

NXP Semiconductors N.V.  
Form 6-K  
November 01, 2013  
Table of Contents

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

**FORM 6-K**

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

**November 1, 2013**

**NXP Semiconductors N.V.**  
**(Exact name of registrant as specified in charter)**

**The Netherlands**  
**(Jurisdiction of incorporation or organization)**  
**60 High Tech Campus, 5656 AG, Eindhoven, The Netherlands**

**(Address of principal executive offices)**

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

Form 20-F       Form 40-F

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

Yes       No

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

Yes       No

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

Yes       No

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

**Table of Contents**

Dr. Jean A.W. Schreurs

60 High Tech Campus

5656 AG Eindhoven The Netherlands

This report contains the interim report of NXP Semiconductors N.V. for the period ended September 29, 2013, which shall be incorporated by reference into our shelf registration statement on Form F-3 filed on August 23, 2011 (File No. 333-176435) and any prospectus or prospectus supplement that form part thereof.

**Exhibits**

1. Interim report of NXP Semiconductors N.V. for the period ended September 29, 2013.

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized at Eindhoven, on the 1st day of November 2013.

**NXP Semiconductors N.V.**

*/s/ P. Kelly*  
P. Kelly, CFO

**Table of Contents**

**Exhibit 1**

**NXP Semiconductors**  
**INTERIM REPORT**  
**NXP SEMICONDUCTORS N.V.**  
**PERIOD ENDED**  
**SEPTEMBER 29, 2013**

## **Table of Contents**

### **Forward-looking statements**

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

### **Use of fair value measurements**

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

### **Use of non-U.S. GAAP information**

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

comparable U.S. GAAP measure(s).

[-2]

**Table of Contents**

**Table of Contents**

	Page
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
<u>Introduction</u>	4
<u>Results of Operations</u>	5
<u>Employees</u>	13
<u>Liquidity and Capital Resources</u>	14
<u>Contractual Obligations</u>	16
<u>Off-balance Sheet Arrangements</u>	16
Condensed consolidated financial statements:	
<u>Condensed consolidated statements of operations for the three and nine months ended September 29, 2013 and September 30, 2012 (unaudited)</u>	17
<u>Condensed consolidated statements of comprehensive income for the three and nine months ended September 29, 2013 and September 30, 2012 (unaudited)</u>	18
<u>Condensed consolidated balance sheets as of September 29, 2013 and December 31, 2012 (unaudited)</u>	19
<u>Condensed consolidated statements of cash flows for the three and nine months ended September 29, 2013 and September 30, 2012 (unaudited)</u>	20
<u>Condensed consolidated statements of changes in equity for the nine months ended September 29, 2013 (unaudited)</u>	21
<u>Notes to the condensed consolidated financial statements (unaudited)</u>	22



## **Table of Contents**

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

*The following information should be read together with the consolidated condensed financial statements included elsewhere in this document. 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.*

#### **Introduction**

##### *The Company*

Our legal name is NXP Semiconductors N.V. and our commercial name is NXP or NXP Semiconductors.

We are incorporated in the Netherlands as a Dutch public company with limited liability (*naamloze vennootschap*).

We are a holding company whose only material assets are the 100% ownership of the shares of NXP B.V., a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), which provides leading High-Performance Mixed-Signal (HPMS) and Standard Products (SP) solutions that leverages application insight and technology and manufacturing expertise in radio frequency, analog, power management, interface, security and digital processing products. NXP's product solutions are used in a wide range of automotive, identification, wireless infrastructure, lighting, industrial, mobile, consumer and computing applications.

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 registered agent in the United States is NXP Semiconductors USA, Inc., 411 East Plumeria Drive, San Jose, CA 95134, United States of America, phone number +1 408 518 5500.

##### *Business segments*

#### ***Realignment of Business Segments***

During the first quarter of 2013, we realigned several product lines to better reflect underlying market dynamics, product complexity and the management of the business. The changes described below to the Company's internal management reporting structure were evaluated under the criteria of ASC Accounting Standards Codification (ASC) Topic 280 Segment Reporting and the Company determined that its reportable segments remain unchanged:

Movement of product line General Purpose Logic (GPL) from segment HPMS (Portable & Computing) to segment SP and

Movement of product line NXP software from Corporate and Other to segment HPMS (Industrial & Infrastructure).

As a result of the above change to the composition of our operating and reportable segments, corresponding information for prior periods has been reclassified to conform to the current period presentation.

The Company is organized into three reportable segments in compliance with Accounting Standards Codification (ASC) Topic 280 Segment Reporting. We have two market-oriented business segments, High Performance Mixed Signal (HPMS) and Standard Products (SP), and one other reportable segment, Manufacturing Operations. Corporate and Other represents the remaining portion to reconcile to the condensed consolidated financial statements.

Our HPMS business segment delivers high performance mixed signal solutions to our customers to satisfy their system and sub systems needs across eight application areas: automotive, identification, mobile, consumer, computing, wireless infrastructure, lighting and industrial, and software solutions for mobile phones.

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

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 HPMS and SP segments, revenue and costs in this segment are to a large extent derived from revenue of wafer foundry and packaging services to third parties and 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 revenue from these sources is expected to further decline.

[-4]

**Table of Contents**

Corporate and Other is not a separate reporting segment because it does not meet the quantitative threshold criteria for being separately reported. Corporate and Other includes unallocated research expenses, corporate restructuring charges and other expenses not related to any specific business segment.

*Restructuring activities*

As of September 29, 2013, our restructuring liability primarily relates to workforce reductions associated with the OPEX Reduction Program announced in 2012 and the expected closure of our ICN 4 and ICN 6 wafer fabrication facilities in Nijmegen.

The OPEX Reduction Program was initiated to improve operational efficiency and to competitively position the Company for sustainable growth. We expect to substantially complete the implementation of the OPEX Reduction Program by the first quarter of 2014 and anticipate the majority of the remaining cash expenditures relating to this initiative to be paid by the fourth quarter of 2014. In the third quarter of 2013, as part of the OPEX Reduction Program, we recognized an additional charge of \$13 million associated with onerous contracts relating to leased office buildings in the Netherlands. We currently estimate future annualized pre-tax cash savings to be approximately \$75 million. The full benefit of these savings will begin to be recognized in the first quarter of 2015.

The workforce reductions associated with the expected closure of our ICN 4 and ICN 6 wafer fabrication facilities in Nijmegen are expected to be substantially completed in the fourth quarter of 2013. This program was initiated to reduce our overall manufacturing footprint, consistent with our current manufacturing strategy which focuses on capabilities that differentiate NXP in terms of product features, process capabilities, cost, supply chain and quality. The majority of the remaining cash expenditures relating to this initiative are expected to be paid by the second quarter of 2014. The anticipated annualized pre-tax savings associated with this workforce reduction are \$35 million, of which \$30 million are cash savings and the full benefit of these savings will begin to be recognized in the third quarter of 2014.

For additional information regarding our restructuring initiatives please refer to Note 10 to the Condensed Consolidated Financial Statements.

*New members Board of Directors*

In the Extraordinary General Meeting of Shareholders of October 10, 2013 Mrs. Dr. M. Helmes and Mrs. J. Southern were appointed as non-executive directors in our Board of Directors. Both Dr. Helmes and Mrs. Southern will also be members of the Board's Audit Committee. As per the same date, Mr. V. Bhatia has resigned as non-executive director.

**Results of Operations**

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

(\$ in millions, unless otherwise stated)	<b>Q3</b>	Q3	<b>YTD</b>	YTD
	<b>2013</b>	2012	<b>2013</b>	2012
Revenue	<b>1,249</b>	1,170	<b>3,522</b>	3,242
% nominal growth	<b>6.8</b>	10.4	<b>8.6</b>	(0.6)
Gross profit	<b>570</b>	536	<b>1,588</b>	1,498
Research and development	<b>(163)</b>	(153)	<b>(471)</b>	(457)
Selling, general and administrative	<b>(239)</b>	(236)	<b>(672)</b>	(689)

Edgar Filing: NXP Semiconductors N.V. - Form 6-K

Other income (expense)		21	<b>8</b>	27
Operating income (loss)	<b>168</b>	168	<b>453</b>	379

[-5]

**Table of Contents****Revenue**

The following table presents revenue and revenue growth by segment for the three months and YTD ended September 29, 2013 and September 30, 2012. The growth percentages represent the nominal growth of revenue compared to the same period in the previous year.

(\$ in millions, unless otherwise stated)

	Q3 2013		Q3 2012		YTD 2013		YTD 2012	
	Revenue	Growth %	Revenue	Growth %	Revenue	Growth %	Revenue	Growth %
HPMS	922	14.7	804	20.9	2,576	17.6	2,191	7.1
SP	291	(7.9)	316	0.3	851	(3.4)	881	(7.8)
Manufacturing Operations	36	(26.5)	49	(38.0)	94	(44.0)	168	(33.9)
Corporate and Other			1		1		2	
<b>Total</b>	<b>1,249</b>	<b>6.8</b>	<b>1,170</b>	<b>10.4</b>	<b>3,522</b>	<b>8.6</b>	<b>3,242</b>	<b>(0.6)</b>

The revenue discussion below is qualitative in nature as it pertains to price, volume and mix analysis. Traditional price, volume and mix analysis is not practicable due to the diversity of our product lines and the rapid evolution of technology, including the frequent integration of additional functionality on a single integrated circuit.

