

NXP Semiconductors N.V.
Form F-1
March 10, 2011
Table of Contents

As filed with the Securities and Exchange Commission on March 9, 2011

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

FORM F-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

NXP Semiconductors N.V.

(Exact name of Registrant as specified in its charter)

The Netherlands
(State or other jurisdiction of
incorporation or organization)

3674
(Primary Standard Industrial
Classification Code Number)
High Tech Campus 60

5656 AG Eindhoven

The Netherlands

Not Applicable
(I.R.S. Employer
Identification No.)

Edgar Filing: NXP Semiconductors N.V. - Form F-1

Tel: +31 40 2729233

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

James N. Casey

1109 McKay Drive

M/S 54SJ

San Jose, CA 95131-1706

United States

Tel: +1 408 434 3000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

**Nicholas J. Shaw
Simpson Thacher & Bartlett LLP**

CityPoint

One Ropemaker Street

London EC2Y 9HU

England

**Paul Etienne Kumleben
Davis Polk & Wardwell LLP**

99 Gresham Street

London EC2V 7NG

England

Approximate date of commencement of proposed sale to the public:

As soon as possible after this registration statement becomes effective

Edgar Filing: NXP Semiconductors N.V. - Form F-1

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered ⁽¹⁾	Proposed maximum aggregate offering price ⁽²⁾	Amount of registration fee
Shares of common stock, par value 0.20	28,750,000	\$860,775,000	\$99,935.98

(1) Includes 3,750,000 shares that the underwriters have the option to purchase to cover overallocments.

(2) Estimated solely for purposes of determining the registration fee based on the average of the high and low prices for the registrant's common stock on March 7, as reported on the NASDAQ Global Select Market pursuant to Rule 457(c) under the Securities Act of 1933, as amended.

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

Table of Contents

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

Subject to completion, dated , 2011.

NXP Semiconductors N.V.

25,000,000 Shares

Common Stock

The selling stockholders identified in this prospectus, including entities affiliated with directors of our company and with members of our senior management, are offering all of the shares of our common stock offered hereby and will receive all of the proceeds from this offering. See Principal and Selling Stockholders.

Our shares of common stock are listed on the NASDAQ Global Select Market under the symbol NXPI. On March 7, 2011, the closing price of our shares of common stock as reported on the NASDAQ Global Select Market was \$29.16 per share.

An investment in our common stock involves risks. See Risk Factors beginning on page 12 of this prospectus.

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

	Per share	Total
Public offering price	\$	\$
Underwriting discount and commissions	\$	\$
Proceeds, before expenses, to the selling stockholders	\$	\$

To the extent that the underwriters sell more than 25,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 3,750,000 shares of common stock from the selling stockholders at the public offering price, less the underwriting discount and commissions, within 30 days of the date of this prospectus. See the section of this prospectus entitled Underwriting.

The underwriters expect to deliver the shares against payment on or about _____, 2011.

Credit Suisse

BofA Merrill Lynch

J.P. Morgan

ABN AMRO

Goldman, Sachs & Co.

HSBC

Prospectus dated _____, 2011

Morgan Stanley

Barclays Capital

KKR

Rabobank International

Table of Contents**TABLE OF CONTENTS**

<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	12
<u>Special Note Regarding Forward-Looking Statements</u>	32
<u>Use of Proceeds</u>	33
<u>Common Stock Price Range</u>	34
<u>Holder</u>	34
<u>Dividend Policy</u>	35
<u>Capitalization</u>	36
<u>Exchange Rate Information</u>	37
<u>Selected Historical Combined and Consolidated Financial Data</u>	38
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	41
<u>Business</u>	85
<u>Management</u>	110
<u>Certain Relationships and Related Party Transactions</u>	127
<u>Principal and Selling Stockholders</u>	131
<u>Shares Eligible for Future Sale</u>	138
<u>Description of Indebtedness</u>	140
<u>Material Tax Considerations</u>	150
<u>Underwriting (including Conflict of Interest)</u>	158
<u>Legal Matters</u>	165
<u>Experts</u>	165
<u>Where You Can Find More Information</u>	166
<u>Glossary</u>	167
<u>Index to Consolidated Financial Statements</u>	F-1

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

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

Table of Contents

PROSPECTUS SUMMARY

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

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

A glossary of abbreviations and technical terms used in this prospectus is set forth on page 167.

Our Company

We are a global semiconductor company and a long-standing supplier in the industry, with over 50 years of innovation and operating history. We provide leading High-Performance Mixed-Signal and Standard Product solutions that leverage our deep application insight and our technology and manufacturing expertise in radio frequency (RF), analog, power management, interface, security and digital processing products. Our product solutions are used in a wide range of automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. We engage with leading original equipment manufacturers (OEMs) worldwide and 58% of our revenues both in 2010 and 2009 were derived from Asia Pacific (excluding Japan). Since our separation from Koninklijke Philips Electronics N.V. (Philips) in 2006, we have significantly repositioned our business to focus on High-Performance Mixed-Signal solutions and have implemented a redesign program (the Redesign Program) aimed at achieving a world-class cost structure and processes. As of December 31, 2010, we had approximately 24,500 full-time equivalent employees located in at least 30 countries, with research and development activities in Asia, Europe and the United States, and manufacturing facilities in Asia and Europe.

The NXP Solution

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

Our Strengths

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

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

Table of Contents

Large base of experienced High-Performance Mixed-Signal engineers and strong intellectual property portfolio. We have what we believe is one of the industry's largest pools of experienced High-Performance Mixed-Signal engineers, with over 2,800 engineers with an average of 15 years of experience. In addition, we have an extensive intellectual property portfolio of approximately 14,000 issued and pending patents covering the key technologies used in our target application areas.

Deep applications expertise. We have built, and continue to build, through our relationships with leading OEMs and through internal development efforts in our advanced systems lab, deep insight into the component requirements and architectural challenges of electronic system solutions in our target end-market applications, thereby enhancing our engagement in our customers' product platforms.

Strong, well-established customer relationships. We have strong, well-established relationships with almost every major automotive, identification, mobile handset, consumer electronics, mobile base station and lighting supplier in the world. We directly engage with over 1,000 customer design locations worldwide. Our top OEM customers, in terms of revenue, include Apple, Bosch, Continental Automotive, Delphi, Ericsson, Harman/Becker, Huawei, Nokia, Nokia Siemens Networks, Oberthur, Panasonic, Philips, Samsung, Sony and Visteon. We also serve over 30,000 customers through our distribution partners.

Differentiated process technologies and competitive manufacturing. We focus our internal and joint venture wafer manufacturing operations on running a portfolio of proprietary specialty process technologies that enable us to differentiate our products on key performance features. By concentrating our manufacturing activities in Asia and by significantly streamlining our operations through our Redesign Program, we believe we have a competitive manufacturing base.

NXP Repositioning and Redesign

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

Our Repositioning

New leadership team. Nine of the twelve members of our executive management team are new to the Company or new in their roles since our separation from Philips in 2006, and seven of the twelve have been recruited from outside NXP.

Focus on High-Performance Mixed-Signal solutions. We have implemented our strategy of focusing on High-Performance Mixed-Signal solutions because we believe it to be an attractive market in terms of growth, barriers to entry, relative market share, relative business and pricing stability, and capital intensity. We have exited all of our system-on-chip businesses over the past three years, and have significantly increased our research and development investments in the High-Performance Mixed-Signal applications on which we focus.

New customer engagement strategy. We have implemented a new approach to serving our customers and have invested significant additional resources in our sales and marketing organizations, including hiring over 100 field application engineers in 2010 and 2009. We have also created application marketing teams that focus on delivering solutions and systems reference designs that leverage our broad portfolio of products.

Table of Contents

Our Redesign Program

Streamlined cost structure. As a result of the expanded Redesign Program, approximately \$794 million in annualized manufacturing and operating cost savings have been achieved as of December 31, 2010, compared to our annualized third quarter results for 2008, which was the quarter during which we contributed our wireless operations to ST-NXP Wireless. These savings are primarily achieved through a combination of headcount reductions, factory closings and restructuring of our IT infrastructure. Through December 31, 2010, \$656 million related to the accelerated and expanded Redesign Program and other restructuring activities have been paid.

Leaner manufacturing base. As a part of our Redesign Program, we will have reduced the number of our front-end manufacturing facilities from fourteen at the time of our separation from Philips in 2006 to six by the end of 2011.

Our Strategy

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

Extend our leadership in High-Performance Mixed-Signal markets. We intend to leverage our industry-leading RF, analog, power management, interface, security and digital processing technologies and capabilities to extend our leadership positions in providing High-Performance Mixed-Signal solutions for automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. Based on a combination of external and internal sources, we estimate that the consolidated market size of these addressed High-Performance Mixed-Signal markets was \$37.7 billion in 2010. See [Business](#) for a more detailed description of the size and growth of the markets that we address.

Focus on significant, fast growing opportunities. We are focused on providing solutions that address the macro trends of energy efficiency, mobility and connected mobile devices, security and healthcare, as well as rapid growth opportunities in emerging markets given our strong position in Asia Pacific (excluding Japan), which represented 58% of our revenues both in 2010 and 2009, compared to a peer average of 49% of revenues in 2009. In particular, Greater China represented 37% of our revenues in 2010, compared to 35% of our revenues in 2009.

Deepen relationships with our key customers through our application marketing efforts. We intend to increase our market share by focusing on and deepening our customer relationships, further growing the number of our field application engineers at our customers' sites and increasing product development work we conduct jointly with our lead customers.

Expand gross and operating margins. We continue to implement our comprehensive, multi-year operational improvement program aimed at accelerating revenue growth, expanding gross margins and improving overall profitability through better operational execution and streamlining of our cost structure.

Risks Affecting Us

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

Edgar Filing: NXP Semiconductors N.V. - Form F-1

The semiconductor industry in which we operate is highly cyclical.

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

Table of Contents

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

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

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

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

Recent Developments

Share Based Compensation Plans

On or about March 9, 2011, we will file a registration statement with the Securities and Exchange Commission (the "SEC") in relation to the management equity stock option plan (the "Management Equity Stock Option Plan"), the global equity incentive program (the "Global Equity Incentive Program") and the long term incentive plan, which we introduced in November 2010 (the "Long Term Incentive Plan 2010"). Following the filing of such registration statement, pursuant to our Management Equity Stock Option Plan, members of our management team and certain other executives will be allowed to exercise, from time to time, their vested options. The proportion of options available for exercise cannot exceed the proportion of the aggregate number of shares of common stock sold by our co-investors, including the Private Equity Consortium, to the total number of shares of common stock owned by such co-investors. We expect that following the completion of this offering, up to 15% of the vested options under the Management Equity Stock Option Plan will become exercisable, subject to the applicable laws and regulations.

Term Loan

On March 4, 2011, we entered into a \$500 million secured term loan credit facility (the "Term Loan") to finance general corporate purposes (including refinancing or repaying indebtedness). The Term Loan is available for drawing until and including April 6, 2011 and will mature on March 4, 2017. In connection with the Term Loan, on March 7, 2011 we issued redemption notices for all \$362 million outstanding of our 2014 Dollar Fixed Rate Secured Notes due 2014, together with \$100 million of our Dollar Floating Rate Secured Notes and 143 million of our Euro Floating Rate Secured Notes. The redemptions will be conditional on the receipt of proceeds from the Term Loan, which is expected on April 6, 2011.

For more information on the terms and conditions of the Term Loan, see "Description of Indebtedness - Term Loan."

Sound Solutions

On December 22, 2010, we announced that we signed a definitive agreement whereby Knowles Electronics, LLC ("Knowles Electronics"), an affiliate of Dover Corporation, will acquire our Sound Solutions Business (our "Sound Solutions Business"), a leading provider of speaker and receiver components for the mobile handset market. Under the terms of the agreement, subject to regulatory approvals and customary closing conditions, Knowles Electronics will acquire our Sound Solutions Business for \$855 million in cash.

The financial results attributable to our interest in our Sound Solutions Business (formerly included in our Standard Products segment) have been presented as discontinued operations in the consolidated financial statements and this prospectus. The transaction is expected to close on or about the end of the first quarter of 2011. For more information on the sale and purchase agreement we signed in relation to this transaction, including the conditions precedent to closing, see "Business - Divestment of Sound Solutions."

Table of Contents

Company Information

We were incorporated in the Netherlands as a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the name KASLION Acquisition B.V. on August 2, 2006, in connection with the sale by Philips of 80.1% of its semiconductor business on September 29, 2006, to a consortium of funds advised by Kohlberg Kravis Roberts & Co. L.P. (KKR), Bain Capital Partners, LLC (Bain), Silver Lake Management Company, L.L.C. (Silver Lake), Apax Partners LLP (Apax) and AlpInvest Partners N.V. (AlpInvest, and, collectively, the Private Equity Consortium) (such sale being referred to in this prospectus as our Formation). For a list of the specific funds that hold our common stock and their respective share ownership, see Principal and Selling Stockholders elsewhere in this prospectus. On May 21, 2010, we converted from a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) into a Dutch public company with limited liability (*naamloze vennootschap*) and changed our name from KASLION Acquisition B.V. to NXP Semiconductors N.V. On August 5, 2010, we made an IPO and listed on the NASDAQ Global Select Market.

We have one class of shares of common stock and an aggregate of 250,751,500 shares of common stock, of which 25,000,000 are to be sold by the selling shareholders as part of this offering. The underwriters have the option to purchase up to an additional 3,750,000 shares of common stock.

We are a holding company whose only material assets are the direct ownership of 100% of the shares of NXP B.V., a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*).

Affiliates of each of Barclays Capital Inc., Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. Incorporated who are participating in the underwriting of the shares of our common stock offered pursuant to this prospectus, have directly or indirectly through investments in private equity funds, including the funds that form the Private Equity Consortium, interests in less than 1% of our capital stock. In addition, KKR Capital Markets LLC will participate in the underwriting of the shares of our common stock offered pursuant to this prospectus. KKR Capital Markets LLC may be deemed to be an affiliate of the Company and is an affiliate of KKR. Funds advised by KKR hold approximately 19.19% of our capital stock and share voting control over our capital stock with other members of the Private Equity Consortium.

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

Table of Contents

THE OFFERING

Common stock offered by the selling stockholders

25,000,000 shares (or 28,750,000 shares if the underwriters exercise their option to purchase additional shares in full).

Option to purchase additional shares of common stock

The underwriters have the option to purchase a maximum of an additional 3,750,000 shares of common stock from the selling stockholders at the public offering price, less the underwriting discount and commissions. The underwriters can exercise this option at any time within 30 days from the day of this prospectus.

Common stock to be outstanding immediately after this offering

250,751,500 shares.

Use of proceeds

The selling stockholders will receive all of the proceeds from this offering and we will not receive any proceeds from the sale of shares of common stock in this offering. See Use of Proceeds.

The selling stockholders include members of the Private Equity Consortium, PPTL Investment LP and Kings Road Holdings IV L.P., NXP Co-Investment Partners II L.P. and NXP Co-Investment Partners VIII L.P. (the Selling Co-investors) affiliated with directors of our company and with members of our senior management. See Principal and Selling Stockholders.

Conflict of Interest

Funds advised by KKR, which are affiliates of KKR Capital Markets LLC, an underwriter of this offering, hold approximately 19.19% of our shares of common stock, share voting control over our shares of common stock with other members of the Private Equity Consortium and may receive 5% or more of the expected net proceeds of the offering. KKR Capital Markets LLC may therefore be deemed to be our affiliate and to have a conflict of interest with us within the meaning of Rule 5121 (Rule 5121) of the Financial Industry Regulatory Authority, Inc. (FINRA). Therefore, this offering will be conducted in accordance with Rule 5121. KKR Capital Markets LLC has informed us that it does not intend to confirm sales to accounts over which it exercises discretionary authority without the prior written approval of the account holder.

Dividend policy

Our ability to pay dividends on our common stock is limited by the covenants of our Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, the Term Loan and the indentures (collectively, the Indentures) governing the terms of our euro-denominated 10% super priority notes due July 15, 2013 (the Euro Super Priority Notes), our U.S. dollar-denominated 10% super priority notes due July 15, 2013 (the Dollar Super Priority Notes and, together with the Euro Super Priority Notes, the Super Priority Notes), our euro-denominated floating rate senior secured notes due October 15, 2013 (the Euro Floating

Table of Contents

Rate Secured Notes), our U.S. dollar-denominated floating rate senior secured notes due October 15, 2013 (the Dollar Floating Rate Secured Notes), our U.S. dollar-denominated 7⁷/₈% senior secured notes due October 15, 2014 (the 2014 Dollar Fixed Rate Secured Notes) and our U.S. dollar-denominated 7¹/₄% senior secured notes due August 1, 2018 (the 2018 Dollar Fixed Rate Secured Notes and, together with the Euro Floating Rate Secured Notes, the Dollar Floating Rate Secured Notes and the 2014 Dollar Fixed Rate Secured Notes, the Secured Notes), our euro-denominated 8% senior notes due October 15, 2015 (the Euro Unsecured Notes) and U.S. dollar-denominated 9% senior notes due October 15, 2015 (the Dollar Unsecured Notes and, together with our Euro Unsecured Notes, the Unsecured Notes), and may be further restricted by the terms of any future debt or preferred securities. As a result, we currently expect to retain future earnings for use in the operation and expansion of our business and the repayment of our debt and do not anticipate paying any cash dividends in the foreseeable future. See Dividend Policy and Description of Indebtedness.

NASDAQ Global Select Market symbol

NXPI

The number of shares of common stock that will be outstanding after this offering is calculated based on 250,751,500 shares outstanding as of December 31, 2010, and excludes:

21,800,055 shares of common stock underlying stock options outstanding as of December 31, 2010, of which 18,050,123 stock options have a weighted average exercise price of \$23.30 per share (or \$31.15 per share, based on the average exchange rate in effect on December 31, 2010) and 3,749,932 stock options at a weighted average exercise price of \$13.27;

2,130,214 shares of common stock underlying performance and restricted share units outstanding as of December 31, 2010; and

472,742 shares of common stock issuable upon the exercise of equity rights outstanding as of December 31, 2010.

RISK FACTORS

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

Table of Contents

CORPORATE STRUCTURE

The following chart reflects our corporate structure as of December 31, 2010.

- (1) Includes the Private Equity Consortium, as well as certain co-investors. Some of our co-investors have recently sold part of their holdings of shares of our common stock, in accordance with the applicable securities law exemptions from registration.*
- (2) As of December 31, 2010, the management foundations held 2,100,000 or 0.84% of the shares of our common stock. As of December 31, 2010, 21,800,055 shares of common stock were issuable upon the exercise of options outstanding under our Management Equity Stock Option Plan and the Long Term Incentive Plan 2010, 2,130,214 shares of common stock were issuable upon the vesting of performance and restricted stock units, and 472,742 shares of common stock were issuable upon the exercise of equity rights under our Global Equity Incentive Program. On March 9, 2011, approximately 550,000 shares of common stock held by the management foundations will be transferred to members of management and other executives in conversion for depository receipts for shares held by them. On the same date, approximately 220,000 shares of common stock held by the management foundations will be transferred as restricted stock or performance related stock to participants in the Long-Term Incentive Equity Plan 2010. The remaining approximately 1,330,000 shares of common stock held by the management foundations will be purchased by the Company and will be reserved for issuance under our stock option and equity incentive plans.*
- (3) We and Dover Corporation announced on December 22, 2010, that we have signed a definitive agreement whereby Dover Corporation's affiliate, Knowles Electronics, will acquire our Sound Solutions Business, subject to regulatory approvals and customary closing conditions. Consequently, all the shares in NXP Semiconductors Austria GmbH will be transferred to a subsidiary of Dover Corporation.*

Table of Contents**SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA**

The following table summarizes our historical consolidated financial data at the dates and for the periods indicated. The summary historical consolidated financial data as of and for the years ended December 31, 2008, 2009 and 2010, have been derived from our historical financial statements, included elsewhere in this prospectus. The results of operations for prior years are not necessarily indicative of the results to be expected for any future period. We prepare our financial statements in accordance with generally accepted accounting principles in the United States (U.S. GAAP). The summary historical consolidated financial data should be read in conjunction with Selected Historical Combined and Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the accompanying notes included elsewhere in this prospectus. The financial results attributable to our interest in our Sound Solutions Business (formerly included in our Standard Products segment) have been presented as discontinued operations in the consolidated financial statements and this prospectus.

(\$ in millions, except shares and per share data and unless otherwise indicated)	As of and for the year ended December 31,		
	2008 ⁽¹⁾	2009 ⁽¹⁾	2010 ⁽¹⁾
Consolidated Statements of Operations:			
Revenues	5,104	3,519	4,402
Cost of revenues	(3,958)	(2,621)	(2,579)
Gross profit	1,146	898	1,823
Research and development expenses	(1,187)	(764)	(568)
Write-off of acquired in-process research and development	(26)		
Selling expenses	(394)	(271)	(265)
Other general and administrative expenses	(1,103)	(712)	(701)
Impairment charges	(714)	(69)	
Other income (expense)	(365)	(13)	(16)
Operating income (loss)	(2,643)	(931)	273
Extinguishment of debt		1,020	57
Other financial income (expense)	(614)	(338)	(685)
Income (loss) before taxes	(3,257)	(249)	(355)
provision for income taxes	(42)	(10)	(24)
Income (loss) after income taxes	(3,299)	(259)	(379)
Results relating to equity-accounted investees	(268)	74	(86)
Income (loss) from continuing operations	(3,567)	(185)	(465)
Income (loss) on discontinued operations, net of tax	36	32	59
Net income (loss)	(3,531)	(153)	(406)
Other Operating Data:			
Capital expenditures	(356)	(92)	(258)
Depreciation and amortization ⁽²⁾	1,924	887	684
Comparable revenue growth ⁽³⁾	(8.6)%	(22.6)%	36.1%
Net restructuring charges ⁽⁴⁾	(594)	(103)	(20)
Other incidental items ⁽⁵⁾	(528)	(241)	(90)
Consolidated Statements of Cash Flows Data:			
Net cash provided by (used in):			
Operating activities	(657)	(730)	359
Investing activities	1,046	63	(269)
Financing activities	318	(80)	(155)
Per share data:⁽⁶⁾			
Basic and diluted income (loss) from continuing operations	(19.79)	(0.86)	(2.03)

Edgar Filing: NXP Semiconductors N.V. - Form F-1

Basic and diluted income (loss) from discontinued operations	0.20	0.15	0.26
Basic and diluted net income (loss)	(19.59)	(0.71)	(1.77)
Basic and diluted net income (loss) attributable to stockholders	(19.74)	(0.78)	(1.99)
Basic and diluted weighted average number of shares of common stock outstanding during the year (in thousands) ⁽⁷⁾	180,210	215,252	229,280

Consolidated Balance Sheet Data:

Cash and cash equivalents	1,781	1,026	898
Total assets	10,213	8,579	7,637
Net assets	1,182	1,041	1,219
Working capital ⁽⁸⁾	1,355	870	811
Total debt ⁽⁹⁾	6,367	5,283	4,551
Total stockholders' equity	969	843	986
Common stock	42	42	51

Table of Contents

- (1) All years have been restated to reflect the effect of the intended sale of the Sounds Solutions Business in 2011 as discontinued operations.
- (2) Depreciation and amortization include the cumulative net effect of purchase price adjustments related to a number of acquisitions and divestments, including the purchase by the Private Equity Consortium of an 80.1% interest in our business, described elsewhere in this prospectus as our Formation. The cumulative net effects of purchase price adjustments in depreciation and amortization aggregated to \$658 million in 2008, \$371 million in 2009 and \$302 million in 2010. In 2010, depreciation and amortization included \$40 million relating to disposals that occurred in connection with our restructuring activities and \$6 million relating to other incidental items. In 2009, depreciation and amortization included \$4 million relating to disposals that occurred in connection with our restructuring activities and \$42 million relating to other incidental items. For a detailed list of the acquisitions and the effect of acquisition accounting, see Management's Discussion and Analysis of Financial Condition and Results of Operations Factors Affecting Comparability Effect of Acquisition Accounting contained elsewhere in this prospectus. Depreciation and amortization also include impairments to goodwill and other intangibles, as well as write-offs in connection with acquired in-process research and development, if any.
- (3) Comparable revenue growth is a non-GAAP financial measure that reflects the relative changes in revenues between periods adjusted for the effects of foreign currency exchange rate changes, and material acquisitions and divestments, combined with reclassified product lines (which we refer to as consolidation changes). Our revenues are translated from foreign currencies into our reporting currency, the U.S. dollar, at monthly exchange rates during the respective years. As such, revenues as reported are impacted by significant foreign currency movements year over year. In addition, revenues as reported are also impacted by material acquisitions and divestments. We believe that an understanding of our underlying revenues performance on a comparable basis year over year is enhanced after these effects are excluded. The use of comparable revenue growth has limitations and you should not consider this performance measure in isolation from or as an alternative to U.S. GAAP measures such as nominal revenue growth. Calculating comparable revenue growth involves a degree of management judgment and management estimates and you are encouraged to evaluate the adjustments we make to nominal revenue growth and the reasons we consider them appropriate. Comparable revenue growth may be defined and calculated differently by other companies, thereby limiting its comparability with comparable revenue growth used by such other companies. See Management's Discussion and Analysis of Financial Condition and Results of Operations Use of Certain Non-U.S. GAAP Financial Measures contained elsewhere in this prospectus for further information.

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

(in %)	For the year ended December 31,		
	2008	2009	2010
Nominal revenue growth	(15.7)	(31.1)	25.1
Effects of foreign currency exchange rate changes	(1.8)	1.3	1.7
Consolidation changes	8.9	7.2	9.3
Comparable revenue growth	(8.6)	(22.6)	36.1

- (4) The components of restructuring charges recorded in 2008, 2009 and 2010 are as follows:

(\$ in millions)	For the year ended December 31,		
	2008	2009	2010
Cost of revenues	348	(5)	12
Selling expenses	19	11	(2)
General and administrative expenses	124	36	22
Research and development expenses	97	61	(7)
Other income and expenses	6		(5)
Net restructuring charges	594	103	20

Edgar Filing: NXP Semiconductors N.V. - Form F-1

- (5) 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.

Table of Contents

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

costs related to the divestment of our wireless business, which amounted to a loss of \$413 million;

IT system reorganization costs, following our separation from Philips, aggregating to \$61 million;

process and product transfer costs, amounting to \$31 million, related to the sale or closure of certain manufacturing facilities in connection with the Redesign Program and other restructuring activities;

costs related to the exit of product lines aggregating to \$15 million;

an aggregate cost of \$14 million related to the acquisition of the broadband media processing business of Conexant Systems, Inc. (Conexant), the acquisition of GloNav, Inc. (GloNav) and the divestment of our wireless operations to form a joint venture with STMicroelectronics N.V. (STMicroelectronics); and

gains related to the establishment of the NuTune Singapore Pte. Ltd. (NuTune) joint venture with Technicolor S.A., formerly known as Thomson S.A. (Technicolor), amounting to \$6 million.

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

process and product transfer costs amounting to \$102 million;

costs related to the exit of product lines, amounting to \$64 million;

IT system reorganization costs aggregating to \$35 million; and

an aggregate cost of \$40 million related to the transaction with Trident Microsystems, Inc. (Trident) for divestment of our television systems and set-top box business lines, and formation of our strategic alliance with Virage Logic Corporation (Virage Logic).

In 2010, the other incidental items amounted to an aggregate cost of \$90 million and were mainly related to the following:

process and product transfer costs, amounting to \$18 million;

an aggregate cost of \$33 million related to the transaction with Trident for divestment of our television and set top box business lines, and sale of our interest in our NuTune joint venture;

IT system reorganization costs aggregating to \$39 million.

Edgar Filing: NXP Semiconductors N.V. - Form F-1

- (6) On February 29, 2008, through a multi-step transaction, the nominal value of the common shares was decreased from 1.00 to 0.01 and all preference shares were converted into common shares, resulting in an increase of outstanding common shares from 100 million to 4.3 billion. In addition, on August 2, 2010, we have amended our articles of association in order to effect a 1-for-20 reverse stock split, decreasing the number of shares of common stock outstanding from approximately 4.3 billion to approximately 215 million and increasing the par value of the shares of common stock from 0.01 to 0.20. On August 10, 2010, we issued an additional 34 million shares, which we sold as part of our IPO on August 5, 2010. On November 2, 2010, we issued 1.5 million shares as part of our setting up of the Long Term Incentive Plan 2010.
- (7) For the years 2008 until 2010, there is no difference between basic and diluted number of shares due to our net loss position in all periods presented. As a result, all potentially dilutive securities are anti-dilutive.
- (8) Working capital is calculated as current assets less current liabilities (excluding short-term debt).
- (9) As adjusted for our cash and cash equivalents as of December 31, 2008, 2009 and 2010, our net debt was \$4,586 million, \$4,257 million, and \$3,653 million, respectively. Net debt is a non-GAAP financial measure and represents total debt (short-term and long-term debt) after deduction of cash and cash equivalents. Management believes this measure is a good reflection of our net leverage.

