NXP Semiconductors N.V.
Form F-1/A
August 05, 2010
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As filed with the Securities and Exchange Commission on August 5, 2010

Registration No. 333-166128

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 9

TO

FORM F-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

NXP Semiconductors N.V.

(Exact name of Registrant as specified in its charter)

The Netherlands	**3674**	**Not Applicable**

(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

High Tech Campus 60

5656 AG Eindhoven

The Netherlands

Tel: +31 40 2729233

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

James N. Casey

1109 McKay Drive

M/S 54SJ

San Jose, CA 95131-1706

United States

Tel: +1 408 434 3000

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

Copies to:

Nicholas J. Shaw
Simpson Thacher & Bartlett LLP

CityPoint
One Ropemaker Street
London EC2Y 9HU
England

Paul Etienne Kumleben
Davis Polk & Wardwell LLP

99 Gresham Street

London EC2V 7NG

England

Approximate date of commencement of proposed sale to the public:

As soon as possible after this registration statement becomes effective

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

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

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

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

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.

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

Subject to completion, dated August 5, 2010.

NXP Semiconductors N.V.

34,000,000 Shares

Common Stock

We are offering 34,000,000 shares of our common stock in this initial public offering of our common stock. Prior to this offering, there has been no public market for our common stock. We currently expect the initial public offering price to be between $18.00 and $21.00 per share. Our common stock will be listed on the NASDAQ Global Select Market under the symbol NXPI .

An investment in our common stock involves risks. See Risk Factors beginning on page 16 of this prospectus.

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

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

To the extent that the underwriters sell more than 34,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 5,100,000 shares from us at the initial offering price, less the underwriting discount, within 30 days of the date of this prospectus. See the section of this prospectus entitled Underwriting .

The underwriters expect to deliver the shares against payment on or about , 2010.

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

BofA Merrill Lynch **Barclays Capital**

J.P. Morgan **KKR**

ABN AMRO **HSBC** **Rabo Securities**

Prospectus dated , 2010

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

We obtained market data and certain industry data and forecasts included in this prospectus from internal company surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications and surveys. iSuppli, Gartner Dataquest, Strategy Analytics, Datapoint 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 recently available data. While we are not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading Risk Factors appearing elsewhere in this prospectus. Where we refer to our position as the leading position, we mean we have the number 1 position; where we refer to our position as a leading position, we mean we have *a top 2 position; where we refer to our position as a strong position, we mean we have a top 5 position.*

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PROSPECTUS SUMMARY

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

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

A glossary of abbreviations and technical terms used in this prospectus is set forth on page 180.

Our Company

We are a global semiconductor company and a long-standing supplier in the industry, with over 50 years of innovation and operating history. We provide leading High-Performance Mixed-Signal and Standard Products solutions that leverage our deep application insight and our technology and manufacturing expertise in radio frequency (RF), analog, power management, interface, security and digital processing products. Our product solutions are used in a wide range of automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. We engage with leading original equipment manufacturers (OEMs) worldwide and over 58% of our sales are derived from Asia Pacific (excluding Japan). As of April 4, 2010, we had approximately 28,000 full-time equivalent employees located in more than 25 countries, with research and development activities in Asia, Europe and the United States, and manufacturing facilities in Asia and Europe.

The NXP Solution

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

Our Strengths

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

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

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Large base of experienced High-Performance Mixed-Signal engineers and strong intellectual property portfolio. We have what we believe is one of the industry s largest pools of experienced High-Performance Mixed-Signal engineers, with over 2,600 engineers with an average of 14 years of experience. In addition, we have an extensive intellectual property portfolio of approximately 14,000 issued and pending patents covering the key technologies used in our target application areas.

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

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

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

NXP Repositioning and Redesign

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

Our Repositioning

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

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

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

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Our Redesign Program

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

Leaner manufacturing base. As a part of our Redesign Program, we will have reduced the number of our front-end manufacturing facilities from 14 at the time of our separation from Philips in 2006 to six by the end of 2011.

Our Strategy

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

***Extend our leadership in High-Performance Mixed-Signal markets*.** We intend to leverage our industry-leading RF, analog, power management, interface, security and digital processing technologies and capabilities to extend our leadership positions in providing High-Performance Mixed-Signal solutions for automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications. Based on a combination of external and internal sources, we estimate that the consolidated market size of these addressed High-Performance Mixed-Signal markets was $29.2 billion in 2009 and is expected to grow at a compounded annual growth rate of 15% from 2009 to 2012. We believe our scale and significant levels of research and development investments will enable our revenues to grow on an annual basis, during that same period, at approximately 1.4 times the growth rate of the specific High-Performance Mixed-Signal markets we address. See Business for a more detailed description of the expected size and growth of our addressed markets.

***Focus on significant, fast growing opportunities*.** We are focused on providing solutions that address the macro trends of energy efficiency, mobility and connected mobile devices, security and healthcare, as well as rapid growth opportunities in emerging markets given our strong position in Asia Pacific (excluding Japan), which represented 58% of our sales in 2009, compared to a peer average of 49% of sales. In particular, Greater China represented 40% of our sales in 2009.

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

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

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Risks Affecting Us

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

- The semiconductor industry in which we operate is highly cyclical.
- The semiconductor industry is highly competitive. If we fail to introduce new technologies and products in a timely manner, this could adversely affect our business.
- In many of the market segments in which we compete, we depend on winning selection processes, and failure to be selected could adversely affect our business in those market segments.
- The demand for our products depends to a significant degree on the demand for our customers end products.
- The semiconductor industry is characterized by significant price erosion, especially after a product has been on the market for a significant period of time.
- Our substantial amount of debt could adversely affect our financial health, which could adversely affect our results of operations.

Recent Developments

Second Quarter Results. Although our results for the three months ended July 4, 2010 are not currently available, the following information reflects our expectations with respect to such results based on currently available information.

Our total sales were $1,201 million in the second quarter of 2010, reflecting comparable growth (defined below) of 6.5% and nominal growth (defined below) of 3.1%, as compared to the first quarter of 2010. The increase was visible across all business segments and regions.

Gross profit, as a percentage of total sales, was between 38.5% and 39.5% in the second quarter of 2010, compared to 36.7% in the first quarter of 2010. The PPA effects (defined below), restructuring and other incidental items included in the gross profit amounted to an aggregate cost of between $8 million and $12 million in the second quarter of 2010, compared to $17 million in the first quarter of 2010.

Income from operations was a profit of between $87 and $93 million in the second quarter of 2010, compared to nil in the first quarter of 2010. The PPA effects, restructuring and other incidental items included in income from operations amounted to an aggregate cost of between $90 million and $94 million in the second quarter of 2010, compared to $144 million in the first quarter of 2010. In addition, income from operations in the second quarter of 2010 included depreciation and amortization, excluding PPA effects, which aggregated to a total charge of $85 million, compared to $108 million in the first quarter of 2010. Depreciation and amortization in the second quarter of 2010 included $1 million related to depreciation of property, plant and equipment from disposals that occurred in connection with our restructuring activities and other incidental items, compared to $21 million in the first quarter of 2010.