*Q3 2013 compared to Q3 2012*

Revenue was \$1,249 million in the third quarter of 2013 compared to \$1,170 million in the third quarter of 2012, a nominal increase of 6.8%. The increase was driven by strong growth in HPMS which was partly offset by a decline in revenue from our SP segment and from our Manufacturing Operations segment.

Our HPMS segment saw an increase in revenue of \$118 million to \$922 million in the third quarter of 2013 compared to \$804 million in the third quarter of 2012. The increase was primarily driven by increased volumes associated with our banking business within our Identification portfolio and within our Automotive and Infrastructure & Industrial portfolios.

Revenue for our SP segment declined by \$25 million to \$291 million in the third quarter of 2013, compared to \$316 million in the third quarter of 2012. The decline was primarily due to competitive pricing pressure in our small signal diode business and lower volumes in our general purpose logic business partly offset by volume increases in our protect and filtering and Power MOS businesses.

*YTD 2013 compared to YTD 2012*

Revenue was \$3,522 million in the first nine months of 2013 compared to \$3,242 million in the first nine months of 2012, a nominal increase of 8.6%. The increase was driven by strong growth in HPMS which was partly offset by a decline in revenue from our SP segment and from our Manufacturing Operations segment.

Our HPMS segment saw an increase in revenue of \$385 million to \$2,576 million in the first nine months of 2013 compared to \$2,191 million in the first nine months of 2012. The increase was primarily driven by increased volumes associated with our banking business within our Identification portfolio and within our Infrastructure & Industrial portfolio.

Revenue for our SP segment declined by \$30 million to \$851 million in the first nine months of 2013, compared to \$881 million in the first nine months of 2012. The decline was primarily due to competitive pricing pressure in our small signal diode business and lower volumes in our general purpose logic business.

Revenue from our Manufacturing Operations segment was \$94 million in the first nine months of 2013, compared to \$168 million in the first nine months of 2012. The decline in revenue was primarily due to the expiration of contractual obligation to provide manufacturing services for previously divested businesses. As these businesses develop or acquire their own foundry and packaging capabilities, our revenue from these sources will further decline.

[-6]

**Table of Contents****Gross Profit**

The following table presents gross profit by segment for the three months and YTD ended September 29, 2013 and September 30, 2012.

(\$ in millions, unless otherwise stated)	Q3 2013		Q3 2012		YTD 2013		YTD 2012	
	Gross profit	% of segment revenue	Gross profit	% of segment revenue	Gross profit	% of segment revenue	Gross profit	% of segment revenue
HPMS	493	53.5	433	53.9	1,382	53.6	1,229	56.1
SP	81	27.8	107	33.9	219	25.7	276	31.3
Manufacturing Operations	(4)	(11.1)	(2)	(4.1)	(15)	(16.0)	(12)	(7.1)
Corporate and Other			(2)		2		5	
<b>Total</b>	<b>570</b>	<b>45.6</b>	536	45.8	<b>1,588</b>	<b>45.1</b>	1,498	46.2

*Q3 2013 compared to Q3 2012*

Gross profit in the third quarter of 2013 increased \$34 million to \$570 million, or 45.6% of revenue, compared to \$536 million, or 45.8% of revenue in the third quarter of 2012. The increase in gross profit was mainly due to the increased revenue partly offset by lower gross margin within the SP segment as a result of competitive pricing pressure across the segment.

Our HPMS segment had a gross profit of \$493 million, or 53.5% of revenue in the third quarter of 2013, compared to \$433 million, or 53.9% of revenue in the third quarter of 2012. The increase in gross profit was primarily driven by higher revenue.

In our SP segment, we had a gross profit of \$81 million, or 27.8% of revenue in the third quarter of 2013, compared to \$107 million or 33.9% in the third quarter of 2012. The decrease in gross profit was mainly attributed to lower revenue and competitive pricing pressure across the segment.

*YTD 2013 compared to YTD 2012*

Gross profit in the first nine months of 2013 amounted to \$1,588 million, or 45.1% of revenue compared to \$1,498 million, or 46.2% of revenue in the first nine months of 2012. The increase was mainly driven by higher revenue in the HPMS segment, partly offset by lower revenue and competitive pricing pressure in our SP segment and the absence of the favorable legal award recorded in the second quarter of 2012 that increased our margin percentage. We were awarded a favorable judgment involving a dispute over the collection of a receivable that we recorded an allowance for doubtful accounts that impacted costs of revenue in a prior year. The arbitration tribunal arrived at an award on April 5, 2012, in favor of NXP. No appeal was possible against the arbitration award. Following this award, we reversed the allowance for doubtful accounts previously established, again impacting our gross margin, and the invoices underlying the outstanding accounts received were collected in May 2012.

Our HPMS segment had a gross profit of \$1,382 million, or 53.6% of revenue in the first nine months of 2013, compared to \$1,229 million, or 56.1% of revenue in the first nine months of 2012. The increase in gross profit was primarily due to increased revenue. This was partly offset by the absence of the favorable legal award recorded in the

second quarter of 2012.

Gross profit in our SP segment was \$219 million, or 25.7% of revenue in the first nine months of 2013, compared to \$276 million, or 31.3% of revenue in the first nine months of 2012. The decrease in gross profit was mainly attributed to lower revenue and competitive price pressure.

[-7]



**Table of Contents****Operating expenses**

The following table presents operating expenses by segment for the three months and YTD ended September 29, 2013 and September 30, 2012.

(\$ in millions, unless otherwise stated)	Q3 2013		Q3 2012		YTD 2013		YTD 2012	
	Operating segment expenses	% of revenue	Operating segment expenses	% of revenue	Operating segment expenses	% of revenue	Operating segment expenses	% of revenue
HPMS	308	33.4	295	36.7	897	34.8	875	39.9
SP	61	21.0	65	20.6	183	21.5	191	21.7
Manufacturing Operations	5	13.9	5	10.2	13	13.8	13	7.7
Corporate and Other	28		24		50		67	
<b>Total</b>	<b>402</b>	<b>32.2</b>	<b>389</b>	<b>33.2</b>	<b>1,143</b>	<b>32.5</b>	<b>1,146</b>	<b>35.3</b>

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

(\$ in millions, unless otherwise stated)	Q3 2013	Q3 2012	YTD 2013	YTD 2012
Research and development	163	153	471	457
Selling, general and administrative	239	236	672	689
<b>Operating expenses</b>	<b>402</b>	<b>389</b>	<b>1,143</b>	<b>1,146</b>

*Q3 2013 compared to Q3 2012*

Operating expenses amounted to \$402 million, or 32.2% of revenue in the third quarter of 2013, compared to \$389 million, or 33.2% of revenue in the third quarter of 2012. The increase was primarily due to \$11 million higher restructuring costs, higher stock-based compensation costs and higher bonus expenses compared to the prior year quarter, partly offset by the current period cost savings associated with the restructuring activities.

In our HPMS segment, operating expenses amounted to \$308 million, or 33.4% of revenue in the third quarter of 2013, compared to \$295 million, or 36.7% of revenue in the third quarter of 2012. The decrease in operating expenses as a percentage of revenues was driven by the current period cost savings associated with our restructuring activities. This decrease was offset by increased investments in research and development in our identification business and higher stock-based compensation costs of \$7 million.

*YTD 2013 compared to YTD 2012*

Operating expenses amounted to \$1,143 million, or 32.5% of revenue in the first nine months of 2013, compared to \$1,146 million, or 35.3% of revenue in the first nine months of 2012. The slight decrease was primarily due to \$11 million lower IT systems reorganization costs and the absence of operating expenses associated with the divestment of our high speed data converter business that was sold in 2012 and cost savings associated with the restructuring

activities. These decreases were for the greater part offset by higher stock-based compensation costs of \$17 million and increased investments in research and development costs within our Identification business.

[-8]

**Table of Contents**

In our HPMS segment, operating expenses amounted to \$897 million, or 34.8% of revenue in the first nine months of 2013, compared to \$875 million, or 39.9% of revenue in the first nine months of 2012. The increase was primarily driven by increased investments in research and development within our Identification business and an increase in stock compensation costs of \$16 million. This was partly offset by the absence of operating expense associated with the divestment of our data converter business in 2012. As a percentage of revenues, our operating expenses decreased compared to the prior year due the absence of operating expense associated with the divestment of our data converter business in 2012 and the current period cost savings associated with the restructuring activities.