Table of Contents

RISK FACTORS

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

Risks Related to Our Business

The semiconductor industry is highly cyclical.

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

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

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

Table of Contents

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

One of our business strategies is to participate in and win competitive bid selection processes to develop products for use in our customers equipment and products. These selection processes can be lengthy and require us to incur significant design and development expenditures, with no guarantee of winning a contract or generating revenues. Failure to win new design projects and delays in developing new products with anticipated technological advances or in commencing volume shipments of these products may have an adverse effect on our business. This risk is particularly pronounced in markets where there are only a few potential customers and in the automotive market, where, due to the longer design cycles involved, failure to win a design-in could prevent access to a customer for several years. Our failure to win a sufficient number of these bids could result in reduced revenues and hurt our competitive position in future selection processes because we may not be perceived as being a technology or industry leader, each of which could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

holders of our debt securities could declare all outstanding principal and interest to be due and payable;

Table of Contents

the lenders under our Secured Revolving Credit Facility or Forward Start Revolving Credit Facility, as the case may be, could terminate their commitments to lend us money and/or foreclose against the assets securing any outstanding borrowings; and

we could be forced into bankruptcy or liquidation.

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

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

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

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

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

There is new U.S. legislation to improve the transparency and accountability concerning the supply of minerals coming from the conflict zones of the Democratic Republic of Congo. Such legislation includes disclosure requirements regarding the use of conflict minerals mined from the Democratic Republic of Congo and adjoining countries and procedures regarding a manufacturer's efforts to prevent the sourcing of such conflict minerals. The implementation of these requirements could affect the sourcing and availability of minerals used in the manufacture of our products. As a result, there may only be a limited pool of suppliers who provide conflict free metals, and we cannot assure you that we will be able to obtain products in sufficient quantities or at competitive prices. Also, since our supply chain is complex, we may face reputational challenges with our customers and other stakeholders if we are unable to sufficiently verify the origins of all metals used in our products.

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

negative economic developments in economies around the world and the instability of governments, currently for example the sovereign debt situation in certain European countries;

Social and political instability in a number of countries around the world, including the recent developments in North Africa and the Middle East, and also including the threat of war, terrorist

Table of Contents

attacks in the United States or in EMEA, epidemics or civil unrest. Although we have no direct investments in North Africa and the Middle East, the ongoing changes may have, for instance via our customers, the energy prices and the financial markets, a negative effect on our business, financial condition and operations;

pandemics, which may adversely affect our workforce, as well as our local suppliers and customers in particular in Asia;

adverse changes in governmental policies, especially those affecting trade and investment;

foreign currency exchange, in particular with respect to the U.S. dollar, and transfer restrictions, in particular in Greater China; and

threats that our operations or property could be subject to nationalization and expropriation.

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

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

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

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

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

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

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

incur additional indebtedness or issue preferred stock;

pay dividends or make distributions in respect of our capital stock or make certain other restricted payments or investments;

repurchase or redeem capital stock;

Table of Contents

sell assets, including capital stock of restricted subsidiaries;

agree to limitations on the ability of our restricted subsidiaries to make distributions;

enter into transactions with our affiliates;

incur liens;

guarantee indebtedness; and

engage in consolidations, mergers or sales of substantially all of our assets.

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

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

Our Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, the Term Loan and the Indentures require us to comply with various covenants. Even though we are currently in compliance with all of our covenants, if there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could terminate commitments to lend and cause all amounts outstanding with respect to the debt to be due and payable immediately, which in turn could result in cross defaults under our other debt instruments. Our assets and cash flow may not be sufficient to fully repay borrowings under all of our outstanding debt instruments if some or all of these instruments are accelerated upon an event of default.

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

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

We depend significantly on patents and other intellectual property rights to protect our products and proprietary design and fabrication processes against misappropriation by others. We may in the future have difficulty obtaining patents and other intellectual property rights, and the patents we receive may be insufficient to provide us with meaningful protection or commercial advantage. We may not be able to obtain patent protection or secure other intellectual property rights in all the countries in which we operate, and under the laws of such countries, patents and other intellectual property rights may be or become unavailable or limited in scope. The protection offered by intellectual property rights may be inadequate or weakened for reasons or circumstances that are out of our control. Further, our trade secrets may be vulnerable to disclosure or misappropriation by employees, contractors and other persons. In particular, intellectual property rights are difficult to enforce in the People's Republic of China (PRC) and certain other countries, since the application and enforcement of the laws governing such rights may not have reached the same level as compared to other jurisdictions where we operate, such as the United States, Germany and the Netherlands. Consequently, operating in some of these nations may subject us to an increased risk that unauthorized parties may attempt to copy or

Table of Contents

otherwise use our intellectual property or the intellectual property of our suppliers or other parties with whom we engage. There is no assurance that we will be able to protect our intellectual property rights or have adequate legal recourse in the event that we seek legal or judicial enforcement of our intellectual property rights under the laws of such countries. Any inability on our part to adequately protect our intellectual property may have a material adverse effect on our business, financial condition and results of operations.

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

In connection with our separation from Philips in 2006, Philips transferred approximately 5,300 patent families to us subject to certain limitations, including (1) any prior commitments to and undertakings with third parties entered into prior to the separation and (2) certain licenses retained by Philips. The licenses retained by Philips give Philips the right to sublicense to third parties in certain circumstances, which may divert revenue opportunities from us. Approximately 800 of the patent families transferred from Philips were transferred to ST-NXP Wireless (and subsequently to ST-Ericsson, its successor) in connection with the contribution of our wireless operations to ST-NXP Wireless in 2008. Approximately 400 of the patent families transferred from Philips were transferred to Trident in connection with the divestment of our television systems and set-top box business lines to Trident in 2010. Further, a number of other patent families have been transferred in the context of other transactions. In addition, the acquisition of our Sound Solutions Business by Knowles Electronics scheduled to close on or about the end of the first quarter of 2011, subject to regulatory approvals or customary closing conditions, will lead to the transfer of certain patent families.

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

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

We have from time to time received, and may in the future receive, communications alleging possible infringement of patents and other intellectual property rights of others. Further, we may become involved in costly litigation brought against us regarding patents, copyrights, trademarks, trade secrets or other intellectual property rights. If any such claims are asserted against us, we may seek to obtain a license under the third party's intellectual property rights. We cannot assure you that we will be able to obtain any or all of the necessary licenses on satisfactory terms, if at all. In the event that we cannot obtain or take the view that we don't need a license, these parties may file lawsuits against us seeking damages (and potentially treble damages in the United States) or an injunction against the sale of our products that incorporate allegedly infringed intellectual property or against the operation of our business as presently conducted. Such lawsuits, if successful, could result in an increase in the costs of selling certain of our products, our having to partially or completely redesign our products

Table of Contents

or stop the sale of some of our products and could cause damage to our reputation. Any litigation could require significant financial and management resources regardless of the merits or outcome, and we cannot assure you that we would prevail in any litigation or that our intellectual property rights can be successfully asserted in the future or will not be invalidated, circumvented or challenged. The award of damages, including material royalty payments, or the entry of an injunction against the manufacture and sale of some or all of our products, could affect our ability to compete or have a material adverse effect on our business, financial condition and results of operations.

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

As part of our strategy, we have entered into a number of long-term strategic partnerships with other leading industry participants. For example, we have entered into a joint venture with Taiwan Semiconductor Manufacturing Company Limited (TSMC) called Systems on Silicon Manufacturing Company Pte. Ltd. (SSMC), and we jointly operate with Jilin Sino-Microelectronics Company Ltd. the joint venture, Jilin NXP Semiconductors Ltd. (Jilin). We established Advanced Semiconductor Manufacturing Corporation Limited (ASMC) together with a number of Chinese partners, and together with Advanced Semiconductor Engineering Inc. (ASE), we established the assembly and test joint venture, ASEN Semiconductors Co. Ltd. (ASEN). As a result of the transfer of our television systems and set-top box business lines to Trident, we acquired an equity stake in Trident.

If any of our strategic partners in industry groups or in any of the other alliances we engage with were to encounter financial difficulties or change their business strategies, they may no longer be able or willing to participate in these groups or alliances, which could have a material adverse effect on our business, financial condition and results of operations. We do not control some of these strategic partnerships, joint ventures and alliances in which we participate. Even though we own 59% of the outstanding stock of Trident, for instance, we only have a 30% voting interest in participatory rights and have a 59% voting interest only for certain protective rights. We may also have certain obligations, including some limited funding obligations or take or pay obligations, with regard to some of our strategic partnerships, joint ventures and alliances. For example, we have made certain commitments to SSMC, in which we have a 61.2% ownership share, whereby we are obligated to make cash payments to SSMC should we fail to utilize, and TSMC does not utilize, an agreed upon percentage of the total available capacity at SSMC s fabrication facilities if overall SSMC utilization levels drop below a fixed proportion of the total available capacity.

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

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

Table of Contents

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

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

Although a definitive agreement between us and Dover Corporation was signed on the acquisition of our Sound Solutions Business by Knowles Electronics, the transaction is not yet closed and there is a risk that the transaction may not materialize.

We and Dover Corporation (NYSE: DOV) announced on December 22, 2010, that we have signed a definitive agreement whereby Knowles Electronics will acquire our Sound Solutions Business, a leading provider of speaker and receiver components for the mobile handset market, subject to regulatory approvals and customary closing conditions. The sale of our Sound Solutions Business will significantly strengthen our balance sheet, while allowing us to further focus our resources on our core High Performance Mixed Signal business. Under the terms of the agreement, Knowles Electronics will acquire our Sound Solutions Business for \$855 million in cash. The transaction is expected to close on or about the end of the first quarter of 2011. In the event that the acquisition of our Sound Solutions Business by Knowles Electronics does not materialize, this will reduce our ability to improve our balance sheet. This may have a material adverse impact on our share price.

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

In September 2008, we announced our Redesign Program, targeted to reduce our annual cost base through major reductions of the manufacturing base, rightsizing of our central research and development and reduction of support functions. In the course of 2009, we accelerated and expanded the program. In 2010, we continued to proceed with the Redesign Program's implementation. However, our savings from measures yet to be implemented may be lower than we currently anticipate, and they may or may not be realized on our anticipated time line. The cost of implementing the Redesign Program may also differ from our estimates and negative effects from the Redesign Program, such as customer dissatisfaction, may have a larger impact on our revenues than currently expected.

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

We are a party to collective bargaining agreements and social plans with our labor unions. We also are required to consult with our employee representatives, such as works councils, on items such as restructurings, acquisitions and divestitures. Although we believe that our relations with our employees, employee

Table of Contents

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

Our working capital needs are difficult to predict.

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

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

We make highly complex electronic components and, accordingly, there is a risk that defects may occur in any of our products. Such defects can give rise to significant costs, including expenses relating to recalling products, replacing defective items, writing down defective inventory and loss of potential sales. In addition, the occurrence of such defects may give rise to product liability and warranty claims, including liability for damages caused by such defects. If we release defective products into the market, our reputation could suffer and we could lose sales opportunities and become liable to pay damages. Moreover, since the cost of replacing defective semiconductor devices is often much higher than the value of the devices themselves, we may at times face damage claims from customers in excess of the amounts they pay us for our products, including consequential damages. We also face exposure to potential liability resulting from the fact that our customers typically integrate the semiconductors we sell into numerous consumer products, which are then sold into the marketplace. We are exposed to product liability claims if our semiconductors or the consumer products based on them malfunction and result in personal injury or death. We may be named in product liability claims even if there is no evidence that our products caused the damage in question, and such claims could result in significant costs and expenses relating to attorneys' fees and damages. In addition, our customers may recall their products if they prove to be defective or make compensatory payments in accordance with industry or business practice or in order to maintain good customer relationships. If such a recall or payment is caused by a defect in one of our products, our customers may seek to recover all or a portion of their losses from us. If any of these risks materialize, our reputation would be harmed and there could be a material adverse effect on our business, financial condition and results of operations.

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

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

Table of Contents

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

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

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

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

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

We depend on our key management to run our business and on our senior engineers to develop new products and technologies. Our success will depend on the continued service of these individuals. Although we have several share based compensation plans in place, we cannot be sure that these plans will help us in our ability to retain key personnel, especially considering the fact that participants under some of our plans are allowed to exercise stock options and sell the shares so acquired pro rata upon a sale of shares of common stock by the co-investors, including the Private Equity Consortium, and that all of the stock options under some of our plans become exercisable upon a certain change of control events (in particular, the Private Equity Consortium no longer holding 30% of our shares of common stock). The loss of any of our key personnel, whether due to departures, death, ill health or otherwise, could have a material adverse effect on our business. The market for qualified employees, including skilled engineers and other individuals with the required technical expertise to succeed in our business, is highly competitive and the loss of qualified employees or an inability to attract, retain and motivate the additional highly skilled employees required for the operation and expansion of our business could hinder our ability to successfully conduct research activities or develop marketable products. The foregoing risks could have a material adverse effect on our business.

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

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

Table of Contents

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

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

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

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

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

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

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

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

We are a global company and, as a direct consequence, movements in the financial markets may impact our financial results. We are exposed to a variety of financial risks, including currency fluctuations, interest rate risk,

Table of Contents

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

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

We hold defined benefit pension plans in a number of countries and a significant number of our employees are covered by our defined-benefit pension plans. As of December 31, 2010, we had recognized a net accrued benefit liability of \$199 million, representing the unfunded benefit obligations of our defined pension plan. The funding status and the liabilities and costs of maintaining such defined benefit pension plans may be impacted by financial market developments. For example, the accounting for such plans requires determining discount rates, expected rates of compensation and expected returns on plan assets, and any changes in these variables can have a significant impact on the projected benefit obligations and net periodic pension costs. Negative performance of the financial markets could also have a material impact on funding requirements and net periodic pension costs. Our defined benefit pension plans may also be subject to demographic trends. Accordingly, our costs to meet pension liabilities going forward may be significantly higher than they are today, which could have a material adverse impact on our financial condition.

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

On December 5, 2009, the previous Dutch State Secretary of Finance published a letter in which it was announced that, with respect to corporate taxation, the following four issues were the subject of further study: interest deductions of holding companies that are engaged in leveraged acquisitions, tax losses of foreign branches, interest deductions and earnings stripping rules and the so-called group interest box. On April 7, 2010, a committee appointed by the Dutch Ministry of Finance published its initial report. This report contained a general description of potential measures that may effectively limit deductibility of interest, including interest on acquisition debt and measures limiting the deductibility of foreign branch losses. In October 2010, a new Dutch government was installed and the new State Secretary of Finance announced that he will publish his plans for tax reform in April 2011. It is currently unclear whether a legislative proposal will actually be submitted to parliament. Also, it is unclear whether such a legislative proposal would limit the tax deductibility of the interest payable by us under our indebtedness or limit our ability to deduct losses of foreign branches against our Dutch taxable income. However, if it does, this may adversely affect our financial position and our ability to service the obligations under our indebtedness.

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

We are required to pay taxes in multiple jurisdictions. We determine the taxation we are required to pay based on our interpretation of the applicable tax laws and regulations in the jurisdictions in which we operate.

Table of Contents

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

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

Although we have remediated the specific material weakness in our internal control over financial reporting identified for the year ended December 31, 2009, and believe that we have established proper compliance procedures, there may from time to time exist deficiencies in our control systems that could adversely affect the accuracy and reliability of our periodic reporting.

We are required to establish and periodically assess the design and operating effectiveness of our internal control over financial reporting. In connection with our assessment of the internal control over financial reporting for the year ended December 31, 2009, we identified a deficiency related to the accounting and disclosure for income taxes, which we concluded constituted a material weakness. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness that we identified related to the execution of the procedures surrounding the preparation and review of our income tax provision as of December 31, 2009. In particular, the execution of our controls did not ensure the accuracy and validity of our acquisition accounting adjustments and the determination of the valuation allowance for deferred tax assets. Part of the identified issue was caused by the complexity that resulted from the fact that step-ups from acquisitions are accounted for centrally. During the year ended December 31, 2010, we updated our internal controls and concluded that we had remediated this material weakness. However, despite the compliance procedures that we adopted, there may from time to time exist deficiencies in our control systems that could adversely affect the accuracy and reliability of our periodic reporting. Our periodic reporting is the basis of investors' and other market professionals' understanding of our businesses. Imperfections in our periodic reporting could create uncertainty regarding the reliability of our results of operations and financial results, which in turn could have a material adverse impact on our reputation or share price.

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

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

Table of Contents

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

Scientific examination of, political attention to and rules and regulations on issues surrounding the existence and extent of climate may result in an increase in the cost of production due to increase in the prices of energy and introduction of energy or carbon tax. A variety of regulatory developments have been introduced that focus on restricting or managing the emission of carbon dioxide, methane and other greenhouse gasses. Enterprises may need to purchase at higher costs new equipment or raw materials with lower carbon footprints. These developments and further legislation that is likely to be enacted could affect our operations negatively. Changes in environmental regulations could increase our production costs, which could adversely affect our results of operations and financial condition.

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

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

Risks Related to this Offering and Ownership of Our Common Stock

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

The Private Equity Consortium controls us and, after this offering, will beneficially own 55.78% of our common stock or 54.61% if the underwriters exercise their option to purchase additional shares of common stock in full. As a result, the Private Equity Consortium will continue to be able to influence or control matters

Table of Contents

requiring approval by our stockholders, including the election and removal of our directors, our corporate and management policies, potential mergers or acquisitions, payment of dividends, asset sales and other significant corporate transactions. We cannot assure you that the interests of the Private Equity Consortium will coincide with the interests of other holders of our common stock, particularly if we encounter financial difficulties or are unable to pay our debts when due. The concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their shares as part of a sale of us and might ultimately affect the market price of our common stock. See **Principal and Selling Stockholders**.

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

Funds advised by KKR, which are affiliates of KKR Capital Markets LLC, an underwriter of this offering, hold approximately 19.19% of our shares of common stock and share voting control over our shares of common stock with other members of the Private Equity Consortium. Affiliates of KKR Capital Markets LLC also hold certain of our existing notes and may receive 5% or more of the expected net proceeds of the offering. KKR Capital Markets LLC may therefore be deemed to have a conflict of interest within the meaning of Rule 5121 of FINRA. Therefore, this offering will be conducted in accordance with Rule 5121.

Affiliates of each of Barclays Capital Inc., Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. Incorporated who are participating in the underwriting of the shares of our common stock offered pursuant to this prospectus, have directly or indirectly through investments in private equity funds, including the funds that form the Private Equity Consortium, interests in less than 1% of our capital stock.

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

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

There are 250,751,500 shares of our common stock outstanding. The 25,000,000 shares of common stock sold in this offering will be freely tradable in the U.S. without restriction or further registration under the Securities Act of 1933, as amended, by persons other than our affiliates (within the meaning of Rule 144 under the Securities Act).

Following this offering the Private Equity Consortium and PPTL Investment LP will own 177,313,923 shares of our common stock. The Private Equity Consortium, PPTL Investment LP and certain co-investors will be able to continue to sell their shares in the public market from time to time, although such sales may be subject to certain limitations on the timing, amount and method of those sales imposed by the SEC. The Private Equity Consortium, PPTL Investment LP and certain co-investors and the underwriters have agreed to a lock up period, meaning that the Private Equity Consortium, PPTL Investment LP and certain co-investors may not sell any of their shares without the prior consent of each of for days, subject to extension in certain events, after the date of this prospectus, subject to certain exceptions. The Private Equity Consortium and PPTL Investment LP have the right to cause us to register the sale of shares of common stock owned by them and, together with certain co-investors, to include their shares in future registration statements relating to our securities. If the Private Equity Consortium, PPTL Investment LP or certain co-investors were to sell a large number of their shares, the market price of our stock could decline significantly. In addition, the perception in the public markets that additional sales by the Private Equity Consortium, PPTL Investment LP and/or certain co-investors might occur could also adversely affect the market price of our common stock.

Table of Contents

In addition to the lock up period applicable to shares of our common stock held by the Private Equity Consortium PPTL Investment LP and certain co-investors, sales of our common stock held by our directors and officers are also restricted by the lock up agreements that our directors and executive officers have entered into with the underwriters. The lock up agreements restrict our directors and executive officers, subject to specified exceptions, from selling or otherwise disposing of any shares for a period of days after the date of this prospectus, subject to extension in certain events, without the prior consent of each of . may, however, in their sole discretion and without notice, release all or any portion of the shares from the restrictions in the lock up agreements.

We also have an aggregate of approximately 21,800,055 shares of common stock underlying stock options outstanding as of December 31, 2010, of which 18,050,123 stock options have a weighted average exercise price of \$23.30 per share (or \$31.15 per share, based on the average exchange rate as of December 31, 2010) and 3,749,932 stock options at a weighted average exercise price of \$13.27. Furthermore, we had an aggregate of 2,130,214 shares of common stock outstanding as of December 31, 2010, issued as performance and restricted share units, under the Long Term Incentive Plan 2010. In addition, 472,742 shares of common stock issuable upon the exercise of equity rights are outstanding as of December 31, 2010.

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

United States civil liabilities may not be enforceable against us.

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

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

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

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

Table of Contents

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

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

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

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

Our general meeting of stockholders has empowered our board of directors to issue additional shares or to restrict or exclude pre-emptive rights on existing shares for a period of five years from August 2, 2010 until August 2, 2015. An issue of new shares may make it more difficult for a stockholder to obtain control over our general meeting.

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

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

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

Table of Contents

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

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

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

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

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

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

Our actual operating results may differ significantly from our guidance.

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

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

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results

Table of Contents

will vary from the guidance and the variations may be material. Investors should also recognize that the reliability of any forecasted financial data diminishes the farther in the future that the data is forecast. In light of the foregoing, investors are urged to put the guidance in context and not to place undue reliance on it.

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

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

market demand and semiconductor industry conditions;

our ability to successfully introduce new technologies and products;

the demand for the goods into which our products are incorporated;

our ability to generate sufficient cash, raise sufficient capital or refinance our debt at or before maturity to meet both our debt service and research and development and capital investment requirements;

our ability to accurately estimate demand and match our production capacity accordingly;

our ability to obtain supplies from third-party producers;

our access to production from third-party outsourcing partners, and any events that might affect their business or our relationship with them;

our ability to secure adequate and timely supply of equipment and materials from suppliers;

our ability to avoid operational problems and product defects and, if such issues were to arise, to rectify them quickly;

our ability to form strategic partnerships and joint ventures and successfully cooperate with our alliance partners;

our ability to win competitive bid selection processes;

our ability to develop products for use in our customers' equipment and products;

our ability to successfully hire and retain key management and senior product engineers; and

our ability to maintain good relationships with our suppliers.

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

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

Table of Contents

USE OF PROCEEDS

The selling stockholders will receive all of the net proceeds from the sale of 25,000,000 shares of our common stock in this offering. We will not receive any proceeds from the sale of shares of common stock in this offering. We will pay the expenses of this offering, other than underwriting discounts and commissions. The selling stockholders include entities affiliated with directors of our company and with members of our senior management. The Private Equity Consortium, PPTL Investment LP and the Selling Co-investors are selling stockholders in this offering. See Principal and Selling Stockholders.

Table of Contents**COMMON STOCK PRICE RANGE****Market Information**

Our shares of common stock have been listed on the NASDAQ Global Select Market under the symbol **NXPI** since our IPO on August 5, 2010. Prior to that date, there was no public market for our shares of common stock. The following table sets forth, for the periods indicated, the high and low sales prices of our shares of common stock as reported by the NASDAQ Global Select Market:

	Market Prices	
	High	Low
Fiscal year ended December 31, 2010 (from August 6, 2010)	21.57	10.23
First quarter 2011 (through March 7, 2011)	33.87	20.64

The closing sale price per share of common stock on March 7, 2011, as reported by the NASDAQ Global Select Market, was \$29.16.

HOLDERS

As of December 31, 2010, there were 20 holders of record of our shares of common stock.

Table of Contents

DIVIDEND POLICY

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

Table of Contents**CAPITALIZATION**

The following table sets forth our capitalization as of December 31, 2010.

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

(\$ in millions)	As of December 31, 2010*
Total short-term debt	423
Total long-term debt	4,128
Total debt	4,551
Total stockholders' equity	986
Total capitalization	5,537

* On March 4, 2011, we entered into a new \$500 million Term Loan, which has not been drawn as of the date of this prospectus. It is intended that the Term Loan will be drawn on April 6, 2011 and the proceeds, together with cash on hand and available borrowing capacity under the Secured Revolving Credit Facility will be used to redeem all \$362 million of outstanding 2014 Dollar Fixed Rate Notes, together with \$100 million of Dollar Floating Rate Secured Notes, 143 million of Euro Floating Rate Secured Notes and for the cash payment of \$16 million for accrued and unpaid interest. We estimate that our annual average interest expense will decrease by \$10 million as a result of the foregoing.

Table of Contents**EXCHANGE RATE INFORMATION**

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

The table below shows the average noon buying rates for U.S. dollars per euro for the five years ended December 31, 2010 and the high, low and period end rates for each of those periods. The averages set forth in the table below have been computed using the noon buying rate on the last business day of each month during the periods indicated.

Year ended December 31,	Average (\$ per €)
2006	1.2563
2007	1.3771
2008	1.4726
2009	1.3935
2010	1.3261

The following table shows the high and low noon buying rates for U.S. dollars per euro for each of the six months in the six-month period ended February 28, 2011 and for the period from March 1, 2011 through March 7, 2011:

Month	High (\$ per €)	Low
2010		
September	1.3638	1.2708
October	1.4066	1.3688
November	1.4224	1.3092
December	1.3395	1.3089
2011		
January	1.3715	1.2942
February	1.3793	1.3474
March (through March 7, 2011)	1.3982	1.3812

On March 7, 2011, the noon buying rate was \$1.3976 per € 1.00.

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

The foreign exchange rate used as of December 31, 2010, was \$1.3370 per € 1.00.

Table of Contents

SELECTED HISTORICAL COMBINED AND CONSOLIDATED FINANCIAL DATA

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

We have derived the selected consolidated statement of operations and other financial data for the years ended December 31, 2008, 2009 and 2010 and the selected consolidated balance sheet data as of December 31, 2009 and 2010 from our audited consolidated financial statements, included elsewhere in this prospectus. We have derived the selected consolidated statement of operations and other financial data for the year ended December 31, 2007, and the selected consolidated balance sheet data as of December 31, 2008, from our audited consolidated financial statements, not included in this prospectus. We have derived the selected consolidated statement of operations and other financial data for the periods from September 29, 2006 (inception) to December 31, 2006 and the consolidated balance sheet data as of December 31, 2006 and 2007 from the audited consolidated financial statements of NXP B.V. and its subsidiaries, not included in this prospectus. We have derived the selected combined statement of operations and other financial data for the period from January 1, 2006 to September 28, 2006 and the balance sheet data as of September 28, 2006, from the combined financial statements of the former semiconductor business of Philips and its consolidated subsidiaries, the predecessor, not included in this prospectus. The financial results attributable to our interest in our Sound Solutions Business (formerly included in our Standard Products segment) have been presented as discontinued operations in the consolidated financial statements and this prospectus.

