Financial income and expense

Financial income and expense amounted to an expense of USD 175 million in the 4th quarter of 2008 compared to an expense of USD 38 million in the same quarter last year. Included is a loss of USD 34 million (4th quarter of 2007: profit of USD 100 million) as a result of changes in currency rates, predominantly related to our USD denominated notes and cash position. Net interest expense amounted to USD 126 million in the 4th quarter of 2008 compared to USD 119 million in the corresponding quarter last year. Furthermore, the 4th quarter of 2008 included an impairment loss of USD 13 million on a put option received in connection with a partly divestment of software activities.

Income tax (expense) benefit

In the fourth quarter of 2008 we recorded a tax benefit of USD 32 million.

Excluding PPA effects, the Company recognized an income tax expense of USD 148 million compared to an income tax gain of USD 86 million in the same quarter last year.

In the 3rd quarter of 2008, we recorded a charge of USD 254 million related to establishing partial valuation allowances against our net deferred tax assets in the Netherlands, Germany, France and the USA. In the fourth quarter of 2008 we added USD 254 million to the valuation allowance. At the end of 2008 the valuation allowance recorded against deferred tax assets amounted to USD 508 million. We concluded in line with FAS 109 principles that building a partial valuation allowance is an acceptable conservative approach, because of the Company's recent history of cumulative tax losses for these countries.

Result on equity-accounted investees

Equity-accounted investees resulted in a loss of USD 248 million in the 4th quarter of 2008 compared to loss of USD 33 million in the same quarter last year. The loss in 2008 was largely related to the decline of the fair value of our 20% shareholding in the ST-NXP Wireless joint venture resulting in a non-cash impairment charge of USD 249 million. The 2007 loss included an impairment charge for our participation in Advanced Semiconductor Manufacturing Company (ASMC) and T3G.

Minority interests

The gain of USD 4 million in the 4th quarter of 2008 was related to the share of minority shareholders in the losses of consolidated companies, predominantly NuTune. In the 4th quarter of 2007, the share of minority shareholders amounted to a loss of USD 16 million mainly related to Systems on Silicon Manufacturing Company (SSMC).

[Table of Contents](#)

Performance by segment

Mobile & Personal

Key data

In millions of USD unless otherwise stated

| | <u>Year-on-year</u> | | <u>Sequential</u> | |
|---------------------|---------------------|----------------|-------------------|----------------|
| | <u>Q4 2007</u> | <u>Q4 2008</u> | <u>Q3 2008</u> | <u>Q4 2008</u> |
| Sales | 563 | 115 | 282 | 115 |
| % nominal growth | 10.4 | (79.6) | (40.1) | (59.2) |
| % comparable growth | 20.2 | (22.9) | 10.5 | (28.5) |
| EBIT | (60) | (2) | (474) | (2) |
| Effects of PPA | (57) | (24) | (31) | (24) |
| Incidental items | (3) | 24 | (464) | 24 |
| Adjusted EBIT | — | (2) | 21 | (2) |

Sales

The sales for the 4th quarter were USD 115 million compared to USD 563 million in the same quarter last year, resulting in a 79.6% nominal decline. The decline was mainly due to the divestment of our wireless activities (USD 413 million). Our remaining Mobile & Personal activities showed a comparable decline of 22.9% which is mainly driven by lower sales due to the weak market demand in the mobile phone market.

On a sequential basis, the sales decline was largely due to the divestment of our wireless activities (USD 120 million) and the weak economic environment.

EBIT

Adjusted EBIT in the 4th quarter of 2008 was a loss of USD 2 million compared to nil in the corresponding quarter in 2007. Adjusted EBIT was negatively affected by the divestment of the wireless activities. This was largely offset by a positive impact from reduced operational expenses in discontinued activities within Mobile & Personal.

Incidental items in the 4th quarter of 2008 amounted to a profit of USD 24 million mainly related to divested wireless activities.

On a sequential basis, Adjusted EBIT decreased from a profit of USD 21 million in 3rd quarter of 2008 to a loss of USD 2 million in the 4th quarter of 2008. The lower Adjusted EBIT was due to lower margins resulting from reduced sales, partly offset by lower operating expenses.

[Table of Contents](#)

Home

Key data

In millions of USD unless otherwise stated

| | Year-on-year | | Sequential | |
|---|--------------|---------------|------------|---------------|
| | Q4 2007 | Q4 2008 | Q3 2008 | Q4 2008 |
| Sales | 241 | 223 | 212 | 223 |
| % nominal growth | (11.7) | (7.5) | 8.2 | 5.2 |
| % comparable growth | (9.7) | (31.0) | (0.7) | (18.6) |
| EBIT | (62) | (67) | (704) | (67) |
| Effects of PPA | (28) | (13) | (39) | (13) |
| Incidental items | (10) | (21) | 5 | (21) |
| Impairment goodwill and other intangibles | — | (9) | (656) | (9) |
| Adjusted EBIT | (24) | (24) | (14) | (24) |

Sales

Sales for the 4th quarter were USD 223 million compared to USD 241 million in the same quarter in 2007, a nominal sales decline of 7.5%. On a comparable basis sales declined by 31% mainly due to the general economic downturn, the continued decline in the CRT TV market and the weakness in the main stream (retail) STB and can tuner market, partly offset by an increased market share in the Digital TV Systems on Chip market after having started mass production for a major Japanese OEM.

Sales were USD 223 million in the 4th quarter of 2008 compared to USD 212 million in the 3rd quarter of 2008 resulting in a nominal increase of 5.2%, mainly due to the establishment of the NuTune joint venture and the acquisition of Conexant's BMP activities in the third quarter of 2008. On a comparable basis sales declined by 18.6% reflecting the continuously deteriorating market environment with reduced customer demand.

EBIT

Adjusted EBIT in the 4th quarter of 2008 was a loss of USD 24 million compared to the same amount in the corresponding quarter last year. Lower operating expenses resulting from the restructuring efforts in the Home business were partly offset by increased costs related to the acquired activities and due to lower margins.

Incidental items for the 4th quarter of 2008 were a loss of USD 21 million mainly comprised of USD 15 million related to restructuring in the R&D organization and USD 6 million acquisition related costs.

On a sequential basis, the Adjusted EBIT loss increased from USD 14 million in the 3rd quarter to a loss of USD 24 million in the 4th quarter of 2008. This was mainly due to unfavorable mix effects in our margins.