Operating expenses in Corporate and Other were \$50 million in the first nine months of 2013 compared to \$67 million in the first nine months of 2012. The decrease compared to the prior year period was primarily due to \$11 million lower IT systems reorganization costs.

**Other income (expense)**

The following table presents other income (expense) for the three months and YTD ended September 29, 2013 and ended September 30, 2012.

(\$ in millions, unless otherwise stated)	<b>Q3 2013</b>	Q3 2012	<b>YTD 2013</b>	YTD 2012
Other income (expense)		21	<b>8</b>	27

*Q3 2013 compared to Q3 2012*

Other income and expense amounted to nil in the third quarter of 2013, compared to an income of \$21 million in the third quarter of 2012. The decrease was primarily due to the absence of a gain of \$19 million on the sale of our high speed data converter business during the third quarter of 2012.

*YTD 2013 compared to YTD 2012*

Other income (expense) reflects an income of \$8 million for the first nine months of 2013 compared to an income of \$27 million for the first nine months of 2012. The decrease was primarily due to the absence of a gain of \$19 million on the sale of our high speed data converter business during the third quarter of 2012.

**Operating income (loss)**

The following table presents operating income (loss) by segment for the three months and YTD ended September 29, 2013 and September 30, 2012.

(\$ in millions, unless otherwise stated)	<b>Q3 2013</b>		Q3 2012		<b>YTD 2013</b>		YTD 2012	
	<b>Operating income (loss)</b>	<b>% of segment revenue</b>	Operating income (loss)	% of segment revenue	<b>Operating income (loss)</b>	<b>% of segment revenue</b>	Operating income (loss)	% of segment revenue
HPMS	<b>184</b>	<b>20.0</b>	157	19.5	<b>485</b>	<b>18.8</b>	374	17.1
SP	<b>21</b>	<b>7.2</b>	43	13.6	<b>37</b>	<b>4.3</b>	87	9.9

Edgar Filing: NXP Semiconductors N.V. - Form 6-K

Manufacturing Operations	<b>(9)</b>	<b>(25.0)</b>	(6)	(12.2)	<b>(26)</b>	<b>(27.7)</b>	(21)	(12.5)
Corporate and Other	<b>(28)</b>		(26)		<b>(43)</b>		(61)	
<b>Total</b>	<b>168</b>	<b>13.5</b>	168	14.4	<b>453</b>	<b>12.9</b>	379	11.7

[-9]

**Table of Contents**

The table below depicts the PPA effects for the three months and YTD ended September 29, 2013 and September 30, 2012 per line item in the statement of operations.

(\$ in millions, unless otherwise stated)	<b>Q3 2013</b>	Q3 2012	<b>YTD 2013</b>	YTD 2012
Gross profit	(2)	(4)	(8)	(18)
Selling, general and administrative	(64)	(61)	(191)	(189)
Operating income (loss)	(66)	(65)	(199)	(207)

PPA effects reflect the amortization in the period related to fair value adjustments resulting from acquisition accounting and other acquisition adjustments charged to the income statement applied to the formation of NXP on September 29, 2006 and all subsequent acquisitions. The PPA effect on the Company's gross profit refers to additional depreciation charges on tangible fixed assets, resulting from the step-up in fair values. The amortization charges related to long-lived intangible assets are reflected in general and administrative expenses.

The table below summarizes the PPA effects for the three months and YTD ended September 29, 2013 and September 30, 2012 on operating income (loss) by segment.

(\$ in millions, unless otherwise stated)	<b>Q3 2013</b>	Q3 2012	<b>YTD 2013</b>	YTD 2012
HPMS	(46)	(45)	(137)	(145)
SP	(14)	(15)	(44)	(45)
Manufacturing Operations	(6)	(5)	(18)	(17)
Corporate and Other				
Total	(66)	(65)	(199)	(207)

**Net income (loss)**

The following table presents the composition of net income.

(\$ in millions, unless otherwise stated)	<b>Q3 2013</b>	Q3 2012	<b>YTD 2013</b>	YTD 2012
Operating income (loss)	168	168	453	379
Financial income (expense)	3	(33)	(195)	(284)
Benefit (provision) for income taxes	(1)	(6)	(10)	(8)
Result equity-accounted investees	2	2	52	(42)
Discontinued operations				1
Net income (loss)	172	131	300	46

[-10]

**Table of Contents**

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

**Financial income (expense)**

(\$ in millions, unless otherwise stated)	<b>Q3 2013</b>	Q3 2012	<b>YTD 2013</b>	YTD 2012
Interest income	1	2	2	4
Interest expense	(45)	(67)	(142)	(215)
Foreign exchange results	52	48	31	(3)
Extinguishment of debt		(11)	(60)	(47)
Other	(5)	(5)	(26)	(23)
Total	3	(33)	(195)	(284)

*Q3 2013 compared to Q3 2012*

Financial income (expense) was an income of \$3 million in the third quarter of 2013, compared to an expense of \$33 million in the third quarter of 2012. Foreign exchange results include a gain of \$52 million in the third quarter of 2013, resulting from a change in foreign exchange rates compared to a gain of \$48 million in the third quarter of 2012. The decline in net interest expense was mainly related to lower average interest rates and lower average debt outstanding during the third quarter of 2013 compared to the third quarter of 2012. Extinguishment of debt included a loss of \$11 million in the third quarter of 2012 resulting from the redemption of a portion of our super priority notes due in 2013.

*YTD 2013 compared to YTD 2012*

Financial income and expense was an expense of \$195 million in the first nine months of 2013, compared to an expense of \$284 million in the first nine months of 2012. Foreign exchange results include a gain of \$31 million in the first nine months of 2013, compared to a loss of \$3 million in the first nine months of 2012. Net interest expense declined for the first nine months of 2013, mainly related to a lower average debt outstanding and lower average percentage of interest in the first nine months of 2013 compared to the first nine months of 2012.

**Benefit (provision) for income taxes***Q3 2013 compared to Q3 2012*

The effective income tax rates for the three months ended September 29, 2013 and September 30, 2012 were 0.6% and 4.4%, respectively. The effective tax rate for the three months ended September 29, 2013 differed from the Netherlands statutory rate primarily due to tax incentives in certain jurisdictions, offset by losses recorded in jurisdictions where a valuation allowance was recorded and certain non-tax deductible expenditure. The effective tax rate for the three months ended September 30, 2012 differed from the statutory rate in the Netherlands primarily due to profits recorded in jurisdictions for which a full valuation allowance is recorded, the effective tax rate also differed due to tax incentives in certain jurisdictions, offset by certain non-tax deductible expenditure.

*YTD 2013 compared to YTD 2012*

The effective income tax rates for the nine months ended September 29, 2013 and September 30, 2012 were 3.9% and 8.4%, respectively. The effective tax rate for the nine months ended September 29, 2013 differed from the Netherlands statutory rate primarily due to tax incentives in certain jurisdictions, offset by losses recorded in jurisdictions where a valuation allowance was recorded and certain non-tax deductible expenditure. The effective tax rate for the nine months ended September 30, 2012 differed from the Netherlands statutory tax rate primarily due to tax incentives in certain jurisdictions, offset by certain non-tax deductible expenditure.

[-11]



**Table of Contents**

**Results relating to equity-accounted investees**

*YTD 2013 compared to YTD 2012*

Results relating to the equity accounted investees amounted to a gain of \$52 million for the first nine months of 2013, compared to a loss of \$42 million in the first nine months of 2012. The gain in the first nine months of 2013 primarily reflects a \$46 million release of the contingent liability related to the second ST arbitration, since on April 2, 2013, the ICC arbitration tribunal issued a final award in the second arbitration commenced by ST. By ruling of April 2, 2013, the ICC arbitration tribunal dismissed all claims made by ST in this second arbitration. No appeal is available to ST. Based on this award, the provision amounting to \$46 million, established in 2012 was released. The loss in 2012 primarily reflects the extra provision to the amount of \$46 million for the legal claim of ST.

**Non-controlling interests**

*Q3 2013 compared to Q3 2012*

Non-controlling interests are related to the third party share in the results of consolidated companies, predominantly SSMC. Their share of non-controlling interests amounted to a profit of \$17 million in the third quarter of 2013, compared to a profit of \$16 million in the third quarter of 2012.

*YTD 2013 compared to YTD 2012*

Non-controlling interests are related to the third party share in the results of consolidated companies, predominantly SSMC. Their share of non-controlling interests amounted to a profit of \$48 million for the first nine months of 2013, compared to a profit of \$45 million for the first nine months of 2012.

**Table of Contents****Employees**

The following tables provide an overview of the number of full-time employees per segment and geographic area at September 29, 2013 and December 31, 2012.