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

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

Table of Contents

	Predecessor	NXP Semiconductors N.V.				
		As of and	As of and for the years ended December 31,			
	As of and for the period from January 1 to September 28	for the period from September 29 to December 31,				
(\$ in millions)	2006 ⁽¹⁾	2006 ⁽¹⁾	2007 ⁽¹⁾	2008 ⁽¹⁾	2009 ⁽¹⁾	2010 ⁽¹⁾
Consolidated statements of operations:						
Revenues	4,593	1,492	6,051	5,104	3,519	4,402
Operating income (loss)	158	(1,006)	(791)	(2,643)	(931)	273
Financial income (expense) net	(27)	(94)	(181)	(614)	682	(628)
Income (loss) from continuing operations	54	(788)	(617)	(3,567)	(185)	(465)
Income (loss) from discontinued operations	15	(1)	29	36	32	59
Net income (loss)	69	(789)	(588)	(3,531)	(153)	(406)
Per share data⁽²⁾:						
Basic and diluted income (loss) from continuing operations ⁽³⁾	N.A.	(185.20)	(240.60)	(19.79)	(0.86)	(2.03)
Basic and diluted income (loss) from discontinued operations ⁽³⁾	N.A.	(0.20)	5.80	0.20	0.15	0.26
Basic and diluted net income (loss) ⁽³⁾	N.A.	(185.40)	(234.80)	(19.59)	(0.71)	(1.77)
Basic and diluted weighted average number of shares of common stock outstanding during the year (in thousands) ⁽⁴⁾	N.A.	5,000	5,000	180,210	215,252	229,280
Consolidated balance sheet data:						
Cash and cash equivalents	N.A.	1,228	1,029	1,781	1,026	898
Total assets	N.A.	12,910	13,574	10,213	8,579	7,637
Net assets	N.A.	5,016	4,565	1,182	1,041	1,219
Working capital ⁽⁵⁾	N.A.	1,574	1,081	1,355	870	811
Total debt ⁽⁶⁾	N.A.	5,835	6,076	6,367	5,283	4,551
Total business/stockholders' equity	N.A.	4,803	4,308	969	843	986
Common stock	N.A.	133	133	42	42	51
Other operating data:						
Capital expenditures	(566)	(140)	(496)	(356)	(92)	(258)
Depreciation and amortization ⁽⁷⁾	581	1,039	1,506	1,924	887	684
Consolidated statements of cash flows data:						
Net cash provided by (used for):						
Operating activities	570	382	466	(657)	(730)	359
Investing activities	(556)	(240)	(618)	1,046	63	(269)
Financing activities	60	905	(23)	318	(80)	(155)
Net cash provided by (used for) continuing operations	74	1,047	(175)	707	(747)	(65)
Net cash provided by (used for) discontinued operations		(3)	8	2		(5)

(1) All years have been restated to reflect the effect of the intended sale of the Sounds Solutions Business in 2011 as discontinued operations.

(2) On February 29, 2008, through a multi-step transaction, the nominal value of the common shares was decreased from 1.00 to 0.01 and all preference shares were converted into common share, which resulted

Table of Contents

in an increase of outstanding common shares from 100 million to 4.3 billion. On August 2, 2010, we amended our articles of association in order to effect a 1-for-20 reverse stock split, decreasing the number of shares of common stock outstanding from approximately 4.3 billion to approximately 215 million and increasing the par value of the shares of common stock from 0.01 to 0.20. In all periods presented, basic and diluted weighted average shares outstanding and earnings per share have been calculated to reflect the 1-for-20 reverse stock split. As a result of the implementation of the new long-term incentive plan introduced in November 2010, the Long-Term Incentive Plan 2010, we have issued 1,500,000 additional shares of common stock.

- (3) For purposes of calculating per share net income, net income includes the undeclared accumulated dividend on preferred stock of \$138 million in 2006 and \$586 million in 2007. This right was extinguished in 2008.
- (4) For the years 2006 until 2010, there is no difference between basic and diluted number of shares due to our net loss position in all periods presented. As a result, all potentially dilutive securities are anti-dilutive.
- (5) Working capital is calculated as current assets less current liabilities (excluding short-term debt).
- (6) As adjusted for our cash and cash equivalents as of December 31, 2006, 2007, 2008, 2009 and 2010, our net debt was \$4,607 million, \$5,047 million, \$4,586 million, \$4,257 million and \$3,653 million respectively. Net debt is a non-GAAP financial measure and represents total debt (short-term and long-term debt) after deduction of cash and cash equivalents. Management believes that this measure is a good reflection of our net leverage.
- (7) Depreciation and amortization include the cumulative net effect of purchase price adjustments related to a number of acquisitions and divestments, including the purchase by a consortium of private equity investors of an 80.1% interest in our business, described elsewhere in this prospectus as our Formation. The cumulative net effects of purchase price adjustments in depreciation and amortization aggregated to \$848 million in the period September 29 to December 31, 2006, \$762 million in 2007, \$658 million in 2008, \$371 million in 2009 and \$302 million in 2010. In 2010, depreciation and amortization included \$40 million relating to disposals that occurred in connection with our restructuring activities and \$6 million relating to other incidental items. In 2009, depreciation and amortization included \$4 million relating to disposals that occurred in connection with our restructuring activities and \$42 million relating to other incidental items. For a detailed list of the acquisitions and a discussion of the effect of acquisition accounting, see Management's Discussion and Analysis of Financial Condition and Results of Operations Factors Affecting Comparability Effect of Acquisition Accounting contained elsewhere in this prospectus. Depreciation and amortization also include impairments to goodwill and other intangibles, as well as write-offs in connection with acquired in-process research and development, if any.

Table of Contents

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

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

Overview

We are a global semiconductor company and a long-standing supplier in the industry, with over 50 years of innovation and operating history. We provide leading High-Performance Mixed-Signal and Standard Product solutions that leverage our deep application insight and our technology and manufacturing expertise in RF, analog, power management, interface, security and digital processing products. Our product solutions are used in a wide range of automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. We engage with leading original equipment manufacturers (OEMs) worldwide and 58% of our revenues both in 2010 and 2009 were derived from Asia Pacific. Since our separation from Philips in 2006, we have significantly repositioned our business to focus on High-Performance Mixed-Signal solutions and have implemented a Redesign Program aimed at achieving a world-class cost structure and processes. As of December 31, 2010, we had approximately 24,500 full-time equivalent employees located in at least 30 countries, with research and development activities in Asia, Europe and the United States, and manufacturing facilities in Asia and Europe. For the year ended December 31, 2010, we generated revenues of \$4,402 million.

Our History

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

Our Repositioning

New leadership team. Nine of the twelve members of our executive management team are new to the Company or new in their roles since our separation from Philips in 2006, and seven of the twelve have been recruited from outside NXP. Prior to joining NXP, our chief executive officer and chief financial officer, Rick Clemmer and Karl-Henrik Sundström, played leading roles in programs that significantly enhanced the performance of their previous companies, Agere Systems Inc. (Agere) and Ericsson, respectively. Mike Noonan, our executive vice president of sales, joined us from National Semiconductor Corporation (National Semiconductor), where he led global sales and marketing during a period of significant gross margin expansion. Chris Belden, our executive vice president of Operations, implemented the manufacturing redesign program of Freescale Semiconductor, Inc. (Freescale), formerly part of Motorola, Inc. (Motorola), between 2002 and 2005, that resulted in significant margin improvement. Peter Kelly, who has been appointed in March 2011 as our executive vice president of operations sharing responsibility with Chris Belden, was previously a key part of the management team that led the spin-off of Agere from Lucent, where he led the global operations team. Ruediger Stroh joined us from LSI and previously Agere, where he helped to turn its hard disk-drive business into a market leader with strong profitability, and within NXP now manages our High-

Table of Contents

Performance Mixed-Signal businesses focused on identification applications. Alexander Everke came to NXP from Infineon Technologies AG (Infineon), where he led its global sales organization and helped to restructure the company's go-to-market model while driving significant top-line growth and within NXP now manages our High-Performance Mixed-Signal businesses, focusing on wireless infrastructure, lighting, industrial, mobile, consumer and computing applications.

Focus on High-Performance Mixed-Signal solutions. We have implemented our strategy of focusing on High-Performance Mixed-Signal solutions because we believe it to be an attractive market in terms of growth, barriers to entry, relative market share, relative business and pricing stability, and capital intensity. Several transactions have been core to our strategic realignment and focus on High-Performance Mixed-Signal: in September 2007, we divested our cordless phone system-on-chip business to DSPG; in July 2008, we contributed our wireless activities to the ST-NXP Wireless joint venture (our stake in which was subsequently sold, with the business being renamed ST-Ericsson); and in February 2010, we merged our television systems and set-top box business with Trident. Our primary motivations for exiting the system-on-chip markets for wireless activities and consumer applications were the significant research and development investment requirements and high customer concentration inherent in these markets, which make these businesses less profitable and predictable than our High-Performance Mixed-Signal and Standard Products businesses. In addition, we recently sold two non-semiconductor component businesses. On December 22, 2010, we announced that we signed a definitive agreement to sell our Sound Solutions Business (formerly included in our Standard Products segment), which makes mobile speakers and receivers, to Knowles Electronics, which is a subsidiary of Dover Corporation. On that same day, we also announced the sale of NuTune, our joint venture with Technicolor that produces CAN tuner modules for all segments related to broadcast transmission, to AIAC. The described transactions and business repositioning have enabled us to significantly increase our research and development investments in the High-Performance Mixed-Signal applications on which we focus.

New customer engagement strategy. We have implemented a new approach to serving our customers and have invested in significant additional resources in our sales and marketing organizations. In spite of the recent economic downturn, we hired over 100 additional field application engineers in 2010 and 2009 in order to better serve our customers with High-Performance Mixed-Signal solutions. We have also created application marketing teams that focus on delivering solutions that include as many suitable NXP components as possible in their system reference designs, which helps us achieve greater cross-selling between our various product lines, while helping our customers accelerate their time to market. With the increased number of application engineers and our applications marketing approach, we are able to engage with more design locations ranging from our largest, highest volume customers to the mid-size customers who typically have lower volumes but attractive margins.

Our Redesign Program

Streamlined cost structure. We have achieved annualized savings of \$794 million by the end of 2010, as compared to our annualized third quarter results for 2008, which was the quarter during which we contributed our wireless operations to ST-NXP Wireless GmbH (which ultimately became ST-Ericsson). These savings were primarily achieved through a combination of headcount reductions, factory closings and restructuring of our IT infrastructure. Through December 31, 2010, \$656 million related to the accelerated and expanded Redesign Program and other restructuring activities have been paid.

Leaner manufacturing base. As a part of our Redesign Program, we have significantly reduced our overall manufacturing footprint, particularly in high cost geographies. Our current manufacturing strategy focuses on capabilities that differentiate NXP in terms of product features, process capabilities, cost, supply chain and quality. Accordingly, we have closed or sold a number of facilities, including but not limited to, the sale of our wafer factory in Caen, France in June 2009, the closure of our

Table of Contents

production facility in Fishkill, New York in July 2009, the closure of part of our front-end manufacturing in Hamburg, Germany in January 2010 and the closure of our ICN5 facility in Nijmegen at the end of 2010. As a result, we will have reduced the number of our front-end manufacturing facilities from fourteen at the time of our separation from Philips in 2006 to six by the end of 2011.

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

Basis of Presentation

New Segments

On January 1, 2010, we reorganized our prior segments into four reportable segments in compliance with FASB ASC Topic 280. We have two market-oriented business segments, High-Performance Mixed-Signal and Standard Products and two other reportable segments, Manufacturing Operations and Corporate and Other. The presentation of our financial results and the discussion and analysis of our financial condition and results of operations have been restated to reflect the new segments.

Our High-Performance Mixed-Signal businesses deliver High-Performance Mixed-Signal solutions to our customers to satisfy their system and sub systems needs across eight application areas: automotive, identification, mobile, consumer, computing, wireless infrastructure, lighting and industrial.

Our Standard Products business segment offers standard products for use across many applications markets, as well as application-specific standard products predominantly used in application areas such as mobile handsets, computing, consumer and automotive.

Our manufacturing operations are conducted through a combination of wholly owned manufacturing facilities, manufacturing facilities operated jointly with other semiconductor companies and third-party foundries and assembly and test subcontractors, which together form our Manufacturing Operations segment. While the main function of our Manufacturing Operations segment is to supply products to our High-Performance Mixed-Signal and Standard Products segments, revenues and costs in this segment are to a large extent derived from sales of wafer foundry and packaging services to our divested businesses in order to support their separation and, on a limited basis, their ongoing operations. As these divested businesses develop or acquire their own foundry and packaging capabilities, our revenues from these sources are expected to decline.

Our Corporate and Other segment includes unallocated research expenses not related to any specific business segment, unallocated corporate restructuring charges and other expenses, as well as some operations not included in our two business segments, such as manufacturing, marketing and selling of CAN tuners through our former joint venture NuTune and software solutions for mobile phones, our NXP Software business (NXP Software). Our NuTune joint venture was sold to AIAC on December 14, 2010, and therefore its results were only consolidated up to that date.

Discontinued Operations

On December 22, 2010, we signed a definitive agreement whereby Knowles Electronics will acquire our Sound Solutions Business. The transaction is scheduled to close on or about the end of the first quarter of 2011, subject to regulatory approvals and customary closing conditions. The financial results attributable to our interest in our Sound Solutions Business (formerly included in our Standard Products segment) have been presented and separated as discontinued operations in the consolidated financial statements and this prospectus. The previous years have been restated accordingly.

Table of Contents

Significant Divestments

2010:

Our Sound Solutions Business to be acquired by Knowles Electronics, an affiliate of Dover Corporation; and

Major portion of our former Home segment sold to Trident.

2008:

Wireless Operations of our former Mobile & Personal segment were contributed to the ST-NXP Wireless joint venture.

Non-controlling Interests

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

Recent Developments

Share Based Compensation Plans

On or about March 9, 2011, we will file a registration statement on Form S-8 with the Securities and Exchange Commission (the "SEC") in relation to the management equity stock option plan (the "Management Equity Stock Option Plan"), the global equity incentive program (the "Global Equity Incentive Program") and the Long Term Incentive Plan 2010, which we introduced in November 2010. Following the filing of such registration statement, pursuant to our Management Equity Stock Option Plan, members of our management team and certain other executives will be allowed to exercise, from time to time, their vested options. The proportion of options available for exercise cannot exceed the proportion of the aggregate number of shares of common stock sold by our co-investors, including the Private Equity Consortium, to the total number of shares of common stock owned by such co-investors. We expect that following the completion of this offering, up to 15% of the vested options under the Management Equity Stock Option Plan will become exercisable, subject to the applicable laws and regulations.

Term Loan

On March 4, 2011, we entered into a \$500 million Term Loan to finance general corporate purposes (including refinancing or repaying indebtedness). The Term Loan is available for drawing until and including April 6, 2011 and will mature on March 4, 2017. In connection with the Term Loan, on March 7, 2011 we issued redemption notices for all \$362 million outstanding of our 2014 Dollar Fixed Rate Secured Notes due 2014, together with \$100 million of our Dollar Floating Rate Secured Notes and 143 million of our Euro Floating Rate Secured Notes. The redemptions will be conditional on the receipt of proceeds from the new term loan facility.

For more information on the terms and conditions of the Term Loan, see "Description of Indebtedness - Term Loan".

Sound Solutions

On December 22, 2010, we announced that we signed a definitive agreement whereby Knowles Electronics will acquire our Sound Solutions Business, a leading provider of speaker and receiver components for the mobile handset market. Under the terms of the agreement, subject to regulatory approvals and customary closing conditions, Knowles Electronics will acquire our Sound Solutions Business for \$855 million in cash.

Table of Contents

The financial results attributable to our interest in our Sound Solutions Business (formerly included in our Standard Products segment) have been presented as discontinued operations in the consolidated financial statements and this prospectus. The transaction is expected to close on or about the end of the first quarter of 2011. For more information on the sale and purchase agreement we signed in relation to this transaction, including the conditions precedent to closing, see [Business Divestment of Sound Solutions](#) .

Factors Affecting Comparability

Economic Downturn

In 2010, the overall market recovery had a positive impact on our revenues and operating income, which had been negatively affected by the global economic downturn in 2008 and 2009. This also affected the utilization levels of our factories during the second half of 2008 and the first half of 2009. During the second half of 2009, our revenues partly recovered due to replenishment of inventory by our customers, market share gains driven by design wins across a wide range of our business lines and the economic recovery generally. This also had a positive impact on our factory utilization levels.

Restructuring and Redesign Program

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

Due to the continuing adverse market conditions in the first half of 2009, steps were taken to accelerate certain aspects of the Redesign Program and expand it to include other restructuring activities. As a result of the expanded Redesign Program, approximately \$794 million in annualized savings have been achieved by end of year 2010, as compared to our annualized third quarter results for 2008, which was the quarter during which we contributed our wireless operations to ST-NXP Wireless. We expect to realize additional annual savings from, amongst others, further rationalizing of central support functions, such as IT, supply chain management, and corporate overhead. Through December 31, 2010, \$656 million related to the accelerated and expanded Redesign Program and other restructuring activities have been paid.

Capital Structure

As of December 31, 2010, the book value of our total debt was \$4,551 million and included \$423 million of short-term debt and \$4,128 million of long-term debt. This is \$732 million lower than the book value of our total debt of \$5,283 million as of December 31, 2009.

In 2010, a combination of individually negotiated cash buy-backs, amongst other activities to help in the reduction of our total debt, enabled us to reduce the book value of our total long-term debt by \$1,440 million. We also issued a new bond which increased the book value of our long-term debt by \$1,000 million. The effect of foreign exchange differences reduced long-term debt by \$138 million, while an accrual of debt discount increased long-term debt by \$15 million in 2010. In China, we borrowed \$18 million locally in order to repay a loan to NXP Beijing, which increased our total debt in 2010. In 2010, total debt was also reduced by \$187 million in short-term debt, a majority of which reduction consisted of a repayment under our Secured Revolving Credit Facility. See [Liquidity and Capital Resources Debt Position](#) .

In 2009, through a combination of cash buy-backs and debt exchange offers, we were able to reduce our total long-term debt by \$1,331 million. This was partially offset by the negative impact of foreign exchange of

Table of Contents

\$32 million and an \$8 million accrual of debt discount. In 2009, the reduction in total debt was also partially offset by any increase of \$207 million in short-term debt, of which \$200 million consisted of a drawdown under our Secured Revolving Credit Facility.

As a result of the individually negotiated cash buy-backs and favorable interest rates, also our full year net interest expense was reduced from \$475 million in 2008 to \$359 million in 2009 and \$318 million in 2010.

The total amount of cash used in 2010 as a result of the individually negotiated cash buy-backs amounted to \$1,383 million. The total gain on these transactions recognized in 2010 was \$57 million, compared to \$1,020 million in 2009. The net cash proceeds from the issuance of the new bond amounted to \$974 million.

Impairment of Goodwill and Other Intangibles

Our goodwill is tested for impairment on an annual basis in accordance with ASC 350 (FASB Statement 142). To test our goodwill for impairment, the fair value of each reporting unit that has goodwill is determined. If the carrying value of the net assets in the reporting unit exceeds the fair value of the reporting unit, there is an additional assessment performed to determine the implied fair value of the goodwill. If the carrying value of the goodwill exceeds this implied fair value, we record impairment for the difference between the carrying value and the implied fair value.

The determination of the fair value of the reporting unit requires us to make significant judgments and estimates including projections of future cash flows from the business. We base our estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, we make judgments and assumptions in allocating assets and liabilities to each of our reporting units. The key assumptions considered for computing the fair value of reporting units include: (a) cash flows based on financial projections for periods ranging from 2010 through 2013 and which were extrapolated until 2021, (b) terminal values based on terminal growth rates not exceeding 3% and (c) discount rates based on the weighted average cost of capital ranging from 11.7% to 13.5%. A sensitivity analysis, in which long-term growth rates become approximately zero and the weighted average cost of capital is increased by 200 basis points, indicates that for all reporting units, the fair value exceeds the book value substantially.

Based on the impairment analysis in the third and fourth quarter of 2010, we have concluded that there is no impairment required in 2010 because the fair value significantly exceeded the carrying value.

In 2009, following the announcement to sell a major portion of our former Home segment to Trident, the assets and liabilities to be divested were reported as held for sale at fair value less cost to sell. For these assets held for sale, an impairment of \$69 million was recorded in 2009 and included in the segment Divested Home Activities.

The goodwill impairment analysis in 2008 led to an impairment of \$430 million, of which \$381 million related to our former Home segment, \$144 million of this amount was subsequently re-allocated to the High-Performance Mixed-Signal segment, \$160 million was re-allocated to the Divested Home Activities and \$77 million was re-allocated to the Corporate and Other segment. The remaining goodwill impairment of \$49 million in 2008 was related to the Corporate and Other segment.

Effect of Acquisition Accounting

Our Formation

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

Table of Contents

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

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

An amount of \$3,096 million, being the excess of the purchase price over the estimated fair value of the net assets acquired, was allocated to goodwill. This goodwill is not amortized, but is tested for impairment at least annually.

Other Significant Acquisitions and Divestments

2010

On December 22, 2010, we signed a definitive agreement whereby Knowles Electronics will acquire our Sound Solutions Business, a leading provider of speaker and receiver components for the mobile handset market. Under the terms of the agreement, subject to regulatory approvals and customary closing conditions, Knowles Electronics will acquire our Sound Solutions Business for \$855 million in cash.

The financial results attributable to the Company's interest in our Sound Solutions Business, formerly included in our Standard Products segment, have been presented as discontinued operations. The transaction is expected to close on or about the end of the first quarter of 2011.

On December 20, 2010, we completed the sale of our 55% shareholding in the NuTune joint venture. This joint venture represented the combination of our CAN tuner modules operation with those of Technicolor.

In September 2010, we sold all of the Virage Logic shares that we held.

On February 8, 2010, we completed the transaction to sell the television systems and set-top-box business lines, which were included in our former business segment Home, to Trident, which is listed on the NASDAQ in the United States. After completion of this transaction, we held approximately 60% of the outstanding common stock of Trident. The total consideration related to this transaction was a net payment of \$54 million (of which \$7 million was paid afterwards) and a receipt of a 60% shareholding in Trident valued at \$177 million, based on the quoted market price at the transaction date.

2009

On November 16, 2009, we completed our strategic alliance with Virage Logic and obtained approximately 9.8% of Virage Logic's outstanding common stock. This transaction included the transfer of our advanced CMOS horizontal intellectual property and development team in exchange for the rights to use Virage Logic's intellectual property and services. Virage Logic is a provider of both functional and physical semiconductor intellectual property for the design of complex integrated circuits. The shares of Virage Logic are listed on the NASDAQ Global Market. Considering the terms and conditions agreed between the parties, we accounted for our investment in Virage Logic at cost.

2008

On September 1, 2008, we completed the combination of our CAN tuner modules operation with those of Technicolor, operating in a new joint venture named NuTune. Until the sale in December, 2010, we had a 55% shareholding in NuTune, which was fully consolidated in our Corporate and Other segment.

Table of Contents

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

On July 28, 2008, we combined our key wireless operations with those of STMicroelectronics to form a new joint-venture company, at that time named ST-NXP Wireless, into which we contributed businesses and assets forming a substantial portion of our former Mobile & Personal segment (our sound solutions, mobile infrastructure and amplifiers businesses were not contributed and are now part of our High-Performance Mixed-Signal and Standard Products segments). We received a 20% ownership interest in the joint venture and a cash consideration of \$1.55 billion in connection with the divestment. Effective February 2, 2009, STMicroelectronics purchased our remaining stake in the joint venture (subsequently renamed ST-Ericsson) for a purchase price of \$92 million.

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

The acquisitions described above have been accounted for using the acquisition method. Accordingly, the respective purchase prices have been pushed down within the NXP group and allocated to the fair value of assets acquired and liabilities assumed. Adjustments in fair values associated with our Formation and these acquisitions had a negative impact on our 2010 operating income of \$302 million, compared to \$371 million in 2009 and \$658 million in 2008, due to additional amortization and depreciation charges. This was partly offset by the tax effect on the purchase price adjustments. As used in this discussion, the term PPA effect includes the cumulative net effect of acquisition accounting applied to these acquisitions, as well as the Formation. Certain PPA effects are recorded in our cost of revenues, which affect our gross profit and operating income, and other PPA effects are recorded in our operating expenses, which only affect our operating income.

Restructuring and Other Incidental Items

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

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

Research and Development

The divestment of our Wireless Activities and Home Activities in 2008 and 2010, respectively, resulted in a reduction of our research and development expenses. These divested activities accounted for \$538 million of research and development expenses in 2008 (of which \$319 million related to our Divested Wireless Activities and \$219 million related to our Divested Home Activities), \$239 million in 2009 and \$16 million until February 8, 2010 (both of which related to our Divested Home Activities). This reduction in research and development expenses is in addition to our cost savings from the Redesign Program.

Table of Contents

Initial Public Offering (IPO)

On August 10, 2010, we completed our initial public offering of 34 million shares of common stock priced at \$14 per share. The shares are traded on the NASDAQ Global Select Market under the ticker symbol NXPI. This resulted in net proceeds of \$448 million, after deducting underwriting discounts and commissions and offering expenses totaling \$28 million. These proceeds have been used to improve our capital structure by retiring a portion of the long-term indebtedness entered into by the Company's wholly-owned subsidiary NXP B.V.

Use of Certain Non-GAAP Financial Measures

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

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

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

Statement of Operations Items

Revenues

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

Cost of Revenues

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

Gross Profit

Gross profit is our revenues less our cost of revenues, and gross margin is our gross profit as a percentage of our revenues. Our revenues include sales from wafer foundry and packaging services to our divested businesses,

Table of Contents

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

Research and Development Expenses

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

Selling Expenses

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

General and Administrative Expenses

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

Other Income (Expense)

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

Operating Income (Loss)

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

Extinguishment of Debt

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

Other Financial Income (Expense)

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

Table of Contents**Provision for Income Taxes**

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

Results Relating to Equity-Accounted Investees

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

Net Income (Loss) from Discontinued Operations

Net income (loss) from discontinued operations represents the financial results of our Sound Solution business. On December 22, 2010, we signed a definitive agreement whereby Knowles Electronics will acquire our Sound Solutions Business.

Net Income (Loss)

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

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009 for the Group**Revenues**

The following table presents the aggregate revenues by segment for the years ended December 31, 2010 and 2009.

	For the year ended December 31,					
	2009		2010			
	Revenues	% nominal growth	% comparable growth	Revenues	% nominal growth	% comparable growth
(\$ in millions, unless otherwise stated)						
High-Performance Mixed-Signal	2,011	(19.9)	(18.2)	2,846	41.5	43.4
Standard Products	567	(25.0)	(23.6)	848	49.6	52.0
Manufacturing Operations	324		(29.0)	525	62.0	(13.3)
Corporate and Other	165	(24.7)	(58.3)	136	(17.6)	(12.7)
Divested Home Activities	452	(10.0)	(22.7)	47		
Total	3,519	(31.1)	(22.6)	4,402	25.1	36.1

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

	For the year ended December 31,	
(in %)	2009	2010
Nominal revenue growth	(31.1)	25.1
Effects of foreign currency exchange rate changes ⁽¹⁾	1.3	1.7
Consolidation changes ⁽²⁾	7.2	9.3

Comparable revenue growth⁽³⁾

(22.6)

36.1

Table of Contents

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

Revenue was \$4,402 million in 2010 compared to \$3,519 million in 2009, a nominal increase of 25.1%, and a comparable increase of 36.1%. This increase in revenues was due to the overall market recovery, our ability to ramp up production to meet higher demand and our share gains across a wide range of our business lines.

The increase in our total revenues was partly offset by the divestment of a major portion of our former Home segment to Trident on February 8, 2010. Revenues of these Divested Home Activities amounted to \$47 million in 2010 compared to \$452 million in 2009. However, NXP agreed to continue supplies for the related divested activities and these amounted to \$244 million in 2010, compared to nil in 2009, and are reported under the Manufacturing Operations segment. Furthermore, revenues in 2010, compared to 2009, were also affected by unfavorable currency effects of \$51 million.

Gross Profit

Our gross profit increased to \$1,823 million in 2010, or 41.4% of our revenues, from \$898 million in 2009, or 25.5% of our revenues. Our gross profit as a percentage of our revenues was impacted by the dilutive effect of our Manufacturing Operations segment. The PPA effects that were included in our gross profit amounted to \$21 million in 2010, compared to \$69 million in 2009. Also included in our gross profit were restructuring and other incidental items, which amounted to an aggregate cost of \$31 million in 2010 and were mainly related to process and product transfer costs and other restructuring costs as part of the Redesign Program. The restructuring and other incidental items included in our gross profit in 2009 amounted to an aggregate cost of \$158 million and were largely related to process and product transfer costs and our exit of certain product lines in connection with our Redesign Program.

The increase in gross profit in 2010 was largely due to higher revenues and was supported by the cost reductions that we achieved as a result of the ongoing Redesign Program. Our factory utilization also improved from 60% in 2009 to 96% in 2010. The divestment of a major portion of our former Home segment to Trident also had an impact on our gross profit. These Divested Home Activities achieved a gross profit of \$16 million until February 8, 2010, compared to a gross profit of \$130 million for the full year of 2009.

Research and Development Expenses

Our research and development expenses were \$568 million in 2010, or 12.9% of our revenues, compared to \$764 million in 2009, or 21.7% of our revenues. In 2010, research and development expenses included restructuring and other incidental items amounting to an aggregate income of \$6 million. These were mainly due to the release of certain restructuring liabilities. The restructuring and other incidental items in 2009 amounted to an aggregate cost of \$69 million and were mainly related to restructuring costs and merger and acquisition related costs.

Table of Contents

The decline in research and development expenses was largely due to the divestment of a major portion of our former Home segment to Trident. Research and development expense for the Divested Home Activities amounted to \$16 million in 2010 (until February 8, 2010) compared to \$239 million in 2009. Further reductions in our research and development expenses were achieved as a result of our transaction with Virage Logic Corporation and our ongoing Redesign Program. However, these reductions were partly offset by higher investments in the High-Performance Mixed-Signal applications.