Our cash position at the end of the second quarter of 2010 was $842 million compared to $870 million at the end of the first quarter of 2010. The cash position was impacted by interest payments in the second quarter amounting to $110 million, restructuring payments related to our Redesign Program of $35 million and unfavorable translation effects on liquid assets of approximately $50 million. Since the beginning of the Redesign Program in September 2008 until the end of the second quarter of 2010, $554 million of restructuring costs related to the Redesign Program and other restructuring activities has been paid out.

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Our total debt amounted to $5,055 million at the end of the second quarter compared to $5,177 million at the end of the first quarter of 2010. The decrease in total debt was due to the exchange rate differences at the end of the second quarter of 2010.

Sales in our High-Performance Mixed-Signal business were $719 million (excluding $5 million of internal sales) in the second quarter of 2010, reflecting comparable growth of 6.6% and nominal growth of 3.5%, as compared to the first quarter of 2010. The gross profit, as a percentage of High-Performance Mixed-Signal sales, reached between 52% and 53% in the second quarter of 2010, compared to 47.5% in the first quarter of 2010. The PPA effects, restructuring and other incidental items included in gross profit amounted to an aggregate benefit of between nil and $2 million in the second quarter of 2010 compared to an aggregate cost of $10 million in the first quarter of 2010. Income from operations for High-Performance Mixed-Signal in the second quarter of 2010 amounted to between $96 million and $99 million, compared to $51 million in the first quarter of 2010. The PPA effects, restructuring and other incidental items included in the High-Performance Mixed-Signal income from operations amounted to an aggregate cost of between $50 million and $53 million in the second quarter of 2010, compared to $63 million in the first quarter of 2010. Within our High-Performance Mixed-Signal business, we had sales of approximately $230 million in automotive applications, approximately $145 million in identification applications, approximately $146 million in wireless infrastructure, lighting and industrial applications and approximately $203 million in mobile, consumer and computing applications.

Sales in our Standard Products business were $289 million in the second quarter of 2010, reflecting comparable growth of 6.2% and nominal growth of 3.6%, as compared to the first quarter of 2010. The gross profit, as a percentage of our Standard Products sales, reached between 30% and 31% in the second quarter, compared to 27.6% in the first quarter of 2010. The PPA effects, restructuring and other incidental items included in gross profit amounted to an aggregate cost of between nil and $2 million in the second quarter of 2010 compared to an aggregate benefit of $1 million in the first quarter of 2010. Income from operations for Standard Products in the second quarter amounted to between $27 million and $29 million, compared to $24 million in the first quarter of 2010. The PPA effects, restructuring and other incidental items included in the Standard Products income from operations amounted to an aggregate cost of between $18 million and $21 million in the second quarter of 2010, compared to $15 million in the first quarter of 2010.

Our net loss for the second quarter was an estimated $350 million, largely due to foreign currency remeasurement losses on U.S. dollar-denominated notes and short-term loans. The reduction in total stockholders equity was an estimated $282 million from the first quarter of 2010 due to our net loss in the period, partly offset by currency translation adjustments. Since the end of the second quarter, the euro has appreciated against the U.S. dollar.

As used in this discussion, nominal growth refers to the growth in our sales on a period-by-period basis and comparable growth is a non-GAAP financial measure that reflects the relative changes in sales between periods adjusted for the effects of foreign currency exchange rate changes and material acquisitions and divestments, combined with reclassified product lines. In addition, the term PPA effect includes the cumulative net effect of acquisition accounting. Certain PPA effects are recorded in our cost of sales, which affect our gross profit and income from operations, and other PPA effects are recorded in our operating expenses, which only affect our income from operations. See Management s Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere in this prospectus for further information.

Our actual second quarter results may differ materially from these second quarter estimates. These amounts reflect the current best estimates and may be revised as a result of further review of the results. During the course of the preparation of the respective financial statements and related notes, additional items that would require material adjustments to be made to the preliminary financial information presented below may be identified. There can be no assurance that these estimates will be realized, and estimates are subject to risks and uncertainties, many of which are not within our control. See Risk Factors and Special Note Regarding Forward-Looking Statements .

New Secured Notes. On July 20, 2010, we issued $1,000 million aggregate principal amount of new 9¾% Senior Secured Notes due 2018 (the New Secured Notes). The New Secured Notes accrue interest at the rate of 9¾% per annum and mature on August 1, 2018. The New Secured Notes are our senior obligations and will be guaranteed, jointly and severally, on a senior basis by certain of our current and future material wholly owned subsidiaries. The New Secured Notes and guarantees are secured by substantially all assets, other than cash and bank accounts, that are held by us or any of the guarantors. See Description of Indebtedness New Secured Notes .

As of the date of this prospectus, we have used the proceeds from the offering of New Secured Notes to repurchase approximately $968 million of Existing Secured Notes (consisting of approximately $223 million aggregate principal amount of euro-denominated floating rate senior secured notes due October 15, 2013 (the Euro Floating Rate Secured Notes), approximately $317 million aggregate principal amount of U.S. dollar-denominated floating rate senior secured notes due October 15, 2013 (the Dollar Floating Rate Secured Notes) and approximately $428 million aggregate principal amount of U.S. dollar-denominated 7 ^{7}/8% senior secured notes due October 15, 2014 (the Dollar Fixed Rate Secured Notes and together with the Euro Floating Rate Secured Notes and Dollar Floating Rate Secured Notes, the Existing Secured Notes)).

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

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

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

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Company Information

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

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

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

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

Corporate Conversion

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

We have one class of shares of common stock and, since the reverse stock split, an aggregate of 215,251,500 shares of common stock. 34,000,000 shares of common stock are to be sold as part of this offering. The underwriters have the option to purchase up to an additional 5,100,000 shares of common stock.

THE OFFERING

Common stock offered by us

34,000,000 shares

Common stock to be outstanding after this offering

249,251,500 shares

Option to purchase additional shares of common stock

The underwriters have the option to purchase a maximum of an additional 5,100,000 shares of common stock from us at the initial public offering price, less the underwriting discount. The underwriters can exercise this option at any time within 30 days from the day of this prospectus.

Use of proceeds

We estimate that the net proceeds to us from this offering, after deducting $33 million of underwriting discounts and commissions and estimated offering expenses of $10 million payable by us, will be approximately $620 million, assuming the shares are offered at $19.50 per share, which is the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus.

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

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

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offering to repay a pro rata portion of each series of existing notes other than the New Secured Notes, affiliates of KKR Capital Markets LLC would receive approximately 4.3% of the expected net proceeds.