[Table of Contents](#)

Automotive & Identification

Key data

In millions of USD unless otherwise stated

| | Year-on-year | | Sequential | |
|---------------------|--------------|---------------|------------|---------------|
| | Q4 2007 | Q4 2008 | Q3 2008 | Q4 2008 |
| Sales | 342 | 263 | 326 | 263 |
| % nominal growth | 26.2 | (23.1) | (9.2) | (19.3) |
| % comparable growth | 12.1 | (20.5) | (7.2) | (15.6) |
| EBIT | 31 | (9) | 25 | (9) |
| Effects of PPA | (37) | (35) | (39) | (35) |
| Incidental items | (2) | (11) | (8) | (11) |
| Adjusted EBIT | 70 | 37 | 72 | 37 |

Sales

Sales for the 4th quarter were USD 263 million compared to USD 342 million in the same quarter last year resulting in a 23.1% nominal decline. On a comparable basis sales declined by 20.5% reflecting the steep decline in the automotive market during the 4th quarter of the year. The Identification sales were slow resulting from higher inventory levels in the distribution chain. Furthermore sales were affected by unfavorable currency translation effects of USD 10 million compared to the 4th quarter of 2007.

On a sequential basis, sales dropped from USD 326 million in the 3rd quarter of 2008 to USD 263 million in the 4th quarter of 2008, a comparable decline of 15.6%. The decrease was across all the product lines. Additionally, unfavorable currency translation effects led to a loss of USD 17 million in sales.

EBIT

Adjusted EBIT in the 4th quarter of 2008 was a gain of USD 37 million compared to a gain of USD 70 million in the corresponding quarter last year. The decline in EBIT was mainly due to lower gross margins resulting from reduced sales volumes, partly offset by the lower operating expenses.

Incidental items for the 4th quarter of 2008 were a loss of USD 11 million consisting of process transfer costs of USD 4 million and USD 7 million restructuring related costs.

On a sequential basis, Adjusted EBIT profit decreased from USD 72 million in the 3rd quarter of 2008 to a gain of USD 37 million in the 4th quarter of 2008. The lower Adjusted EBIT was mainly due to lower sales volumes which were partly offset by a reduced cost base.

[Table of Contents](#)

MultiMarket Semiconductors

Key data

In millions of USD unless otherwise stated

| | Year-on-year | | Sequential | |
|---------------------|--------------|---------------|------------|---------------|
| | Q4 2007 | Q4 2008 | Q3 2008 | Q4 2008 |
| Sales | 426 | 307 | 425 | 307 |
| % nominal growth | 2.8 | (27.9) | 2.2 | (27.8) |
| % comparable growth | 4.4 | (26.9) | 3.5 | (24.7) |
| EBIT | 41 | (29) | 38 | (29) |
| Effects of PPA | (39) | (19) | (36) | (19) |
| Incidental items | (4) | (9) | — | (9) |
| Adjusted EBIT | 84 | (1) | 74 | (1) |

Sales

Sales for the 4th quarter showed a nominal decline of 27.9% compared to the same quarter in 2007 reflecting the lower end customer demand and tight inventory controls at the distribution partners in a weak market. Sales across all the business lines decreased specifically in commodities like General Applications and Automotive MOS. Manufacturers have scaled down production generally and reduced order intake from the module makers in Europe and Americas.

Sales declined by 27.8% on a sequential basis from USD 425 million in the 3rd quarter of 2008 to USD 307 million in the 4th quarter. The decline was across all business lines due to the economic slowdown in the last quarter of the year. Furthermore, sales in the 4th quarter of 2008 were impacted by unfavorable currency translation effects of USD 14 million compared to the 3rd quarter of 2008.

EBIT

The economic downturn resulting in lower sales volume led to an Adjusted EBIT loss of USD 1 million for the 4th quarter of 2008 compared to a gain of USD 84 million in the same quarter last year. The lower factory utilization and an unfavorable mix impacted the gross margin partly offset by lower operating expenses.

Incidental items in the 4th quarter of 2008 were a loss of USD 9 million mainly related to restructuring costs including stock obsolescence of USD 5 million.

On a sequential basis, Adjusted EBIT decreased from a profit of USD 74 million in the 3rd quarter to a loss of USD 1 million in the 4th quarter of 2008. The decline was mainly due to lower sales volume resulting in lower gross margins, which were also affected by lower factory utilization. Operating expenses were positively affected by favorable currency translation effects in the fourth quarter of 2008.

[Table of Contents](#)

Manufacturing Operations

Key data

In millions of USD unless otherwise stated

| | Year-on-year | | Sequential | |
|----------------------------|------------------|------------------|------------------|------------------|
| | Q4 2007 | Q4 2008 | Q3 2008 | Q4 2008 |
| Sales ⁽²⁾⁽³⁾ | 76 | 47 | 69 | 47 |
| Wafer sales to JV Wireless | — | 47 | 38 | 47 |
| Sales | 76 | 94 | 107 | 94 |
| % comparable growth | ● ⁽¹⁾ | ● ⁽¹⁾ | ● ⁽¹⁾ | ● ⁽¹⁾ |
| % nominal growth | ● ⁽¹⁾ | ● ⁽¹⁾ | ● ⁽¹⁾ | ● ⁽¹⁾ |
| EBIT | 22 | (75) | (453) | (75) |
| Effects of PPA | (21) | (1) | (86) | (1) |
| Incidental items | (12) | (34) | (324) | (34) |
| Adjusted EBIT | 55 | (40) | (43) | (40) |

(1) Percentage not meaningful.

(2) Excluding internal sales to other Business Units

(3) Excluding wafer sales to JV Wireless

Sales

The sales increase in the 4th quarter of 2008 to USD 94 million compared to USD 76 million in the corresponding quarter last year was mainly due to wafer sales to the ST-NXP Wireless joint venture. On a sequential basis, sales declined from USD 107 million in the 3rd quarter of 2008 to USD 94 million in the 4th quarter of 2008 primarily due to reduced sales to our divested Cordless & VoIP Terminal operations.

EBIT

Adjusted EBIT reduced from a profit of USD 55 million in the 4th quarter 2007 to a loss of USD 40 million in the 4th quarter of 2008. Adjusted EBIT was adversely affected by the lower factory utilization of 56% in the 4th quarter of 2008 compared to 84% in the same quarter. This was partly offset by cost savings and favorable currency translation effects on expenses.

Incidental items for the 4th quarter of 2008 were a loss of USD 34 million related to restructuring costs of USD 27 million and process transfer costs of USD 7 million.

Adjusted EBIT loss amounted to USD 43 million in the 3rd quarter of 2008 compared to a loss of USD 40 million in the 4th quarter. The effects from the lower factory utilization of 56% in 4th quarter compared to 68% in the 3rd quarter of 2008 were offset by a lower cost base and favorable currency translation effects.

[Table of Contents](#)

Corporate and Other

Key data

In millions of USD unless otherwise stated

| | Year-on-year | | Sequential | |
|---|--------------|-------------|------------|-------------|
| | Q4 2007 | Q4 2008 | Q3 2008 | Q4 2008 |
| Sales | 30 | 24 | 22 | 24 |
| % nominal growth | ●(1) | ●(1) | ●(1) | ●(1) |
| % comparable growth | ●(1) | ●(1) | ●(1) | ●(1) |
| EBIT | (117) | (76) | (369) | (76) |
| Effects of PPA | — | — | — | — |
| Incidental items | (74) | (9) | (192) | (9) |
| Impairment goodwill and other intangibles | — | 1 | (50) | 1 |
| Adjusted EBIT | (43) | (68) | (103) | (68) |

(1) Percentage not meaningful.