(number of full-time employees)	<b>September 29, 2013</b>	December 31, 2012
HPMS	<b>3,136</b>	3,065
SP	<b>1,995</b>	1,960
Manufacturing Operations	<b>17,132</b>	16,490
Corporate and Other	<b>3,316</b>	3,843
<b>Total</b>	<b>25,579</b>	25,358

(number of full-time employees)	<b>September 29, 2013</b>	December 31, 2012
Europe and Africa	<b>6,774</b>	6,957
Americas	<b>490</b>	552
Greater China	<b>7,221</b>	7,243
Asia Pacific	<b>11,094</b>	10,606
<b>Total</b>	<b>25,579</b>	25,358

[-13]

## **Table of Contents**

### **Liquidity and Capital Resources**

At the end of the third quarter of 2013, our cash balance was \$941 million. Taking into account the undrawn amount of the Secured Revolving Credit Facility, we had access to \$1,776 million of liquidity as of September 29, 2013. Since December 31, 2012 our cash balance increased by \$324 million.

Capital expenditures decreased in the third quarter of 2013 to \$54 million from \$92 million in the third quarter of 2012.

At September 29, 2013, our cash balance was \$941 million, of which \$291 million was held by SSMC, our consolidated joint venture company with TSMC. Under the terms of our joint venture agreement with TSMC, a portion of this cash can be distributed by way of a dividend to us, but 38.8% of the dividend will be paid to our joint venture partner. During the second quarter of 2013, a dividend of \$120 million was declared by SSMC and paid in July 2013.

Since December 2012, our total debt has increased from \$3,492 million to \$3,697 million as of September 29, 2013. The issuance of new senior unsecured notes offset by several cash buybacks and debt redemptions resulted in a net total debt increase of \$205 million.

The total amount of cash used for financing activities in the first 9 months of 2013 amounted to \$87 million. We repurchased the Term Loan A2 2017 for a principal amount of \$494 million, the Term Loan B 2019 for a principal amount of \$471 million, the EUR denominated Floating Rate Notes 2013 for a principal amount of 142 million, the USD denominated Floating Rate Notes 2013 for a principal amount of \$58 million and the Floating Rate Notes 2016 for a principal amount of \$615 million. Since December 2012 we also reduced the amount outstanding under the Revolving Credit Facility by \$230 million. This has been financed with \$500 million aggregate principal amount Senior Unsecured Notes 2016, \$750 million aggregate principal amount Senior Unsecured Notes 2018, \$500 million aggregate principal amount Senior Unsecured Notes 2021 and \$500 million aggregate principal amount Senior Unsecured Notes 2023.

At the end of the third quarter 2013, we had a capacity of \$835 million remaining under the Secured Revolving Credit Facility, net of outstanding bank guarantees, based on the end of quarter exchange rate. The amount of this availability varies with fluctuations between the euro and the U.S. dollar as the total amount of the facility, 620 million, is denominated in euro and the amounts drawn are denominated in U.S. dollars.

### ***Cash Flow from Operating Activities***

Net cash provided by operating activities was \$577 million and \$558 million for the first nine months of 2013 and 2012, respectively. The improvement is primarily attributable to improved operational performance and lower net cash interest payments, partly offset by an increase in working capital.

Net cash interest payments were \$130 million in the first nine months of 2013, compared to \$237 million in the first nine months of 2012. Various capital markets transactions resulted in an improved debt profile, which resulted in lower interest coupons and contributed to lower cash interest payments in the first nine months of 2013.

### ***Cash Flow from Investing Activities***

Net cash used for investing activities amounted to \$165 million in the first nine months of 2013, compared to net cash used of \$198 million in the first nine months of 2012. The decrease in cash used for investing activities was primarily

due to lower capital expenditures on property, plant and equipment of \$61 million in the first nine months of 2013, partially offset by the absence of proceeds in the first nine months of 2013 from the sale of interests in businesses of \$27 million.

[-14]

---

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

Net cash used for financing activities in the first nine months of 2013 was \$87 million compared to \$365 million in the first nine months of 2012. Cash flows related to financing transactions in the first nine months of 2013 and first nine months of 2012 are primarily related to the financing activities described below under the captions YTD 2013 Financing Activities and YTD 2012 Financing Activities, respectively. In addition to the financing activities described below, net cash used for financing activities in the first nine months of 2013 also includes \$610 million of repayments under our revolving credit facility, \$242 million used for the purchase of treasury shares and the use of \$47 million for dividends paid to non-controlling interests partially offset by \$380 million for amounts drawn under our revolving credit facility and \$79 million of proceeds from the exercise of stock options. The 2012 period also reflects the use of \$40 million to pay dividends to non-controlling interests and \$40 million used for the purchase of treasury shares, partially offset by \$8 million proceeds from exercise of stock options.

**YTD 2013 Financing Activities*****Senior Unsecured Notes 2021***

On February 14, 2013 our subsidiary, NXP B.V. together with NXP Funding LLC issued Senior Unsecured Notes in the aggregate principal amount of \$500 million, due February 15, 2021. The Notes were issued at par and were recorded at their fair value of \$500 million on the accompanying Condensed Consolidated Balance Sheet. On March 4, 2013, the net proceeds of \$495 million together with approximately \$14 million of cash on hand were used to fully repay \$494 million principal amount Senior Secured Term Loan Facility due April 3, 2017, as well as pay related call premiums of \$10 million and accrued interest of \$5 million.

***Senior Unsecured Notes 2023***

On March 12, 2013 our subsidiary, NXP B.V. together with NXP Funding LLC issued Senior Unsecured Notes in the aggregate principal amount of \$500 million, due March 15, 2023. The Notes were issued at par and were recorded at their fair value of \$500 million on the accompanying Condensed Consolidated Balance Sheet. On March 12, 2013, the net proceeds of \$495 million were used to fully repay the \$471 million principal amount Senior Secured Term Loan Facility due March 19, 2019, as well as pay related call premiums of \$5 million and accrued interest of \$5 million with the balance of \$14 million used for general corporate purposes.

***Senior Unsecured Notes 2018***

On May 20, 2013 our subsidiary, NXP B.V. together with NXP Funding LLC issued Senior Unsecured Notes in the aggregate principal amount of \$750 million, due June 1, 2018. The Notes were issued at par and were recorded at their fair value of \$750 million on the accompanying Condensed Consolidated Balance Sheet. On May 21, 2013, the net proceeds of \$743 million together with cash on hand were used to repay the 142 million principal amount Senior Secured Floating Rate Notes due October 2013 for an amount of \$184 million, the \$58 million principal amount Senior Secured Floating Rate Notes due October 2013 and the \$615 million principal amount Senior Secured Floating Rate Notes due November 2016, as well as pay related call premiums of \$16 million and accrued interest of \$2 million.

***Senior Unsecured Notes 2016***

On September 24, 2013 our subsidiary, NXP B.V. together with NXP Funding LLC issued Senior Unsecured Notes in the aggregate principal amount of \$500 million, due September 15, 2016. The Notes were issued at par and were

recorded at their fair value of \$500 million on the accompanying Condensed Consolidated Balance Sheet. On October 15, 2013, the net proceeds of \$495 million were used to repay the \$422 million principal amount Senior Secured Notes due August 2018, as well as pay related call premiums of \$51 million and accrued interest of \$8 million. The balance of \$14 million will be used for general corporate purposes. As a result of the extinguishment, capitalized issue costs related to the \$422 million principal amount Senior Secured Notes due August 2018 in the amount of \$9 million will be written off in the 4<sup>th</sup> quarter of 2013.

[-15]

## **Table of Contents**

### **YTD 2012 Financing Activities**

#### *2019 Term Loan*

On February 16, 2012, our subsidiary, NXP B.V. together with NXP Funding LLC entered into a new \$475 million aggregate principal amount Senior Secured Term Loan Facility due March 19, 2019. The Term Loan was issued with an original issue discount at 98.5% of par and was recorded at its fair value of \$468 million on the accompanying Condensed Consolidated Balance Sheet. The net proceeds of this issuance, together with a \$330 million draw-down under our existing Revolving Credit Facility and approximately \$52 million of cash on hand, were used to redeem \$510 million of the U.S. dollar-denominated 9 1/2% Senior Notes due October 2015, 203 million of the euro-denominated 8 5/8% Senior Notes due October 2015, and pay related call premiums of \$36 million and accrued interest of \$31 million.

#### *2017 Revolving Credit Facility*

On April 27, 2012, NXP concluded a new Senior Secured Revolving Credit Agreement ( RCA ) under which it borrowed \$330 million to settle and close its existing Revolving Credit Facility.

#### *2013 Super Priority Notes*

In the third quarter of 2012, we repurchased our Euro denominated Super Priority Notes 2013 for a principal amount of 27 million and USD denominated Super Priority Notes 2013 for a principal amount of \$21 million.

### **Contractual Obligations**

No material changes in our contractual obligations occurred since December 2012, other than in relation to the Senior Unsecured Notes 2016, 2018, 2021 and 2023 issued in the first 9 months of 2013.

### **Off-balance Sheet Arrangements**

At the end of the third quarter of 2013, we had no off-balance sheet arrangements other than operating leases and other commitments resulting from normal business operations.