Selling Expenses

Our selling expenses were \$265 million in 2010, or 6.0% of our revenues, compared to \$271 million in 2009, or 7.7% of revenues. We made additional investments in resources in our sales and marketing organization to execute our High-Performance Mixed-Signal strategy. We have created application marketing teams that focus on delivering solutions and systems reference designs that leverage our broad portfolio of products and better serve our customers with High-Performance Mixed-Signal solutions. The additional investment of resources in our sales and marketing organizations was offset by the effect of the divestment of a major portion of our former Home segment to Trident. Furthermore, selling expenses included certain restructuring and other incidental items, which amounted to an aggregate income of \$2 million in 2010, compared to an aggregate cost of \$9 million in 2009.

General and Administrative Expenses

General and administrative expenses amounted to \$701 million in 2010, or 15.9% of our revenues, compared to \$781 million in 2009, or 22.2% of our revenues. The PPA effects included in general and administrative expense amounted to \$281 million in 2010, compared to \$302 million in 2009. Furthermore, 2009 included an impairment charge related to assets held for sale amounting to \$69 million related to the divestment of a major portion of our former Home segment. Also included in general and administrative expenses are the restructuring and other incidental items which amounted to an aggregate cost of \$68 million in 2010 compared to an aggregate cost of \$88 million in 2009. The restructuring and other incidental items in 2010 and 2009 were mainly related to certain divestment and acquisition related costs, IT system reorganization costs and other restructuring costs.

Other Income (Expense)

Other income and expense was a loss of \$16 million in 2010, compared to a loss of \$13 million in 2009. Included are incidental items, amounting to an aggregate cost of \$19 million in 2010, compared to \$20 million in 2009. The loss in 2010 was mainly related to the divestment of a major portion of our former Home segment, partly offset by gains on sale of certain tangible fixed assets. The loss in 2009 was related to the losses on the sale of various smaller businesses and gains on disposal of various tangible fixed assets.

Restructuring Charges

In 2010, we had restructuring charges of \$7 million, mainly related to the divestment of a major portion of our former Home segment. Charges in previous years were mainly related to the ongoing Redesign Program of the Company and amounted to \$112 million in 2009, compared to \$610 million in 2008. These charges were offset by a release of restructuring liabilities of \$40 million in 2010, compared to \$92 million in 2009 and \$16 million in 2008 and related to prior announced restructuring projects. In addition, we incurred \$53 million of restructuring related costs in 2010 (excluding product transfers) which were directly charged to our operating income, compared to \$83 million in 2009.

In the aggregate, the net restructuring charges that affected our operating income for 2010 were \$20 million, compared to \$103 million in 2009 and \$594 million in 2008.

Table of Contents**Operating Income (Loss)**

The following tables present the aggregate operating income (loss) by segment for the years ended December 31, 2010 and 2009, which includes the effects of PPA, restructuring and other incidental items and impairment charges:

(\$ in millions)	For the year ended December 31, 2010		
	Operating income (loss)	Effects of PPA	Restructuring and Other Incidental Items
High-Performance Mixed-Signal	387	(222)	12
Standard Products	91	(54)	(2)
Manufacturing Operations	(57)	(25)	(35)
Corporate and Other	(117)	(1)	(55)
Divested Home Activities	(31)		(30)
Total	273	(302)	(110)

(\$ in millions)	For the year ended December 31, 2009			
	Operating income (loss)	Effects of PPA	Restructuring and Other Incidental Items	Impairment Charges
High-Performance Mixed-Signal	(187)	(218)	(84)	
Standard Products	(120)	(61)	(15)	
Manufacturing Operations	(175)	(83)	(101)	
Corporate and Other	(188)	(2)	(127)	
Divested Home Activities	(261)	(7)	(17)	(69)
Total	(931)	(371)	(344)	(69)

Financial Income (Expense)

(\$ in millions)	For the year ended December 31,	
	2009	2010
Interest income	4	2
Interest expense	(363)	(320)
Foreign exchange rate results	39	(331)
Gain on extinguishment of debt	1,020	57
Other	(18)	(36)
Total	682	(628)

Financial income and expense (including the extinguishment of debt) was a net expense of \$628 million in 2010, compared to a net income of \$682 million in 2009. Financial income and expense included a loss of \$331 million in 2010, as a result of a change in foreign exchange rates mainly applicable to re-measurement of our U.S. dollar-denominated notes and short-term loans, which reside in a euro functional currency entity, compared to a gain of \$39 million in 2009. Extinguishment of debt in 2010 amounted to a gain of \$57 million compared to a gain of \$1,020 million in 2009. The net interest expense amounted to \$318 million in 2010 compared to \$359 million in 2009.

Provision for Income Taxes

Income tax expense for 2010 was \$24 million, compared to \$10 million in 2009, and our effective income tax expense rate was (6.8%) in 2010, compared to (4.0)% in 2009. The increase of the effective tax rate was

Table of Contents

primarily attributable to an increase of the prior year adjustments. The main component of the income tax expense related to the tax expense in tax jurisdictions in which we are in a tax paying position and in which we have not recorded a valuation allowance.

Results Relating to Equity-accounted Investees

Results relating to the equity-accounted investees amounted to a loss of \$86 million in 2010, compared to a profit of \$74 million in 2009. The loss in 2010 was related to our investment in Trident. The profit in 2009 was due to the release of translation differences related to the sale of our 20% share in the ST-NXP Wireless joint venture.

Income (Loss) on Discontinued Operations

The income on discontinued operations, net of taxes was \$59 million in 2010 compared to \$32 million in 2009. This related entirely to the results of our Sound Solutions Business, which is intended to be sold in 2011.

Net Income (Loss)

Our net loss in 2010 was \$406 million, compared to a net loss of \$153 million in 2009. The improvement of \$1,204 million in operating income achieved in 2010 was offset by the following factors which led to a higher net loss in 2010 compared to 2009:

gains resulting from debt extinguishment amounted to \$57 million in 2010 compared to \$1,020 million in 2009;

foreign exchange results included in the financial income and expenses amounted to a loss of \$331 million in 2010 compared to a profit of \$39 million in 2009;

results related to equity-accounted investees amounted to a loss of \$86 million in 2010 compared to a profit of \$74 million in 2009.

Non-controlling Interests

The share of non-controlling interests amounted to a profit of \$50 million in 2010, compared to a profit of \$14 million 2009. This was mostly related to the third-party share in the results of consolidated companies, predominantly SSMC.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009 by Segment**Revenues**

The following table presents the reconciliation from nominal revenue growth to comparable revenue growth for the year ended December 31, 2010, compared to the year ended December 31, 2009.

(in %)	Nominal Growth	Consolidation Changes ⁽¹⁾	Currency Effects ⁽²⁾	Comparable Growth ⁽³⁾
High-Performance Mixed-Signal	41.5		1.9	43.4
Standard Products	49.6		2.4	52.0
Manufacturing Operations	62.0	(75.3)		(13.3)
Corporate and Other	(17.6)	4.8	0.1	(12.7)
Total Group	25.1	9.3	1.7	36.1

(1) Reflects the relative changes in revenues between periods arising from the effects of material acquisitions and divestments and reclassified product lines. For an overview of our significant acquisitions and divestments, see Factors Affecting Comparability Effect of Acquisition

Accounting .

55

Table of Contents

- (2) Reflects the currency effects that result from the translation of our revenues from foreign currencies into our reporting currency, the U.S. dollar, at the monthly exchange rates during the respective years.
- (3) Comparable revenue growth reflects the relative changes in revenues between periods adjusted for the effects of foreign currency exchange rate changes, material acquisitions and divestments and reclassified product lines. Our revenues are translated from foreign currencies into our reporting currency, the U.S. dollar, at the monthly exchange rates during the respective years. As a result of significant currency movements throughout the year and the impact of material acquisitions and divestments on comparable revenue figures, we believe that an understanding of our revenues performance is enhanced after these effects are excluded.

High-Performance Mixed-Signal

(\$ in millions)	For the year ended	
	December 31, 2009	2010
Revenues	2,011	2,846
% nominal growth	(19.9)	41.5
% comparable growth	(18.2)	43.4
Gross profit	785	1,525
Operating income (loss)	(187)	387
Effects of PPA	(218)	(222)
Total restructuring charges	(53)	15
Total other incidental items	(31)	(3)

Revenues

Revenues were \$2,846 million in 2010 compared to \$2,011 million in 2009, an increase of 41.5% on a nominal basis and 43.4% on a comparable basis. This increase in revenues was largely attributable to the global economic recovery as well as by our share gains across a wide range of our business lines. Revenues increased across all of our focus areas. In particular, revenues in the Automotive and Identification business increased by over 50% compared to 2009. In specific consumer and PC markets, the demand during the second half year of 2010 was not as strong as in the first half of the year.

Gross Profit

Gross profit in 2010 was \$1,525 million, or 53.6% of revenues, compared to \$785 million in 2009, or 39.0% of revenues. The PPA effects that were included in gross profit amounted to \$13 million in 2010, compared to \$2 million in 2009. Also included in our gross profit were restructuring and other incidental items, which amounted to an aggregate income of \$3 million in 2010 and were mainly related to release of certain restructuring liabilities. The restructuring and other incidental items included in our gross profit in 2009 amounted to an aggregate cost of \$61 million and were mainly related to process and product transfer costs and restructuring costs as part of the Redesign Program. The improvement in gross margin in 2010 resulted primarily from cost savings achieved from the ongoing Redesign Program as well as higher revenues and higher factory utilization. Moreover, revenues in 2010 benefitted from a higher-margin product mix, as compared to 2009, which has also led to improvement in our gross profit.

Operating Expenses

Operating expenses amounted to \$1,133 million in 2010, or 39.8% of revenues, compared to \$979 million in 2009, or 48.7% of revenues. Included in our operating expenses in 2010 were PPA effects of \$209 million, compared to PPA effects of \$216 million in 2009. The increase in operating expenses was largely due to the increased investment in research and development activities and also due to the set-up of application marketing teams to better serve our customers.

Table of Contents*Operating Income (Loss)*

Income from operations amounted to \$387 million in 2010, compared to a loss from operations of \$187 million in 2009. Included are PPA effects of \$222 million in 2010, compared to PPA effects of \$218 million in 2009. Restructuring and other incidental items amounted to an aggregate income of \$12 million mainly related to the release of certain restructuring liabilities. In 2009, restructuring and other incidental items amounted to an aggregate cost of \$84 million and were mainly related to process and product transfer costs and restructuring costs as part of the Redesign Program. The improvement in income from operations was mainly due to higher gross profits partly offset by higher operating expenses.

Standard Products

(\$ in millions)	For the year ended December 31,	
	2009	2010
Revenues	567	848
% nominal growth	(25.0)	49.6
% comparable growth	(23.6)	52.0
Gross profit	74	280
Operating income (loss)	(120)	91
Effects of PPA	(61)	(54)
Total restructuring charges	(9)	(1)
Total other incidental items	(6)	(1)
<i>Revenues</i>		

Revenues were \$848 million in 2010, compared to \$567 million in 2009, an increase of 49.6% on a nominal basis and 52% on a comparable basis. This increase in revenues was to a significant extent attributable to the global economic recovery and the replenishment of inventories by customers and our ability to successfully ramp up production to meet the related increase in demand. In addition, we also succeeded in improving our product/technology mix and in gaining market share in specific segments. Finally, due to supply shortages in all Standard Products segments, there was limited to no price erosion in 2010, compared to an average annual price erosion of mid to high single digits over the past cycles.

Gross Profit

Gross profit in 2010 was \$280 million, or 33.0% of revenues, compared to \$74 million in 2009, or 13.1% of revenues. There was no PPA effect included in 2010 or in 2009. Restructuring and other incidental items amounted to an aggregate cost of \$2 million in 2010 compared to \$14 million in 2009 and were mainly related to restructuring costs. The increase in gross profit was mainly due to the higher volumes supported by favorable prices and higher factory utilization.

Operating Expenses

Operating expenses amounted to \$189 million in 2010, or 22.3% of revenues, compared to \$194 million in 2009, or 34.2% of our revenues. Operating expenses in 2010 included PPA effects of \$54 million, compared to PPA effects of \$61 million in 2009.

Operating Income (Loss)

Income from operations amounted to \$91 million in 2010, compared to a loss of \$120 million in 2009. Included are PPA effects of \$54 million in 2010, compared to PPA effects of \$61 million in 2009. The increase

Table of Contents

in income from operations was mainly due to a higher gross profits driven by higher factory utilization. The restructuring and other incidental items in 2010 amounted to an aggregate cost of \$2 million, compared to an aggregate cost of \$15 million in 2009, and were primarily related to restructuring costs.

Manufacturing Operations

The main function of our Manufacturing Operations segment is to supply products to our High-Performance Mixed-Signal and Standard Products segments; however, we also derive external revenues and costs of sales from providing wafer foundry and packaging services to our divested businesses in order to support their separation and, on a limited basis, their ongoing operations. As these divested businesses develop or acquire their own foundry and packaging capabilities, our revenues from these sources are expected to decline.

Revenues

Revenues of our Manufacturing Operations segment were \$525 million in 2010 compared to \$324 million in 2009. The increase in revenues was mainly due to supplies made to Trident after the divestment of a major portion of our former Home segment in 2010. These supplies amounted to \$244 million in 2010. The revenues from providing wafer foundry and packaging services to our divested businesses declined, which was in line with our expectation.

Operating Expenses

Operating expenses amounted to \$37 million in 2010 compared to \$74 million in 2009. Operating expenses in 2010 and 2009 were mainly related to the real estate and facility management costs and the management fee allocated to our Manufacturing Operations segment.

Corporate and Other

Revenues

Revenues in 2010 were \$136 million compared to \$165 million in 2009 and were mainly related to NuTune which was divested in December 2010 and consequently deconsolidated. The revenues of NuTune amounted to \$91 million in 2010, compared to \$110 million in 2009.

Operating Expenses

Operating expenses amounted to \$154 million in 2010 compared to \$178 million in 2009. In 2010, restructuring and other incidental items amounted to an aggregate cost of \$64 million compared to \$118 million in 2009. These were mainly related to restructuring, IT system reorganization costs and divestment activities.

Divested Home Activities

On February 8, 2010, we divested a major portion of our former Home segment to Trident. The remaining part of the former Home segment has been moved into the High-Performance Mixed-Signal and Corporate and Other segments. Revenues for the Divested Home Activities amounted to \$47 million until February 8, 2010 compared to \$452 million in 2009.

Table of Contents**Year Ended December 31, 2009 Compared to Year Ended December 31, 2008 for the Group****Revenues**

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

(\$ in millions, unless otherwise stated)	For the year ended December 31,					
	2008 Revenues	2008 % nominal growth	2008 % comparable growth	2009 Revenues	2009 % nominal growth	2009 % comparable growth
High-Performance Mixed-Signal	2,511	(4.3)	(7.3)	2,011	(19.9)	(18.2)
Standard Products	756	(1.6)	(4.1)	567	(25.0)	(23.6)
Manufacturing Operations	324	51.4	10.7	324		(29.0)
Corporate and Other	219	(45.9)	(28.4)	165	(24.7)	(58.3)
Divested Wireless Activities	792	(45.6)	NM			
Divested Home Activities	502	(13.7)	(25.0)	452	(10.0)	(22.7)
Total	5,104	(15.7)	(8.6)	3,519	(31.1)	(22.6)

NM: Not meaningful

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

(in %)	For the year ended December 31,	
	2008	2009
Nominal revenue growth	(15.7)	(31.1)
Effects of foreign currency exchange rate changes ⁽¹⁾	(1.8)	1.3
Consolidation changes ⁽²⁾	8.9	7.2
Comparable revenue growth ⁽³⁾	(8.6)	(22.6)

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

Revenues were \$3,519 million in 2009 compared to \$5,104 million in 2008, a nominal decrease of 31.1%, and a comparable decrease of 22.6%. Of the \$1,585 million total decline in revenues in 2009, \$792 million were due to the divestment of our wireless operations, which we combined in the joint venture, ST-NXP Wireless, with STMicroelectronics on July 28, 2008. The remaining decline in revenues was mainly attributable to the global economic and financial crisis and the weak economic environment, which affected all our business segments, primarily because of the negative impact on our sales volume, but also because of price erosion. Our revenues were severely affected by the crisis, especially in the first and second quarters of 2009. Our revenues in

Table of Contents

the third and fourth quarters of 2009 partly recovered due to increasing sales volumes attributable to the replenishment of inventory by our customers, our responsive manufacturing operations and the economic recovery. However, our revenues were still lower than in the pre-crisis period. Further, our 2009 revenues were affected by unfavorable currency movements of \$71 million.

Gross Profit

Our gross profit was \$898 million, or 25.5% of our revenues, in 2009, compared to \$1,146 million, or 22.5% of our revenues, in 2008. Our gross profit as a percentage of revenues was impacted by the dilutive effect of our Manufacturing Operations segment. The PPA effects that were included in gross profit amounted to \$69 million in 2009, compared to \$151 million in 2008. Also included in our gross profit were restructuring and other incidental items, which amounted to an aggregate cost of \$158 million in 2009 and were mainly related to process and product transfer costs and our exit of certain product lines in connection with our Redesign Program, whereas restructuring and other incidental items included in our gross profit in 2008 amounted to an aggregate cost of \$402 million and were largely related to the restructuring charge of \$348 million related to the Redesign Program and other costs associated with existing product lines.

The decline in gross profit was largely due to the significantly lower revenues during the first half of 2009 resulting from the economic downturn. This also reduced our factory utilization, based on starts, to an average of 60% in 2009, compared to 73% in 2008. The divestment of our wireless operations in July 2008 also resulted in a lower gross profit. The divested wireless activities had a gross profit of \$222 million in the year 2008 (which includes PPA effects and incidental items amounting to an aggregate cost of \$14 million). Furthermore, our gross profit was affected by an unfavorable currency effect of \$48 million in 2009, compared to 2008. However, the decline in our gross profit was mitigated to some extent by cost reductions, which we achieved as a result of the ongoing Redesign Program.

Despite the decline in gross profit, our gross profit as a percentage of revenues increased by 3.0% in 2009, compared to 2008, as a result of the cost reductions in connection with the ongoing Redesign Program.

Research and Development Expenses

Our research and development expenses and write-off of acquired in-process research and development were \$764 million in 2009, compared to \$1,213 million in 2008. Our research and development expenses for 2009 did not include any write-off of acquired in-process research and development costs, compared to \$26 million in 2008. In 2009, our research and development expenses included restructuring and other incidental items amounting to an aggregate cost of \$69 million. These were mainly related to restructuring costs and merger and acquisition related costs. The restructuring and other incidental items in 2008 amounted to an aggregate cost of \$107 million and were mainly related to the Redesign Program. In 2009, the divested business accounted for \$239 million of research and development costs, compared to \$538 million in 2008, of which \$319 million was in connection with our Divested Wireless Activities and \$219 million in connection with our Divested Home Activities. Our research and development expenses and write-off of acquired in-process research and development were 21.7% of revenues in 2009, compared to 23.8% in 2008.

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

Table of Contents***Selling Expenses***

Our selling expenses were \$271 million, or 7.7% of our revenues, in 2009, compared to \$394 million, or 7.7% of our revenues, in 2008. The decline in selling expenses was mainly due to the divestment of our wireless activities (\$66 million in 2008) and restructuring and other incidental items of \$19 million (related to our Redesign Program) in 2008, compared to \$9 million of restructuring and other incidental items in 2009. The remaining reduction in our selling expenses was mainly the result of the ongoing Redesign Program, as we have streamlined and strategically repositioned our sales force and marketing programs, and favorable currency effects.

General and Administrative Expenses

General and administrative expenses amounted to \$781 million, or 22.2% of revenues, in 2009, compared to \$1,817 million, or 35.6% of revenues, in 2008. The decline in general and administrative expenses resulted from the lower PPA amortization of \$302 million in 2009 compared to \$481 million in 2008, lower impairment charges of \$69 million in 2009 compared to \$714 million in 2008, lower restructuring and other incidental costs, the divestment of our wireless activities (which amounted to \$223 million in 2008, including PPA effects and restructuring and other incidental items amounting to an aggregate cost of \$139 million) and as a result of the ongoing Redesign Program. The decline in PPA amortization is mainly due to the divestment of our wireless activities in 2008. In addition, the general and administrative expenses were impacted by higher costs in 2009 as a result of higher bonuses accrued for employees due to our performance. In 2009, general and administrative expenses also included restructuring and other incidental items amounting to an aggregate cost of \$88 million, compared to \$207 million in 2008. The restructuring and other incidental items in 2009 were mainly related to restructuring costs of \$36 million, IT system reorganization costs of \$35 million and merger and acquisition related costs. Restructuring and other incidental items in 2008 included \$124 million of restructuring costs, of which \$83 million related to the Redesign Program, and \$79 million related to IT system reorganization costs.

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

Other Income (Expense)

Other income and expense was a loss of \$13 million in 2009, compared to a loss of \$365 million in 2008. Included are incidental items, amounting to an aggregate cost of \$20 million in 2009 and an aggregate cost of \$387 million in 2008. The loss in 2009 was related to the losses on the sale of various smaller businesses and gains on disposal of various tangible fixed assets. The loss in 2008 was due to a loss of \$413 million related to the sale of our wireless activities, partly offset by gains from divestments of other activities and various tangible fixed assets.

Restructuring Charges

In 2009, a restructuring charge of \$112 million was recorded, resulting from the new restructuring projects in 2009, which included the closure of one of the wafer factories in Nijmegen, the Netherlands, scheduled for early 2011, and employee termination costs related to the transaction with Trident. This charge was offset by the release of certain restructuring liabilities for an amount of \$92 million, related to restructuring projects announced earlier. In addition, cash expensed restructuring costs amounting to \$83 million were directly charged to our income statement in 2009. In the aggregate, the net restructuring charges that affected our operating income for 2009 amounted to \$103 million. In 2008, a charge of \$594 million was recorded for restructuring, of which \$443 million was related to the Redesign Program. The restructuring charges related to the Redesign Program included write downs for assets, costs related to the closure of businesses, employee termination expenses and various other restructuring charges.

Table of Contents**Operating Income (Loss)**

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

(\$ in millions)	For the year ended December 31, 2009			
	Operating income (loss)	Effects of PPA	Restructuring and Other Incidental Items	Impairment Charges
High-Performance Mixed-Signal	(187)	(218)	(84)	
Standard Products	(120)	(61)	(15)	
Manufacturing Operations	(175)	(83)	(101)	
Corporate and Other	(188)	(2)	(127)	
Divested Home Activities	(261)	(7)	(17)	(69)
Total	(931)	(371)	(344)	(69)

(\$ in millions)	For the year ended December 31, 2008			
	Operating income (loss)	Effects of PPA	Restructuring and Other Incidental Items	Impairment Charges
High-Performance Mixed-Signal	(210)	(239)	(45)	(218)
Standard Products	(14)	(50)	(3)	
Manufacturing Operations	(544)	(134)	(367)	
Corporate and Other	(504)	(12)	(266)	(156)
Divested Wireless Activities	(785)	(154)	(414)	
Divested Home Activities	(586)	(69)	(27)	(340)
Total	(2,643)	(658)	(1,122)	(714)

Financial Income (Expense)

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

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

The extinguishment of debt in 2009 amounted to a gain of \$1,020 million, net of a write down of \$25 million related to capitalized initial bond issuance costs, as a result of (i) private offers to exchange our Secured Notes and Unsecured Notes for the Super Priority Notes, (ii) a private tender offer to purchase our Secured Notes and our Unsecured Notes for cash and (iii) several privately negotiated transactions to purchase our Secured Notes and/or Unsecured Notes for cash and/or additional Super Priority Notes. As a result of these transactions, our net interest expense also decreased from \$475 million in 2008 to \$359 million in 2009. Further, financial

Table of Contents

income in 2009 included a gain of \$39 million as a result of a change in foreign exchange rates mainly applicable to our U.S. dollar-denominated notes and short-term loans, compared to a loss of \$87 million in 2008.

Provision for Income Taxes

Income tax expense for 2009 was \$10 million, compared to \$42 million in 2008, and our effective income tax expense rate was (4.0%) in 2009, compared to (1.3)% in 2008. The change in the effective tax rate was primarily attributable to higher amount of net operating losses as a deferred tax asset, withholding tax expense of \$19 million in 2009 related to current and future repatriations of earnings to the Netherlands, non-deductible expenses and a net prior year adjustment in 2009 of \$17 million benefit resulting from tax filings and assessments.

Results Relating to Equity-accounted Investees

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

Income (Loss) on Discontinued Operations

The income on discontinued operations, net of taxes, was \$32 million in 2009 compared to \$36 million in 2008. This related entirely to the results of our Sound Solutions Business, which is intended to be sold in 2011.

Net Income (Loss)

Net income for the year 2009 amounted to a loss of \$153 million compared to a loss of \$3,531 million in 2008. The decrease in net loss was attributable to:

lower PPA effects, lower restructuring and other incidental costs and lower impairment charges;

improved operating results;

the gain in 2009 on extinguishment of debt; and

better results from equity-accounted investees.

Non-controlling Interests

The share of non-controlling interests in the 2009 results amounted to a profit of \$14 million compared to \$26 million in 2008 related to the third-party share in the results of consolidated companies, predominantly SSMC and NuTune. As a result, the net loss attributable to our stockholders amounted to \$167 million in 2009, compared to \$3,557 million in 2008.

Table of Contents**Year Ended December 31, 2009 Compared to Year Ended December 31, 2008 by Segment****Revenues**

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

(In %)	Nominal Growth	Consolidation Changes ⁽¹⁾	Currency Effects ⁽²⁾	Comparable Growth ⁽³⁾
High-Performance Mixed-Signal	(19.9)		1.7	(18.2)
Standard Products	(25.0)		1.4	(23.6)
Manufacturing Operations		(29.0)		(29.0)
Corporate and Other	(24.7)	(33.8)	0.2	(58.3)
Divested Wireless Activities				
Divested Home Activities	(10.0)	(13.1)	0.4	(22.7)
Total Group	(31.1)	7.2	1.3	(22.6)

- (1) Reflects the relative changes in revenues between periods arising from the effects of material acquisitions and divestments and reclassified product lines. For an overview of our significant acquisitions and divestments, see Management's Discussion and Analysis of Financial Condition and Results of Operations Factors Affecting Comparability Effect of Acquisition Accounting.
- (2) Reflects the currency effects that result from the translation of our revenues from foreign currencies into our reporting currency, the U.S. dollar, at the monthly exchange rates during the respective years.
- (3) Comparable revenue growth reflects the relative changes in revenues between periods adjusted for the effects of foreign currency exchange rate changes, material acquisitions and divestments and reclassified product lines. Our revenues are translated from foreign currencies into our reporting currency, the U.S. dollar, at the monthly exchange rates during the respective years. As a result of significant currency movements throughout the year and the impact of material acquisitions and divestments on comparable revenue figures, we believe that an understanding of our revenues performance is enhanced after these effects are excluded.

High-Performance Mixed-Signal

(\$ in millions)	For the year ended	
	December 31, 2008	December 31, 2009
Revenues	2,511	2,011
% nominal growth	(4.3)	(19.9)
% comparable growth	(7.3)	(18.2)
Gross profit	1,065	785
Operating income (loss)	(210)	(187)
Effects of PPA	(239)	(218)
Total restructuring charges	(8)	(53)
Total other incidental items	(37)	(31)
Impairment goodwill and other intangibles	(218)	

Revenues

Revenues in 2009 were \$2,011 million, compared to \$2,511 million in 2008, a nominal decrease of 19.9%, and a comparable decrease of 18.2%. The decline in revenues over 2008 reflects the impact of the global recession on our industry, which led to a steep decline in revenues across the entire High-Performance Mixed-Signal portfolio, primarily because of the negative impact on our sales volume, but also because of price erosion. However, our revenues in the third and fourth quarters partly recovered due to increasing sales volumes attributable to the replenishment of inventory by our customers, market share gains driven by design wins across

Table of Contents

a wide range of our business lines, our responsive manufacturing operations and the economic recovery. The High-Performance Mixed-Signal revenues in 2009 were also affected by unfavorable currency effects of \$46 million compared to 2008.

Gross Profit

Gross profit in 2009 was \$785 million, compared to \$1,065 million in 2008. Included are the PPA effects of \$2 million in 2009, compared to \$23 million in 2008. Restructuring and other incidental items amounted to an aggregate cost of \$61 million in 2009, compared to \$33 million in 2008. The restructuring and other incidental items in 2009 were mainly related to process and product transfer costs and restructuring costs as part of the Redesign Program. The lower gross profit in 2009 was largely due to the lower revenues resulting from the economic crisis that particularly affected the revenues in the first half of the year 2009. However, the decline in gross profit was partly offset by the cost savings resulting from the ongoing Redesign Program.