Conflict of Interest

Affiliates of KKR Capital Markets LLC own (through their investment in KASLION Holding B.V.) in excess of 10% of our issued and outstanding common stock and hold certain of the existing notes and may receive 5% or more of the expected net proceeds of the offering. KKR Capital Markets LLC may therefore be deemed to be our affiliate and to have a conflict of interest with us within the meaning of NASD Conduct Rule 2720 (Rule 2720) of the Financial Industry Regulatory Authority, Inc. (FINRA). Therefore, this offering will be conducted in accordance with Rule 2720. 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, and the indentures governing the terms of our Super Priority Notes, Existing Secured Notes, New Secured Notes and Existing Unsecured Notes (collectively, the Indentures) and may be further restricted by the terms of any future debt or preferred securities. As a result, we currently expect to retain future earnings for use in the operation and expansion of our business and the repayment of our debt and do not anticipate paying any cash dividends in the foreseeable future. See Dividend Policy and Description of Indebtedness .

NASDAQ Global Select Market symbol

NXPI

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

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

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

- assumes (1) no exercise of the underwriters option to purchase additional shares of our common stock; and (2) an initial public offering price of $19.50 per share, the mid-point of the initial public offering price range set forth on the cover of this prospectus; and
- gives effect to the 1-for-20 reverse stock split of our common stock that occurred prior to this offering, on August 2, 2010.

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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.

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CORPORATE STRUCTURE

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

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

(2) Assuming no exercise of the underwriters option to purchase additional shares of our common stock, the Management Foundation would have held 0.24% of the shares of our common stock. As of June 30, 2010, 18,554,416 shares of common stock were issuable upon the exercise of options outstanding under our management equity plan and 474,722 shares of common stock were issuable upon the exercise of equity rights under our equity incentive program. In addition, 3,195,584 shares of our common stock are reserved for issuance under our management equity plan. All such shares would be held by the Management Foundation on behalf of our employees and directors (until such employees and directors sell their shares) and only depository receipts, representing the economic rights of the underlying shares, would be held by the beneficial owners. None of these options or equity rights are exercisable currently or within 60 days from the date of this prospectus. However, at any time that the Private Equity Consortium reduces its shareholding in us or in the event that the Private Equity Consortium no longer holds in the aggregate at least 30% of our common stock, vested stock options granted under our stock option plans would become exercisable. In addition, if the Private Equity Consortium reduces its aggregate shareholding in us to below 30%, all outstanding and unvested stock options will vest. In such event, the Management Foundation would have held 8.19% of the shares of our common stock.

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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

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

($ in millions, except share and per share data and unless otherwise indicated)	As of and for the year ended December 31,			As of and for the quarter ended	
	2007	2008	2009	March 29, 2009	April 4, 2010
Consolidated Statements of Operations:					
Sales	6,321	5,443	3,843	702	1,165
Cost of sales	(4,276)	(4,225)	(2,874)	(634)	(737)
Gross profit	2,045	1,218	969	68	428
Selling expenses	(425)	(400)	(277)	(61)	(66)
Impairment charges		(714)	(69)		
Other general and administrative expenses	(1,189)	(1,161)	(734)	(173)	(191)
Research and development expenses	(1,328)	(1,199)	(777)	(187)	(154)
Write-off of acquired in-process research and development	(15)	(26)			
Other income (expense)	134	(364)	(12)	6	(17)
Income (loss) from operations	(778)	(2,646)	(900)	(347)	
Extinguishment of debt			1,020		2
Other financial income (expense)	(181)	(614)	(338)	(309)	(304)
Income (loss) before taxes	(959)	(3,260)	(218)	(656)	(302)
Income tax benefit (expense)	396	(46)	(17)	(8)	(8)
Income (loss) after taxes	(563)	(3,306)	(235)	(664)	(310)
Results relating to equity-accounted investees	(40)	(268)	74	75	(26)
Net income (loss)	(603)	(3,574)	(161)	(589)	(336)
Other Operating Data:					
Capital expenditures	(549)	(379)	(96)	(37)	(51)
Depreciation and amortization(1)	1,547	2,010	938	211	193
Comparable sales growth(2)	1.4%	(6.6)%	(21.1)%	(43.4)%	69.7%
Net restructuring charges(3)	(218)	(594)	(103)	(35)	(14)
Other incidental items(4)	(41)	(528)	(241)	(30)	(45)
Consolidated Statements of Cash Flows Data:					
Net cash provided by (used in):					
Operating activities	533	(622)	(745)	(368)	(15)
Investing activities	(678)	1,015	78	105	(95)
Financing activities	(22)	316	(80)	208	(11)
Per Share Data:(5)					

Basic and diluted net income (loss) per share[6]	(237.80)	(19.83)	(0.75)	(2.74)	(1.56)
Basic and diluted net income (loss) per share attributable to common stockholders[6]	(247.20)	(19.98)	(0.81)	(2.69)	(1.60)
Basic and diluted weighted average number of shares of common stock outstanding during the year (in thousands)[7]	5,000	180,210	215,252	215,252	215,252
Consolidated Balance Sheet Data:					
Cash and cash equivalents	1,041	1,796	1,041		870
Total assets	13,816	10,327	8,673		8,111
Working capital[8]	1,081	1,355	870		647
Total debt[9]	6,078	6,367	5,283		5,177
Total stockholders equity	4,528	1,075	930		613

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

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

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

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

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

	For the year ended December 31,			For the quarter ended	
($ in millions)	**2007**	**2008**	**2009**	**March 29, 2009**	**April 4, 2010**
Cost of sales	173	348	(5)	17	(4)
Selling expenses	15	19	11		(2)

General and administrative expenses	18	124	36	12	19
Research and development expenses	12	97	61	6	1
Other income and expenses		6			
Net restructuring charges	218	594	103	35	14

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

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

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

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

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

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

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

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

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

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

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

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

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(5) On February 29, 2008, through a multi-step transaction, the nominal value of the common shares was decreased from 1.00 to 0.01 and all preference shares were converted into common shares, resulting in an increase of outstanding common shares from 100 million to 4.3 billion. In addition, 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. In all periods presented, basic and diluted weighted average shares outstanding have been calculated to reflect the 1-for-20 reverse stock split.