Eindhoven, November 1, 2013

*Board of directors*

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

(\$ in millions, unless otherwise stated)	For the three months		For the nine months ended	
	ended September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
Revenue	1,249	1,170	3,522	3,242
Cost of revenue	(679)	(634)	(1,934)	(1,744)
<b>Gross profit</b>	<b>570</b>	536	<b>1,588</b>	1,498
Research and development	(163)	(153)	(471)	(457)
Selling, general and administrative	(239)	(236)	(672)	(689)
Other income (expense)		21	8	27
<b>Operating income (loss)</b>	<b>168</b>	168	<b>453</b>	379
Financial income (expense):				
Extinguishment of debt		(11)	(60)	(47)
Other financial income (expense)	3	(22)	(135)	(237)
<b>Income (loss) before income taxes</b>	<b>171</b>	135	<b>258</b>	95
Benefit (provision) for income taxes	(1)	(6)	(10)	(8)
Results relating to equity-accounted investees	2	2	52	(42)
<b>Income (loss) from continuing operations</b>	<b>172</b>	131	<b>300</b>	45
Income (loss) on discontinued operations, net of tax				1
<b>Net income (loss)</b>	<b>172</b>	131	<b>300</b>	46
Less: Net income (loss) attributable to non-controlling Interests	17	16	48	45
Net income (loss) attributable to stockholders	<b>155</b>	115	<b>252</b>	1
<b>Earnings per share data:</b>				
<i>Basic earnings per common share attributable to Stockholders in \$</i>				
Income (loss) from continuing operations	<b>0.62</b>	0.46	<b>1.01</b>	
Income (loss) from discontinued operations				
Net income (loss)	<b>0.62</b>	0.46	<b>1.01</b>	
<i>Diluted earnings per common share attributable to Stockholders in \$</i>				
Income (loss) from continuing operations	<b>0.60</b>	0.45	<b>0.98</b>	
Income (loss) from discontinued operations				
Net income (loss)	<b>0.60</b>	0.45	<b>0.98</b>	
Weighted average number of shares of common stock outstanding during the period (in thousands):				



- Basic	<b>248,794</b>	247,498	<b>249,302</b>	247,917
- Diluted	<b>256,777</b>	253,060	<b>255,990</b>	253,020

The accompanying notes to the Condensed Consolidated Financial Statements are an integral part of these statements

[-17]

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

(\$ in millions, unless otherwise stated)	For the three months ended		For the nine months ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
<b>Net income (loss)</b>	<b>172</b>	131	<b>300</b>	46
<b>Other comprehensive income (loss), net of tax:</b>				
Net investment hedge, net of deferred taxes of \$0, \$0, \$0 and \$0	<b>55</b>	47	<b>34</b>	(6)
Changes in fair value cash flow hedges, net of deferred taxes of \$(1), \$0, \$0 and \$0	<b>1</b>	3	<b>(6)</b>	1
Foreign currency translation adjustments	<b>(14)</b>	(11)	<b>(16)</b>	24
Net actuarial gain (loss), net of deferred taxes of \$0, \$0, \$(7) and \$0	<b>(1)</b>		<b>(8)</b>	
Reclassification adjustments:				
Changes in fair value cash flow hedges *)	<b>2</b>	1	<b>3</b>	1
<b>Total other comprehensive income (loss)</b>	<b>43</b>	40	<b>7</b>	20
<b>Total comprehensive income (loss)</b>	<b>215</b>	171	<b>307</b>	66
Less: Comprehensive income (loss) attributable to non-controlling interests	<b>17</b>	16	<b>48</b>	45
<b>Total comprehensive income (loss) attributable to stockholders</b>	<b>198</b>	155	<b>259</b>	21

\*) Included in Cost of revenue in the Consolidated Statements of Operations.

The accompanying notes to the Condensed Consolidated Financial Statements are an integral part of these statements

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

(\$ in millions, unless otherwise stated)

	September 29, 2013	December 31, 2012
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	941	617
Receivables, net	582	510
Assets held for sale	9	10
Inventories, net	754	715
Deferred tax assets	9	12
Other current assets	118	90
<b>Total current assets</b>	<b>2,413</b>	<b>1,954</b>
<b>Non-current assets:</b>		
Investments in equity-accounted investees	50	45
Other non-current assets	139	128
Property, plant and equipment, net of accumulated depreciation of \$1,041 and \$1,033	1,032	1,070
Identified intangible assets, net of accumulated amortization of \$1,880 and \$1,646	792	965
Goodwill	2,318	2,277
<b>Total non-current assets</b>	<b>4,331</b>	<b>4,485</b>
<b>Total assets</b>	<b>6,744</b>	<b>6,439</b>
<b>Liabilities and equity</b>		
<b>Current liabilities:</b>		
Accounts payable	545	562
Restructuring liabilities-current	99	138
Accrued liabilities	496	489
Short-term debt	465	307
<b>Total current liabilities</b>	<b>1,605</b>	<b>1,496</b>
<b>Non-current liabilities:</b>		
Long-term debt	3,232	3,185
Pension and postretirement benefits	269	269
Restructuring liabilities	37	32
Other non-current liabilities	163	173
<b>Total non-current liabilities</b>	<b>3,701</b>	<b>3,659</b>
<b>Equity:</b>		
Non-controlling interests	236	235
Stockholders' equity:		
Common stock, par value 0.20 per share:		

Edgar Filing: NXP Semiconductors N.V. - Form 6-K

- Authorized: 430,503,000 shares (2012: 430,503,000 shares)		
- Issued and fully paid: 251,751,500 shares (2012: 251,751,500 shares)	<b>51</b>	51
Capital in excess of par value	<b>6,148</b>	6,090
Treasury shares, at cost:		
- 5,569,231 shares (2012: 2,726,000 shares)	<b>(199)</b>	(58)
Accumulated deficit	<b>(5,105)</b>	(5,334)
Accumulated other comprehensive income (loss)	<b>307</b>	300
Total Stockholders' equity	<b>1,202</b>	1,049
Total equity	<b>1,438</b>	1,284
<b>Total liabilities and equity</b>	<b>6,744</b>	6,439

The accompanying notes to the Condensed Consolidated Financial Statements are an integral part of these statements

[-19]

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

(\$ in millions, unless otherwise stated)

	For the three months ended		For the nine months ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
<i>Cash flows from operating activities:</i>				
<b>Net income (loss)</b>	<b>172</b>	131	<b>300</b>	46
(Income) loss from discontinued operations, net of tax				(1)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	<b>137</b>	128	<b>401</b>	401
Stock-based compensation	<b>20</b>	12	<b>57</b>	36
Net (gain) loss on sale of assets		(19)	<b>(2)</b>	(19)
(Gain) loss on extinguishment of debt		11	<b>60</b>	47
Results relating to equity-accounted investees	<b>(2)</b>	(2)	<b>(52)</b>	42
<i>Changes in operating assets and liabilities:</i>				
(Increase) decrease in receivables and other current assets	<b>(13)</b>	1	<b>(83)</b>	(14)
(Increase) decrease in inventories	<b>(5)</b>	(20)	<b>(35)</b>	(20)
Increase (decrease) in accounts payable and accrued liabilities	<b>46</b>	(2)	<b>(48)</b>	18
Decrease (increase) in other non-current assets	<b>(4)</b>	(7)	<b>10</b>	(2)
Exchange differences	<b>(52)</b>	(48)	<b>(31)</b>	3
Other items	<b>(1)</b>	7		21
<b>Net cash provided by (used for) operating activities</b>	<b>298</b>	192	<b>577</b>	558
<i>Cash flows from investing activities:</i>				
Purchase of identified intangible assets	<b>(10)</b>	(7)	<b>(27)</b>	(21)
Capital expenditures on property, plant and equipment	<b>(54)</b>	(92)	<b>(144)</b>	(205)
Proceeds from disposals of property, plant and equipment			<b>5</b>	1
Purchase of interests in businesses	<b>(1)</b>		<b>(1)</b>	(2)
Proceeds from sale of interests in businesses		27		27
Proceeds from return of equity investment			<b>1</b>	
Decrease (increase) in non-current assets and deposits	<b>(1)</b>	1	<b>1</b>	2
<b>Net cash provided by (used for) investing activities</b>	<b>(66)</b>	(71)	<b>(165)</b>	(198)
<i>Cash flows from financing activities:</i>				
Net (repayments) borrowings of short-term debt	<b>(7)</b>	4	<b>(9)</b>	
Amounts drawn under the revolving credit facility			<b>380</b>	660
Repayments under the revolving credit facility	<b>(175)</b>	(200)	<b>(610)</b>	(530)