Sales

Sales in Corporate and Other segment mainly relate to IP licensing and NXP Software sales.

EBIT

Adjusted EBIT in the 4th quarter of 2008 was a loss of USD 68 million compared to a loss of USD 43 million in the same quarter in 2007. The higher loss was mainly due to a loss on currency contracts of USD 28 million against a currency contract gain of USD 36 million in the corresponding quarter. This was partly offset by a release in the non-cash charge for our share-based compensation program of USD 3 million compared to the cost of USD 26 million in the same quarter in 2007.

Incidental items in the 4th quarter of 2008 were a loss of USD 9 million. Incidental items for the 4th quarter of 2008 included IT system reorganization costs of USD 30 million partly offset by a release in the restructuring costs provision of USD 21 million.

The Adjusted EBIT loss decreased from USD 103 million in the 3rd quarter to a loss of USD 68 million in the 4th quarter of 2008 mainly due to lower corporate research and development expenditures of USD 12 million and a release in the non-cash charge for our share-based compensation program of USD 3 million, compared to a cost of USD 14 million in the 3rd quarter of 2008.

[Table of Contents](#)

Liquidity and capital resources

At the end of the 4th quarter of 2008 cash and cash equivalents amounted to USD 1,796 million, compared to USD 1,535 million at the end of the 3rd quarter of 2008. Including the cash position and the unused portion of our senior secured revolving credit facility, NXP had in total access to liquidity resources of USD 2,094 million as of December 31st, 2008. We drew a further USD 200 million of the facility on February 13th, 2009; as of that date, after taking into account USD 5 million of outstanding bank guarantees, we had approximately EUR 39 million of capacity remaining under the facility.

Net cash utilized by operating activities amounted to USD 132 million in the 4th quarter of 2008, mainly due to lower gross margins. During the 4th quarter of 2008 USD 48 million of restructuring charges were paid out resulting in a total net cash utilized by operations of USD 180 million. Ongoing actions to improve our working capital position resulted in reduced overdue levels in receivables and lower inventories for the third consecutive quarter this year.

Net cash utilized for investing activities was USD 71 million, composed of capital expenditures of USD 35 million and purchase of intangibles assets of USD 27 million mainly related to software tools. Proceeds from disposals of property, plant and equipment amounted to USD 11 million. The net cash provided by financing activities was USD 385 million and included proceeds of a drawdown under our senior secured revolving credit facility of USD 400 million.

Given the crisis in the financial markets and based on our risk assessment we have deposited almost all our cash with at least A-rated institutions.

In relation to the divestment of our wireless activities we recognized gross proceeds of USD 1,550 million in the 3rd quarter of 2008. The table below represents the additional adjustments made (mainly related to taxes and relevant capex) towards the excess proceeds at year end:

| | <u>Q4 2008</u> | <u>Full year 2008</u> |
|---|----------------|---------------------------|
| Gross cash proceeds | — | 1,550 |
| Transaction-related expenses and accruals incl taxes* | (268) | (514) |
| Cash divested | — | (33) |
| Net available cash | (268) | 1,003 |
| Use of proceeds 2008: | | |
| Repayment Revolving Credit Facility | | 450 |
| Conexant STB acquisition | 3 | 111 |
| Relevant Capex (August/December) | 23 | 40 |
| Use of proceeds | 26 | 601 |
| Excess proceeds | (294) | 402 |

* any provisions, accruals and expenses related to the divestment of the wireless business can be deducted from the gross proceeds.

Please note that these figures constitute provisional calculations and are not definitive.

Table of Contents

Subsequent events

On February 13, 2009, we drew an additional USD 200 million under our senior secured revolving credit facility.

On February 2, 2009, STMicroelectronics purchased our 20% stake in ST-NXP. The agreed purchase price, based on the sales and EBITDA performance of the ST-NXP business in the last twelve months, was USD 92 million.

In February 2009, we reached agreement with DSP Group Inc. for their repurchase of the 16% outstanding common stock of DSP Group Inc. currently held by us and obtained in 2007 following the divestment of our Cordless & VoIP Terminal operations.

Outlook

Our ability to give guidance on our expected first quarter revenues is limited, due to the unusual conditions prevailing in the semiconductor industry. However based on overall consumer sentiment, recent order book development and expected future trading levels, we now foresee a 30% to 40% sequential sales decline in the first quarter of 2009 compared to the fourth quarter of 2008 on a business and currency comparable basis, which excludes wafer sales to ST-NXP and its successor.

Visibility of sales for the full year ahead is even more limited. In particular, we are unable to determine when the current severe downturn in the semiconductor industry will abate. However, our current expectation is that our 2009 revenues will be lower than our 2008 revenues, and the size of this decline could be significant. A decline, combined with the large cash cost of our Redesign Program, our interest expense and our capital expenditures would lead to reduced liquidity at the end of 2009.

Eindhoven, March 3, 2009

Board of Management

[Table of Contents](#)

Consolidated statements of operations

all amounts in millions of USD

| | 4 th quarter | | January to December | |
|---|-------------------------|--------------|---------------------|----------------|
| | 2007 | 2008 | 2007 | 2008 |
| Sales | 1,678 | 1,026 | 6,321 | 5,443 |
| Cost of sales | (1,042) | (840) | (4,276) | (4,225) |
| Gross margin | 636 | 186 | 2,045 | 1,218 |
| Selling expenses | (107) | (72) | (425) | (400) |
| General and administrative expenses: | | | | |
| - Impairment goodwill and other intangibles | — | (8) | — | (714) |
| - Other general and administrative expenses | (314) | (156) | (1,189) | (1,161) |
| Research and development expenses | (362) | (187) | (1,328) | (1,199) |
| Write-off of acquired in-process research and development | — | (5) | (15) | (26) |
| Other income (expense) | 2 | (16) | 134 | (364) |
| Income (loss) from operations | (145) | (258) | (778) | (2,646) |
| Financial income (expense) | (38) | (175) | (181) | (614) |
| Income (loss) before taxes | (183) | (433) | (959) | (3,260) |
| Income tax (expense) benefit | 301 | 32 | 396 | (46) |
| Income (loss) after taxes | 118 | (401) | (563) | (3,306) |
| Results relating to equity-accounted investees | (33) | (248) | (40) | (268) |
| Minority interests | (16) | 4 | (47) | (26) |
| Net income (loss) | 69 | (645) | (650) | (3,600) |

[Table of Contents](#)