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

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

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

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

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RISK FACTORS

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

Risks Related to Our Business

The semiconductor industry is highly cyclical.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- negative economic developments in economies around the world and the instability of governments, currently Thailand, including the threat of war, terrorist attacks in the United States or in Europe, epidemic or civil unrest;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In connection with our separation from Philips in 2006, Philips transferred approximately 5,300 patent families to us subject to certain limitations, including (1) any prior commitments to and undertakings with third parties entered into prior to the separation and (2) certain licenses retained by Philips. The licenses retained by Philips give Philips the right to sublicense to third parties in certain circumstances, which may divert revenue opportunities from us. Approximately 800 of the patent families transferred from Philips were transferred to ST-NXP Wireless (and subsequently ST-Ericsson, its successor) in connection with the contribution of our wireless operations to ST-NXP Wireless in 2008. Approximately 400 of the patent families transferred from Philips were transferred to Trident in connection with the divestment of our television systems and set-top box business lines to Trident in 2010. Further, a number of other patent families have been transferred in the context of other transactions. Philips granted us a non-exclusive license (1) to all patents Philips holds but has not assigned to us, to the extent that they are entitled to the benefit of a filing date prior to the separation and for which Philips is free to grant licenses without the consent of or accounting to any third party and (2) to certain know-how that is available to us, where such patents and know-how relate (i) to our current products and technologies, as well as successor products and technologies, (ii) to technology that was developed for us prior to the separation and (iii) to technology developed pursuant to contract research co-funded by us. Philips has also granted us a non-exclusive royalty-free and irrevocable license (1) under certain patents for use in giant magneto-resistive devices outside the field of healthcare and bio applications, and (2) under certain patents relevant to polymer electronics resulting from contract research work co-funded by us in the field of radio frequency identification tags. Such licenses are subject to certain prior commitments and undertakings. However, Philips retained ownership of certain intellectual property related to our business, as well as certain rights with respect to intellectual property transferred to us in connection with the separation. There can be no guarantee that the patents transferred to us will be sufficient to assert offensively against our competitors, to be used as leverage to negotiate future cross-licenses or to give us freedom to operate and innovate in the industry. The strength and value of our intellectual property may be diluted if Philips licenses or otherwise transfers such intellectual property or such rights to third parties, especially if those third parties compete with us. The foregoing risks could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

Our working capital needs are difficult to predict.

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

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

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

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

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

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

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

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

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

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

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

We depend on our key management to run our business and on our senior engineers to develop new products and technologies. Our success will depend on the continued service of these individuals. In particular, if at any time the Private Equity Consortium reduces its shareholding in us or in the event the Private Equity Consortium no longer jointly holds at least 30% of our common stock, vested stock options granted under our stock option plans would become exercisable. Further, if the aggregate shareholding of the Private Equity Consortium in us is reduced to below 30%, all outstanding and unvested stock options will vest. Upon the exercise of stock options, stock option holders will acquire (depository receipts for) shares of our common stock and will have the right to sell these (depository receipts for) shares pro rata with the sale by the Private Equity Consortium. Approximately 135 current and former employees hold stock options. In addition to the stock option plans, we have an equity rights program in place, in which approximately 1,045 current and former employees participate. If the Private Equity Consortium reduces its aggregate shareholding in us to below 30%, equity rights holders will receive (depository receipts for) shares of our common stock, and may sell such (depository receipts for) shares of our common stock. We cannot predict the impact of such an event on our ability to retain key personnel. The loss of any of our key personnel, whether due to departures, death, ill health or otherwise, could have a material adverse effect on our business. The market for qualified employees, including skilled engineers and other individuals with the required technical expertise to succeed in our business, is highly competitive and the loss of qualified employees or an inability to attract, retain and motivate the additional highly skilled employees required for the operation and expansion of our business could hinder our ability to successfully conduct research activities or develop marketable products. The foregoing risks could have a material adverse effect on our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to this Offering and Ownership of Our Common Stock

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

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

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

The Private Equity Consortium controls us and, after this offering, will beneficially own 64.0% of our common stock, or 62.8% 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 requiring approval by our stockholders, including the election and removal of our directors, our corporate and management policies, potential mergers or acquisitions, payment of dividends, asset sales and other significant corporate transactions. We cannot assure you that the interests of the Private Equity Consortium will coincide with the interests of other holders of our common stock, particularly if we encounter financial difficulties or are unable to pay our debts when due. The concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their shares as part of a sale of us and might ultimately affect the market price of our common stock. See Principal Stockholders .

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

We are a subsidiary of KASLION Holding B.V., a Dutch private company with limited liability in which affiliates of KKR Capital Markets LLC, an underwriter of this offering, indirectly hold approximately 22% of the capital stock and share voting control over our common stock with other members of the Private Equity Consortium. Affiliates of KKR Capital Markets LLC also hold certain of our existing notes and may receive 5% or more of the expected net proceeds of the offering. KKR Capital Markets LLC may therefore be deemed to have a conflict of interest within the meaning of NASD Rule 2720 of FINRA. The offering will therefore be conducted in accordance with NASD Rule 2720.

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

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

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

Following this offering, there will be 249,251,500 shares of our common stock outstanding (254,351,500 shares if the underwriters exercise their option to purchase additional shares of common stock in full). The 34,000,000 shares of common stock sold in this offering (39,100,000 shares if the underwriters exercise their option to purchase additional shares of common stock in full) will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended, by persons other than our affiliates (within the meaning of Rule 144 under the Securities Act).

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

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shares, the market price of our stock could decline significantly. In addition, the perception in the public markets that sales by the Private Equity Consortium, Philips and/or certain co-investors might occur could also adversely affect the market price of our common stock.

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

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

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

United States civil liabilities may not be enforceable against us.

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

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

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

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

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

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

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

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

Our general meeting of stockholders has empowered our board of directors to restrict or exclude pre-emptive rights on shares for a period of five years. Accordingly, an issue of new shares may make it more difficult for a stockholder to obtain control over our general meeting.

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

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

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

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information. As a result of the above, even though we are contractually obligated and intend to make interim reports available to our stockholders, copies of which we are required to furnish to the SEC on a Form 6-K, and even though we are required to file reports on Form 6-K disclosing whatever information we have made or are required to make public pursuant to Dutch law or distribute to our stockholders and that is material to our company, you may not have the same protections afforded to stockholders of companies that are not foreign private issuers.

We will be a foreign private issuer and, as a result, in accordance with the listing requirements of the NASDAQ Global Select Market we will 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 will 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 initial public offering price.

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

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

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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.

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USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $620 million from the sale of 34,000,000 shares of our common stock in this offering, assuming an initial public offering price of $19.50 per share, the mid-point of the estimated price range set forth on the cover page of this prospectus, and after deducting $33 million of underwriting discounts and commissions and estimated offering expenses of $10 million payable by us.

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

As of July 5, 2010, the weighted average interest rate to maturity of our euro-denominated floating rate senior secured notes due October 15, 2013, was 3.39%. As of July 5, 2010, the weighted average interest rate to maturity of our U.S. dollar-denominated floating rate senior secured notes due October 15, 2013 was 3.05%.

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

DIVIDEND POLICY

Our ability to pay dividends on our common stock is limited by the covenants of our Secured Revolving Credit Facility or the Forward Start Revolving Credit Facility, as the case may be, and the Indentures and may be limited by the terms of any future debt 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.

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CAPITALIZATION

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

- on an actual basis;

- on an adjusted basis to give effect to the issuance and sale of $1,000 million aggregate principal amount of New Secured Notes on July 20, 2010 and the application of approximately $971 million of net proceeds therefrom to repurchase Existing Secured Notes, as described in Pro Forma Interest Expense elsewhere in this prospectus; and

- on an adjusted basis to give effect to the sale of shares of common stock by us in this offering (at an assumed initial public offering price of $19.50 per share, the mid-point of the range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and estimated offering expenses payable by us) and the application of the net proceeds therefrom as described in Use of Proceeds .