Operating Expenses

Operating expenses amounted to \$979 million in 2009, compared to \$1,283 million in 2008. Operating expenses included the PPA effects of \$216 million in 2009, compared to \$216 million in 2008. In addition, operating expenses for 2008 included an impairment charge of \$218 million related to goodwill and other intangibles. The selling costs, research and development costs and general and administrative costs were lower in 2009 compared to 2008, largely as a result of the ongoing Redesign Program and favorable currency effects compared to 2008.

Operating Income (Loss)

We had a loss from operations of \$187 million in 2009, compared to a loss from operations of \$210 million in 2008. Included are the PPA effects of \$218 million in 2009 compared to \$239 million in 2008 and restructuring and other incidental items which amounted to an aggregate cost of \$84 million in 2009 compared to \$45 million in 2008. The restructuring and other incidental items in 2009 were mainly related to process and product transfer costs and restructuring costs as part of the Redesign Program. In 2008, restructuring and other incidental items were mainly related to process and product transfer costs in relation to the closure of our factory in Boeblingen in Germany and restructuring costs. Also, the loss from operations was higher in 2008 due to an impairment charge of \$218 million. The remaining decline in operating income was mainly due to the lower revenues resulting from the economic downturn, which affected the overall semiconductor industry, partly offset by a decline in operating expenses as a result of the ongoing Redesign Program.

Standard Products

(\$ in millions)	For the year ended	
	December 31, 2008	2009
Revenues	756	567
% nominal growth	(1.6)	(25.0)
% comparable growth	(4.1)	(23.6)
Gross profit	182	74
Operating income (loss)	(14)	(120)
Effects of PPA	(50)	(61)
Total restructuring charges	(9)	(9)
Total other incidental items	6	(6)

Table of Contents*Revenues*

Revenues in 2009 were \$567 million, compared to \$756 million in 2008, a nominal decrease of 25.0% and a comparable decrease of 23.6%. Revenues, especially during first half of the year, were severely affected by the lower end-customer demand and tight inventory controls at our distribution partners in an overall weak market. The decrease was visible across the whole Standard Products portfolio and was primarily driven by decreasing sales volumes, but also due to price erosion. However, our revenues in the third and fourth quarters of 2009 partly recovered due to increasing sales volumes attributable to the replenishment of inventory by our customers, an increase in end-customer demand and the economic recovery. The revenues in 2009 were also affected by unfavorable currency effects of \$18 million compared to 2008.

Gross Profit

Gross profit in 2009 was \$74 million, compared to \$182 million in 2008. There were no PPA effects in 2009, compared to PPA effects of \$12 million in 2008. Restructuring and other incidental items amounted to an aggregate cost of \$14 million in 2009, compared to \$3 million in 2008. The restructuring and other incidental items in 2009 and 2008 were mainly related to restructuring costs. The decline in gross profit was largely due to the decline in revenues and the related lower factory utilization, partly compensated by the cost savings resulting from the ongoing Redesign Program.

Operating Expenses

Operating expenses amounted to \$194 million in 2009, compared to \$195 million in 2008. Operating expenses included PPA effects of \$61 million in 2009, compared to \$38 million in 2008. The selling costs, general and administrative costs and research and development costs were lower in 2009 compared to 2008, largely due to effects of the ongoing Redesign Program.

Operating Income (Loss)

We had a loss from operations of \$120 million in 2009, compared to a loss of \$14 million in 2008. Included are the PPA effects of \$61 million in 2009 compared to \$50 million in 2008. The decline in operating income was mainly due to the lower gross profit resulting from lower revenues. This decline was partly offset by the reduction of operating expenses resulting from the ongoing Redesign Program. The restructuring and other incidental items in 2009 amounted to an aggregate cost of \$15 million, compared to \$3 million in 2008, both primarily related to restructuring costs.

Manufacturing Operations*Revenues*

Revenues of our Manufacturing Operations segment were \$324 million in 2009 (including wafer sales of \$149 million to ST-Ericsson), compared to \$324 million in 2008 (including wafer sales of \$85 million to ST-Ericsson). Excluding wafer sales to ST-Ericsson, the revenues in 2009 declined due to the lower demand as a result of the economic downturn, which affected the semiconductor industry and negatively impacted on our sales volume. The factory utilization rate, based on starts, for 2009 was reduced to 60% compared to 73% in 2008 due to the poor demand, mainly during the first half of the year.

Operating Expenses

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

Table of Contents***Corporate and Other******Revenues***

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

Operating Expenses

Operating expenses amounted to \$178 million in 2009, compared to \$568 million in 2008. In 2009, restructuring and other incidental items amounted to an aggregate cost of \$118 million and were mainly related to restructuring costs, IT system reorganization costs and merger and acquisition related costs. In 2008, restructuring and other incidental items amounted to an aggregate cost of \$287 million and were mainly related to restructuring costs and merger and acquisition related costs. In addition, we incurred an impairment charge of \$156 million in 2008 related to goodwill and other intangibles.

Divested Wireless Activities

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

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

Divested Home Activities

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

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

Quarterly Presentation of 2009 and 2010 Results

The following tables set forth unaudited quarterly consolidated statement of operations data for 2009 and 2010 for our group and our two market-oriented business segments, High-Performance Mixed-Signal and Standard Products. We have prepared the statement of operations for each of these quarters on the same basis as the audited consolidated financial statements included elsewhere in this prospectus and, in the opinion of our management, each statement of operations includes all adjustments, consisting solely of recurring adjustments, necessary for the fair statement of the results of operations for these periods. Our fiscal quarters generally consist of 13 week periods. Our first fiscal quarter ends on the Sunday nearest the date that is 13 weeks following January 1 and our fourth fiscal quarter ends on December 31. As a result, there are often differences in the number of days within the first and fourth quarters, as compared to the same quarters in other years or as compared to other quarters in the same year. The first fiscal quarter of 2009 consisted of 88 days and ended on March 29, 2009; the second fiscal quarter of 2009 consisted of 91 days and ended on June 28, 2009; the third

Table of Contents

fiscal quarter of 2009 consisted of 91 days and ended on September 27, 2009; the fourth fiscal quarter of 2009 consisted of 95 days and ended on December 31, 2009. The first fiscal quarter of 2010 consisted of 94 days and ended on April 4, 2010; the second fiscal quarter of 2010 consisted of 91 days and ended on July 4, 2010; the third fiscal quarter of 2010 consisted of 91 days and ended on October 3, 2010; the fourth fiscal quarter of 2009 consisted of 89 days and ended on December 31, 2010. This information should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this prospectus. These quarterly operating results are not necessarily indicative of our operating results for any future period and the fiscal quarters of 2009 were not subject to an interim review in accordance with SAS 100 by our auditors.

The Group*

(\$ in millions)	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Revenues	645	823	984	1,067
Gross profit	62	166	300	370
Operating expenses and other business income (expense)	(407)	(392)	(444)	(586)
Operating income (loss)	(345)	(226)	(144)	(216)
Effects of PPA	(80)	(126)	(84)	(81)
Restructuring charges	(35)	(26)	2	(44)
Other incidental items	(30)	(36)	(94)	(81)
Impairment of assets held for sales				(69)

(\$ in millions)	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Revenues	1,085	1,119	1,120	1,078
Gross profit	406	446	476	495
Operating expenses and other business income (expense)	(421)	(370)	(370)	(389)
Operating income (loss)	(15)	76	106	106
Effects of PPA	(83)	(81)	(69)	(69)
Restructuring charges	(14)	10	(1)	(15)
Other incidental items	(45)	(18)	(9)	(18)
Impairment of assets held for sales				

* Depreciation and amortization was \$185 million, \$160 million, \$155 million and \$184 million for the first, second, third and fourth quarters of 2010, respectively. In 2009, depreciation and amortization was \$199 million, \$239 million, \$192 million and \$188 million for the first, second, third and fourth quarters, respectively. Depreciation and amortization included \$21 million, \$1 million, \$1 million and \$23 million for the first, second, third and fourth quarters of 2010, respectively, related to depreciation of property, plant and equipment from exited product lines and from disposals that occurred in connection with our restructuring activities and other incidental items. In 2009, depreciation and amortization included nil, \$9 million, \$18 million and \$19 million for the first, second, third and fourth quarters, respectively, related to depreciation of property, plant and equipment from exited product lines and from disposals that occurred in connection with our restructuring activities and other incidental items.

Revenues were \$1,085 million, \$1,119 million, \$1,120 million and \$1,078 million in the first, second, third and fourth quarters of 2010, respectively. Our revenues were \$645 million, \$823 million, \$984 million and \$1,067 million in the first, second, third and fourth quarters of 2009, respectively. Revenues in the first and second quarters of 2009 were severely affected by the economic downturn. Our revenues in the third and fourth quarters of 2009 partly recovered due to increasing sales volumes attributable to the replenishment of inventory by our customers, our responsive manufacturing operations and the economic recovery.

Our gross profit improved from \$406 million, or 37.4% of revenue, in the first quarter of 2010 to \$495 million, or 45.9% of revenue, in the fourth quarter of 2010. Our gross profit included PPA effects of \$12 million in the first quarter of 2010 and \$3 million in each of the second, third and fourth quarters of 2010. Our gross profit included restructuring and other incidental charges of \$5 million, \$7 million, \$9 million and \$10 million in the first, second, third and fourth quarters of 2010, respectively. These restructuring and other incidental charges were mainly related to the closure of our ICN 5 factory in Nijmegen and product and process transfer costs in connection with the Redesign Program.

Table of Contents

Our gross profit improved from \$62 million, or 9.6% of revenues, in the first quarter of 2009 to \$370 million, or 34.7% of revenue, in the fourth quarter of 2009. Our gross profit included PPA effects of \$4 million, \$54 million, \$3 million and \$8 million in the first, second, third and fourth quarters of 2009, respectively. The PPA effects in the second quarter of 2009 included an additional write-down arising from the closure of our factory in Fishkill, New York.

Our gross profit included restructuring and other incidental charges of \$41 million, \$37 million, \$45 million and \$35 million in the first, second, third and fourth quarters of 2009, respectively. These restructuring and other incidental charges were mainly related to the product and process transfer costs and closure of our factories in Fishkill, New York and Caen, France in connection with the Redesign Program.

Our operating income improved from a loss of \$15 million in the first quarter of 2010, to income of \$106 million in the fourth quarter of 2010. The improvement in our operating income was mainly attributable to the higher-margin product mix and cost savings achieved as a result of the ongoing Redesign Program. Our operating income included PPA effects of \$83 million, \$81 million, \$69 million and \$69 million in the first, second, third and fourth quarters of 2010, respectively. Also included in our operating income are restructuring and other incidental charges of \$59 million, \$8 million, \$10 million and \$33 million in the first, second, third and fourth quarters of 2010, respectively.

Our operating income was a loss of \$345 million in the first quarter of 2009, compared to a loss of \$216 million in the fourth quarter of 2009. The improvement in our operating income was mainly attributable to the increase in our gross profit, partly offset by higher operating expenses. Our operating income included PPA effects of \$80 million, \$126 million, \$84 million and \$81 million in the first, second, third and fourth quarters of 2009, respectively. Also included in our operating income are restructuring and other incidental charges of \$65 million, \$62 million, \$92 million and \$125 million in the first, second, third and fourth quarters of 2009, respectively. Furthermore, operating income in the fourth quarter of 2009 included \$69 million of impairment charges for assets held for sale related to our former Home segment.

High-Performance Mixed Signal

(\$ in millions)	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Revenues	373	454	547	637
Gross profit	98	174	242	271
Operating income (loss)	(132)	(41)	7	(21)
Effects of PPA	(54)	(53)	(57)	(54)
Total restructuring charges	(2)	(3)	(5)	(43)
Total other incidental items	(8)	(3)	(5)	(15)

(\$ in millions)	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Revenues	695	719	715	717
Gross profit	330	379	403	413
Operating income (loss)	51	97	120	119
Effects of PPA	(63)	(58)	(48)	(53)
Total restructuring charges	1	5	5	4
Total other incidental items	(1)		(2)	

Table of Contents**Standard Products**

(\$ in millions)	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Revenues	94	127	163	183
Gross profit	(16)	23	28	39
Operating income (loss)	(61)	(23)	(19)	(17)
Effects of PPA	(15)	(16)	(17)	(13)
Total restructuring charges		(1)	(2)	(6)
Total other incidental items	(1)	(1)	(4)	

(\$ in millions)	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Revenues	199	207	221	221
Gross profit	55	63	78	84
Operating income (loss)	9	12	31	39
Effects of PPA	(14)	(16)	(12)	(12)
Total restructuring charges	2	(1)	(1)	(1)
Total other incidental items	(1)			

Liquidity and Capital Resources

At the end of 2010 our cash balance was \$898 million. Taking into account the available undrawn amount of the Secured Revolving Credit Facility, we had access to \$1,156 million of liquidity as of December 31, 2010. We started 2010 with a cash balance of \$1,026 million and during the year our cash decreased by \$128 million. The Redesign Program resulted in a cash outflow of \$223 million and we also repaid \$200 million on our Secured Revolving Credit Facility in 2010, while our initial public offering of 34 million shares resulted in a net cash inflow of \$448 million, after deducting related expenses of \$28 million.

Net capital expenditures were higher in 2010 due to our increased investments to support our High Performance Mixed Signal strategy which resulted in a cash outflow of \$227 million. In 2010, we received cash of \$27 million from the sale of other financial assets (mainly our shares in Virage Logic) and we received \$39 million for the sale of property, plant & equipment and assets held for sale which were mainly related to our sites in Boeblingen, Hausbruch and San Jose. We paid \$54 million to Trident (of which \$7 million was paid afterwards) and acquired Jennic for \$8 million. The sale of our participation in NuTune resulted in a cash outflow of \$6 million.

On a going-forward basis, as a result of our Redesign Program and our efforts to streamline our fixed assets related to our manufacturing operations, we expect our capital expenditures to be less than historical levels. We currently expect our capital expenditures to be in the area of 5% of our revenues. In addition, for the foreseeable future, we expect capital expenditures as a percent of revenues from our business segments (High-Performance Mixed-Signal and Standard Products) to generally be consistent with our expected capital expenditures for 2011.

Since December 31, 2009, our total debt has reduced from \$5,283 million to \$4,551 million as of December 31, 2010. Retirement of debt for cash combined with the issuance of a new bond, the 2018 Dollar Fixed Rate Secured Notes, resulted in a total long-term debt reduction of \$440 million. In 2010, the reduction in total debt was also supported by a decrease of \$187 million in our short-term debt, a majority of which reduction consisted of a repayment under our Secured Revolving Credit Facility. The total amount of cash used for financing activities amounted to \$155 million.

After the repayment of \$200 million under our Secured Revolving Credit Facility we had drawings outstanding of \$400 million on our Secured Revolving Credit Facility at year-end 2010. At the end of 2010 we still had a capacity of \$258 million remaining under the Secured Revolving Credit Facility, after taking into account outstanding bank guarantees, based on the end of year exchange rate. However, the amount of this availability varies with fluctuations between the euro and the U.S. dollar as the total amount of the facility, 500 million, is denominated in euro, and the amounts presently drawn are denominated in U.S. dollars.

Table of Contents

For the year ended December 31, 2010, we incurred a total net interest expense of \$318 million and had an average interest rate on our debt instruments of 7%, compared to a total net interest expense of \$359 million and had an average interest rate on our debt instruments of 6% in 2009. For the year ended December 31, 2008, we incurred a total net interest expense of \$475 million and had an average interest rate on our debt instruments of 8%.

At December 31, 2010, our cash balance was \$898 million, of which \$338 million was held by SSMC, our joint venture company with TSMC. A portion of this cash can be distributed by way of a dividend to us, but 38.8% of the dividend will be paid to our joint venture partner. In 2010 no dividends were distributed.

Our sources of liquidity include cash on hand, cash flow from operations and amounts available under the Secured Revolving Credit Facility. We believe that, based on our current level of operations as reflected in our results of operations for the year ended December 31, 2010, these sources of liquidity will be sufficient to fund our operations, capital expenditures, and debt service for at least the next twelve months.

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

Cash Flows

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

(\$ in millions)	For the year ended December 31,		
	2008	2009	2010
Cash flow from operating activities:			
Net income (loss)	(3,531)	(153)	(406)
Adjustments to reconcile net income (loss) to net cash provided by operating activities	2,874	(577)	765
Net cash provided by (used for) operating activities	(657)	(730)	359
Net cash (used for) provided by investing activities	1,046	63	(269)
Net cash (used for) provided by financing activities	318	(80)	(155)
Net cash provided by (used for) continuing operations	707	(747)	(65)
Net cash provided by (used for) discontinued operations	2		(5)
Net cash provided by (used for) continuing and discontinued operations	709	(747)	(70)
Effect of changes in exchange rates on cash positions	46	(8)	(63)
Cash and cash equivalents at beginning of period	1,041	1,796	1,041
Cash and cash equivalents at end of period	1,796	1,041	908
Less cash and cash equivalents at end of period discontinued operations	15	15	10
Cash and cash equivalents at end of period continuing operations	1,781	1,026	898

Table of Contents***Cash Flow from Operating Activities***

In 2010, we generated \$359 million of cash from operating activities compared to a usage of \$730 million of cash in 2009. This improvement in cash flow was driven by increased revenues in 2010 and further cost savings as a result of our Redesign Program. Payments related to the Redesign Program amounted to \$223 million in 2010 compared to \$385 million in 2009. Cash interest payments were \$278 million in 2010, compared to \$391 million in 2009. The use of the net proceeds of our IPO resulted in a further improvement of our capital structure and contributed to lower interest expenses in the year.

In 2010 we had a positive cash inflow of approximately \$4.5 billion from our customers versus payments amounting to approximately \$3.9 billion related to our suppliers and staff.

In 2009, net cash used for operating activities was \$730 million. This was mainly driven by our operational performance in the year with lower revenues and an increase in operational working capital. The redesign payments amounted to \$385 million in 2009.

In 2008, cash from operating activities was a cash out of \$657 million. This was mainly driven by lower sales levels and interest payments of \$483 million, tax payments of \$84 million and redesign payments of \$48 million.

Cash Flow from Investing Activities

Net cash used for investing activities was \$269 million in 2010, compared to a net cash inflow of \$63 million in 2009. Our capital expenditures increased from \$92 million in 2009 to \$258 million in 2010. The sale of assets, mainly in Germany and the US, resulted in proceeds of \$39 million in total and we acquired Jennic for \$8 million in 2010. The cash payments related to the sale of our businesses (Trident and NuTune) amounted to \$60 million. Due to the acquisition of Virage Logic by Synopsis in 2010, we were able to sell our shares in Virage Logic for a consideration of \$25 million.

Net cash provided by investing activities in 2009 was \$63 million. Included are gross capital expenditures of \$92 million, proceeds from disposals of property, plant and equipment of \$21 million, proceeds from the sale of DSPG securities of \$20 million, proceeds of \$92 million related to the sale of the 20% shareholding in the ST-NXP Wireless joint-venture and proceeds related to a cash settlement with Philips of \$21 million.

Net cash provided by investing activities in 2008 was \$1,046 million. Included are net proceeds from the sale of our wireless activities of \$1,433 million, partially offset by cash paid for the acquisition of Conexant's broadband media processing business of \$111 million and cash paid for the acquisition of Glonav of \$87 million. Other significant factors affecting our cash from investing activities included net capital expenditures on property, plant and equipment of \$295 million and proceeds from the sale of our Crolles assets of \$130 million.

Cash Flow from Financing Activities

In 2010, we used \$155 million for financing activities compared to \$80 million in 2009. In 2010, we first negotiated the Forward Start Revolving Credit Facility to replace the Secured Revolving Credit Facility, which is maturing in September 2012. This transaction extends our revolving credit into 2015. In addition, in 2010, we issued a new bond of \$1,000 million due 2018, the 2018 Dollar Fixed Rate Secured Notes, with net cash proceeds of \$974 million and in August we completed an initial public offering of the Company on the NASDAQ Global Select Market and raised \$448 million of net proceeds. The funds from the 2018 Dollar Fixed Rate Secured Notes and our IPO were used to retire \$1,383 million of our debt and to repay \$200 million on our Secured Revolving Credit Facility. In China we borrowed \$18 million locally in order to repay a loan to NXP Beijing. NXP Beijing is part of our Sound Solutions Business and will be part of the sale to Knowles Electronics in 2011.

Table of Contents

Net cash used for financing activities in 2009 amounted to \$80 million. The net cash outflow from financing activities in 2009 mainly consisted of a \$286 million outflow related to our offer to repurchase the Secured Notes or the Unsecured Notes for cash and the net inflow of \$200 million from drawing under the Secured Revolving Credit Facility.

Net cash provided by financing activities in 2008 was \$318 million, which mainly consisted of \$400 million from the drawing of the Secured Revolving Credit Facility. Furthermore, SSMC (in which we have a 61.2% ownership share) repaid \$200 million of paid in capital to its shareholders. As a consequence, the \$78 million cash paid to TSMC (our joint venture partner in SSMC) reduced the consolidated cash position by \$78 million.

Debt Position**Short-term Debt**

(\$ in millions)	As of December 31,		
	2008	2009	2010
Revolving credit facility	400	600	400
Other short-term bank borrowings	3	10	18
Current portion of long-term debt			5
Total	403	610	423

Short-term bank borrowings for the periods presented mainly consisted of borrowings under our Secured Revolving Credit Facility. The weighted average interest rate under the Secured Revolving Credit Facility was 3.2% and 3.5% for the years ended December 31, 2010 and 2009, respectively.

We have a Secured Revolving Credit Facility of 500 million, equivalent to \$669 million, based on the exchange rate on December 31, 2010 and equivalent to \$720 million based on the exchange rate on December 31, 2009, which we entered into on September 29, 2006 in order to finance our working capital requirements and general corporate purposes. On December 31, 2010, we had remaining borrowing capacity of an additional \$258 million under that facility. Although the Secured Revolving Credit Facility expires in 2012, as we have the flexibility of drawing and repaying under this facility on a short term basis, the amounts drawn under the Secured Revolving Credit Facility are classified as short-term debt.

On May 10, 2010, we entered into a 458 million Forward Start Revolving Credit Facility, which becomes available, subject to specified conditions, on September 28, 2012, and matures on September 28, 2015, to replace our existing Secured Revolving Credit Facility. The conditions to utilization of the Forward Start Revolving Credit Facility include specified closing conditions, as well as conditions (i) that our consolidated net debt does not exceed \$3,750 million as of June 30, 2012 (and if it exceeds \$3,250 million on such date, the commitments under the Forward Start Revolving Credit Facility will be reduced by 50%), and (ii) that we issue on or before September 28, 2012, securities with gross proceeds of \$500 million, having a maturity at least 180 days after the maturity of the Forward Start Revolving Credit Facility, the proceeds of which are to be used to refinance debt (other than debt under the Secured Revolving Credit Facility) that matures before the maturity of the Forward Start Revolving Credit Facility. With the issuance of the 2018 Dollar Fixed Rate Secured Notes, we have satisfied the condition to issue securities with gross proceeds of \$500 million on or before September 28, 2012.

In 2010 we borrowed locally \$18 million in China for one of our subsidiaries in order to repay a loan to Sound Solutions Beijing. The latter company is now classified as discontinued operations and part of the sale of our Sound Solutions Business to Knowles Electronics.

Table of Contents**Long-term Debt**

As of December 31, 2010, the euro-denominated notes and U.S. dollar-denominated notes represented 29% and 71%, respectively, of the total principal amount of the notes outstanding. The fixed rate notes and floating rate notes represented 61% and 39%, respectively, of the total principal amount of the notes outstanding at December 31, 2010.

(\$ in millions)	December 31, 2009	Currency Effects	Accrual of Debt Discount	Debt Exchanges/ Repurchases/ new borrowings	Other ⁽⁴⁾	December 31, 2010 ⁽⁵⁾
Euro-denominated 10% super priority notes due July 2013 ⁽¹⁾⁽²⁾	25	(2)	3			26
U.S. dollar-denominated 10% super priority notes due July 2013 ⁽²⁾	166		12			178
Euro-denominated floating rate senior secured notes due October 2013 ⁽¹⁾⁽³⁾	1,214	(103)		(259)		852
U.S. dollar-denominated floating rate senior secured notes due October 2013 ⁽³⁾	1,201			(435)		766
U.S. dollar-denominated 7 ⁷ / ₈ % senior secured notes due October 2014	845			(483)		362
Euro-denominated 8 ⁵ / ₈ % senior notes due October 2015 ⁽¹⁾	427	(32)		(81)		314
U.S. dollar-denominated 9 ¹ / ₂ % senior notes due October 2015	788			(182)		604
U.S. dollar-denominated 9 ³ / ₄ % senior secured notes due August 2018				1,000		1,000
	4,666	(137)	15	(440)		4,104
Other long-term debt	7	(1)		(2)	20	24
Total long-term debt	4,673	(138)	15	(442)	20	4,128

(1) Converted into U.S. dollars at \$1.337 per 1.00, the exchange rate in effect at December 31, 2010.

(2) Balance at December 31, 2010 is at the fair value of debt issued, which differs from the principal amount outstanding. The principal amounts outstanding at December 31, 2010 were \$38 million of Euro-denominated 10% super priority notes due July 2013 and \$221 million of U.S. dollar-denominated 10% super priority notes due July 2013.

(3) Interest accrues at a rate of three-month EURIBOR plus 2.75%.

(4) Other includes reclassifications related to previous year adjustments with respect to liabilities arising from capital lease transactions.

(5) On March 4, 2011, we entered into a new \$500 million Term Loan, which has not been drawn as of the date of this prospectus. It is intended that the Term Loan will be drawn on April 6, 2011 and the proceeds, together with cash on hand and available borrowing capacity under the Secured Revolving Credit Facility will be used to redeem all \$362 million of outstanding 2014 Dollar Fixed Rate Notes, together with \$100 million of Dollar Floating Rate Secured Notes, 143 million of Euro Floating Rate Secured Notes and the cash payment of \$16 million for accrued and unpaid interest. We estimate that our annual average interest expense will decrease by \$10 million as a result of the foregoing.

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

Certain Terms and Covenants of the Notes

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

Table of Contents

The Indentures governing the Super Priority Notes, the Secured Notes and the Unsecured Notes contain covenants that, among other things, limit our ability and that of our restricted subsidiaries to incur additional indebtedness, create liens, pay dividends, redeem capital stock, make certain other restricted payments or investments, enter into agreements that restrict dividends from restricted subsidiaries, sell assets, including capital stock of restricted subsidiaries, engage in transactions with affiliates, and effect a consolidation or merger. As of December 31, 2010, and as of the date of filing of this prospectus, we are in compliance with our restrictive covenants contained in the Indentures.

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

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

In 2010, through a combination of cash buy-backs and debt exchange offers, we were able to reduce the book value of our total long-term debt by \$545 million.

This was related to a combination of the buy backs of \$1,440 million of our outstanding debt and by a new financing program of \$1,000 million senior secured notes due 2018 partly offset by a \$15 million of accruals of debt discount in 2010 and a reclassification related to previous year adjustments with respect to liabilities arising from capital leases for \$20 million.

From the beginning of 2009 to the end of the year, the total long-term debt has been reduced from \$5,964 million to \$4,673 million. The long-term debt level was reduced in 2009 mainly by \$1,331 million related to the several private and open market transactions. These transactions were executed during the second and third quarter of the year.

In the second quarter of 2009, we reduced our overall debt by \$517 million through a private offer to exchange Unsecured Notes and Secured Notes for new Dollar Super Priority Notes and Euro Super Priority Notes. Translation and exchange differences on our notes had an impact on this reduction as well.

As a result of our tender offer and several privately negotiated transactions to purchase notes for cash, and a privately negotiated transaction in which a purchase of Secured Notes for cash was combined with an exchange of Unsecured Notes for new Super Priority Notes, our overall debt level was reduced by \$814 million in the third quarter of 2009.