Consolidated balance sheets

all amounts in millions of USD

| | <u>December 31, 2007</u> | <u>September 30, 2008</u> | <u>December 31, 2008</u> |
|---|------------------------------|-------------------------------|------------------------------|
| Current assets: | | | |
| Cash and cash equivalents | 1,041 | 1,535 | 1,796 |
| Securities | — | — | 33 |
| Receivables | 764 | 801 | 517 |
| Inventories | 958 | 729 | 630 |
| Assets held for sale | 130 | — | — |
| Other current assets | 237 | 240 | 212 |
| Total current assets | <u>3,130</u> | <u>3,305</u> | <u>3,188</u> |
| Non-current assets: | | | |
| Investments in equity-accounted investees | 76 | 646 | 158 |
| Other non-current financial assets | 64 | 62 | 18 |
| Other non-current assets | 486 | 184 | 469 |
| Property, plant and equipment | 2,500 | 1,968 | 1,807 |
| Intangible assets excluding goodwill | 3,844 | 2,637 | 2,384 |
| Goodwill | 3,716 | 2,637 | 2,661 |
| Total non-current assets | <u>10,686</u> | <u>8,134</u> | <u>7,497</u> |
| Total assets | <u>13,816</u> | <u>11,439</u> | <u>10,685</u> |
| Current liabilities: | | | |
| Accounts and notes payable | 1,001 | 739 | 619 |
| Accrued liabilities | 935 | 1,374 | 983 |
| Short-term provisions | 40 | 367 | 129 |
| Other current liabilities | 73 | 51 | 120 |
| Short-term debt | 6 | 15 | 403 |
| Total current liabilities | <u>2,055</u> | <u>2,546</u> | <u>2,254</u> |
| Non-current liabilities: | | | |
| Long-term debt | 6,072 | 6,048 | 5,964 |
| Long-term provisions | 798 | 800 | 1,072 |
| Other non-current liabilities | 106 | 102 | 107 |
| Total non-current liabilities | <u>6,976</u> | <u>6,950</u> | <u>7,143</u> |
| Minority interests | 257 | 217 | 213 |
| Shareholder's equity | 4,528 | 1,726 | 1,075 |
| Total liabilities and equity | <u>13,816</u> | <u>11,439</u> | <u>10,685</u> |

[Table of Contents](#)

Consolidated statements of cash flows

all amounts in millions of USD

| | 4 th quarter | | January to December | |
|--|-------------------------|-------|---------------------|---------|
| | 2007 | 2008 | 2007 | 2008 |
| Cash flows from operating activities: | | | | |
| Net income (loss) | 69 | (645) | (650) | (3,600) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 389 | 227 | 1,532 | 1,270 |
| Write-off of in-process research and development | — | 5 | 15 | 26 |
| Impairment goodwill and other intangibles | — | 8 | — | 714 |
| Net gain on sale of assets | 5 | 9 | (114) | 369 |
| Results relating to equity-accounted investees | 33 | 248 | 40 | 268 |
| Minority interests (net of dividends paid to minority shareholders) | 16 | (4) | 44 | 7 |
| Decrease (increase) in receivables and other current assets | 115 | 232 | (38) | 159 |
| Decrease (increase) in inventories | (79) | 90 | (70) | 122 |
| Increase (decrease) in accounts payable, accrued and other liabilities | (4) | (132) | 495 | (356) |
| Decrease (increase) in non-current receivables/other assets | (98) | (228) | (237) | (67) |
| Increase (decrease) in provisions | (233) | 16 | (233) | 346 |
| Other items | (51) | (6) | (251) | 120 |
| Net cash provided by (used for) operating activities | 162 | (180) | 533 | (622) |
| Cash flows from investing activities: | | | | |
| Purchase of intangible assets | (6) | (27) | (37) | (36) |
| Capital expenditures on property, plant and equipment | (179) | (35) | (549) | (379) |
| Proceeds from disposals of property, plant and equipment | 142 | 11 | 180 | 61 |
| Proceeds from disposals of assets held for sale | — | — | — | 130 |
| Purchase of other non-current financial assets | (5) | (1) | (6) | (14) |
| Proceeds from the sale of other non-current financial assets | (1) | 4 | 4 | 10 |
| Purchase of interest in businesses | (8) | (3) | (328) | (206) |
| Proceeds from the sale of businesses | (3) | (20) | 172 | 1,449 |
| Cash settlement agreement with Philips | — | — | (114) | — |
| Net cash provided by (used for) investing activities | (60) | (71) | (678) | 1,015 |
| Cash flows from financing activities: | | | | |
| (Decrease) increase in debt | (3) | 385 | (22) | 394 |
| Capital repayment to minority shareholders | — | — | — | (78) |
| Net cash provided by (used for) financing activities | (3) | 385 | (22) | 316 |
| Effect of changes in exchange rates on cash positions | (21) | 127 | (24) | 46 |
| Increase (decrease) in cash and cash equivalents | 78 | 261 | (191) | 755 |
| Cash and cash equivalents at beginning of period | 963 | 1,535 | 1,232 | 1,041 |
| Cash and cash equivalents at end of period | 1,041 | 1,796 | 1,041 | 1,796 |

[Table of Contents](#)

Consolidated statements of changes in shareholder's equity

all amounts in millions of USD

| | January to December 2008 | | | | | | | |
|---|--------------------------|--------------------------------|-------------------|---|---|------------------------|----------------------------|---|
| | Common stock | Capital in excess of par value | Retained earnings | Accumulated other comprehensive income (loss) | | | Total shareholder's equity | |
| | | | | Currency translation differences | Unrealized gain (loss) on available-for-sale securities | Pension (SFAS No. 158) | | Changes in fair value of cash flow hedges |
| Balance as of December 31, 2007 | — | 5,542 | (1,444) | 382 | — | 48 | — | 4,528 |
| Net income (loss) | | | (3,600) | | | | | (3,600) |
| Current period change | | | | 454 | 6 | (31) | | 429 |
| Differences due to translating the parent's functional currency into Group reporting currency | | | | (309) | | | | (309) |
| Total comprehensive income (loss), net of tax | | | (3,600) | 145 | 6 | (31) | — | (3,480) |
| Share-based compensation plans | | 27 | | | | | | 27 |
| Balance as of December 31, 2008 | — | 5,569 | (5,044) | 527 | 6 | 17 | — | 1,075 |

[Table of Contents](#)