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

($ in millions)	Actual	As adjusted[(1)]	As further adjusted[(2)]
		As of April 4, 2010	
Total short-term debt	611	611	611
Total long-term debt	4,566	4,550	3,923
Total debt[(3)]	5,177	5,161	4,534
Total stockholders equity[(4)]	613	647	1,265
Total capitalization	5,790	5,808	5,799

(1) Reflects estimated net proceeds of $971 million from the sale of the New Secured Notes. Also reflects (i) the cash payment of $971 million to repay existing secured notes of various series at an assumed average price of 96% of the principal amount thereof, resulting in a gain of $45 million; (ii) the cash payment of $23 million for accrued and unpaid interest as of April 4, 2010; and (iii) the acceleration of the amortization related to the existing notes repaid prior to maturity and capitalized debt issuance costs, resulting in the write-off of $11 million of debt issuance costs. We may not be able to purchase existing secured notes at an average price at or equal to the assumed average price indicated above, which is based on prices we paid to repurchase existing notes with the net proceeds from the sale of the New Secured Notes, current market conditions and current prices for each series of existing secured notes and is subject to change. For each 1% increase in the average price paid for the principal amount of existing secured notes repurchased, our total long-term debt would increase by $10 million and our total stockholders equity would decrease by $10 million. See Pro Forma Interest Expense elsewhere in this prospectus.

(2) Further to the adjustments described in footnote (1) above, reflects assumed net proceeds of $620 million from the sale of common stock in this offering, net of estimated underwriting commissions and offering expenses of $43 million, to repay on a pro rata basis at an assumed average price of 99% of the principal amount of our outstanding long-term indebtedness (other than the New Secured Notes), which consists of our Super Priority Notes, Existing Secured Notes and Existing Unsecured Notes, resulting in a gain of $7 million. Also reflects (i) the cash payment of $15 million for accrued and unpaid interest as of April 4, 2010; and (ii) the acceleration of the amortization related to the existing notes repaid prior to maturity and capitalized debt issuance costs, resulting in the write-off of $9 million of debt issuance costs. The actual selection of which series of notes, the amounts within a particular series, the timing of repayment and the particular method by which we effect repayment, which could include redemption calls, open market

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purchases, privately negotiated transactions or tender offers, or some combination thereof, have not yet been determined and will depend on, with respect to each series of notes, the yield to maturity at the time of repayment, the maturity date, the contractual redemption price and the currency exchange rates. We will consider these criteria with respect to each series of notes at any time of repayment. We may not be able to purchase existing notes at an average price at or equal to the assumed average price indicated above, which is based on prices we paid to repurchase existing notes with the net proceeds from the sale of the New Secured Notes, current market conditions and current prices for each series of existing secured notes and is subject to change. For each 1% increase in the average price paid for the principal amount of existing secured notes repurchased with the proceeds from this offering, our total long-term debt would increase by $6 million and our total stockholders equity would decrease by $6 million. See Pro Forma Interest Expense elsewhere in this prospectus.

(3) As adjusted for our cash and cash equivalents of $870 million as of April 4, 2010, our net debt was $4,307 million on an actual basis. As adjusted, accrued interest of $23 million as of April 4, 2010 (based on the applicable interest rates for this period) relating to the portion of our long-term indebtedness assumed to be repaid or redeemed would be paid using cash on hand. As adjusted, our cash and cash equivalents would have been $847 million and our net debt would have been $4,314 million. As further adjusted, additional accrued interest of $15 million as of April 4, 2010 (based on the applicable interest rates for this period) relating to the portion of our long-term indebtedness assumed to be repaid or redeemed would be paid using cash on hand. As further adjusted, our cash and cash equivalents would have been $832 million and our net debt would have been $3,702 million.

(4) On a further adjusted basis, our equity position would have increased by $618 million and would have been negatively impacted by the acceleration of previously paid bond fees of $20 million related to the existing secured notes assumed to be repurchased in connection with the application of the proceeds from the sale of the New Secured Notes and this offering. However, as a result of the repayment of long-term debt below par value, we would have realized a book gain of $52 million.

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PRO FORMA INTEREST EXPENSE

Other financial income (expense) consists of interest earned on our cash, cash equivalents and investment balances, interest expense on our debt (including debt issuance costs), the sale of securities, gains and losses due to foreign exchange rates, other than those included in cost of sales, and certain other miscellaneous financing costs and income. For the quarter ended April 4, 2010 and the year ended December 31, 2009, we incurred total other financial expenses of $304 million and $338 million, respectively. Included in these amounts were net interest expense (including debt issuance costs) of $80 million and $359 million, respectively, and the weighted average interest rate on our debt instruments was 6%.

On a pro forma basis to give effect to (i) the sale of shares of common stock by us in this offering (at an assumed initial public offering price of $19.50 per share, the mid-point of the range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and estimated offering expenses payable by us) and the use of proceeds therefrom and (ii) the issuance and sale of $1,000 million principal amount of New Secured Notes and the application of the net proceeds therefrom as described in footnote (1) to the Capitalization table in Capitalization , as if such transactions had occurred at the beginning of the 2009 fiscal year, our net interest expense on our debt (excluding debt issuance costs) would have been increased by $1 million for the first quarter of 2010 and by $2 million for the year ended December 31, 2009. However, on pro forma basis, the acceleration of the amortization related to the existing notes repaid prior to maturity and capitalized debt issuance costs would have resulted in the aggregate write-off of $20 million of debt issuance costs. As a result, our net interest expense (including debt issuance costs) for the quarter ended April 4, 2010 and the year ended December 31, 2009, would have been $80 million and $381 million, respectively, on a pro forma basis. For each 1% increase in the average price paid for the principal amount of existing notes repurchased, our interest expense would increase by $1 million.

The unaudited pro forma interest expense presented above has been derived from our Other financial income (expense) data from our consolidated statements of operations for the quarter ended April 4, 2010 and for the year ended December 31, 2009 and gives effect to:

- the issuance and sale of $1,000 million principal amount of New Secured Notes and the application of estimated net proceeds of $971 million from the sale of the New Secured Notes to repay Existing Secured Notes of various series at an assumed average price of 96% of the principal amount thereof;

- the issuance and sale of $663 million of shares of our common stock in this offering and the application of estimated net proceeds of $620 million from this offering to repay our existing notes (other than the New Secured Notes) at an assumed average price of 99% of the principal amount thereof;

- the aggregate cash payment of $38 million for accrued and unpaid interest as of April 4, 2010; and

- the acceleration of the amortization related to the existing notes repaid prior to maturity and capitalized debt issuance costs, resulting in the aggregate write-off of $20 million of debt issuance costs.

The assumed average prices of the notes to be repaid are based on prices we paid to repurchase existing notes with the net proceeds from the sale of the New Secured Notes, current market conditions and current prices for each series of existing secured notes and are subject to change. As of the date of this prospectus, we have used the proceeds of the offering of New Secured Notes to repurchase approximately $968 million of Existing Secured Notes (consisting of approximately $223 million aggregate principal amount of Euro Floating Rate Secured Notes, approximately $317 million aggregate principal amount of Dollar Floating Rate Secured Notes and approximately $428 million aggregate principal amount of Dollar Fixed Rate Secured Notes). However, we may not be able to purchase existing notes at the average prices at or equal to the assumed average prices indicated above.