Edgar Filing: NXP Semiconductors N.V. - Form 6-K

Repurchase of long-term debt		(59)	(1,854)	(874)
Principal payments on long-term debt	(2)	(5)	(11)	(14)
Net proceeds from the issuance of long-term debt	495		2,227	465
Dividends paid to non-controlling interests	(47)	(1)	(47)	(40)
Cash proceeds from exercise of stock options	29	6	79	8
Purchase of treasury shares	(159)	(3)	(242)	(40)
<b>Net cash provided by (used for) financing activities</b>	<b>134</b>	<b>(258)</b>	<b>(87)</b>	<b>(365)</b>
<b>Net cash provided by (used for) continuing operations</b>	<b>366</b>	<b>(137)</b>	<b>325</b>	<b>(5)</b>
<i>Cash flows from discontinued operations:</i>				
Net cash provided by (used for) operating activities				
Net cash (used for) provided by investing activities				(45)
Net cash provided by (used for) financing activities				
<b>Net cash provided by (used for) discontinued operations</b>				<b>(45)</b>
<b>Net cash provided by (used for) continuing and discontinued operations</b>	<b>366</b>	<b>(137)</b>	<b>325</b>	<b>(50)</b>
Effect of changes in exchange rates on cash positions	6	2	(1)	9
Increase (decrease) in cash and cash equivalents	372	(135)	324	(41)
Cash and cash equivalents at beginning of period	569	837	617	743
<b>Cash and cash equivalents at end of period</b>	<b>941</b>	<b>702</b>	<b>941</b>	<b>702</b>

The accompanying notes to the Condensed Consolidated Financial Statements are an integral part of these statements

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

(\$ in millions, unless otherwise stated)	Outstanding number of shares (in thousands)	Common stock	Capital in excess of par value	Treasury shares at cost	Accumulated deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity	Non-controlling interests	Total equity
Balance as of December 31, 2012	249,026	51	6,090	(58)	(5,334)	300	1,049	235	1,284
Net income (loss)					<b>252</b>		<b>252</b>	<b>48</b>	<b>300</b>
Other comprehensive income						7	7		7
Share-based compensation plans			57				57		57
Treasury shares	<b>(7,106)</b>			<b>(242)</b>			<b>(242)</b>		<b>(242)</b>
Shares issued pursuant to stock awards	<b>4,262</b>		1	<b>101</b>	<b>(23)</b>		<b>79</b>		<b>79</b>
Dividends to non-controlling interests								<b>(47)</b>	<b>(47)</b>
<b>Balance as of September 29, 2013</b>	<b>246,182</b>	<b>51</b>	<b>6,148</b>	<b>(199)</b>	<b>(5,105)</b>	<b>307</b>	<b>1,202</b>	<b>236</b>	<b>1,438</b>

The accompanying notes to the Condensed Consolidated Financial Statements are an integral part of these statements

---

**Table of Contents**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
OF NXP SEMICONDUCTORS N.V. (unaudited)**

All amounts in millions of \$ unless otherwise stated

**1 Basis of Presentation**

NXP Semiconductors N.V. and its subsidiaries are referred to herein collectively as NXP, Company, we, us, and unless the context indicates otherwise. The accompanying condensed consolidated financial statements include the accounts of NXP and its subsidiaries after elimination of intercompany accounts and transactions.

We have prepared these statements without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission ( SEC ). The condensed consolidated balance sheet as of December 31, 2012 has been derived from audited financial statements. To prepare the financial statements in conformity with U.S. generally accepted accounting principles, management has made a number of estimates and assumptions relating to the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Certain information and note disclosures, normally included in comprehensive financial statements prepared in accordance with U.S. generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations of the SEC. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our latest annual report on Form 20-F.

In the opinion of management, the consolidated financial statements reflect all adjustments (which consist only of normal recurring adjustments) necessary to present fairly the consolidated financial position of NXP and its subsidiaries as of September 29, 2013, the consolidated statements of operations, comprehensive income and the cash flows for the three and nine-month periods ended September 29, 2013 and September 30, 2012, and the consolidated statement of changes in equity for the nine-month period ended September 29, 2013. The results of operations for such interim periods are not necessarily indicative of the results for the full year.

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated our disclosure controls and procedures and internal control over financial reporting. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that (i) our disclosure controls and procedures were effective as of September 29, 2013, and (ii) no change in internal control over financial reporting occurred during the quarter ended September 29, 2013, that has materially affected, or is reasonably likely to materially affect, such internal control over financial reporting.

***Realignment of Business Segments***

During the first quarter of 2013, we realigned several product lines to better reflect underlying market dynamics, product complexity and the management of the business. The changes described below to the Company's internal management reporting structure were evaluated under the criteria of ASC Accounting Standards Codification ( ASC ) Topic 280 Segment Reporting and the Company determined that its reportable segments remain unchanged:

Movement of product line General Purpose Logic (GPL) from segment HPMS (Portable & Computing) to segment SP and



Movement of product line NXP software from Corporate and Other to segment HPMS (Industrial & Infrastructure). As a result of the above change to the composition of our operating and reportable segments, corresponding information for prior periods have been reclassified to conform to the current period presentation.

[-22]

---

**Table of Contents****2 Significant accounting policies*****Principles for consolidated financial statements***

The consolidated financial statements include the accounts of the Company together with its consolidated subsidiaries and all entities in which the Company holds a direct or indirect controlling interest, in such a way that the Company would have the power to direct the activities of the entity that most significantly impact the entity's economic performance and the obligation to absorb the losses or the right to receive benefits of the entity that could be potentially significant to the Company.

All intercompany balances and transactions have been eliminated in the consolidated financial statements. Net income (loss) includes the portion of the earnings of subsidiaries applicable to non-controlling interests. The income (loss) and equity attributable to non-controlling interests are disclosed separately in the consolidated statements of operations and in the consolidated balance sheets under non-controlling interests.

***Share-based compensation***

NXP has share-based payment plans under which its employees receive options and other share-based awards. The plans provide for the granting of stock options, performance share units, restricted stock units and equity rights. All plans are accounted for in accordance with the provisions of ASC 718 Compensation, Stock Compensation at the estimated fair value of the equity instruments measured at the grant date. For grants issued up to August 2010, the Company used a binomial option-pricing model to determine the estimated fair value for options and determined the fair value of equity rights on the basis of the estimated fair value of the Company, using a discounted cash flow technique. For option grants issued since August 2010, the Company uses the Black-Scholes-Merton method and determined the fair value of equity awards with a market condition using a Monte Carlo simulation approach. NXP stock options are granted with an exercise price equal to 100% of the market value of a share of common stock on the date of grant, generally have ten-year contractual terms, and vest ratably over four years from date of grant. NXP has also granted performance share units and restricted stock units at no cost to the employee that vest, subject to the relevant performance and service conditions being met, ratably over a three year period. In addition, NXP has granted equity awards that vest based on a combination of a required service period and satisfaction of meeting a market condition. These awards vest over a one-year or three-year period from the date of grant if the market condition has been met at that time. If the market condition has not been met, the awards will lapse and any compensation cost previously recognized will not be reversed. The estimated fair value of equity instruments is recognized as compensation expense over the vesting period on a straight-line basis taking into account estimated forfeitures. For performance share units and awards subject to a market condition the recognition of cost is based on graded vesting.

***Treasury shares***

In connection with the Company's share repurchase programs, which commenced in 2011, and which were extended effective August 1, 2013, and in accordance with the Company's policy to provide share awards from its treasury share inventory, shares which have been repurchased and are held in treasury for delivery upon exercise of options and under restricted share programs, are accounted for as a reduction of stockholders' equity. Treasury shares are recorded at cost, representing the market price on the acquisition date. When issued, shares are removed from treasury shares on a first-in, first-out (FIFO) basis. Differences between the cost and the proceeds received when treasury shares are reissued are recorded in capital in excess of par value. Deficiencies in excess of net gains arising from previous treasury share issuances are charged to retained earnings.



**Table of Contents**

***Accounting standards adopted in 2013***

The FASB issued several pronouncements which were adopted by the Company in 2013 as follows.

**ASU No. 2013-02 Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income**

On February 5, 2013, the FASB issued ASU 2013-02 which requires entities to disclose the following additional information about items reclassified out of accumulated other comprehensive income (AOCI):

Changes in AOCI balances by component (e.g., unrealized gains or losses on available-for-sale securities or foreign-currency items). Both before-tax and net-of-tax presentations of the information are acceptable as long as an entity presents the income tax benefit or expense attributed to each component of OCI and reclassification adjustments in either the financial statements or the notes to the financial statements.

Significant items reclassified out of AOCI by component either on the face of the income statement or as a separate footnote to the financial statements.

The ASU did not change current U.S. GAAP requirements for condensed financial statement reporting of comprehensive income. However, public entities will need to include information about (1) changes in AOCI balances by component and (2) significant items reclassified out of AOCI in their interim reporting periods. The effective date for NXP was January 1, 2013. The amendments in the ASU should be applied prospectively. The ASU will have an impact on the Company's financial statements because of the additional disclosure requirements.

***Recently issued accounting standards***

**ASU No. 2013-05 Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity**

On March 4, 2013, the FASB issued ASU 2013-05, which indicates that the entire amount of a cumulative translation adjustment (CTA) related to an entity's investment in a foreign entity should be released when there has been a:

Sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in the foreign entity.