Information by segments

all amounts in millions of USD unless otherwise stated

Sales, R&D expenses and income from operations

| | 4 th quarter | | | | | | | |
|-----------------------------|-------------------------|-----------------------------------|-------------------------------|------------------|--------------|-----------------------------------|-------------------------------|------------------|
| | 2007 | | | | 2008 | | | |
| | Sales | Research and development expenses | Income (loss) from operations | | Sales | Research and development expenses | Income (loss) from operations | |
| | | | amount | as a % of sales | | | amount | as a % of sales |
| Mobile & Personal | 563 | 132 | (60) | (10.7) | 115 | 17 | (2) | (1.7) |
| Home | 241 | 75 | (62) | (25.7) | 223 | 70 | (67) | (30.0) |
| Automotive & Identification | 342 | 56 | 31 | 9.1 | 263 | 53 | (9) | (3.4) |
| MultiMarket Semiconductors | 426 | 14 | 41 | 9.6 | 307 | 33 | (29) | (9.4) |
| Manufacturing Operations | 76 | 17 | 22 | ● ⁽¹⁾ | 94 | 9 | (75) | ● ⁽¹⁾ |
| Corporate and Other | 30 | 68 | (117) | ● ⁽¹⁾ | 24 | 5 | (76) | ● ⁽¹⁾ |
| Total | 1,678 | 362 | (145) | (8.6) | 1,026 | 187 | (258) | (25.1) |

| | January to December | | | | | | | |
|---|---------------------|-----------------------------------|-------------------------------|------------------|--------------|-----------------------------------|-------------------------------|------------------|
| | 2007 | | | | 2008 | | | |
| | Sales | Research and development expenses | Income (loss) from operations | | Sales | Research and development expenses | Income (loss) from operations | |
| | | | amount | as a % of sales | | | amount | as a % of sales |
| Mobile & Personal | 2,135 | 510 | (159) | (7.4) | 1,356 | 344 | (665) | (49.0) |
| Home | 927 | 258 | (234) | (25.2) | 836 | 251 | (875) | (104.7) |
| Automotive & Identification | 1,332 | 205 | 144 | 10.8 | 1,285 | 246 | 73 | 5.7 |
| MultiMarket Semiconductors | 1,619 | 118 | 164 | 10.1 | 1,554 | 147 | 63 | 4.1 |
| Manufacturing Operations ⁽²⁾ | 214 | 48 | (210) | ● ⁽¹⁾ | 324 | 40 | (691) | ● ⁽¹⁾ |
| Corporate and Other | 94 | 189 | (483) | ● ⁽¹⁾ | 88 | 171 | (551) | ● ⁽¹⁾ |
| Total | 6,321 | 1,328 | (778) | (12.3) | 5,443 | 1,199 | (2,646) | (48.6) |

(1) Percentage not meaningful

(2) For the year ended December 31, 2008, Manufacturing Operations supplied USD1,830 million to other segments (for the year ended December 31, 2007: USD 2,765 million), which have been eliminated in the above presentation.

[Table of Contents](#)

Main countries

all amounts in millions of USD

Sales

| | January to December | |
|-----------------|----------------------------|--------------|
| | 2007 | 2008 |
| China | 1,263 | 907 |
| Netherlands | 1,022 | 970 |
| Taiwan | 527 | 406 |
| United States | 523 | 436 |
| Singapore | 545 | 556 |
| Germany | 386 | 346 |
| South Korea | 707 | 569 |
| Other Countries | 1,348 | 1,253 |
| Total | 6,321 | 5,443 |

The allocation is based on invoicing organization.

[Table of Contents](#)

Reconciliation of non-US GAAP information

all amounts in millions of USD unless otherwise stated

Certain non-US GAAP financial measures are presented when discussing the NXP Group's financial position. In the following tables, a reconciliation to the most directly comparable US GAAP financial measure is made for each non-US GAAP performance measure.

Sales growth composition (in %)

| | <u>Comparable growth</u> | <u>Currency effects</u> | <u>Consolidation changes</u> | <u>Nominal growth</u> |
|---|------------------------------|-----------------------------|----------------------------------|---------------------------|
| Q4 2008 versus Q4 2007 | | | | |
| Mobile & Personal | (22.9) | (0.5) | (56.2) | (79.6) |
| Home | (31.0) | (0.5) | 24.0 | (7.5) |
| Automotive & Identification | (20.5) | (2.6) | — | (23.1) |
| MultiMarket Semiconductors | (26.9) | (1.9) | 0.9 | (27.9) |
| Manufacturing Operations ⁽¹⁾ | • | • | • | • |
| Corporate and Other ⁽¹⁾ | • | • | • | • |
| NXP Group | (25.6) | (1.7) | (11.6) | (38.9) |
| | <u>Comparable growth</u> | <u>Currency effects</u> | <u>Consolidation changes</u> | <u>Nominal growth</u> |
| Q4 2007 versus Q4 2006 | | | | |
| Mobile & Personal | 20.2 | 2.5 | (12.3) | 10.4 |
| Home | (9.7) | 0.1 | (2.1) | (11.7) |
| Automotive & Identification | 12.1 | 7.4 | 6.7 | 26.2 |
| MultiMarket Semiconductors | 4.4 | 3.6 | (5.2) | 2.8 |
| Manufacturing Operations ⁽¹⁾ | • | • | • | • |
| Corporate and Other ⁽¹⁾ | • | • | • | • |
| NXP Group | 9.3 | 3.8 | (3.7) | 9.4 |

(1) Not meaningful

Adjusted EBITA to EBITA to Net income (loss)

| | <u>Q4 2007</u> | <u>Q4 2008</u> |
|---|--------------------|--------------------|
| Adjusted EBITA | 148 | (84) |
| Add back: | | |
| Exit of product lines | (12) | — |
| Restructuring costs | (38) | (41) |
| Minority interest and results of equity-accounted investees | (49) | (244) |
| Other incidental items | (55) | (19) |
| Effects of PPA | (32) | (10) |
| EBITA | (38) | (398) |
| Include: | | |
| Amortization intangible assets (incl. impairment USD 8 million) | (156) | (104) |
| Financial income (expenses) | (38) | (175) |
| Income tax (expense) benefit | 301 | 32 |
| Net income (loss) | 69 | (645) |

[Table of Contents](#)

Adjusted EBITDA to EBITDA to Net income (loss)

| | <u>Q4 2007</u> | <u>Q4 2008</u> |
|---|--------------------|--------------------|
| Adjusted EBITDA | 349 | 41 |
| Add back: | | |
| Exit of product lines | (12) | — |
| Restructuring costs | (38) | (41) |
| Minority interest and results of equity-accounted investees | (49) | (244) |
| Other incidental items | (55) | (19) |
| Effects of PPA | — | — |
| EBITDA | 195 | (263) |
| Include: | | |
| Amortization intangible assets (incl. impairment USD 8 million) | (156) | (104) |
| Depreciation property, plant and equipment | (233) | (135) |
| Financial income (expenses) | (38) | (175) |
| Income tax (expense) benefit | 301 | 32 |
| Net income (loss) | 69 | (645) |