The pro forma interest expense is provided for illustrative purposes only and does not purport to represent what our interest expense would have been for the periods presented had the transactions described above taken place on the given dates, nor are they necessarily representative of our interest expense for any future periods. The pro forma adjustments are based on preliminary estimates, available information, and assumptions that we believe to be reasonable; however, the amounts actually recorded may be different.

This Pro Forma Interest Expense section be read in connection with the information included under the headings Risk Factors , Use of Proceeds, Capitalization , Selected Historical Combined and Consolidated Financial Data , Description of Indebtedness and our historical consolidated financial statements and related notes included elsewhere in this prospectus.

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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 Uni States of America. As used in this prospectus, the term noon buying rate refers to the exchange rate for euro, expressed in U.S. dollars per euro, as announced by the Federal Reserve Bank of New York for customs purposes as the rate in the city of New York for cable transfers in foreign currencies.

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

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

The following table shows the high and low noon buying rates for U.S. dollars per euro for each of the six months in the six-month period ended June 30, 2010 and for the period from July 1, 2010 through July 30, 2010:

Month	High	Low
	($ per)	
January	1.4536	1.3870
February	1.3955	1.3476
March	1.3758	1.3344
April	1.3666	1.3130
May	1.3183	1.2224
June	1.2385	1.1959
July (through July 30)	1.3069	1.2464

On July 30, 2010, the noon buying rate was $1.3069 per 1.00.

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

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

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DILUTION

As of April 4, 2010, we had a net tangible book deficit of $3,672 million, or $17 per share on an as adjusted basis. Net tangible book value per share on an as adjusted basis is equal to the total tangible assets (total assets less intangible assets) less total liabilities, divided by the number of shares of common stock on an as adjusted basis, reflecting the 1-for-20 reverse stock split that occurred prior to this offering, on August 2, 2010. Without taking into account any adjustment in net tangible book value attributable to operations after April 4, 2010, after giving effect to (i) the sale by us of shares in this offering at an assumed initial public offering price of $19.50, the mid-point of the range set forth on the cover page of this prospectus, and (ii) the issuance and sale of $1,000 million principal amount of New Secured Notes and the application of the net proceeds therefrom as described in footnote (1) to the Capitalization table in Capitalization , our as adjusted net tangible book deficit as of April 4, 2010, after deduction of the underwriting discount and estimated offering expenses and the application of the estimated net proceeds as described under Use of Proceeds , would have been approximately $3,020 million, or $12 per share. This represents an immediate increase in net tangible book value of $5 per share to stockholders.

The following table illustrates this per share dilution:

Assumed initial public offering price per share		$ 19.50
As adjusted net tangible book value per share as of April 4, 2010, before giving effect to this offering	$ (17)	
Increase in as adjusted net tangible book value per share attributable to new investors	$ 5	
As adjusted net tangible book value per share after giving effect to this offering		$ (12)
Dilution per share to new investors in this offering		$ 31.50

Each $1.00 increase or decrease in the assumed initial public offering price of $19.50 per share, the mid-point of the price range set forth on the cover of the prospectus, would increase or decrease the total consideration paid by new investors by $34 million, and increase or decrease the percent of total consideration paid by new investors by 0.5 percentage points, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same.

The following table summarizes as of April 4, 2010 the relative investments of all existing stockholders and new investors, giving effect to our sale of shares in this offering at an assumed initial public offering price of $19.50 per share, the mid-point of the price range set forth on the cover of this prospectus, after deduction of the underwriting discount and offering expenses payable by us:

	Shares purchased		Total consideration		Average price
	Number	Percent	Amount	Percent	per share
Existing stockholders	215,251,500	86%	$ 5,611,606,605	89%	$ 26.07
New investors	34,000,000	14%	$ 663,000,000	11%	$ 19.50
Total:	249,251,500	100%	$ 6,274,606,605	100%	

The number of shares of common stock that will be outstanding after this offering is calculated based on 215,251,500 shares outstanding as of June 30, 2010, assuming the 1-for-20 reverse stock split that occurred prior to this offering had already occurred on such date, and excludes:

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

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474,722 shares of common stock issuable upon the exercise of equity rights outstanding as of June 30, 2010 under our equity incentive program; and

3,195,584 shares of common stock reserved for issuance under our management equity plan.

If the underwriters exercise their option to purchase additional shares of common stock in full, the number of shares of common stock beneficially owned by existing stockholders would decrease to approximately 85% of the total number of shares of common stock outstanding after this offering, and the number of shares of common stock held by new investors will be increased to approximately 15% of the total number of shares of common stock outstanding after this offering.

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

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SELECTED HISTORICAL COMBINED AND CONSOLIDATED FINANCIAL DATA

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

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

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

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

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

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

Consolidated balance sheet data:							
Cash and cash equivalents	131	204	1,232	1,041	1,796	1,041	870
Total assets	4,748	5,216	12,944	13,816	10,327	8,673	8,111
Working capital(5)	445	562	1,574	1,081	1,355	870	647
Total debt(6)	1,758	730	5,836	6,078	6,367	5,283	5,177
Total business/stockholders equity	1,335	2,532	4,834	4,528	1,075	930	613

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* N.A. means not applicable.

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

(2) On February 29, 2008, through a multi-step transaction, the nominal value of the common shares was decreased from 1.00 to 0.01 and all preference shares were converted into common shares, resulting in an increase of outstanding common shares from 100 million into 4.3 billion. In addition, 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. In all periods presented, basic and diluted weighted average shares outstanding have been calculated to reflect the 1-for-20 reverse stock split.

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

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

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

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

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MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

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

Our History

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

Our Repositioning

New leadership team. Nine of the twelve members of our executive management team are new to the Company or new in their roles since our separation from Philips in 2006, and six of the twelve have been recruited from outside NXP. Our leadership team is comprised of experienced semiconductor and high-tech industry veterans with strong records of operational improvement.