Loss of a controlling financial interest in an investment in a foreign entity (i.e., the foreign entity is deconsolidated).

Step acquisition for a foreign entity (i.e., when an entity has changed from applying the equity method for an investment in a foreign entity to consolidating the foreign entity).

The ASU does not change the requirement to release a pro rata portion of the CTA of the foreign entity into earnings for a partial sale of an equity method investment in a foreign entity. The effective date for NXP is January 1, 2014. The ASU should be applied prospectively. The impact on the Company's financial statements can be significant.

**ASU No. 2013-11 Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists**

On July 18, 2013 the FASB issued ASU 2013-11 which provides guidance on financial statement presentation of an unrecognized tax benefit (UTB) when a net operating loss (NOL) carryforward, a similar tax loss, or a tax credit carryforward exists.

Under the ASU, an entity must present a UTB, or a portion of a UTB, in the financial statements as a reduction to a deferred tax asset (DTA) for an NOL carryforward, a similar tax loss, or a tax credit carryforward except when:

An NOL carryforward, a similar tax loss, or a tax credit carryforward is not available as of the reporting date under the governing tax law to settle taxes that would result from the disallowance of the tax position.

The entity does not intend to use the DTA for this purpose.

If either of these conditions exists, an entity should present a UTB in the financial statements as a liability and should not net the UTB with a DTA. New recurring disclosures are not required because the ASU does not affect the recognition or measurement of uncertain tax positions under ASC 740.

NXP will apply the ASU prospectively as from January 1, 2014. The ASU will have no significant impact on the Company's financial statements.

**Table of Contents**

## 3 Supplemental Financial Information

*Statement of Operations Information****Earnings per share***

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

	For the three months ended <b>September 29, September 30,</b>		For the nine months ended <b>September 29, September 30,</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
Income (loss) from continuing operations	<b>172</b>	131	<b>300</b>	45
Less: net income (loss) attributable to non-controlling interests	<b>17</b>	16	<b>48</b>	45
Income (loss) from continuing operations attributable to stockholders	<b>155</b>	115	<b>252</b>	
Income (loss) from discontinued operations attributable to stockholders				1
Net income (loss) attributable to stockholders	<b>155</b>	115	<b>252</b>	1
Weighted average number of shares outstanding (after deduction of treasury shares) - in thousands -	<b>248,794</b>	247,498	<b>249,302</b>	247,917
Plus incremental shares from assumed conversion of:				
Options	<b>5,313</b>	3,386	<b>4,780</b>	3,014
Restricted Shares Units, Performance Share Units and Equity rights	<b>2,670</b>	2,176	<b>1,908</b>	2,089
Dilutive potential common shares	<b>7,983</b>	5,562	<b>6,688</b>	5,103
Adjusted weighted average number of shares outstanding (after deduction of treasury shares) - in thousands <sup>-1), 2)</sup>	<b>256,777</b>	253,060	<b>255,990</b>	253,020
<i>Basic EPS attributable to stockholders in \$:</i>				
Income (loss) from continuing operations	<b>0.62</b>	0.46	<b>1.01</b>	
Income (loss) from discontinued operations				
Net income (loss)	<b>0.62</b>	0.46	<b>1.01</b>	
<i>Diluted EPS attributable to stockholders in \$:</i>				
Income (loss) from continuing operations	<b>0.60</b>	0.45	<b>0.98</b>	
Income (loss) from discontinued operations				
Net income (loss)	<b>0.60</b>	0.45	<b>0.98</b>	

Edgar Filing: NXP Semiconductors N.V. - Form 6-K

- 1) In Q3 2013, 7,034,693 securities (Q3 2012: 10,523,041 securities) that could potentially dilute basic EPS were excluded in the computation of dilutive EPS, because the effect would have been anti-dilutive for the period presented.
- 2) In the 9 months of 2013, 7,215,058 securities (9 months of 2012: 10,790,545 securities) that could potentially dilute basic EPS were excluded in the computation of dilutive EPS, because the effect would have been anti-dilutive for the period presented.

[-25]

**Table of Contents***Balance Sheet Information**Inventories*

Inventories are summarized as follows:

	<b>September 29, 2013</b>	December 31, 2012
Raw materials	<b>64</b>	70
Work in process	<b>592</b>	515
Finished goods	<b>98</b>	130
	<b>754</b>	715

The portion of finished goods stored at customer locations under consignment amounted to \$22 million as of September 29, 2013 (December 31, 2012: \$20 million).

The amounts recorded above are net of allowance for obsolescence, totaling \$54 million as of September 29, 2013 (December 31, 2012: \$61 million).

*Accumulated other comprehensive income (loss), net of tax*

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

	Net investment hedge	Cash flow hedges	Currency translation differences	Net actuarial gain/(losses)	Accumulated Other Comprehensive Income (loss)
As of December 31, 2012	<b>(185)</b>		<b>514</b>	<b>(29)</b>	<b>300</b>
Other comprehensive income (loss) before reclassifications	<b>34</b>	<b>(6)</b>	<b>(16)</b>	<b>(8)</b>	<b>4</b>
Amounts reclassified from accumulated other comprehensive income		<b>3*</b>			<b>3*</b>
Net other comprehensive income (loss)	<b>34</b>	<b>(3)</b>	<b>(16)</b>	<b>(8)</b>	<b>7</b>
As of September 29, 2013	<b>(151)</b>	<b>(3)</b>	<b>498</b>	<b>(37)</b>	<b>307</b>

\*) Included in Cost of revenue in the Consolidated Statements of Operations.

*Cash Flow Information*



	For the three months ended <b>September 29,</b> September 30, <b>2013</b> 2012		For the nine months ended <b>September 29,</b> September 30, <b>2013</b> 2012	
<i>Supplement disclosures to the condensed consolidated cash flows</i>				
<b>Net cash paid during the period for:</b>				
Interest	<b>51</b>	92	<b>130</b>	237
Income taxes	<b>5</b>	9	<b>21</b>	18
<b>Net gain (loss) on sale of assets:</b>				
Cash proceeds from (consideration related to) the sale of assets	<b>1</b>	28	<b>8</b>	30
Book value of these assets	<b>(1)</b>	(9)	<b>(6)</b>	(11)
		19	<b>2</b>	19
<b>Other items:</b>				
Other items consist of the following non-cash elements in income:				
Non-cash interest cost due to applying effective interest method		6	<b>2</b>	20
Others	<b>(1)</b>	1	<b>(2)</b>	1
	<b>(1)</b>	7		21

[-26]

**Table of Contents**

## 4 Fair value of financial assets and liabilities

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

	Fair value hierarchy <sup>1)</sup>	September 29, 2013 Carrying amount	Estimated fair value	December 31, 2012 Carrying amount	Estimated fair value
<b>Assets:</b>					
Other financial assets	2	15	15	18	18
Derivative instruments assets	2	2	2	1	1
<b>Liabilities:</b>					
Short-term debt	2	33	33	42	42
Short-term debt (bonds)	1	432	484	265	267
Long-term debt (bonds)	1	3,223	3,227	2,332	2,453
Long-term debt (bonds) <sup>2)</sup>	2			608	635
Other long-term debt	2	9	9	245	245
Derivative instruments liabilities	2	6	6	2	2

<sup>1)</sup> Transfers between the levels of fair value hierarchy are recognized when a change in circumstances would require it. There were no transfers during the reporting periods presented in the table above.

<sup>2)</sup> Represent bonds which are privately held (floating rate secured notes 2016).

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

***Other financial assets***

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

***Debt***

The fair value is estimated on the basis of the quoted market prices for certain issues, or on the basis of discounted cash flow analyses based upon the incremental borrowing rates for similar types of borrowing arrangements with comparable terms and maturities. Accrued interest is included under accounts payable and not within the carrying amount or estimated fair value of debt.

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

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

## 5 Debt

**Short-term debt**

	<b>September 29, 2013</b>	December 31, 2012
Bank borrowings	<b>27</b>	36
Current portion of long-term debt	<b>438</b>	271
<b>Total</b>	<b>465</b>	307

At September 29, 2013, other short-term bank borrowings of \$27 million (at December 31, 2012: \$36 million) consisted of a local bank borrowing by our Chinese subsidiary. The current portion of long-term debt as of September 29, 2013 primarily consists of the 9.75% senior secured notes due 2018 which were reclassified to short-term debt as they were called and are legally required to be redeemed within one year.