Adjusted EBIT to EBIT (=IFO)

| | <u>NXP Group</u> | <u>Mobile & Personal</u> | <u>Home</u> | <u>Automotive & Identification</u> | <u>MultiMarket Semiconductors</u> | <u>Manufacturing Operations</u> | <u>Corporate and Other</u> |
|--|----------------------|----------------------------------|-------------|--|---------------------------------------|-------------------------------------|--------------------------------|
| Q4 2008 | | | | | | | |
| Adjusted EBIT | (98) | (2) | (24) | 37 | (1) | (40) | (68) |
| Add back: | | | | | | | |
| Exit of product lines | — | | | | | | |
| Restructuring costs | (41) | (3) | (15) | (7) | (8) | (30) | 22 |
| Other incidental items | (19) | 27 | (6) | (4) | (1) | (4) | (31) |
| Impairment goodwill and other intangibles | (8) | | (9) | | | | 1 |
| Effects of PPA | (92) | (24) | (13) | (35) | (19) | (1) | — |
| EBIT | (258) | (2) | (67) | (9) | (29) | (75) | (76) |
| Q4 2007 | | | | | | | |
| Adjusted EBIT | 142 | — | (24) | 70 | 84 | 55 | (43) |
| Add back: | | | | | | | |
| Exit of product lines | (12) | (3) | 1 | | | | (10) |
| Restructuring costs | (38) | — | (11) | — | (1) | (10) | (16) |
| Other incidental items | (55) | — | — | (2) | (3) | (2) | (48) |
| Effects of PPA | (182) | (57) | (28) | (37) | (39) | (21) | — |
| EBIT | (145) | (60) | (62) | 31 | 41 | 22 | (117) |

[Table of Contents](#)

Composition of net debt to group equity

| | <u>December 31, 2007</u> | <u>December 31, 2008</u> |
|--|------------------------------|------------------------------|
| Long-term debt | 6,072 | 5,964 |
| Short-term debt | 6 | 403 |
| Total debt | 6,078 | 6,367 |
| Cash and cash equivalents | (1,041) | (1,796) |
| Net debt (total debt less cash and cash equivalents) | 5,037 | 4,571 |
| Minority interests | 257 | 213 |
| Shareholder's equity | 4,528 | 1,075 |
| Group equity | 4,785 | 1,288 |
| Net debt and group equity | 9,822 | 5,859 |
| Net debt divided by net debt and group equity (in %) | 51 | 78 |
| Group equity divided by net debt and group equity (in %) | 49 | 22 |

[Table of Contents](#)

Supplemental consolidated statement of operations for the period January 1 to December 31, 2008

all amounts in millions of USD
(SUCCESSOR)

| | <u>NXP B.V.</u> | <u>Guarantors</u> | <u>Non- guarantors (restricted)</u> | <u>Sub- total</u> | <u>Non- guarantors (unrestricted)</u> | <u>Eliminations/ reclassifications</u> | <u>Consolidated</u> |
|--|---------------------|-------------------|---|-----------------------|---|--|---------------------|
| Sales | — | 4,027 | 1,276 | 5,303 | 140 | — | 5,443 |
| Intercompany sales | — | 1,081 | 411 | 1,492 | 303 | (1,795) | — |
| Total sales | — | 5,108 | 1,687 | 6,795 | 443 | (1,795) | 5,443 |
| Cost of sales | (121) | (3,851) | (1,555) | (5,527) | (355) | 1,657 | (4,225) |
| <i>Gross margin</i> | (121) | 1,257 | 132 | 1,268 | 88 | (138) | 1,218 |
| Selling expenses | — | (308) | (142) | (450) | — | 50 | (400) |
| General and administrative expenses | (1,248) | (564) | (74) | (1,886) | — | 11 | (1,875) |
| Research and development expenses | 12 | (883) | (405) | (1,276) | — | 77 | (1,199) |
| Write-off of acquired in-process research and development | (26) | — | — | (26) | — | — | (26) |
| Other business income (loss) | (1,456) | 453 | 650 | (353) | (11) | — | (364) |
| <i>Income (loss) from operations</i> | (2,839) | (45) | 161 | (2,723) | 77 | — | (2,646) |
| Financial income and expenses | (372) | (249) | 3 | (618) | 4 | — | (614) |
| Income subsidiaries | (405) | — | — | (405) | — | 405 | — |
| <i>Income (loss) before taxes</i> | (3,616) | (294) | 164 | (3,746) | 81 | 405 | (3,260) |
| Income tax benefit (expense) | 284 | (246) | (79) | (41) | (5) | — | (46) |
| <i>Income (loss) after taxes</i> | (3,332) | (540) | 85 | (3,787) | 76 | 405 | (3,306) |
| Results relating to equity-accounted investees | (268) | — | — | (268) | — | — | (268) |
| Minority interests | — | — | 3 | 3 | (29) | — | (26) |
| Net income (loss) | (3,600) | (540) | 88 | (4,052) | 47 | 405 | (3,600) |

[Table of Contents](#)

Supplemental consolidated balance sheet at December 31, 2008

all amounts in millions of USD
(SUCCESSOR)