Contractual Obligations

Presented below is a summary of our contractual obligations as at December 31, 2010.⁽¹⁾

(\$ in millions)	Total	2011	2012	2013	2014	2015	2016 and thereafter
Long-term debt ⁽²⁾	4,109		1	1,823	362	921	1,002
Capital lease obligations	24	5	9	5	3	1	1
Short-term debt ⁽³⁾	418	418					
Operating leases	150	27	23	20	18	18	44
Interest on the notes ⁽⁴⁾	1,564	295	292	292	210	182	293
Long-term purchase contracts	249	90	69	39	22	10	19
Unrecognized tax benefits	9	9					
Total contractual cash obligations ⁽⁴⁾⁽⁵⁾	6,523	844	394	2,179	615	1,132	1,359

Table of Contents

- (1) This table does not include liabilities related to unrecognized tax benefits amounting to \$62 million, payments associated with our defined benefit plans, restructuring obligations and any obligations contingent on future events. In addition, this does not include purchase orders entered into in the normal course of business.
 - (2) On March 4, 2011, we entered into a new \$500 million Term Loan, which has not been drawn as of the date of this prospectus. It is intended that the Term Loan will be drawn on April 6, 2011 and the proceeds, together with cash on hand and available borrowing capacity under the Secured Revolving Credit Facility will be used to redeem all \$362 million of outstanding 2014 Dollar Fixed Rate Notes, together with \$100 million of Dollar Floating Rate Secured Notes, 143 million of Euro Floating Rate Secured Notes and the cash payment of \$16 million for accrued and unpaid interest. We estimate that our annual average interest expense will decrease by \$10 million as a result of the foregoing.
 - (3) Short-term debt consists of outstanding borrowings and guarantees under our Secured Revolving Credit Facility as of December 31, 2010. Although the Secured Revolving Credit Facility expires in 2012, the amount drawn is classified as short-term debt because we have the flexibility of drawing and repaying under this facility. Any amount still outstanding under the Secured Revolving Credit Facility on September 28, 2012 will be due in full immediately on that date. The Forward Start Revolving Credit Facility will become available to us on September 28, 2012, the maturity date of our current Secured Revolving Credit Facility, subject to customary terms and conditions and certain financial conditions.
 - (4) The interest on the notes was determined on the basis of LIBOR and EURIBOR interest rates and USD/Euro balance sheet rates as at December 31, 2010. We have also drawn amounts under our Secured Revolving Credit Facility, but have not included these interest amounts due to the revolving nature of the debt.
 - (5) Certain of these obligations are denominated in currencies other than U.S. dollars, and have been translated from foreign currencies into U.S. dollars based on an aggregate average rate of \$1.3326 per 1.00, in effect at December 31, 2010. As a result, the actual payments will vary based on any change in exchange rate.
- As of December 31, 2010, accrued interest on debt amounted to \$92 million.

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

We sponsor pension plans in many countries in accordance with legal requirements, customs and the local situation in the countries involved. These are defined-benefit pension plans, defined contribution pension plans and multi-employer plans. Contributions to funded pension plans are made as necessary, to provide sufficient assets to meet future benefits payable to plan participants. These contributions are determined by various factors, including funded status, legal and tax considerations and local customs. We currently estimate contributions to pension plans will be \$65 million in 2011, consisting of \$3 million in employer contributions to defined-benefit pension plans and \$62 million in employer contributions to defined-contribution pension plans and multi-employer plans. The expected cash outflows in 2011 and subsequent years are uncertain and may change as a consequence of statutory funding requirements as well as changes in actual versus currently assumed discount rates, estimations of compensation increases and returns on pension plan assets.

In addition, we have made certain commitments to SSMC, in which we have a 61.2% ownership share, whereby we are obligated to make, as cost compensation, payments to SSMC should we fail to utilize, on an annual basis, at least 42% (approximately 7.5 million mask steps) of the total available capacity at SSMC's fabrication facilities but only in case TSMC does not utilize our shortfall and the overall SSMC utilization levels drop below 70% of the total available capacity. In the event that we and TSMC fail to utilize at least 70% of SSMC's total available capacity, we would be required to compensate SSMC for full coverage of all unavoidable costs associated with what we fail to utilize below 42% of the total available capacity. No such payments have been made since 2002.

Table of Contents

Off-balance Sheet Arrangements

As of December 31, 2010, we had no off-balance sheet arrangements.

Legal Proceedings

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

For a summary of the material legal proceedings to which we are subject, see [Business Legal Proceedings](#) contained elsewhere in this prospectus.

Quantitative and Qualitative Disclosures about Market Risk

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

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

Interest Rate Risk

Given the leveraged nature of our Company, we have inherent exposure to changes in interest rates. Our Secured Revolving Credit Facility has a floating rate interest and so will our Forward Start Revolving Credit Facility. From time to time, we may execute a variety of interest rate derivative instruments to manage interest rate risk. Consistent with our risk management objective and strategy, we have no interest rate risk hedging transactions in place.

NXP has issued several series of notes with maturities ranging from 4 to 9 years and a mix of floating and fixed rates. The euro and U.S. dollar denominated notes represent 29% and 71% respectively of the total notes outstanding.

Table of Contents

The following table summarizes the outstanding notes per December 31, 2010:

	Principal amount*	Fixed/floating	Current coupon rate	Maturity date
Senior Priority Notes	29	Fixed	10.0%	2013
Senior Priority Notes	\$ 221	Fixed	10.0%	2013
Senior Secured Notes	637	Floating	3.74%	2013
Senior Secured Notes	\$ 766	Floating	3.04%	2013
Senior Secured Notes	\$ 362	Fixed	7.875%	2014
Senior Notes	235	Fixed	8.625%	2015
Senior Notes	\$ 606	Fixed	9.5%	2015
Senior Secured Notes	\$ 1,000	Fixed	9.75%	2018

* Amount in millions.

A sensitivity analysis in relation to our long-term debt shows that if interest rates were to increase/decrease instantaneously by 1% from the level of December 31, 2010, all other variables held constant, the annualized interest expense would increase/decrease by \$16 million. This impact is based on the outstanding net debt position as of December 31, 2010.

We intend to draw on our new Term Loan on April 6, 2011 and use the proceeds together with cash on hand and the available borrowing capacity under the Secured Revolving Credit Facility to retire all \$362 million of outstanding 2014 Dollar Fixed Rate Notes, together with \$100 million of Dollar Floating Rate Secured Notes, 143 million of Euro Floating Rate Secured Notes. Our Term Loan has a principal amount of \$500 million, matures on March 4, 2017, and bears interest at a floating rate of 3.25% above LIBOR, subject to a LIBOR floor of 1.25%.

Foreign Currency Risks

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

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

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

Table of Contents

The table below outlines the foreign currency transactions outstanding per December 31, 2010:

(\$ in millions)	Aggregate Contract Amount buy/(sell) ⁽¹⁾	Weighted Average Tenor (in months)	Fair Value
Foreign currency/ forward contracts ⁽¹⁾			
Euro (U.S. dollar)	(163)	2	(1.6)
(Euro) Japanese Yen	(10)	1	(0.3)
Pound Sterling (U.S. dollar)	(18)	1	(0.3)
(Euro) Pound Sterling	(2)	1	0.0
(U.S. dollar) Singapore dollar	(12)	2	0.2
(U.S. dollar) Chinese yuan	(2)	1	0.0
Euro (Singapore dollar)	(9)	1	0.0

(1) USD equivalent.

Critical Accounting Policies

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

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

Inventories

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

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

Impairment of Long-Lived Assets

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

The determination of the fair value of the reporting unit requires us to make significant judgments and estimates including projections of future cash flows from the business. These estimates and

Table of Contents

required assumptions include estimated revenues and revenue growth rates, operating margins used to calculate projected future cash flows, estimated future capex investments, future economic and market conditions, determination of market comparables and the estimated weighted average cost of capital (WACC).

A sensitivity analysis, in which long-term growth rates become approximately zero and the WACC is being increased with 200 basis points, indicates that for all reporting units, the fair value exceeds the book value substantially.

We base our estimates on assumptions we believe to be reasonable but any such estimates are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, we make judgments and assumptions in allocating assets and liabilities to each of our reporting segments.

We cannot predict certain future events that might adversely affect the reported value of goodwill, which totaled \$2,299 million at December 31, 2010.

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

If the initial assessment based on undiscounted projected cash flows indicates a potential impairment, the fair value of the assets is determined. We generally estimate fair value based on discounted cash flows. The discount rates applied to the estimated cash flows are generally based on the business segment specific WACC, which ranged between 11% and 14% in 2010. An impairment loss is recognized for the difference between the carrying value and the estimated fair value. An indication of impairment exists, similar to goodwill, based on the unfavorable developments in the economic climate.

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

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

Except for impairment of certain real estate that has been classified as held-for-sale (\$69 million in 2009), no other impairment losses were recorded in 2009 and 2010. Any changes in future periods related to the estimated cash flows from these assets could result in an additional impairment in future periods.

At December 31, 2010, we had \$1,486 million of other intangible assets and \$1,164 million of remaining long-lived assets.

Restructuring

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

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

Table of Contents

Revenue Recognition

Our revenues are primarily derived from sales to OEMs and similar customers and from sales to distributors.

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

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

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

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

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

Income Taxes

Income taxes in the consolidated financial statements are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and any tax loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We operate in numerous countries where our income tax returns are subject to audits and adjustments. Because we operate globally, the nature of the audit items is often very complex. We employ internal and external tax professionals to minimize audit adjustment amounts where

Table of Contents

possible. We have applied the provisions of ASC 740 *Income Taxes* with regard to uncertain tax positions and have recognized a liability for the income tax positions taken that do not have a cumulative realizability of more than 50%.

We have significant deferred tax assets primarily related to net operating losses in the Netherlands, France, Germany, the USA and other countries. At December 31, 2010, tax loss carryforwards amounted to \$2,803 million and tax credit carryforwards, which are available to offset future tax, if any, amounted to \$69 million. The realization of deferred tax assets is not assured and is dependent on the generation of sufficient taxable income in the future. We have exercised judgment in determining whether it is more likely than not that we will realize the benefit of these net operating losses and other deductible temporary differences, based upon estimates of future taxable income in the various jurisdictions and any feasible tax planning strategies. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that a portion or all of the deferred tax assets will not be realized.

Benefit Accounting

We account for the cost of pension plans and postretirement benefits other than pensions in accordance with ASC 715 *Compensation-Retirement Benefits* .

Our employees participate in pension and other postretirement benefit plans in many countries. The costs of pension and other post retirement benefits and related assets and liabilities with respect to our employees participating in defined-benefit plans have been based upon actuarial valuations and recorded each period. If the projected benefit obligation exceeds the fair value of plan assets, we recognize in the consolidated balance sheet a liability that equals the excess. If the fair value of plan assets exceeds the projected benefit obligation, we shall recognize in its statement of financial position an asset that equals the excess. Pension costs in respect of defined-benefit pension plans primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets.

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

Share Based Compensation

We record share-based compensation arrangements in accordance with ASC 718, *Compensation-Stock Compensation* . ASC 718 requires the cost of share-based payment arrangements to be recorded in the statement of operations.

Share-based compensation plans for employees were introduced in 2007. Subsequent to becoming a listed company in August 2010, the Company introduced additional share-based compensation plans for eligible employees in November 2010.

Table of Contents

Post-IPO Plan

After we became a publicly listed company in August 2010, a new share-based payments program, the Long Term Incentive Plan 2010, was launched in November 2010. Under this program performance stock, stock options and restricted shares were granted to eligible employees. The options have a strike price equal to the closing share price on the grant date of November 2, 2010. The fair value of the options has been calculated with the Black-Scholes-Merton formula, using the following assumptions:

an expected life of 6.25 years, calculated in accordance with the guidance provided in SEC Staff bulletin No. 110 for plain vanilla options using the simplified method, given that our equity shares have been publicly traded for only a limited period of time we do not have sufficient historical exercise data;

a risk-free interest rate of 1.67%;

no expected dividend payments; and

a volatility of 45% based on the volatility of a set of peer companies. Peer company data has been used given the short period of time our shares have been publicly traded.

Changes in the assumptions can materially affect the fair value estimate. See also Management Compensation Share Based Compensation Plans, for more information in relation to our Post-IPO Plan.

Pre-IPO Plans

Under the Pre-IPO plans, including the Management Equity Stock Option Plan, stock options were issued to certain employees of the Company. In accordance with the Management Equity Stock Option Plan, the members of our management team and certain other executives that were granted stock options will be allowed to exercise, from time to time, their vested options. The proportion of options available for exercise cannot exceed the proportion of the aggregate number of shares of common stock sold by our co-investors, including the Private Equity Consortium, to the total number of shares of common stock owned by such co-investors. The exercise prices of stock options granted in 2007 and 2008 ranged from 1.00 to 2.50; for comparison reasons and according to the reverse stock split on August 2010, these exercise prices currently range from 20.00 to 50.00.

Also, equity rights were granted to certain non-executive employees under the Global Equity Incentive Program for the right to acquire our shares of common stock for no consideration after the rights have vested; upon a change of control (in particular, the Private Equity Consortium no longer jointly holding 30% of our common stock).

Since none of our stock options, equity rights or shares of common stock were traded on any stock exchange until August 2010, and exercise is dependent upon certain conditions, employees can receive no value nor derive any benefit from holding these options or rights without the fulfillment of the conditions for exercise. We have concluded that the fair value of the share-based payments could best be estimated by the use of a binomial option-pricing model because such model takes into account the various conditions and subjective assumptions that determine the estimated value. In addition to the estimated value of the Company based on projected cash flows, the assumptions used were:

expected life of the options and equity rights is calculated as the difference between the grant dates and an exercise triggering event occurring not before the end of 2011. For the options granted under the Pre-IPO plans, expected lives varying from 4.25 to 3 years have been assumed;

risk-free interest rate varying from 4.1% to 1.6%;

Edgar Filing: NXP Semiconductors N.V. - Form F-1

expected asset volatility varying from 27% to 38% (based on the average volatility of comparable companies over an equivalent period from valuation date to exit date);

dividend pay-out ratio of nil;

Table of Contents

lack of marketability discounts used was between 35% and 26%; and

the Business Economic Value of the NXP group, based on projected discounted cash flows as derived from our business plan for the next 3 years, extrapolated until 2021 and using 3% terminal growth rates (the discount factor was based on a weighted average cost of capital of 12.4%).

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

In May 2009, we executed a stock option exchange program for stock options granted up until that date and which were estimated to be deeply out of the money. Under this stock option exchange program, stock options with new exercise prices, different volumes and, in certain cases, revised vesting schedules, were granted to eligible individuals, in exchange for their existing stock options. By accepting the new stock options all existing stock options (vested and unvested) owned by the eligible individuals were cancelled. The number of employees eligible for and affected by the stock option exchange program was approximately 120. Since May 2009, stock options have been granted to eligible individuals under the revised stock options program. The exercise prices of these stock options ranged from 0.10 to 2.00; for comparison reasons and according to the reverse stock split on August 2010, these exercise prices currently range from 2.00 to 40.00. No modifications occurred with respect to the equity rights of the non-executive employees. No further options or rights will be granted under the pre-IPO plans. See also Management Compensation Share Based Compensation Plans.

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

Table of Contents**BUSINESS****Our Company**

We are a global semiconductor company and a long-standing supplier in the industry, with over 50 years of innovation and operating history. We provide leading High-Performance Mixed-Signal and Standard Product solutions that leverage our deep application insight and our technology and manufacturing expertise in RF, analog, power management, interface, security and digital processing products. Our product solutions are used in a wide range of automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. We engage with leading OEMs worldwide and 58% of our revenues both in 2010 and 2009 were derived from Asia Pacific (excluding Japan). Since our separation from Philips in 2006, we have significantly repositioned our business to focus on High-Performance Mixed-Signal solutions and have implemented the Redesign Program aimed at achieving a world-class cost structure and processes. As of December 31, 2010, we had approximately 24,500 full-time equivalent employees located in at least 30 countries, with research and development activities in Asia, Europe and the United States, and manufacturing facilities in Asia and Europe.

Industry Background*Digital and Analog Semiconductors*

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

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

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

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

Table of Contents

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

The Need for High-Performance Mixed-Signal Solutions

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

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

The NXP Solution

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

Table of Contents

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

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

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

Our Strengths

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

Market-leading products. In 2009, approximately 68% of our High-Performance Mixed-Signal revenues were generated by products for which we held the number one or number two market share position, and an additional 17% of our High-Performance Mixed-Signal revenues were from product areas or businesses where we are an innovation leader in specific niche segments of the larger microcontroller, power analog and interface markets. In 2009, we held the number one or number two positions in key High-Performance Mixed-Signal markets that included virtually all of our identification application businesses, our CAN/LIN/FlexRay in-vehicle networking, car passive keyless entry and immobilizer, car radio businesses in automotive applications, and our high-performance RF and TV front-end products in wireless infrastructure and consumer applications. In our Standard Products business, we generated 80% of our revenues in 2009 from products for which we held the number one or number two market share position, specifically in mobile speakers and receivers and small signal discretes products, including integrated discretes. Our products often represent critical components of our customers' end products, and in many cases enable our customers to differentiate themselves based on feature performance, functionality, cost or time-to-market.

Large base of experienced High-Performance Mixed-Signal engineers and strong intellectual property portfolio. We are a technology leader in our industry, with a strong innovation track record dating back more than 50 years. We have what we believe is one of the industry's largest pools of experienced High-Performance Mixed-Signal engineers, with over 2,800 engineers with an average of 15 years of experience. Our technology leadership is supported by our focused investment of over \$550 million per year in research and development. We have an extensive intellectual property portfolio of approximately 14,000 issued and pending patents covering the key technologies used in our target application areas, including RF, analog, power management, interface, security and digital processing.

Deep applications expertise. We have built, and continue to build, deep insight into the component requirements and architectural challenges of electronic system solutions in automotive, identification,

Table of Contents

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

Strong, well-established customer relationships. We have strong, well-established relationships with our customers, many of which are leaders in their respective industries. We directly engage with over 1,000 customer design locations worldwide, and our customers include almost every major automotive, identification, mobile handset, consumer electronics, mobile base station and lighting supplier in the world. For example, our top OEM customers, in terms of revenue, include Apple Inc. (Apple), Bosch Corporation (Bosch), Continental Automotive GmbH (Continental), Delphi Corporation (Delphi), Ericsson AB (Ericsson), Harman Becker Automotive Systems Inc. (Harman Becker), Huawei Technologies Co. Ltd (Huawei), Nokia Corporation (Nokia), Nokia Siemens Networks B.V. (Nokia Siemens Networks), Oberthur Technologies S.A. (Oberthur), Panasonic Corporation (Panasonic), Philips, Samsung Electronics Co. Ltd. (Samsung), Sony and Visteon Corporation (Visteon). A significant and increasing portion of our revenues are from products that are designed-in to our customers' end products, resulting in close relationships with our customers' design engineers. As part of the design-in process, we collaborate closely with our customers on product development, which we believe enhances our competitiveness by enabling us to anticipate our customers' requirements and industry trends. We also serve over 30,000 customers through our distribution partners, including Arrow Electronics Inc. (Arrow), Avnet, Inc. (Avnet), Future Electronic Inc. (Future) and World Peace Industrial Co., Ltd. (WPG). We have a powerful distribution channel and, based on 2009 data, believe we are the number two worldwide supplier of semiconductors (other than microprocessors) through distribution.

Differentiated process technologies and competitive manufacturing. We focus our internal and joint venture wafer manufacturing operations on running a portfolio of proprietary specialty process technologies that enable us to differentiate our products on key performance features. We generally outsource wafer manufacturing in process technologies that are available at third-party wafer foundries when it is economical to do so. In addition, we increasingly focus our in-house manufacturing on our competitive 8-inch facilities, which predominantly run manufacturing processes in the 140 nanometer, 180 nanometer and 250 nanometer process nodes. We have developed a leading-edge portfolio of specialty manufacturing process technologies that enable us to differentiate our RF products (LDMOS, SiGe and BiCMOS process families), high-voltage power analog products (EZ-HV and HVDMOS families), automotive products (BCD-SOI and MR sensors process families), and products that leverage our non-volatile memory options in CMOS identification applications and microcontrollers. Our Standard Products business delivers manufacturing scale advantages and drives innovation in packaging technologies that are implemented across our entire product portfolio. Given our scale and operational performance in assembly and test, we achieve a significant cost advantage over outsourcing options in most package types by maintaining such operations in-house. In addition, control over these processes enables us to deliver better supply chain performance to our customers than our competitors who rely significantly on outsourcing partners. By concentrating our manufacturing activities in Asia and streamlining our operations through our Redesign Program, we believe we have a competitive manufacturing base.

Table of Contents

Experienced management team with significant industry knowledge. We have a highly experienced management team with deep industry knowledge and a strong execution track record. The 12 members of our executive management team have an average of 25 years of experience in the high-tech industry. Since our separation from Philips, we strengthened our management team with seven executives from outside our group who have strong change management track records in the industry.

NXP Repositioning and Redesign

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

Our Repositioning

New leadership team. Nine of the twelve members of our executive management team are new to the Company or new in their roles since our separation from Philips in 2006, and seven of the twelve have been recruited from outside NXP. Prior to joining NXP, our chief executive officer and chief financial officer, Rick Clemmer and Karl-Henrik Sundström, played leading roles in programs that significantly enhanced the performance of their previous companies, Agere Systems Inc. (Agere) and Ericsson, respectively. Mike Noonan, our executive vice president of sales, joined us from National Semiconductor Corporation (National Semiconductor), where he led global sales and marketing during a period of significant gross margin expansion. Chris Belden, our executive vice president of Operations, implemented the manufacturing redesign program of Freescale Semiconductor, Inc. (Freescale), formerly part of Motorola, Inc. (Motorola), between 2002 and 2005, that resulted in significant margin improvement. Ruediger Stroh joined us from LSI and previously Agere, where he helped to turn its hard disk-drive business into a market leader with strong profitability, and within NXP now manages our High-Performance Mixed-Signal businesses focused on identification applications. Alexander Everke came to NXP from Infineon Technologies AG (Infineon), where he led its global sales organization and helped to restructure the company's go-to-market model while driving significant top-line growth and within NXP now manages our High-Performance Mixed-Signal businesses, focusing on wireless infrastructure, lightning, industrial, mobile, consumer and computing applications. Peter Kelly, who has been appointed in March 2011 as our executive vice president operations sharing responsibility with Chris Belden, was previously a key part of the management team that led the spin-off of Agere from Lucent, where he led the global operations team.

Focus on High-Performance Mixed-Signal solutions. We have implemented our strategy of focusing on High-Performance Mixed-Signal solutions because we believe it to be an attractive market in terms of growth, barriers to entry, relative market share, relative business and pricing stability, and capital intensity. Several transactions have been core to our strategic realignment and focus on High-Performance Mixed-Signal: in September 2007, we divested our cordless phone system-on-chip business to DSPG; in July 2008, we contributed our wireless activities to the ST-NXP Wireless joint venture (our stake in which was subsequently sold, with the business being renamed ST-Ericsson); and in February 2010, we merged our television systems and set-top box business with Trident. Our primary motivations for exiting the system-on-chip markets for wireless activities and consumer applications were the significant research and development investment requirements and high customer concentration inherent in these markets, which make these businesses less profitable and predictable than our High-Performance Mixed-Signal and Standard Products businesses. In addition, we recently sold two non-semiconductor component businesses. On December 22, 2010, we announced that we signed a definitive agreement to sell our Sound Solutions Business, which makes mobile speakers and receivers, to Knowles Electronics. On that same day, we also announced the sale of NuTune, our joint venture with Technicolor that produces CAN tuner modules for all segments related to broadcast transmission, to AIAC. Over the same period, we significantly increased our research and development investments in the High-Performance Mixed-Signal applications on which we focus.

Table of Contents

New customer engagement strategy. We have implemented a new approach to serving our customers and have invested in significant additional resources in our sales and marketing organizations. In spite of the recent economic downturn, we hired over 100 additional field application engineers in 2009 and 2010 in order to better serve our customers with High-Performance Mixed-Signal solutions. We have also created application marketing teams that focus on delivering solutions that include as many suitable NXP components as possible in their system reference designs, which helps us achieve greater cross-selling between our various product lines, while helping our customers accelerate their time to market. With the increased number of application engineers and our applications marketing approach, we are able to engage with more design locations ranging from our largest, highest volume customers to the mid-size customers who typically have lower volumes but attractive margins.

Our Redesign Program

Streamlined cost structure. We have achieved annualized savings of \$794 million by the end of 2010, as compared to our annualized third quarter results for 2008, which was the quarter during which we contributed our wireless operations to ST-NXP Wireless GmbH (which ultimately became ST-Ericsson). These savings are primarily achieved through a combination of headcount reductions, factory closings and restructuring of our IT infrastructure. Through December 31, 2010, \$656 million related to the accelerated and expanded Redesign Program and other restructuring activities have been paid.

Leaner manufacturing base. As a part of our Redesign Program, we have significantly reduced our overall manufacturing footprint, particularly in high cost geographies. Our current manufacturing strategy focuses on capabilities that differentiate NXP in terms of product features, process capabilities, cost, supply chain and quality. Accordingly, we have closed or sold a number of facilities, including but not limited to the sale of our wafer factory in Caen, France in June 2009, the closure of our production facility in Fishkill, New York in July 2009, the closure of part of our front-end manufacturing in Hamburg, Germany in January 2010 and the closure of our ICN5 facility in Nijmegen at the end of 2010. As a result, we will have reduced the number of our front-end manufacturing facilities from fourteen at the time of our separation from Philips in 2006 to six by the end of 2011.

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

Our Strategy

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

Extend leadership in High-Performance Mixed-Signal markets. We intend to extend our leadership positions in providing High-Performance Mixed-Signal solutions for automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications by leveraging our industry-leading RF, analog, power management, interface, security and digital processing technologies. Based on a combination of external and internal sources, we estimate that the consolidated market size of these addressed High-Performance Mixed-Signal markets was \$37.7 billion in 2010 and is expected to grow at a compounded annual growth rate of 10% from 2010 to 2012. We believe that our scale and significant level of research and development investments will enable our revenues to grow on an annual basis, during that same period, at approximately 1.4 times the growth rate of the specific High-Performance Mixed-Signal markets we address. In High-Performance Mixed-Signal markets where we already have a strong number one market leadership position, such as CAN/LIN/FlexRay in-vehicle networking, e-passports and most of our other identification businesses, we will continue to invest to extend our market positions and to outpace market growth in terms of

Table of Contents

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

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

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

We believe that we are strategically positioned to capture rapid growth in emerging markets through our strong position in Asia Pacific (excluding Japan), which represented 58% of our revenues both in 2010 and 2009, compared to a peer average of 49% of revenues in 2009. In particular, Greater China represented 37% of our revenues in 2010, compared to 35% of our revenues in 2009.

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

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

Improve and expand gross and operating margins. We continue to implement our comprehensive, multi-year operational improvement program aimed at accelerating revenue growth, expanding gross margin and improving overall profitability through better operational execution and streamlining our organizational cost structure. As a result of the expanded Redesign Program, approximately \$794 million in annualized savings have been achieved as of the year ended December 31, 2010, as compared to our annualized third quarter results for 2008. We expect to realize additional annual savings from further restructuring our manufacturing base, central research and development, and support functions. In addition, we continue to work on improving our manufacturing and supply chain performance, effectiveness in research and development, time-to-market of new products, product quality, customer service and working capital management.

Markets, applications and products

We sell two categories of products, High-Performance Mixed-Signal product solutions and Standard Products. The first category, which consists of highly differentiated application-specific High-Performance Mixed-Signal semiconductors and system solutions, accounted for 77% of our total product revenues in 2010,

Table of Contents

when we exclude the revenues associated with businesses we divested or announced to divest in 2010 including our television systems and set-top box system-on-chip business, NuTune CAN tuner joint venture and Sound Solutions Business. We believe that High-Performance Mixed-Signal is an attractive market in terms of growth, barriers to entry, relative business and pricing stability and capital intensity. The second of our product categories, Standard Products, accounted for 23% of our total product revenue in 2010, excluding divested businesses, and consists of devices that can be incorporated in many different types of electronics equipment and that are typically sold to a wide variety of customers, both directly and through distributors. Manufacturing cost, supply chain efficiency and continuous improvement of manufacturing processes drive the profitability of our Standard Products.