Focus on High-Performance Mixed-Signal solutions. We have implemented our strategy of focusing on High-Performance Mixed-Signal solutions because we believe it to be an attractive market in terms of growth, barriers to entry, relative business and pricing stability and capital intensity. Several transactions have been core to our strategic realignment and focus on High-Performance Mixed-Signal: in September 2007, we divested our cordless phone system-on-chip business to DSPG; in July 2008, we contributed our wireless activities to the ST-NXP Wireless joint venture (our stake in which was subsequently sold to STMicroelectronics, with the business being renamed ST-Ericsson); and in February 2010, we merged our television systems and set-top box business with Trident. Our primary motivation for exiting the system-on-chip markets for mobile and consumer applications was the significant research and development investment requirements and high customer concentration

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

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

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

Our Redesign Program

Streamlined cost structure. As a result of the expanded Redesign Program, approximately $650 million in annual savings have been achieved as of the quarter ended April 4, 2010, as compared to our annualized third quarter results for 2008, which was the quarter during which we contributed our wireless operations to ST-NXP Wireless (which ultimately became ST-Ericsson). These savings have been primarily achieved through a combination of headcount reductions, factory closings and restructuring of our IT infrastructure. We expect to realize additional annual savings from further restructuring our manufacturing base, central research and development and support functions. We estimate the total costs of the accelerated and expanded Redesign Program to be no greater than $750 million by the end of 2011. Since the beginning of the Redesign Program in September 2008 and through April 4, 2010, $519 million of cash restructuring costs related to the Redesign Program and other restructuring activities has been paid, of which $86 million relates to the quarter ended April 4, 2010.

Lean manufacturing base. As a part of our Redesign Program, we have significantly reduced our overall manufacturing footprint, particularly in high cost geographies. Our current manufacturing strategy focuses on capabilities and assets that help differentiate NXP s offerings to its customers in terms of product features, quality, cost and supply chain performance. Accordingly, our wafer factory in Caen, France was sold in June 2009, our production facility in Fishkill, New York was closed in July 2009, ahead of schedule, and in January 2010, we closed part of our front-end manufacturing facility in Hamburg, Germany. We have also initiated process and product transfer programs from our ICN5 and ICN6 facilities in Nijmegen, the Netherlands, which are scheduled to close in 2010 and 2011, respectively. As a result, we will have reduced the number of our front-end manufacturing facilities from 14 at the time of our separation from Philips in 2006 to six by the end of 2011.

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

Basis of Presentation

New Segments

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

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

Significant Divestments

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

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

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

Non-controlling Interests

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

Recent Developments

New Secured Notes

On July 20, 2010, we issued $1,000 million aggregate principal amount of New Secured Notes. The New Secured Notes accrue interest at the rate of 9¾% per annum and mature on August 1, 2018. The New Secured Notes are our senior obligations and will be guaranteed, jointly and severally, on a senior basis by certain of our current and future material wholly owned subsidiaries. The New Secured Notes and guarantees are secured by substantially all assets, other than cash and bank accounts, that are held by us or any of the guarantors. See Description of Indebtedness New Secured Notes .

As of the date of this prospectus, we have used the proceeds of the New Secured Notes to repurchase approximately $968 million of Existing Secured Notes (consisting of approximately $223 million aggregate principal amount of Euro Floating Rate Secured Notes, approximately $317 million aggregate principal amount of Dollar Floating Rate Secured Notes and approximately $428 million aggregate principal amount of Dollar Fixed Rate Secured Notes).

Forward Start Revolving Credit Facility

On May 10, 2010, we entered into a 458 million Forward Start Revolving Credit Facility, a forward start revolving credit facility to refinance our existing Secured Revolving Credit Facility. The Forward Start Revolving Credit Facility will become available to us on September 28, 2012, the maturity date of our current Secured Revolving Credit Facility, subject to specified terms and conditions, and will mature on September 28, 2015. The amounts committed are subject to certain financial conditions described under Liquidity and Capital Resources Debt Position .

Tax Incentives for Research and Development in the Netherlands

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

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

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

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

Moversa Merger

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

Trident Transaction

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

Factors Affecting Comparability

First Quarter Presentation

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

Economic and Financial Crisis

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

Restructuring and Redesign Program

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

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

As a result of the expanded Redesign Program, approximately $650 million in annual savings have been achieved as of the quarter ended April 4, 2010, as compared to our annualized third quarter results for 2008, which was the quarter during which we contributed our wireless operations to ST-NXP Wireless. We expect to realize additional annual savings from further restructuring our manufacturing base, central research and development and support functions. We estimate the total costs of the accelerated and expanded Redesign Program to be no greater than $750 million by the end of 2011, compared with the original total cost estimate for the initial program of $700 million by the end of 2010.

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

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

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

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

Capital Structure

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

In 2009, through a combination of cash buy-backs and debt exchange offers, we were able to reduce the book value of our total long-term debt by $1,331 million. This was partially offset by the negative impact of foreign exchange of $32 million and an $8 million accrual of debt discount in 2009. In 2009, the reduction in total debt was also partially offset by an increase of $207 million in short-term debt, of which $200 million consisted of a drawdown under our Secured Revolving Credit Facility. In addition, in the quarter ended April 4, 2010, we purchased through a privately negotiated transaction our outstanding debt with a book value of $14 million for a consideration of $12 million (including accrued interest). In the quarter ended April 4, 2010, debt was also reduced by the impact of foreign exchange of $92 million, offset by a $2 million accrual of debt discount. See Liquidity and Capital Resources Debt Position .

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

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

Impairment of Goodwill and Other Intangibles

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

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

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quarter of 2009 and the outlook for the Automotive & Identification businesses had improved significantly compared to the time the impairment analysis was executed. For the former reporting unit Home, following the announcement to sell the television and set-top box business lines to Trident, the assets and liabilities to be divested were reported as held for sale at fair value less cost to sell.

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

The application of the impairment test resulted in the write-down of goodwill and intangibles of $714 million in 2008 ($340 million under the Divested Home Activities segment, $218 million under the High-Performance Mixed Signal segment and $156 million under the Corporate and Other segment). For the Divested Home Activities segment, the assets and liabilities to be divested were reported as held for sale at fair value less cost to sell, for which an impairment of $69 million was recorded in 2009, which included $33 million of goodwill impairment related to the Divested Home Activities.

Effect of Acquisition Accounting

Our Formation

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

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

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

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

Other Significant Acquisitions and Divestments

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

2008. On September 1, 2008, we completed the combination of our CAN tuner modules operation with those of Technicolor (formerly Thomson S.A.), operating in a new joint venture named NuTune. We

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have a 55% ownership stake in NuTune, which is fully consolidated in our Corporate and Other segment. Technicolor holds the remaining 45%.

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

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

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

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

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

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

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

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

Restructuring and Other Incidental Items

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

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

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

Research and Development

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

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

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

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

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

Statement of Operations Items

Sales

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

Cost of Sales

Our cost of sales consists primarily of the cost of semiconductor wafers and other materials, and the cost of assembly and test. Cost of sales also includes personnel costs and overhead related to our manufacturing and manufacturing engineering operations, related occupancy and equipment costs, manufacturing quality, order

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fulfillment and inventory adjustments, including write-downs for inventory obsolescence, gains and losses due to conversion of accounts receivable and accounts payable denominated in currencies other than the functional currencies of the entities holding the positions, gains and losses on cash flow hedges that hedge the foreign currency risk in anticipated transactions and subsequent balance sheet positions, and other expenses.