| | <u>NXP B.V.</u> | <u>Guarantors</u> | <u>Non- guarantors (restricted)</u> | <u>Sub- total</u> | <u>Non- guarantors (unrestricted)</u> | <u>Eliminations/ reclassifications</u> | <u>Consolidated</u> |
|---|---------------------|-------------------|---|-----------------------|---|--|---------------------|
| Assets | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | 1,110 | 405 | 89 | 1,604 | 192 | — | 1,796 |
| Securities | 33 | — | — | 33 | — | — | 33 |
| Receivables | — | 362 | 150 | 512 | 5 | — | 517 |
| Intercompany accounts receivable | 127 | 216 | 56 | 399 | 50 | (449) | — |
| Inventories | — | 537 | 71 | 608 | 22 | — | 630 |
| Other current assets | <u>57</u> | <u>121</u> | <u>31</u> | <u>209</u> | <u>3</u> | <u>—</u> | <u>212</u> |
| Total current assets | 1,327 | 1,641 | 397 | 3,365 | 272 | (449) | 3,188 |
| Non-current assets: | | | | | | | |
| Investments in equity-accounted investees | 140 | — | 18 | 158 | — | — | 158 |
| Investments in affiliated companies | 1,467 | — | — | 1,467 | — | (1,467) | — |
| Other non-current financial assets | 1 | 15 | 2 | 18 | — | — | 18 |
| Other non-current assets | 289 | 152 | 28 | 469 | — | — | 469 |
| Property, plant and equipment: | 231 | 1,133 | 168 | 1,532 | 275 | — | 1,807 |
| Intangible assets excluding goodwill | 2,326 | 49 | 7 | 2,382 | 2 | — | 2,384 |
| Goodwill | <u>2,661</u> | <u>—</u> | <u>—</u> | <u>2,661</u> | <u>—</u> | <u>—</u> | <u>2,661</u> |
| Total non-current assets | <u>7,115</u> | <u>1,349</u> | <u>223</u> | <u>8,687</u> | <u>277</u> | <u>(1,467)</u> | <u>7,497</u> |
| Total assets | <u>8,442</u> | <u>2,990</u> | <u>620</u> | <u>12,052</u> | <u>549</u> | <u>(1,916)</u> | <u>10,685</u> |
| Liabilities and Shareholder's equity | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts and notes payable | — | 536 | 71 | 607 | 12 | — | 619 |
| Intercompany accounts payable | 36 | 153 | 256 | 445 | 4 | (449) | — |
| Accrued liabilities | 332 | 466 | 166 | 964 | 19 | — | 983 |
| Short-term provisions | (5) | 130 | 4 | 129 | — | — | 129 |
| Other current liabilities | 3 | 103 | 14 | 120 | — | — | 120 |
| Short-term debt | 400 | — | 3 | 403 | — | — | 403 |
| Intercompany financing | — | 3,280 | (140) | 3,140 | 12 | (3,152) | — |
| Total current liabilities | <u>766</u> | <u>4,668</u> | <u>374</u> | <u>5,808</u> | <u>47</u> | <u>(3,601)</u> | <u>2,254</u> |
| Non-current liabilities: | | | | | | | |
| Long-term debt | 5,955 | 4 | 5 | 5,964 | — | — | 5,964 |
| Long-term provisions | 643 | 290 | 133 | 1,066 | 6 | — | 1,072 |
| Other non-current liabilities | <u>3</u> | <u>86</u> | <u>10</u> | <u>99</u> | <u>8</u> | <u>—</u> | <u>107</u> |
| Total non-current liabilities | 6,601 | 380 | 148 | 7,129 | 14 | — | 7,143 |
| Minority interests | — | — | 23 | 23 | 190 | — | 213 |
| Shareholder's equity | <u>1,075</u> | <u>(2,058)</u> | <u>75</u> | <u>(908)</u> | <u>298</u> | <u>1,685</u> | <u>1,075</u> |
| Total liabilities and Shareholder's equity | <u>8,442</u> | <u>2,990</u> | <u>620</u> | <u>12,052</u> | <u>549</u> | <u>(1,916)</u> | <u>10,685</u> |

[Table of Contents](#)

Supplemental consolidated statement of cash flows for the period January 1 to December 31, 2008

all amounts in millions of USD
(SUCCESSOR)

| | <u>NXP B.V.</u> | <u>Guarantors</u> | <u>Non-guarantors (restricted)</u> | <u>Sub-Total</u> | <u>Non-guarantors (unrestricted)</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|--|-----------------|-------------------|------------------------------------|------------------|--------------------------------------|---------------------|---------------------|
| Cash flows from operating activities: | | | | | | | |
| Net income (loss) | (3,600) | (540) | 88 | (4,052) | 47 | 405 | (3,600) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | | | | |
| Elimination (income) loss subsidiaries | 405 | — | — | 405 | — | (405) | — |
| Depreciation and amortization | 1,427 | 401 | 63 | 1,891 | 119 | — | 2,010 |
| Net gain on sale of assets | 1,422 | (826) | (227) | 369 | — | — | 369 |
| Results relating to equity-accounted investees | 268 | — | — | 268 | — | — | 268 |
| Minority interests | — | — | (3) | (3) | 10 | — | 7 |
| Decrease (increase) in receivables and other current assets | (1) | 69 | 75 | 143 | 16 | — | 159 |
| Decrease in inventories | — | 112 | (7) | 105 | 17 | — | 122 |
| Increase (decrease) in accounts payable, accrued and other liabilities | (47) | (238) | (46) | (331) | (25) | — | (356) |
| Decrease (increase) intercompany current accounts | (338) | 245 | 94 | 1 | (1) | — | — |
| Increase in non-current receivables/other assets | (172) | 150 | (44) | (66) | (1) | — | (67) |
| Increase (decrease) in provisions | 71 | 159 | 111 | 341 | 5 | — | 346 |
| Other items | 102 | 23 | (6) | 119 | 1 | — | 120 |
| Net cash provided by (used for) operating activities | (463) | (445) | 98 | (810) | 188 | — | (622) |
| Cash flows from investing activities: | | | | | | | |
| Purchase of intangible assets | — | (29) | (5) | (34) | (2) | — | (36) |
| Capital expenditures on property, plant and equipment | — | (228) | (73) | (361) | (18) | — | (379) |
| Proceeds from disposals of property, plant and equipment | — | 60 | 1 | 61 | — | — | 61 |
| Proceeds from disposals of assets held for sale | — | — | 130 | 130 | — | — | 130 |
| Purchase of other non-current financial assets | — | (14) | — | (14) | — | — | (14) |
| Proceeds from the sale of other non-current financial assets | 4 | 6 | — | 10 | — | — | 10 |
| Purchase of interest in businesses | (198) | — | (8) | (206) | — | — | (206) |
| Proceeds from sale of interests in businesses | 1,447 | 1 | 1 | 1,449 | — | — | 1,449 |
| Net cash (used for) provided by investing activities | 1,253 | (264) | 46 | 1,035 | (20) | — | 1,015 |
| Cash flows from financing activities: | | | | | | | |
| Increase (decrease) in short-term debt | 401 | (3) | — | 398 | (4) | — | 394 |
| Capital repayment to minority shareholders | — | — | — | — | (78) | — | (78) |
| Net changes in intercompany financing | (474) | 567 | (90) | 3 | (3) | — | — |
| Net changes in intercompany equity | (6) | 180 | (21) | 153 | (153) | — | — |
| Net cash provided by (used for) financing activities | (79) | 744 | (111) | 554 | (238) | — | 316 |
| Effect of changes in exchange rates on cash positions | 60 | 4 | (18) | 46 | — | — | 46 |
| Increase (decrease) in cash and cash equivalents | 771 | 39 | 15 | 825 | (70) | — | 755 |
| Cash and cash equivalents at beginning of period | 339 | 366 | 74 | 779 | 262 | — | 1,041 |
| Cash and cash equivalents at end of period | 1,110 | 405 | 89 | 1,604 | 192 | — | 1,796 |

[Table of Contents](#)