High-Performance Mixed-Signal

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

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

Table of Contents

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

Key applications	Automotive Car access & immobilizers	Identification Secure identity	Wireless infrastructure Wireless base stations	Lighting CFL Lighting	Industrial Smart metering	Mobile Mobile handset	Consumer TV	Computing Monitor
	In vehicle networking	Secure transactions	Satellite	LED Lighting	White goods & home appliances	Portable power supplies	Satellite, Cable, Terrestrial and IP Set-top boxes	Power supplies
	Car entertainment	Tagging & authentication	CATV infra	Back-lighting	Pachinko machines	Hearing aids		Personal computer video
	Telematics		Radar	Lighting Networks	Medical		Satellite outdoor units	
	ABS				Industrial			
	Transmission/throttle control							
	Lighting							
Selected market leading positions	#1 CAN/LIN/Flex Ray in-vehicle networking	#1 e-Government	#2 in HP RF	Strong in lighting drivers	Leader in 32-bit ARM micro-controllers	#2 Digital Logic	#1 in TV and set-top-box tuners	Leader in notebook AC-DC power adaptors
	#1 passive keyless entry/immobilizers	#1 Transport & Access management						Top 3 in interface, leader in specific niches
	#1 car radio	#3/4 Banking						
	#3 magnetic sensors	#1 NFC						
		#1 Radio frequency identification						
Key OEM customers	Alpine	Advanide	Alcatel Lucent	B&S Baishi	Bosch	Apple	Cisco	Apple
	Bosch	Austria Card	Andrew	Lighting Science Corp.	Diehl	Creative	FTY880	Asustek
	Bose	Avery Dennison	Axis Network	Luxim	Electrolux	LGE	Humax	Cisco
	Clarion	Bundesdruckerei	Ericsson	Neonlite	Emerson	Motorola	LGE	Dell
	Continental	Comvision	Huawei	Panasonic	Haier	Nokia	Konka	Delta
	Delphi	Excelpoint Systems	Motorola	Philips	LGE	RIM	Motorola	HP
	Harman/ Becker	Gemalto	Nokia Siemens Networks	TCP	Panasonic	Samsung	Pace	IBM
	Hella	Giesecke & Devrient	ZTE		Philips	SEMC	Panasonic	LiteOn
	Hyundai				Rhode & Schwartz		Philips	VICOR

Edgar Filing: NXP Semiconductors N.V. - Form F-1

JKT Holdings	ITG	Samsung	Samsung
Johnson Controls	KEBT	Schneider Electric	Sharp
Lear	Nokia	Siemens	Sony
Magneti Marelli	Oberthur	Sonosite	TCL
Marquardt	Samsung	Toshiba	
Mitsubishi	SDU Identification	Tyco	
Okaya	Smartrac		
Omron	Sony		
Panasonic	SPSL		
Ryosan	WHTY		
Sony	Yuban		
Valeo			
Visteon			

Vitec

The customers listed above represent key OEM customers based on two criteria: (1) top ten OEM customers (if ten customers meet the criteria) in terms of revenues in 2010 in the specific application market with revenues of at least \$3 million, plus any customer with revenues of over \$10 million in that market and (2) top ten existing OEM customers (if ten customers meet the criteria) in terms of realized design wins in 2010 in that application market with a minimum design win value of \$5 million.

Table of Contents

Our key distributors across these applications are Arrow, Avnet, Future and WPG. These distributors represent our top four distributors in terms of revenues in 2010. In addition, our three catalog and web-based distributors, Digi-key, Mouser and Premier Farrell, are included based on their strategic positions, as they engage early with all of our customers, thereby enabling us to engage early with customers with whom we may not have direct relationships. Also, because of their internet presence and focus, they are the fastest growing segment of distribution and our fastest growing distributors.

Automotive. In the automotive market we are a leader in in-vehicle networking car passive keyless entry and immobilization and car radio and car audio amplifiers, hold a strong position in magnetic sensors and have an emerging business in telematics.

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

For the full year 2010, we had High-Performance Mixed-Signal revenues of \$931 million in automotive applications, compared to \$616 million in 2009, which represents a 51% year over year growth. Strategy Analytics estimates the total market for automotive semiconductors was \$16.7 billion in 2009, and projects it will grow at a compounded annual growth rate of 17% between 2009 and 2012. According to Strategy Analytics, we were the fifth largest supplier of automotive semiconductors worldwide in 2009, and we have increased our market share from 5.8% in 2005 to 6.4% in 2009.

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

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

Table of Contents

On December 6, 2010, we announced a strategic collaboration with Google to provide a complete open source software stack for NFC integration and validation on Gingerbread, the latest version of the Android platform. Google also integrated our NFC controller (PN544) into its newly launched Nexus STM phone, co-developed by Google and Samsung, offering users access to compelling NFC based services and applications. With over 100,000 applications and an extensive community of developers, Android is a growing player in the smart phone and mobile device world. According to Gartner, Android was the number two smart phone operating system in 2010, having been implemented on 67 million smart phones sold in that year.

For the full year 2010, we had High-Performance Mixed-Signal revenues of \$589 million in identification applications, compared to \$381 million in 2009, which represents a 55% year over year growth. According to iSuppli research for smart cards and ABI for radio frequency identification, the market size for identification ICs was \$2.2 billion in 2009, and is expected to grow at a compounded annual rate of 12% to \$3.1 billion in 2012.

Wireless infrastructure, lighting and industrial. We have leading market positions in high-performance radio frequency solutions and 32-bit ARM microcontrollers, a strong portfolio of lighting drivers and an emerging business in high-speed data converters. Our overall revenues in these businesses were \$547 million in 2010 versus \$371 million in 2009, which represents a 47% year over year growth.

Our leading high-performance radio frequency business mainly provides RF front-end solutions for markets, such as mobile base stations, satellite and CATV infrastructure and receivers, industrial and medical applications, and to a lesser extent addresses the military and aerospace markets. We have a leading position in Power Amplifiers and a top 3 position in Small Signal RF discrettes and RF ICs for consumer electronics and cable television infrastructure, while we have emerging businesses in RF ICs for mobile base stations, monolithic microwave ICs (MMICs) and low noise amplifiers (LNAs). Our leadership is based on our world-class proprietary RF process technologies and technology advancements that drive overall system performance, such as power scaling in mobile base stations. We are engaged with the majority of the largest customers in mobile base stations and in several other application areas. Key growth drivers for our high-performance RF business include infrastructure build-outs driven by the substantial growth in mobile data use and digital broadcast adoption, infrastructure development of developing countries, including China, new radar implementations, and our expansion into new product markets such as mobile base station RF ASICs, and wireless communications infrastructure MMICs and LNAs. iSuppli estimates the market for RF and microwave components, excluding handsets, computing and automotive, which we believe corresponds best with the high-performance RF market, to be \$1.6 billion in 2009. iSuppli projects this market to grow at a compounded annual growth rate of 11% to \$2.2 billion in 2012.

In lighting, we are the leader in high-intensity discharge drivers, have a strong position in compact fluorescent light (CFL) drivers and have an emerging position in LED drivers. In CFL, we are helping to create an entirely new market for lighting ICs by developing a dimmable CFL lighting driver that replaces existing solutions based on discrete components. Our solution allows midsize lighting OEMs and ODMs to eliminate most of the quality issues that have historically plagued CFL light bulbs, while offering a smaller form factor and new features, such as deep dimming and fast start-up time. Our strength in lighting ICs is based on our leading-edge high-voltage power analog process technologies and system optimization concepts, such as our patented technology to develop sensors-less temperature-controlled LED drivers. According to Datapoint Research Ltd. (2011), the lighting control and power supply/output IC market (excluding microcontrollers) will grow from \$0.6 billion in 2009 to \$1.1 billion in 2012, which corresponds to an 22% compounded annual growth rate. The lighting IC market is a high growth market, partly driven by government regulations around the world that ban or discourage the use of incandescent light bulbs and encourage or mandate CFL and LED lighting solutions and by energy-savings conscious customers.

In microcontrollers, we are a leader in multi-purpose 32-bit ARM microcontrollers serving a broad array of applications, including smart metering, white goods, home appliances and various industrial applications. ARM processor cores have been gaining momentum in the general purpose MCU market during the past few years.

Table of Contents

The ARM-based 32-bit MCU market grew at a compounded annual growth rate of 37% between 2006 and 2008 compared to an overall annual 32-bit market growth of 8%, according to Gartner Dataquest. Our competitive advantage is based on our strategic relationship with ARM, which often makes us the launching partner for its new ARM microcontroller cores, our rich portfolio of analog and security IP, which we integrate with the ARM core into a family of microcontroller products, and our distribution leverage based on our ability to offer a full microcontroller software development kit on a USB stick for approximately \$30, compared to traditional software development kits which cost hundreds to thousands of dollars. Our latest ARM Cortex M0-based product achieves pricing levels that places it squarely in competition with 8-bit microcontrollers, while offering better performance in terms of processing speed and system power consumption. This should start expanding the addressable market for 32-bit ARM microcontrollers at the expense of 8-bit ARM microcontrollers. Gartner Dataquest estimates the market for 32-bit microcontrollers to be \$3.4 billion in 2009, and expects a compounded annual growth rate of 19% between 2009 and 2012.

In high-speed data converters, we have developed a high-performance 14/16-bit data converter platform, and were the first to implement the JEDEC high-speed digital serial interface in our products. Our innovative data converter solutions enable our customers to achieve significant breakthroughs in system performance, size and cost reduction, and time-to-market. Due to our strength in small-signal RF products, RF power amplifiers and high-speed data converters, we are unique in covering all component markets involved in designing RF front-end solutions for the wireless communications infrastructure market. Beyond this market segment, our high-speed data converters can be used in a broad range of industrial equipment designs, including medical imaging. iSuppli projects the market for data converters for industrial and mobile communications infrastructure to grow at a compounded annual growth rate of 12% between 2009 to 2012, from \$0.53 billion to \$0.75 billion.

Mobile, Consumer and Computing. We are the market leader in TV front-end solutions, a top three supplier in the fragmented interface market and a leader in digital logic. In addition, we have strong positions in selected niche segments of AC-DC power conversion and personal healthcare markets. We are engaged in development activities and standard setting initiatives with many of the innovation leaders in each of these markets. Our overall High-Performance Mixed-Signal revenues in these businesses were \$779 million in 2010, compared to \$643 million in 2009, which represents a 21% year over year growth.

We have a leading position in high efficiency AC-DC power conversion ICs for notebook personal computers (our green chip solutions), and are expanding our offering into mobile device chargers. Our strength in AC-DC power conversion is based on our leading edge high-voltage power analog process technologies and engineering capabilities in designing high efficiency power conversion products. Due to worldwide conservation efforts, many countries, states and local governments have adopted regulations that increase the demand for higher power efficiency solutions in computing and consumer applications, especially in power conversion. According to iSuppli, the market for power analog ICs for battery chargers for data processing and portable devices is expected to grow at a compounded annual rate of 16%, from \$0.40 billion in 2009 to \$0.65 billion in 2012.

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

Table of Contents

products to grow at a compounded annual growth rate of 5% between 2009 and 2012, from \$0.60 billion to \$0.69 billion, according to an internal company model that takes into account a declining market for ICs incorporated in CAN tuners and a growing market for silicon tuners, outdoor units and full spectrum radios.

The interface products market is highly fragmented with niche markets around each of the established interface standards, where overall we are a top 3 player. Our products address 11 of the 17 interface standards segments that we define to encompass the interface products market and we serve various applications across the mobile, computing, pachinko, e-metering and automotive markets. We have broad product portfolios in five of our 11 addressed interface segments, being UARTs and bridges, I²C and SPI LED controllers, low power real-time clocks and watch ICs, HDMI switches and transceivers, and display port multiplexers. Our core competencies are the design of high speed interfaces, high voltage design needed for LED and LCD drivers, ultra low power design for real-time clocks and watch ICs, and our ability to engage with leading OEMs in defining new interface standards and product designs. While we engage with leading OEMs to drive our innovation roadmaps, we generate the majority of our revenues by subsequently selling these products to a very broad customer base, which we serve through our distribution channel. Key growth drivers will be the adoption rate of new high-speed interface standards such as display port, and LED, smart meter and display card market growth. Specifically, in display port, we are engaged in development activities and standard setting initiatives with many of the innovation leaders in this market. iSuppli projects the interface products market to grow at an 12% compounded annual rate between 2009 and 2012, from a revenue base of \$2.0 billion in 2009 to \$2.8 billion in 2012.

We have a leading digital logic components business, which we leverage in a large number of our High-Performance Mixed-Signal solutions. We offer several product families for low-voltage applications in communication equipment, personal computers, personal computer peripherals and consumer and portable electronics. Our 3V and 5V families hold a leading share of the logic market. We are currently expanding the higher margin product range in this business by expanding, among others, our switches and translators (or custom logic) portfolio and optimizing our manufacturing. Gartner Dataquest sizes this market at \$1.3 billion in 2009, estimated to grow to \$1.9 billion in 2012, which corresponds to a compounded annual growth rate of 13%.

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

Standard Products

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

Our products are sold both directly to OEMs as well as through distribution, and are primarily differentiated on cost, packaging type and miniaturization, and supply chain performance. Alternatively, our integrated discretes businesses offer design-in products, which require significant engineering effort to be designed into

Table of Contents

an application solution. For these products, our efforts make it more difficult for a competitor to easily replace our product, which makes these businesses more predictable in terms of revenue and pricing than is typical for standard products.

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

	Discretes	Integrated Discretes
Key applications	SS Transistors and Diodes	ESD protection devices
	SS MOS	
	Power MOS	
	Bipolar Power Transistors	
	Thyristors	
	Rectifiers	
Key product markets	All applications	Mobile handsets
		Personal computers
		Consumer electronics
Key OEM and electronic manufacturing services (EMS) customers	Asustek	Asustek
	Bosch	Dell
	Continental	Motorola
	Delta	Nokia
	Foxconn	Samsung
	Philips	Sony Ericsson
	Samsung	TCL

The customers listed above represent our largest OEM and electronic manufacturing services customers based on 2010 revenues in the specified key product markets. For Integrated Discretes, it includes our top four mobile handset customers, our top two OEM customers who use our products in consumer applications and our top two personal computers customers. For Discretes, the list includes all our OEM and EMS customers with revenues of over \$15 million.

Key distributors across these applications are Arrow, Avnet, Future and WPG. These distributors represent our top four distributors in terms of revenue in 2010. In addition, our three catalog and web-based distributors, Digi-key, Mouser, Premier Farrell, are included based on their strategic positions, as they engage early with all of our customers, thereby enabling us to engage early with customers with whom we may not have direct relationships. Also, because of their internet presence and focus, they are the fastest growing segment of distribution and our fastest growing distributors.

In 2010, our Standard Products business generated net revenues of \$848 million, compared to \$567 million in 2009, which represents a 50% year over year growth. According to iSuppli, the market for discretes, excluding RF & Microwave, is expected to grow at a compounded annual rate of 16%, from \$13.4 billion in 2009 to \$21.2 billion in 2012.

Discretes. We are the number two global supplier of small-signal discretes according to iSuppli, with one of the broadest product portfolios in the industry. We have been gaining market share in small signal transistors and diodes over the past few years due to our strong cost competitiveness, supply chain performance, leverage of our OEM relationships and a broadening portfolio. We are focusing on expanding our share of higher margin products in this business. In addition, we are also building a small signal MOSFET product line, which leverages our small signal transistors and diodes packaging operations and strong customer relationships. In addition to our small signal discretes products, we have a Power MOSFET product line, which is focused on the low-voltage segment of the market. The majority of our revenues in Power MOSFETs are to automotive customers. We have recently introduced a new range of general purpose Power MOSFET products in our Trench 6 manufacturing process, and our automotive revenues have rebounded from the low levels experienced in the first half of 2009

Table of Contents

due to the economic recovery. Finally, we have small bipolar power, thyristor and rectifier product lines, which are focused on specific applications, such as white goods and lighting, and are sold as part of our overall High-Performance Mixed-Signal application solutions.

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

Sound Solutions. On December 22, 2010, we entered into a definitive agreement with Dover Corporation whereby Dover Corporation's affiliate, Knowles Electronics will acquire our Sound Solutions Business relating to speaker and receiver components for the mobile handset market. Our Sound Solutions Business is operated out of Vienna, Austria and Beijing, China. Under the terms of the agreement, Knowles Electronics will acquire our Sound Solutions Business and obtain certain intellectual property for \$855 million in cash. In conjunction with the transaction, we have agreed with Knowles Electronics to the terms of a strategic relationship whereby we will become Knowles' exclusive source for certain High Performance Mixed Signal semiconductors, such as Mobile Audio ICs like MEMS microphone drivers and smart speaker drivers. The transaction is expected to close on or about the end of the first quarter of 2011, subject to regulatory approval and certain other customary conditions.

Manufacturing

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

In addition, on a limited basis, we also produce and sell wafers and packaging services to our divested businesses (currently Trident, ST-Ericsson and DSPG) in order to support their separation and, on a limited basis, their ongoing operations. As these divested businesses develop or acquire their own foundry and packaging capabilities, our revenues from these sources are expected to decline. We currently have three agreements relating to servicing our divested businesses. The term of the agreements in each case is three years. Our agreement with DSPG expired in December 2010 (although we have an ongoing obligation to supply services relating to certain specialty processes until December 2014), our agreement with ST-Ericsson expires in August 2011 and our agreement with Trident expires in January 2013. In the future, we expect to outsource an increased part of our internal demand for wafer foundry and packaging services to third-party manufacturing sources in order to increase our flexibility to accommodate increased demand mainly in our High-Performance Mixed-Signal and to a lesser extent in Standard Products businesses.

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

Table of Contents

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

Our front-end manufacturing facilities use a broad range of production processes and proprietary design methods, including CMOS, bipolar, bipolar CMOS (BiCMOS) and double-diffused metal on silicon oxide semiconductor (DMOS) technologies. Our wafer fabs produce semiconductors with line widths ranging from 140 nanometers to 3 microns for integrated circuits and 0.5 microns to greater than 4 microns for discretes. This broad technology portfolio enables us to meet increasing demand from customers for system solutions, which require a variety of technologies.

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

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

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

(1) Joint venture with TSMC; we are entitled to 60% of the joint venture's annual capacity.

(2) Joint venture with Jilin Sino-Microelectronics Co. Ltd.; we own 60% of the joint venture's annual capacity.

(3) Announced to close in 2012.

(4) In back-end manufacturing we entered into a joint venture with ASE in Suzhou (ASEN), in which we currently hold a 40% interest.

Table of Contents

We use a large number of raw materials in our front- and back-end manufacturing processes, including silicon wafers, chemicals, gases, lead frames, substrates, molding compounds and various types of precious and other metals. Our most important raw materials are the raw, or substrate, silicon wafers we use to make our semiconductors. We purchase these wafers, which must meet exacting specifications, from a limited number of suppliers in the geographic region in which our fabrication facilities are located. At our wholly owned fabrication plants, we use raw wafers ranging from 6 inches to 8 inches in size, while our joint venture plants use wafers ranging from 5 inches to 8 inches. In addition, our SSMC wafer fab facility, which produces 8 inch wafers, is jointly owned by TSMC and ourselves. We are leveraging our experience in that fab facility in optimizing our remaining wholly owned Nijmegen and Hamburg wafer fabs. Our other two remaining fabs are small and are focused exclusively on manufacturing power discretes. Emerging fabrication technologies employ larger wafer sizes and, accordingly, we expect that our production requirements will in the future shift towards larger substrate wafers.

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

In addition to our semiconductor fabrication facilities, we also operate certain non-semiconductor manufacturing plants, which produce mobile speakers for our Sound Solutions Business and CAN tuners for our NuTune joint-venture with Technicolor. We announced in December 2010 the sale of both these businesses, and the dedicated related fabrication facilities have moved to the acquirers of those businesses.

Corporate and Other

We also sold CAN tuners through our former joint venture NuTune and software solutions for mobile phones through our NXP Software business. On December 22, 2010, we announced the sale of NuTune to AIAC. NuTune represented approximately half of Corporate and Other revenues in 2010.

The NXP Software solutions business develops audio and video multimedia solutions that enable mobile device manufacturers to produce differentiated hand held products that enhance the end-user experience. Our software has been incorporated into over 750 million mobile devices produced by the world's leading mobile device manufacturers.

Sales, Marketing and Customers

We market our products worldwide to a variety of OEMs, ODMs, contract manufacturers and distributors. We generate demand for our products by delivering High-Performance Mixed-Signal solutions to our customers, and supporting their system design-in activities by providing application architecture expertise and local field application engineering support. We have 39 sales offices in 30 countries.

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

Our sales and marketing strategy focuses on deepening our relationship with our top OEMs and electronic manufacturing service customers and distribution partners and becoming their preferred supplier, which we believe assists us in reducing sales volatility in challenging markets. We have long-standing customer

Table of Contents

relationships with most of our customers. Our 10 largest direct customers are Apple, Bosch, Continental, Delphi, Harman/Becker, Nokia, Panasonic, Philips, Sony and Samsung. When we target new customers, we generally focus on companies that are leaders in their markets either in terms of market share or leadership in driving innovation. We also have a strong position with our distribution partners, being the number two semiconductor supplier (other than microprocessors) through distribution worldwide. Our key distribution partners are Arrow, Avnet, Digi-Key, Future, Mouser, Premier Farnell and WPG.

Based on total revenues during 2010, excluding the divestiture of our television systems and set-top box business lines to Trident, our top 40 direct customers accounted for 49% of our total revenues, our ten largest direct customers accounted for approximately 27% of our total revenues and no customer represented more than 10% of our total revenues. We generated approximately 22% of our total revenues through our four largest distribution partners, and another 9% with our other distributors.

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

Research and Development

We believe that our future success depends on our ability to both improve our existing products and to develop new products for both existing and new markets. We direct our research and development efforts largely to the development of new High-Performance Mixed-Signal semiconductor solutions where we see significant opportunities for growth. We target applications that require stringent overall system and subsystem performance. As new and challenging applications proliferate, we believe that many of these applications will benefit from our solutions. We have assembled a team of highly skilled semiconductor and embedded software design engineers with expertise in RF, analog, power management, interface, security and digital processing. As of December 31, 2010, we had approximately 3,000 employees in research and development, of which over 2,600 support our High-Performance Mixed-Signal businesses and approximately 200 support our Standard Products businesses. Our engineering design teams are located in India (Bangalore), China (Shanghai), the United States (San Jose, San Diego, Tempe, Bellevue), France (Caen, Suresnes, Sophia Antipolis), Germany (Hamburg, Dresden, Villingen), Austria (Gratkorn, Vienna), the Netherlands (Nijmegen, Eindhoven), Hong Kong, Singapore, the UK (Hazelgrove, Southampton), Switzerland (Zurich) and Belgium (Leuven). Our research and development expenses and write-off of acquired in-process research and development were \$764 million in 2009 and \$1,187 million in 2008. Our research and development expense was \$568 million in 2010, 80% of which related to our High-Performance Mixed-Signal businesses.

Largely as a result of our scale and the level of our investments in research and development, we have achieved a significant number of market leadership positions and are able to extend those positions. In High-Performance Mixed-Signal markets where we already have a strong number one market leadership position, such as CAN/ LIN/FlexRay in-vehicle networking, e-passports and most of our other identification businesses, we invest in research and development to extend our market position and to outpace market growth. In High-Performance Mixed-Signal markets where we are the leader, but with a smaller market share lead over our

Table of Contents

competition, such as car access and immobilizers, car radio, TV front-end and radio frequency identification, and in High-Performance Mixed-Signal markets where we are not the market share leader, we are investing in research and development to grow significantly faster than the market and improve our relative market position. In addition, we are investing to build or expand leading positions in a number of promising, high growth markets such as AC-DC power conversion, CFL and LED lighting drivers, 32-bit ARM microcontrollers, hearing aids and integrated mobile audio solutions. Finally, we invest around 3% of our total research and development expenditures in research activities that develop fundamental new technologies or product categories that could contribute significantly to our company growth in the future. Examples of current developments include biosensors and MEMS oscillators.

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

Alliances and Investments

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

Systems on Silicon Manufacturing Company Pte. Ltd.

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

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

The shareholders' agreement in respect of this joint venture requires that we and TSMC provide technology support to SSMC under certain technology cooperation agreements, in return for certain payments of reasonable

Table of Contents

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

Other Alliances and Investments

ASEN. ASEN Semiconductors Co. Ltd. (ASEN), is an assembly and test joint venture, established by us, together with Advanced Semiconductor Engineering Inc. (ASE), in Suzhou, China, in September 2007. We hold a 40% interest in ASEN, and ASE holds the remaining 60%.

Advanced Semiconductor Manufacturing Corporation Limited. We established ASMC in Shanghai, China, in 1995 together with a number of Chinese joint venture partners. ASMC currently operates three wafer factories. We currently own approximately 27% of the outstanding shares of ASMC, which are listed on the Hong Kong Stock Exchange.

Jilin NXP Semiconductor Ltd. Jilin NXP Semiconductor Ltd. (JNS), is a joint venture based in China, founded in 2003, which manufactures bipolar discrete power products. We currently hold a 60% ownership interest in JNS and we operate JNS jointly with Jilin Sino-Microelectronics Co. Ltd.

Virage Logic. We established a strategic alliance with Virage Logic Corporation on November 16, 2009 and obtained approximately 9.8% of Virage Logic's outstanding common stock. Under this alliance, we transferred our advanced CMOS semiconductor horizontal IP technology and related development team to Virage Logic in exchange for the rights to use Virage Logic's IP rights and services. In September 2010 we sold all of the Virage shares we held.

Trident. On February 8, 2010, Trident, a publicly listed company in the United States in the field of digital television, completed its acquisition of our television systems and set-top box business lines. As a result of the transaction, we now own 60% of the outstanding common stock of Trident, retain a 30% voting interest in participatory rights and a 60% voting interest for protective rights only. Based on the terms and conditions agreed between the parties, we will account for our investment in Trident under the equity method. By leveraging the significant investments made by NXP and Trident into advanced technologies and complex systems across a larger customer base, the combined business of NXP and Trident is well positioned to become a leader in digital consumer system-on-chip products. The combined business will also benefit from use of our manufacturing facilities for production, packaging and test activities.

Competition

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

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

The basis on which we compete varies across market segments and geographic regions. Our High-Performance Mixed-Signal businesses compete primarily on the basis of our ability to timely develop new products and the underlying intellectual property and on meeting customer requirements in terms of cost, product

Table of Contents

features, quality, warranty and availability. In addition, our High-Performance Mixed-Signal system solutions businesses require in-depth knowledge of a given application market in order to develop robust system solutions and qualified customer support resources. In contrast, our Standard Products business competes primarily on the basis of manufacturing and supply chain excellence and breadth of product portfolio.

Intellectual Property

The creation and use of intellectual property is a key aspect of our strategy to differentiate ourselves in the marketplace. We seek to protect our proprietary technologies by seeking patents, retaining trade secrets and defending, enforcing and utilizing our intellectual property rights, where appropriate. We believe this strategy allows us to preserve the advantages of our products and technologies, and helps us to improve the return on our investment in research and development. Our portfolio of approximately 14,000 patents and patent applications, as well as our royalty-free licenses to patents held by Philips, give us the benefit of one of the largest patent portfolios positions in the High-Performance Mixed-Signal and Standard Products markets. To protect confidential technical information that is not subject to patent protection, we rely on trade secret law and frequently enter into confidentiality agreements with our employees, customers, suppliers and partners. In situations where we believe that a third party has infringed on our intellectual property, we enforce our rights through all available legal means to the extent that we determine the benefits of such actions to outweigh any costs involved. For more information on the intellectual property arrangements we have entered into with Philips, see Part I Item 7. Major Shareholders and Related Party Transactions B. Related party transactions Intellectual Property Transfer and License Agreement contained elsewhere in this annual report.

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

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

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

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

Legal Proceedings

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

Table of Contents

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

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

Environmental Regulation

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

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

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

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

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

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

Table of Contents**Employees**

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

	As of December 31,	
	2009	2010
High-Performance Mixed-Signal	2,806	2,864
Standard Products	1,488	1,746
Manufacturing Operations	14,320	15,526
Corporate:		
NuTune	3,033	
Central research and development	963	654
Sales and marketing	527	846
Information technology	457	369
Other shared services	2,158	2,061
Other (including NXP Software)	334	405
Divested Home Activities	1,186	
Total	27,272	24,471

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

	As of December 31,	
	2009	2010
Europe and Africa	8,278	7,347
Americas	728	542
Greater China	6,737	6,926
Asia Pacific	11,529	9,656
Total	27,272	24,471

The tables above represent the number of our employees excluding the 941 employees from our discontinued Sound Solutions Business at December 31, 2010 (December 31, 2009: 878) We have not experienced any material strikes or labor disputes in the past. A number of our employees are members of a labor union. In various countries, local law requires us to inform and consult with employee representatives on matters relating to labor conditions. We consider our employee relations to be good.

Table of Contents**Properties**

We own approximately 6.3 million square feet of building space in nine countries, and lease approximately 3.3 million square feet of building space in 25 countries. The following table sets out our principal real property holdings as of December 31, 2010:

Location	Use	Owned/leased	Building space (square feet)
Eindhoven, the Netherlands	Headquarters	Leased	258,848
Hamburg, Germany	Manufacturing	Owned	766,092
Nijmegen, the Netherlands	Manufacturing	Owned	2,199,623
Singapore	Manufacturing	Leased	864,348
Bangkok, Thailand	Manufacturing	Owned	604,231
Cabuyao, Philippines	Manufacturing	Owned	523,981
Kaohsiung, Taiwan	Manufacturing	Leased	578,912
Manchester, United Kingdom	Manufacturing	Owned	221,787
Jilin, China ⁽¹⁾	Manufacturing	Leased	138,783
Hong Kong, China	Manufacturing	Leased	240,000
Guangdong, China	Manufacturing	Leased	916,000
Seremban, Malaysia	Manufacturing	Owned	291,037
Beijing, China ⁽²⁾	Manufacturing	Leased	267,418

(1) Leased by the Jilin joint venture.