Gross Profit

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

Selling Expenses

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

General and Administrative Expenses

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

Research and Development Expenses

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

Other Income (Expense)

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

Income (Loss) from Operations

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

Extinguishment of Debt

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

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Other Financial Income (Expense)

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

Income Tax Benefit (Expense)

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

Results Relating to Equity-Accounted Investees

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

Net Income (Loss)

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

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

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

Sales

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

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

NM: Not meaningful

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

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

NM: Not meaningful

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

Gross Profit

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

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

Selling Expenses

Our selling expenses were $66 million, or 5.7% of our sales, in the first quarter of 2010, compared to $61 million, or 8.7% of our sales, in the first quarter of 2009. The increase in our selling expenses is in line with our overall strategy to better serve our customers with High-Performance Mixed-Signal solutions, whereby we have created application marketing teams that focus on delivering solutions and systems reference designs that leverage our broad portfolio of products. The additional investment of resources in our sales and marketing organizations was partly offset by the effect of the divestment of a major portion of our former Home segment to Trident, which contributed $8 million to selling expenses in the first quarter of 2009, compared to $3 million in the first quarter of 2010. Our selling expenses also include certain restructuring and other incidental items, which

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in the first quarter of 2010 resulted in an aggregate income of $2 million mainly due to the release of certain restructuring liabilities related to restructuring projects announced earlier. There were no restructuring or other incidental items included in the selling expenses in the first quarter of 2009.

General and Administrative Expenses

General and administrative expenses amounted to $191 million, or 16.4% of our sales, in the first quarter of 2010, compared to $173 million, or 24.6% of our sales, in the first quarter of 2009. The PPA effects that were included in our general and administrative expenses amounted to $73 million in the first quarter of 2010, compared to $81 million in the first quarter of 2009. In the first quarter of 2010 our general and administrative expenses also included restructuring and other incidental items for a total amount of $33 million. Those restructuring and other incidental items were largely related to the restructuring costs, IT system reorganization costs and certain merger and acquisition costs. In the first quarter of 2009, the restructuring and other incidental items that impacted on our general and administrative expenses amounted to an aggregate cost of $21 million and were largely related to restructuring costs, IT system reorganization costs and certain merger and acquisition costs. The increase in general and administrative expenses, compared to the first quarter of 2009, is largely due to higher incidental costs, $4 million in unfavorable currency effects and $2 million in higher costs for the share-based compensation program, the effects of which are partly offset by reductions due to divestment of a major portion of our former Home segment. These divested activities amounted to $13 million in the first quarter of 2009, compared to $3 million in the first quarter of 2010.

Research and Development Expenses

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

Other Income (Expense)

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

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

Restructuring Charges

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

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

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

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

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

Income (Loss) from Operations

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

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

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

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

Financial Income (Expense)

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

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Financial income and expenses was a net expense of $302 million in the first quarter of 2010, compared to a net expense of $309 million in the first quarter of 2009. The net interest expense amounted to $80 million in the first quarter of 2010, compared to $101 million in the first quarter of 2009. Financial income and expenses also included a loss of $222 million in the first quarter of 2010, as a result of a change in foreign exchange rates mainly applicable to our U.S. dollar-denominated notes and short-term loans, compared to a loss of $201 million in the first quarter of 2009. In addition, financial income and expense included a gain of $2 million in the first quarter of 2010, resulting from the extinguishment of debt, compared to nil in the first quarter of 2009. The net cash utilized for the extinguishment of debt amounted to $12 million in the first quarter of 2010.

Income Tax Benefit (Expenses)

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

Results Relating to Equity-accounted Investees

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

Net Income

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

Non-controlling Interests

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

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

High-Performance Mixed-Signal

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

Sales

Sales in the first quarter of 2010 were $695 million, compared to $373 million in the first quarter of 2009, a nominal increase of 86.3%, and a comparable increase of 82.5%. The first quarter of 2009 was severely affected by the economic crisis. The increase in sales, compared to the first quarter of 2009, was largely due to increased

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sales volumes attributable to the global economic recovery supported by market share gains driven by various design wins, over the past quarters, across a wide range of our business lines, and our responsive manufacturing operations. Furthermore, sales for the first quarter of 2010 were affected by favorable currency effects of $14 million, compared to the first quarter of 2009.

Gross Profit

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

Operating Expenses

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

Income (Loss) from Operations

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

Standard Products

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

Sales

Sales in the first quarter of 2010 were $279 million, compared to $151 million in the first quarter of 2009, a nominal increase of 84.8%, and a comparable increase of 81.6%. The first quarter of 2009 was severely affected by the economic downturn, which in turn resulted in lower end customer demand. The increase in sales, compared to the first quarter of 2009, was largely due to increased sales volumes attributable to the global economic recovery and our ability to ramp up production in response to increase in demand. Furthermore, sales for the first quarter of 2010 were affected by favorable currency effects of $5 million, compared to the first quarter of 2009.

Gross Profit

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

Operating Expenses

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

Income (Loss) from Operations

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

Manufacturing Operations

Sales

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

Operating Expenses

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

Income (Loss) from Operations

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

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Corporate and Other

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

Sales

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

Operating Expenses

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

Divested Home Activities

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

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

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

Sales

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

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

NM: Not meaningful

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

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

Gross Profit

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

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

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

Selling Expenses

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

General and Administrative Expenses

General and administrative expenses amounted to $803 million, or 20.9% of sales, in 2009, compared to $1,875 million, or 34.4% of sales, in 2008. The decline in general and administrative expenses resulted from the lower PPA amortization of $322 million in 2009 compared to $536 million in 2008, lower impairment charges of $69 million in 2009 compared to $714 million in 2008, lower restructuring and other incidental costs, the divestment of our wireless activities (which amounted to $223 million in 2008, including PPA effects and restructuring and other incidental items amounting to an aggregate cost of $139 million) and as a result of the ongoing Redesign Program. The decline in PPA amortization is mainly due to the divestment of our wireless activities in 2008. In addition, the general and administrative expenses were impacted by higher costs in 2009 as a result of higher bonuses accrued for employees due to our performance. In 2009, general and administrative expenses also included restructuring and other incidental items amounting to an aggregate cost of $88 million, compared to $207 million in 2008. The restructuring and other incidental items in 2009 were mainly related to restructuring costs of $36 million, IT system reorganization costs of $35 million and merger and acquisition related costs. Restructuring and other incidental items in 2008 included $124 million of restructuring costs, of which $83 million related to the Redesign Program, and $79 million related to IT system reorganization costs.

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

Research and Development Expenses

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

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

Other Income (Expense)

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

Restructuring Charges

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

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

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

Income (Loss) from Operations

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

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

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

Financial Income (Expense)

	For the year ended December 31,	
($ in millions)	2008	2009
Interest income	27	4
Interest expense	(502)	(363)
Impairment loss securities	(38)	
Foreign exchange results	(87)	39

Extinguishment of debt		1,020
Other	(14)	(18)
Total	(614)	682

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

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

Income Tax Benefit (Expenses)

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

Results Relating to Equity-accounted Investees

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

Net Income

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

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

Non-controlling Interests

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

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

Sales

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

	Nominal Growth	Consolidation Changes[1]	Currency Effects[2]