Quarterly statistics

all amounts in millions of USD unless otherwise stated

| | 2007 | | | | 2008 | | | |
|------------------------------|---------------------------|--------------------------|-------------------------------|------------------------------|---------------------------|--------------------------|-------------------------------|------------------------------|
| | 1 st quarter | 2 nd quarter | 3 rd quarter | 4 th quarter | 1 st quarter | 2 nd quarter | 3 rd quarter | 4 th quarter |
| Sales | 1,461 | 1,538 | 1,644 | 1,678 | 1,519 | 1,524 | 1,374 | 1,026 |
| % increase | (2.8) | (1.6) | 0.3 | 9.4 | 4.0 | (0.9) | (16.4) | (38.9) |
| EBIT | (291) | (339) | (3) | (145) | (167) | (284) | (1,937) | (258) |
| as a % of sales | (19.9) | (22.0) | (0.2) | (8.6) | (11.0) | (18.6) | (141.0) | (25.1) |
| EBITA | (99) | (200) | 148 | (38) | (6) | (124) | (1,096) | (398) |
| as a % of sales | (6.8) | (13.0) | 9.0 | (2.3) | (0.4) | (8.1) | (79.8) | (38.8) |
| EBITDA | 112 | 17 | 358 | 195 | 162 | 46 | (876) | (263) |
| as a % of sales | 7.7 | 1.1 | 21.8 | 11.6 | 10.7 | 3.0 | (63.8) | (25.6) |
| Adjusted EBITA | 4 | 9 | 136 | 148 | 41 | (29) | 15 | (84) |
| as a % of sales | 0.3 | 0.6 | 8.3 | 8.8 | 2.7 | (1.9) | 1.1 | (8.2) |
| Adjusted EBITDA | 182 | 190 | 310 | 349 | 183 | 114 | 147 | 41 |
| as a % of sales | 12.5 | 12.4 | 18.9 | 20.8 | 12.0 | 7.5 | 10.7 | 4.0 |
| Net income | (348) | (359) | (12) | 69 | (78) | (330) | (2,547) | (645) |
| | January- March | January- June | January- September | January- December | January- March | January- June | January- September | January- December |
| Sales | 1,461 | 2,999 | 4,643 | 6,321 | 1,519 | 3,043 | 4,417 | 5,443 |
| % increase | (2.8) | (2.2) | (1.3) | 1.3 | 4.0 | 1.5 | (4.9) | (13.9) |
| EBIT | (291) | (630) | (633) | (778) | (167) | (451) | (2,388) | (2,646) |
| as a % of sales | (19.9) | (21.0) | (13.6) | (12.3) | (11.0) | (14.8) | (54.1) | (48.6) |
| EBITA | (99) | (299) | (151) | (189) | (6) | (130) | (1,226) | (1,624) |
| as a % of sales | (6.8) | (10.0) | (3.3) | (3.0) | (0.4) | (4.3) | (27.8) | (29.8) |
| EBITDA | 112 | 129 | 487 | 682 | 162 | 208 | (668) | (931) |
| as a % of sales | 7.7 | 4.3 | 10.5 | 10.8 | 10.7 | 6.8 | (15.1) | (17.1) |
| Adjusted EBITA | 4 | 13 | 149 | 297 | 41 | 12 | 27 | (57) |
| as a % of sales | 0.3 | 0.4 | 3.2 | 4.7 | 2.7 | 0.4 | 0.6 | (1.0) |
| Adjusted EBITDA | 182 | 372 | 682 | 1,031 | 183 | 297 | 444 | 485 |
| as a % of sales | 12.5 | 12.4 | 14.7 | 16.3 | 12.0 | 9.8 | 10.1 | 8.9 |
| Net income | (348) | (707) | (719) | (650) | (78) | (408) | (2,955) | (3,600) |
| | period ending 2007 | | | | Period ending 2008 | | | |
| Inventories as a % of sales | 13.5 | 13.1 | 13.8 | 15.2 | 16.3 | 15.9 | 12.0 | 11.6 |
| Net debt: group equity ratio | 52:48 | 54 : 46 | 52 : 48 | 51 : 49 | 54 : 46 | 57 : 43 | 70 : 30 | 78 : 22 |
| Employees (in FTE) | 37,620 | 38,176 | 38,116 | 37,627 | 36,800 | 36,576 | 33,622 | 30,174 |



NXP Semiconductors Announces Fourth Quarter 2008 Results

Q4 Highlights

- Q4 sales at USD 979*) million vs. USD 1,216**) million in Q3 and USD 1,678 million in Q4 of 2007
- Comparable QoQ sales decrease of 21.9% and comparable YoY sales decrease of 25.6%.
- Q4 2008 Adjusted EBITDA at USD 41 million, compared to USD 147 million in Q3 of 2008 and USD 349 million in Q4 of 2007
- Cash position of USD 1,796***) million at the end of Q4 2008 compared to USD 1,535 million at the end of Q3 2008
- Factory loading at 56% in Q4 2008, compared to 68% in Q3 2008
- Book to bill ratio of 0.71 in Q4 2008 compared to 1.00 in Q3 2008

*) Excluding USD 47 million subsequent wafer sales to ST-NXP Wireless JV in Q4

**) Excluding USD 120 million sales in July 2008 of the divested wireless business and excluding USD 38 million subsequent wafer sales to ST-NXP wireless

***) Including USD 400 million drawn down from NXP's revolving credit facility

Eindhoven, The Netherlands, March 3, 2009 — NXP Semiconductors today announced fourth quarter sales of USD 979 million, a comparable decrease of 21.9% over the third quarter of 2008 and a comparable decrease of 25.6% over the fourth quarter of 2007, reflecting difficult and deteriorating market conditions towards the end of 2008. Adjusted EBITDA in the fourth quarter was USD 41 million. Adjusted EBITA showed a loss of USD 84 million this quarter compared to a profit of USD 148 million in the same period last year and a profit of USD 15 million in the previous quarter.

Considerable advances were made in the fourth quarter towards the execution of the redesign plans announced during the third quarter of 2008 on September 12.

The cash position was USD 1,796 million at the end of the fourth quarter, which includes USD 400 million drawn down from NXP's revolving credit facility. The Q4 cash position compares with USD 1,535 million at the end of Q3 2008.

Outlook: our ability to give guidance on our expected first quarter revenues is limited, due to the unusual conditions prevailing in the semiconductor industry. However based on overall consumer sentiment, recent order book development, and expected future trading levels, we now foresee a 30% to 40% sequential sales decline in the first quarter on a business and currency comparable basis.

Visibility of sales for the year ahead is even more limited. In particular, we are unable to determine when the current severe downturn in the semiconductor industry will abate. However, our current expectation is that our 2009 revenues will be lower than our 2008 revenues, and the size of this decline could be significant. A decline, combined with the large cash cost of our Redesign Program, would lead to reduced liquidity at the end of 2009.

The full Q4 report is available on the NXP website (www.nxp.com/investor). Please note that we will not be holding a conference call this quarter due to legal restrictions relating to the private exchange offer announced earlier today.



About NXP Semiconductors

NXP is a leading semiconductor company founded by Philips more than 50 years ago. Headquartered in Europe, the company has about 30,000 employees working in more than 30 countries and posted sales of USD 5.4 billion (including the Mobile & Personal business) in 2008. NXP creates semiconductors, system solutions and software that deliver better sensory experiences in TVs, set-top boxes, identification applications, mobile phones, cars and a wide range of other electronic devices. News from NXP is located at www.nxp.com.

For further press information, please contact:

Media:

Lieke de Jong-Tops

Tel. +31 40 27 25202

lieke.de.jong-tops@nxp.com