(2) Leased by NXP Semiconductors (Beijing) Ltd. The shares of this subsidiary are intended to transfer to a subsidiary of Dover Corporation in connection with the contemplated sale of our Sound Solutions Business to Dover Corporation. The lease is intended to transfer accordingly.

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

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

SSMC leases 840,743 square feet of space at 70 Pasir Ris Drive 1 in Singapore from Jurong Town Corporation for use as a manufacturing facility. The lease commenced on June 1, 1999 for a term of 30 years at an annual rental rate of 1,484,584 Singapore Dollars (\$1,156,696), which amount is subject to revision up to, but not exceeding, 5% of the yearly rent for the immediately preceding year, on the anniversary of the lease commencement date.

We lease 916,000 square feet of manufacturing space through our subsidiary, NXP Semiconductors Guangdong Ltd., at Tian Mei High Tech, Industrial Park, Huang Jiang Town, Dongguan City, China, from Huangjiang Investment Development Company (Huangjiang). The lease commenced on October 1, 2003 for a term of 13 years at an annual rental rate calculated to be the greater of: (a) a yearly rental rate of RMB96 (\$15) per square meter or (b) a yearly rent equal to 13% of the actual construction cost of the leased facility. The rental amount is subject to revision on an annual basis, subject to the interest rate Huangjiang must pay for loans used in the construction of the facilities agreed upon in the lease.

We lease approximately 267,418 square feet of manufacturing space through our subsidiary, NXP Semiconductors (Beijing) Ltd. at No. 20 Tong Ji Nan Lu of the Beijing Economic-Technical Development Area of China, from Beijing Economic-Technological Investment & Development Corporation. The lease commenced on September 15, 2009, for a five year term. From commencement of the lease to June 30, 2012, the rent is RMB 99,375.64 (\$15,081) per month, subject to certain conditions under the lease. On July 1, 2012, the rent shall increase to RMB 1,018,600.31 (\$154,579) per month for the remainder of the lease term.

Table of Contents

We lease 187,234 square feet of public land and manufacturing space through our subsidiary, NXP Semiconductors Taiwan Ltd., located in Nanzi Manufacturing and Export Zone, Taiwan, from the Export Processing Zone Administration, Ministry of Economic Affairs). We lease the manufacturing space and its associated parcels of land in a series of leases, the earliest of which commenced on March 13, 2000 and the last of which expires on September 30, 2018. Our monthly rental rate on the combined leases is 3,582,979 New Taiwan Dollars (\$123,147) per month plus a 5% business tax applicable thereto as from July 1, 2008. We also own 176,516 square feet of land and manufacturing space located in Nanzi Manufacturing and Export Zone, Taiwan.

Divestment of Sound Solutions

On December 22, 2010, we entered into a definitive agreement with Dover Corporation whereby Dover Corporation's affiliate, Knowles Electronics will acquire our Sound Solutions Business relating to speaker and receiver components for the mobile handset market. Our Sound Solutions Business is operated out of Vienna, Austria and Beijing, China. Under the terms of the agreement, Knowles Electronics will acquire our Sound Solutions Business and obtain certain intellectual property for \$855 million in cash. In conjunction with the transaction, we have agreed with Knowles Electronics to the terms of a strategic relationship whereby we will become Knowles' exclusive source for certain High Performance Mixed Signal semiconductors, such as Mobile Audio ICs like MEMS microphone drivers and smart speaker drivers. The transaction is expected to close on or about the end of the first quarter of 2011, subject to regulatory approval and certain other customary conditions.

Table of Contents**MANAGEMENT****Directors, Executive Officers and Key Employees****Board of Directors**

We have a one-tier board structure. Set forth below are the names, ages as of March 1, 2011, and positions of the persons who serve as members of our one-tier board of directors.

Name	Age	Position
Richard L. Clemmer	59	Executive director, president and chief executive officer
Sir Peter Bonfield	66	Non-executive director and chairman of the board
Johannes P. Huth	50	Non-executive director and vice-chairman of the board
Nicolas Cattelain	37	Non-executive director
Eric Coutinho	59	Non-executive director
Egon Durban	37	Non-executive director
Kenneth A. Goldman	61	Non-executive director
Josef Kaeser	53	Non-executive director
Ian Loring	44	Non-executive director
Michel Plantevin	54	Non-executive director
Richard Wilson	45	Non-executive director

Richard L. Clemmer (1951, American). Mr. Clemmer became executive director, president and chief executive officer on January 1, 2009. Prior to that, from December 2007, Mr. Clemmer was a member of the supervisory board of NXP B.V. and a senior advisor of Kohlberg Kravis Roberts & Co. Prior to joining NXP, he drove the turnaround and re-emergence of Agere, a spin-off from Lucent Technologies Inc. (Lucent) and a leader in semiconductors for storage, wireless data, and public and enterprise networks. He also served as Chairman of u-Nav Microelectronics Corporation, a leading GPS technology provider, and held a five-year tenure at Quantum Corporation where he was executive vice president and chief financial officer. Prior to that, Mr. Clemmer worked for Texas Instruments Incorporated as senior vice president and semiconductor group chief financial officer. Mr. Clemmer also serves on the boards of NCR Corporation and Trident.

Sir Peter Bonfield (1944, British). Sir Peter has been appointed as a non-executive director and as the chairman of our board of directors. Prior to that, Sir Peter was the chairman of the supervisory board of NXP B.V. from September 29, 2006. Sir Peter served as chief executive officer and chairman of the executive committee for British Telecom plc from 1996 to 2002 and prior to that was chairman and chief executive officer of ICL plc (now Fujitsu Services Holdings Ltd.). Sir Peter also worked in the semiconductor industry during his tenure as a divisional director at Texas Instruments Incorporated, for whom he held a variety of senior management positions around the world. Sir Peter currently holds non-executive directorships at Telefonaktiebolaget LM Ericsson, Taiwan Semiconductor Manufacturing Company Limited, Mentor Graphics Corporation and Sony Corporation.

Johannes P. Huth (1960, German). Mr. Huth has been appointed as a non-executive director and vice-chairman of our board of directors. Prior to that, Mr. Huth was a member and chairman of our supervisory board and a member and vice-chairman of NXP B.V.'s supervisory board from September 29, 2006. Mr. Huth is a managing director of Kohlberg Kravis Roberts & Co., Europe. He has been with Kohlberg Kravis Roberts & Co. for eleven years. Currently, he is on the board of directors of Kohlberg Kravis Roberts & Co. Ltd., ProSiebenSat.1 Media AG (chairman), Kion Holding GmbH and BMG-Bertelsmann Music Group. Mr. Huth started his professional career with Salomon Brothers in New York and London. Following that, he worked with Investcorp International Ltd. in London.

Nicolas Cattelain (1973, French). Mr. Cattelain has been appointed as a non-executive director of our board of directors. Mr. Cattelain became a member of our supervisory board and the supervisory board

Table of Contents

of NXP B.V. in February 2010 and is a director of Kohlberg Kravis Roberts & Co., Europe. He has been with Kohlberg Kravis Roberts & Co. for ten years. Before 2000, Mr. Cattelain was with the private equity firm Industri Kapital in London and prior to that he worked in the Mergers and Acquisitions Department of Merrill Lynch.

Eric Coutinho (1951, Dutch). Mr. Coutinho has been appointed as a non-executive director of our board of directors. Mr. Coutinho became a member of our supervisory board and the supervisory board of NXP B.V. on September 29, 2006 and is chief legal officer and general secretary of Koninklijke Philips Electronics N.V. and a member of its group management committee. He has been with Philips since 1979 during which time he has worked in various positions. He is also deputy chairman of The Netherlands Philips Pension Fund.

Egon Durban (1973, German). Mr. Durban is a managing director of Silver Lake Partners based in Menlo Park. Mr. Durban joined Silver Lake in 1999 as a founding principal and has worked in the firm's London, Menlo Park and New York offices. Mr. Durban serves on the Supervisory Board of Skype and is the chairman of its operating committee, the board of directors of Intelsat, Ltd., the board of directors of Multiplan Inc., the operating committee of SunGard Capital Corporation, and Silver Lake's Management, Investment and Fund 3 Operating and Valuation Committees. Prior to Silver Lake, Mr. Durban worked in Morgan Stanley's Investment Banking Division.

Kenneth A. Goldman (1949, American). Mr. Goldman has been appointed as a non-executive director of our board of directors effective August 6, 2010. Mr. Goldman is the senior vice president and chief financial officer of Fortinet, Inc. Prior to that, Mr. Goldman served as senior vice president, finance and administration, and chief financial officer of Siebel Systems, Inc. from 2000 to 2006. Mr. Goldman has also served as senior vice president and chief financial officer of Excite@Home Corporation and Sybase, Inc., as well as serving as chief financial officer of Cypress Semiconductor Corporation and VLSI Technology, Inc. Mr. Goldman also serves on the board of directors of BigBand Networks, Inc. and Infinera, Inc. and several private companies.

Josef Kaeser (1957, German). Mr. Kaeser has been appointed as a non-executive director of our board of directors effective September 1, 2010. Mr. Kaeser is the executive vice president and chief financial officer of Siemens AG. Prior to this, Mr. Kaeser served as chief strategy officer for Siemens AG from 2004 to 2006 and as the chief financial officer for the mobile communications group from 2001 to 2004. Mr. Kaeser has additionally held various other positions within the Siemens group since he joined Siemens in 1980. Mr. Kaeser also serves on the managing board of Siemens AG and the board of directors of Siemens Ltd., India, Bayerische Börse AG, Allianz AG, Germany and Nokia Siemens Networks B.V.

Ian Loring (1966, American). Mr. Loring has been appointed a non-executive director of our board of directors. Mr. Loring became a member of our supervisory board and the supervisory board of NXP B.V. on September 29, 2006 and is a managing director of Bain Capital Partners, LLC. Prior to joining Bain Capital Partners in 1996, Mr. Loring worked at Berkshire Partners and has previously also worked at Drexel Burnham Lambert. He serves as a director of Clear Channel Communications Inc., The Weather Channel Inc., Warner Music Group Corporation, Denon & Marantz and Contec Co. Ltd. Mr. Loring previously served on the board of Cumulus Media Inc. and Echelon Telecom Inc.

Michel Plantevin (1956, French). Mr. Plantevin has been appointed a non-executive director of our board of directors. Mr. Plantevin became a member of our supervisory board and the supervisory board of NXP B.V. on September 29, 2006 and is a managing director of Bain Capital Ltd. Prior to joining Bain Capital Ltd. in 2003, Mr. Plantevin worked at Goldman Sachs in London, and prior to that he was a partner with Bain & Company in London and Paris. He also serves as a director of FCI S.A., Brakes Group, Stylon and IMCD.

Richard Wilson (1965, British). Mr. Wilson has been appointed as a non-executive director of our board of directors. Mr. Wilson became a member of our supervisory board and the supervisory board

Table of Contents

of NXP B.V. on October 22, 2008 and is a senior partner of Apax Partners LLP. Prior to joining Apax Partners in 1995, he served as a consultant with Scientific Generics Inc. and also worked for Marconi Space Systems Ltd. He has sat on a number of boards of Apax fund portfolio companies, such as Inmarsat plc, Weather Investments SpA and affiliates of TDC A/S, and in 2009/2010 was the chairman of the European Private Equity and Venture Capital Association.

Management Team

Set forth below are the names, ages and positions of the executive officers who together with our chief executive officer, Mr. Clemmer, constitute our management team as of March 1, 2011.

Name	Age	Position
Richard L. Clemmer	59	Executive director, president and chief executive officer
Chris Belden	50	Executive vice president and general manager of operations
Guido Dierick	51	Senior vice president and general counsel
Alexander Everke	47	Executive vice president and general manager of High-Performance Mixed-Signal businesses focused on wireless infrastructure, lighting, industrial, mobile, consumer and computing applications
Peter Kelly	54	Executive vice president, responsible for operations
Peter Kleij	50	Senior vice president, responsible for human resource management
Mike Noonan	47	Executive vice president, responsible for global sales
Rene Penning De Vries	56	Senior vice president and chief technology officer
Ruediger Stroh	48	Executive vice president and general manager of High-Performance Mixed-Signal businesses focused on identification applications
Frans Scheper	48	Senior vice president and general manager of the Standard Products applications
Kurt Sievers	41	Senior vice president and general manager of High-Performance Mixed-Signal businesses focused on automotive applications
Karl-Henrik Sundström	50	Executive vice president and chief financial officer

Chris Belden (1960, American). Mr. Belden is executive vice president, general manager of operations and member of the management team. He joined NXP as senior vice president, global manufacturing on March 1, 2008. Previously Mr. Belden worked for Applied Materials Inc., where he was responsible for global operations. Before that, he spent the majority of his career at Motorola, Inc. and Freescale Semiconductor Inc., where he was responsible for Freescale's global manufacturing operations.

Guido Dierick (1959, Dutch). Mr. Dierick is senior vice president, general counsel, secretary of our board of directors and member of the management team. Since 2000 he has been responsible for legal and intellectual property matters at NXP. He previously was employed by Philips from 1982 and worked in various legal positions.

Alexander Everke (1963, German). Mr. Everke is executive vice president, member of the management team and general manager of our High-Performance Mixed-Signal businesses focused on the wireless infrastructure, lighting, industrial, mobile, consumer and computing application markets. He previously served in various senior management positions within NXP. Mr. Everke joined NXP in 2006 from Infineon Technologies AG, where he served last as general manager of the Chip Card & Security ICs business unit. Before Infineon, Mr. Everke worked for several years at Siemens AG.

Peter Kelly (1957, American). Peter Kelly is executive vice president operations and member of our management team. He shares responsibility with Mr. Belden for managing our overall operations.

Table of Contents

Mr. Kelly has over 25 years of experience in the technology industry working for companies in Europe and the USA, being a key part of the management team that led the spin-off of Agere from Lucent, where he led the global operations team.

Peter Kleij (1960, Dutch). Mr. Kleij is senior vice-president, responsible for human resource management and member of the management team. Prior to joining Philips in 1996, he worked for various large companies, including AT&T Inc.

Mike Noonan (1963, American). Mr. Noonan is executive vice president, responsible for global sales and marketing and member of the management team since November 10, 2008. He previously served in a global sales position at National Semiconductor Corporation, which he joined in 2001. Before that he worked for various high-tech companies including NCR Corporation and Cisco Systems Inc.

Rene Penning De Vries (1954, Dutch). Mr. Penning De Vries is senior vice president, chief technology officer and member of the management team. He holds the same position in NXP B.V. He previously was employed by Philips from 1984 in various managerial positions.

Ruediger Stroh (1962, German). Mr. Stroh is executive vice president, member of the management team and general manager of our High-Performance Mixed-Signal businesses focused on the identification application markets. Before joining NXP on May 18, 2009, he led LSI Corporation's Storage Peripherals business, overseeing silicon solutions for hard disk and solid state drives addressing consumer and enterprise markets. Previously, he headed Agere System Inc's storage division and served as chief executive officer for a number of start-up companies. Mr. Stroh began his career at Siemens AG where he held multiple management positions before joining Infineon Technologies AG.

Frans Scheper (1962, Dutch). Mr. Scheper has been senior vice president and general manager for the Standard Products business since November, 2009, and has been a member of the management team since January 1, 2010. He has previously served as general manager of the general applications (discretets) business line within the multimarket business and served in various positions at Philips since 2000.

Kurt Sievers (1969, German). Mr. Sievers has been senior vice president and general manager of our High-Performance Mixed-Signal businesses focused on the automotive application markets since November, 2009 and since January 2010, he has been a member of the management team. He has previously managed the automotive safety and comfort business line and served in various positions at Philips since 1995.

Karl-Henrik Sundström (1960, Swedish). Mr. Sundström became executive vice president and chief financial officer of NXP B.V. and a member of our management team on May 13, 2008. In a successful 22 year career at Ericsson AB, Mr. Sundström gained general management experience leading the company's global services operations and its Australian and New Zealand business before his appointment as chief financial officer of Ericsson AB in 2003 until the end of 2007. Mr. Sundström also serves on the board of Swedbank AB.

Management Structure

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

Powers, Composition and Function

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

Edgar Filing: NXP Semiconductors N.V. - Form F-1

The appointment of the directors will be made by our general meeting of stockholders upon a binding nomination of the board of directors. A resolution to appoint a director nominated by the board of directors shall be adopted by a simple majority of the votes cast. The board of directors shall make a list of candidates

Table of Contents

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

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

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

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

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

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

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

Our directors are appointed for one year and will be re-electable each year at the general meeting of stockholders. The members of our board of directors may be suspended or dismissed at any time by the general meeting of stockholders. A resolution to suspend or dismiss a director will have to be adopted by at least a two thirds majority of the votes cast, provided such majority represents more than half of our issued share capital and unless the proposal to suspend or dismiss a member of the board of directors is made by the board of directors itself, in which case resolutions shall be adopted by a simple majority of votes cast. Currently, Dutch law does not allow executive directors to be suspended by the board of directors; however, Dutch law is expected to be amended in mid 2011 to facilitate the suspension of executive directors by the board.

Table of Contents

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

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

Board Committees

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

Audit Committee. Our audit committee consists of three independent non-executive directors, Messrs. Goldman, Kaeser and Sir Peter Bonfield. Mr. Goldman, who is appointed as chairman of the audit committee, will qualify as an audit committee financial expert as such term is defined in Item 407(d)(5) of Regulation S-K and as determined by our board of directors. Our audit committee will assist the board of directors in supervising, monitoring and advising the board of directors on financial reporting, risk management, compliance with relevant legislation and regulations and our business code of conduct. It will oversee the preparation of our financial statements, our financial reporting process, our system of internal business controls and risk management, our internal and external audit process and our internal and external auditor's qualifications, independence and performance. Our audit committee also will review our annual and interim financial statements and other public disclosures, prior to publication. At least once per year, the non-executive directors who are part of the audit committee will report their findings to the plenary board of directors. Our audit committee also recommends to our stockholders the appointment of external auditors. The external auditor will attend most meetings of the audit committee. The findings of the external auditor, the audit approach and the risk analysis are also discussed at these meetings.

Nominating and Compensation Committee. Our nominating and compensation committee consists of three non-executive directors, Messrs. Huth and Plantevin and Sir Peter Bonfield, who is also an independent director. Mr. Plantevin is appointed as chairman of this committee. The nominating & compensation committee will determine selection criteria and appointment procedures for members of our board of directors, to periodically assess the scope and composition of our board of directors and to evaluate the performance of its individual members. It will be responsible for recommending to the board of directors the compensation package for our executive directors, with due observance of the remuneration policy adopted by the general meeting of stockholders. It will review employment contracts entered into with our executive directors, make recommendations to our board of directors with respect to major employment-related policies and oversee compliance with our employment and compensation-related disclosure obligations under applicable laws.

Limitation of Liability and Indemnification Matters

Unless prohibited by law in a particular circumstance, our articles of association require us to reimburse the members of the board of directors and the former members of the board of directors for damages and various costs and expenses related to claims brought against them in connection with the exercise of their duties.

Table of Contents

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

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

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

Compensation

In accordance with Dutch law, our stockholders have adopted a compensation policy for the board of directors. The remuneration of our executive directors is resolved upon by our board of directors, with due observance of our compensation policy. The respective executive director does not participate in the discussions of our board of directors on his compensation, nor does the chief executive officer vote on such a matter. Our chief executive officer is our only executive director. The remuneration of the non-executive directors has been resolved upon by our stockholders at a stockholder meeting at the proposal of our board of directors, prior to the consummation of the IPO in August 2010. To the extent the stockholders at a future stockholder meeting do not adopt the proposal of the board, the board must prepare a new proposal. After adoption of a proposal, only subsequent amendments will require stockholder approval. Furthermore, any proposed share or option-based director compensation (including any performance conditions relating to such compensation) must be submitted by our board to the general meeting of stockholders for its approval, detailing the number of shares or options over shares that may be awarded to the directors and the criteria that apply to such award or any modification of such rights. Prior to the consummation of the IPO in August 2010, our stockholders have approved such equity-based director compensation.

Compensation Policy and Objectives

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

Table of Contents

Base Salary

We currently pay our chief executive officer an annual base salary of 1,142,000, the chairman of our board of directors an annual fixed fee of 275,000 gross and the other members of our board of directors an annual fixed fee of \$85,000 gross. Members of our Audit Committee and the Nominating & Compensation Committee receive an additional annual fixed fee of \$6,000 gross and the chairmen of both committees receive an additional annual fixed fee of \$10,000 and \$8,000 gross, respectively. For the year ended December 31, 2010, the members of our management team as a group received a total aggregate compensation of 6,200,000, compared to a total aggregate compensation of 6,680,000 in 2009.

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

Annual Incentive

Each year, our chief executive officer, the other members of our management team and our other executives can qualify to earn a variable cash incentive, subject to whether certain specific and challenging performance targets have been met. For our chief executive officer, the on-target cash incentive percentage was set at 100% of the base salary, with the maximum cash incentive set at 200% of the annual base salary. The cash incentive pay-out in any year relates to the achievements of the preceding financial year in relation to agreed targets. In 2010, an amount of 2,284,000 has been paid to our chief executive officer as annual incentive bonus for our performance in 2009. The total annual incentive bonus amount paid in 2010 to members of our management team, including our chief executive officer, is 9,830,000. In 2009, no annual incentive bonuses were paid to our board members, management team or to the executives due to the economic and financial crisis during the course of 2008 and early 2009, as well as our performance and the continuing future uncertainty in economic developments.

Share Based Compensation Plans

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

We granted stock options to the members of our management team and to approximately 135 of our other executives in 2007 and 2008 under the Management Equity Stock Option Plan. In May 2009, we executed a stock option exchange program, under which stock options, with new exercise prices, different volumes and in certain cases revised vesting schedules, were granted to eligible individuals, in exchange for their owned stock options. By accepting the new stock options all previously granted stock options (vested and unvested) owned by the eligible individual were cancelled. As of May 2009, when the stock option exchange program was consummated, stock options have been granted to eligible individuals under the revised Management Equity Stock Option Plan. Under this stock option plan the participants acquire the right to purchase a certain number of shares of common stock at a predetermined price, i.e. exercise price, provided that certain conditions are met. The stock options have a vesting schedule as specified upon the grant to the individuals. Following the filing of such registration statement, pursuant to our Management Equity Stock Option Plan, members of our management team and certain other executives will be allowed to exercise, from time to time, their vested options. The proportion of options available for exercise cannot exceed the proportion of the aggregate number of shares of common stock sold by our co-investors, including the Private Equity Consortium, to the total number of shares of

Table of Contents

common stock owned by such co-investors. We expect that following the completion of this offering, up to 15% of the vested options under the Management Equity Stock Option Plan will become exercisable, subject to the applicable laws and regulations. As of December 31, 2010, a total of 18 million stock options were granted under the Management Equity Stock Option Plan to a group of approximately 125 (current and former) NXP executives (which includes our chief executive officer and the other members of the management team and our chairman of the board of directors). These stock options can be exercised at exercise prices which vary from 2.00 to 50.00 per stock option.

In November 2010, we introduced a new Long Term Incentive Plan 2010, under which performance stock, restricted stock and stock options may be granted to the members of our board of directors, management team, our other executives, selected other key employees/talents of the NXP group and selected new hires. Under the Long Term Incentive Plan 2010, equity incentives may be granted on the dates NXP publishes its quarterly financials, beginning on November 2, 2010. Performance stock and restricted stock vest over a period of three years, subject to relevant performance criteria being met, and stock options vest over four years. The size of the annual equity pool available for Long Term Incentive Plan 2010 awards from November 2, 2010 up to the fourth quarter of 2011 is for an aggregate of up to 7,200,000 common shares in our share capital. On December 31, 2010, grants were made to 980 participants, in total representing 5,880,000 shares of common shares, consisting of 847,000 performance stock, 1,283,000 restricted shares and 3,750,000 stock options.

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

As of December 31, 2010, the following stock options, restricted stock, performance stock, shares of common stock, depositary receipts for shares of common stock were outstanding with members of our board of directors:

Richard L. Clemmer, CEO and president

As of December 31, 2010, our chief executive officer held 76,125 depositary receipts and had been granted the following stock options and performance stock units, which were outstanding.

Series	Number of Stock Options	Exercise Price (in USD)	Number of Stock Options per vesting schedule			
			11/02/11	11/02/12	11/02/13	11/02/14
2010/November	360,252	13.27	90,063	90,063	90,063	90,063

Series	Number of Stock Options	Exercise Price (in)	Number of Stock Options per vesting schedule			
			01/01/10	01/01/11	01/01/12	01/01/13
2009/1	415,000	2.00	103,750	103,750	103,750	103,750
2009/2	1,400,000	15.00	350,000	350,000	350,000	350,000
2009/3	234,000	30.00	58,500	58,500	58,500	58,500
2009/4	374,252	40.00	93,563	93,563	93,563	93,563
Total:	2,423,252		605,813	605,813	605,813	605,813

Series	Number of Performance Stock Units	Number of Performance Stock Units per vesting schedule		
		11/02/11	11/02/12	11/02/13
2010/November	240,162	Maximum 33% of total	Maximum 67% of total	Up to 100% of total

Table of Contents**Sir Peter Bonfield, chairman of the board of directors**

As of December 31, 2010 the following stock options and restricted stock units had been granted to the chairman of our board of directors and were outstanding:

Series	Number of Performance Stock Units	Number of Performance Stock Units per vesting schedule		
		11/02/11	11/02/12	11/02/13
		2010/November	10,000	3,333

Series	Number of Stock Options	Exercise Price (in)	Number of Stock Options per vesting schedule		
			10/01/10	10/01/11	10/01/12
			2009/2	23,550	15.00
2009/3	23,550	30.00	7,850	7,850	7,850
2009/4					
Total:	47,100		15,700	15,700	15,700

Other members of our board of directors

To each of Messrs. Huth, Cattelain, Durban, Goldman, Kaeser, Loring, Plantevin and Wilson, all being member of our board of directors, the following restricted stock units had been granted and were outstanding as of December 31, 2010:

Series	Number of Restricted Stock Units	Number of Performance Stock Units per vesting schedule		
		11/02/11	11/02/12	11/02/13
		2010/November	10,000	3,333

Pensions

Our chief executive officer and eligible members of the management team participate in the executives' pension plan, which we set up in the Netherlands and which consists of a combination of a career average and a defined-contribution plan. The target retirement age under the plan is 62.5. The plan does not require employee contributions. We paid for our chief executive officer a total pension plan contribution of 569,530 in 2010 (2009: 552,350). We also paid a total pension plan contribution in the aggregate of 1,650,000 (2009: 1,619,000) to the members of our management team.

Additional Arrangements

In addition to the main conditions of employment, a number of additional arrangements apply to our chief executive officer and other members of the management team. These additional arrangements, such as expense compensation and relocation allowances, medical insurance, accident insurance, school fee compensation and company car arrangements are broadly in line with those for the NXP executives globally. In the event of disablement, our chief executive officer and other members of the management team are entitled to benefits in line with those for other NXP executives. In line with regulatory requirements, the Company's policy forbids personal loans, guarantees or similar arrangements to members of our board, and consequently no loans, guarantees or similar arrangements were granted to such members in 2009 or in 2010, nor were such loans outstanding as of December 31, 2010.

Table of Contents

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

Summary Compensation Table

The following table sets forth the annual compensation paid to the members of our board of directors on an individual basis for services in all capacities during the year ended December 31, 2010.

	Salary and/ or fees (1 in ; 2 in \$)	Performance related compensation ()	Number of stock, stock options of stock units outstanding	Non-equity incentive plan compensation or benefits in kind ()	Contingent or deferred compensation	Pension, retirement or similar benefits ()	Other
Richard L. Clemmer	1,142,000 ⁽¹⁾	2,284,000	600,414	711,901		569,531	
Sir Peter Bonfield	275,000 ⁽¹⁾		57,100				
Johannes P. Huth	37,917 ⁽²⁾		10,000				
Nicolas Cattelain	35,417 ⁽²⁾		10,000				
Eric Coutinho	35,417 ⁽²⁾						
Egon Durban	35,417 ⁽²⁾		10,000				
Kenneth A. Goldman	41,250 ⁽²⁾		10,000				
Josef Kaeser	30,333 ⁽²⁾		10,000				
Ian Loring	35,417 ⁽²⁾		10,000				
Michel Plantevin	&n						