[-27]

**Table of Contents****Long-term debt**

	Range of interest rates	Average rate of interest	Amount outstanding September 29, 2013	Due within 1 yr	Due after Q3, 2014	Due after Q3, 2018	Average remaining term (in years)	Amount outstanding December 31, 2012
EUR notes								187
USD notes	3.5%-9.8%	5.2%	3,655	432	3,223	1,469	5.5	3,018
Revolving Credit Facility								230
Bank borrowings	2.0%	2.0%	4		4		1.3	5
Liabilities arising from capital lease transactions	2.6%-13.8%	5.7%	11	6	5		1.7	16
			<b>3,670</b>	<b>438</b>	<b>3,232</b>	<b>1,469</b>		3,456

During the first nine months ended September 29, 2013, the book value of our long-term debt, excluding the current portion of long-term debt classified within short-term debt, increased by \$47 million to \$3,232 million, mainly due to the issuance of new Senior Unsecured Notes (due 2016, 2018, 2021 and 2023) offset in part by the repayment of the Floating Rate Notes due 2013, repayment Term Loans A2 and B (due 2017 and 2019), repayment of the Floating Rate Note due 2016, repayment on the Revolving Credit Agreement and reclassification of the Senior Secured Notes due August 2018 to short-term debt.

**YTD 2013 Financing Activities***Senior Unsecured Notes 2021*

On February 14, 2013 our subsidiary, NXP B.V. together with NXP Funding LLC issued Senior Unsecured Notes in the aggregate principal amount of \$500 million, due February 15, 2021. The Notes were issued at par and were recorded at their fair value of \$500 million on the accompanying Condensed Consolidated Balance Sheet. On March 4, 2013, the net proceeds of \$495 million together with approximately \$14 million of cash on hand were used to fully repay \$494 million principal amount Senior Secured Term Loan Facility due April 3, 2017, as well as pay related call premiums of \$10 million and accrued interest of \$5 million.

*Senior Unsecured Notes 2023*

On March 12, 2013 our subsidiary, NXP B.V. together with NXP Funding LLC issued Senior Unsecured Notes in the aggregate principal amount of \$500 million, due March 15, 2023. The Notes were issued at par and were recorded at their fair value of \$500 million on the accompanying Condensed Consolidated Balance Sheet. On March 12, 2013, the net proceeds of \$495 million were used to fully repay the \$471 million principal amount Senior Secured Term Loan Facility due March 19, 2019, as well as pay related call premiums of \$5 million and accrued interest of \$5 million with the balance of \$14 million used for general corporate purposes.

*Senior Unsecured Notes 2018*

On May 20, 2013 our subsidiary, NXP B.V. together with NXP Funding LLC issued Senior Unsecured Notes in the aggregate principal amount of \$750 million, due June 1, 2018. The Notes were issued at par and were recorded at their fair value of \$750 million on the accompanying Condensed Consolidated Balance Sheet. On May 21, 2013, the net proceeds of \$743 million together with cash on hand were used to repay the 142 million principal amount Senior Secured Floating Rate Notes due October 2013 for an amount of \$184 million, the \$58 million principal amount Senior Secured Floating Rate Notes due October 2013 and the \$615 million principal amount Senior Secured Floating Rate Notes due November 2016, as well as pay related call premiums of \$16 million and accrued interest of \$2 million.

*Senior Unsecured Notes 2016*

On September 24, 2013 our subsidiary, NXP B.V. together with NXP Funding LLC issued Senior Unsecured Notes in the aggregate principal amount of \$500 million, due September 15, 2016. The Notes were issued at par and were recorded at their fair value of \$500 million on the accompanying Condensed Consolidated Balance Sheet. See Subsequent Events for additional information on the use of the proceeds from this transaction.

[-28]

**Table of Contents**

***U.S. dollar-denominated notes (as per September 29, 2013)***

The U.S. dollar-denominated notes consist of the following:

a \$500 million aggregate principal amount of 3.5% senior unsecured notes due 2016; and

a \$489 million aggregate principal amount of floating rate senior secured term loan due 2017 with an interest rate of LIBOR plus 3.25% with a floor of 1.25%; and

a \$422 million aggregate principal amount of 9.75% senior secured notes due 2018; and

a \$750 million aggregate principal amount of 3.75% senior unsecured notes due 2018; and

a \$498 million aggregate principal amount of floating rate senior secured term loan due 2020 with an interest rate of LIBOR plus 3.50% with a floor of 1.25%; and

a \$500 million aggregate principal amount of 5.75% senior unsecured notes due 2021; and

a \$500 million aggregate principal amount of 5.75% senior unsecured notes due 2023.

***Certain terms and Covenants of the Euro and U.S. dollar-denominated notes***

The Company is not required to make mandatory redemption payments or sinking fund payments with respect to the notes. With respect to the Term Loans, the Company is required to repay \$10 million annually (\$5 million per Term Loan).

The indentures governing the notes contain covenants that, among other things, limit the Company's ability and that of restricted subsidiaries to incur additional indebtedness, create liens, pay dividends, redeem capital stock or make certain other restricted payments or investments; enter into agreements that restrict dividends from restricted subsidiaries; sell assets, including capital stock of restricted subsidiaries; engage in transactions with affiliates; and effect a consolidation or merger.

Certain portions of long-term and short-term debt as of September 29, 2013 in the principal amount of \$1,409 million (December 31, 2012: \$3,470 million) have been secured by collateral on substantially all of the Company's assets and of certain of its subsidiaries.

The notes are fully and unconditionally guaranteed jointly and severally, on a senior basis by certain of the Company's current and future material wholly owned subsidiaries ( "Guarantors" ).

Pursuant to various security documents related to the above mentioned secured notes and the \$837 million (denominated 620 million) committed revolving credit facility, the Company and each Guarantor has granted first

priority liens and security interests in, amongst others, the following, subject to the grant of further permitted collateral liens:

- (a) all present and future shares of capital stock of (or other ownership or profit interests in) each of its present and future direct subsidiaries, other than SMST Unterstützungskasse GmbH, and material joint venture entities;
- (b) all present and future intercompany debt of the Company and each Guarantor;
- (c) all of the present and future property and assets, real and personal, of the Company, and each Guarantor, including, but not limited to, machinery and equipment, inventory and other goods, accounts receivable, owned real estate, leaseholds, fixtures, general intangibles, license rights, patents, trademarks, trade names, copyrights, chattel paper, insurance proceeds, contract rights, hedge agreements, documents, instruments, indemnification rights, tax refunds, but excluding cash and bank accounts; and
- (d) all proceeds and products of the property and assets described above.

Notwithstanding the foregoing, certain assets may not be pledged (or the liens not perfected) in accordance with agreed security principles, including:

if the cost of providing security is not proportionate to the benefit accruing to the holders; and

if providing such security requires consent of a third party and such consent cannot be obtained after the use of commercially reasonable efforts; and

if providing such security would be prohibited by applicable law, general statutory limitations, financial assistance, corporate benefit, fraudulent preference, thin capitalization rules or similar matters or providing security would be outside the applicable pledgor's capacity or conflict with fiduciary duties of directors or cause material risk of personal or criminal liability after using commercially reasonable efforts to overcome such obstacles; and

[-29]

**Table of Contents**

if providing such security would have a material adverse effect (as reasonably determined in good faith by such subsidiary) on the ability of such subsidiary to conduct its operations and business in the ordinary course as otherwise permitted by the indenture; and

if providing such security or perfecting liens thereon would require giving notice (i) in the case of receivables security, to customers or (ii) in the case of bank accounts, to the banks with whom the accounts are maintained. Such notice will only be provided after the secured notes are accelerated.

Subject to agreed security principles, if material property is acquired by the Company or a Guarantor that is not automatically subject to a perfected security interest under the security documents, then the Company or relevant Guarantor will within 60 days provide security over this property and deliver certain certificates and opinions in respect thereof as specified in the indenture governing the notes.

**6 Interest Rate Risk**

The Company has significant outstanding debt, which creates an inherent interest rate risk. Through a combination of several private and open market transactions since 2009, the Company's debt profile has been improved. During the first nine months ended September 29, 2013, the proportion of unsecured debt increased from zero to 61% while the average interest rate declined from 5.4% to 5.2%, the average tenor has increased from 4.7 to 5.5 years and the proportion of fixed rate debt increased from 13% to 73%.

The following table summarizes the outstanding debt as of September 29, 2013:

	Principal amount	Fixed/ floating	Current coupon rate	Maturity date
Senior Secured Notes	\$ 422	Fixed	9.75%	2018
Senior Unsecured Notes	\$ 500	Fixed	3.50%	2016
Senior Unsecured Notes	\$ 750	Fixed	3.75%	2018
Senior Unsecured Notes	\$ 500	Fixed	5.75%	2021
Senior Unsecured Notes	\$ 500	Fixed	5.75%	2023
Term Loan A1	\$ 489	Floating	4.50%	2017
Term Loan C	\$ 498	Floating	4.75%	2020

A sensitivity analysis in relation to our long-term debt shows that if interest rates were to increase by 1% from the level of September 29, 2013 with all other variables held constant, the annualized interest expense would increase by less than \$0.1 million. If interest rates were to decrease by 1% from the level of September 29, 2013 with all other variables held constant, the annualized interest expense would decrease by less than \$0.1 million. This impact is based on the outstanding debt position as of September 29, 2013.

**7 Postretirement Benefits Other Than Pensions**

In the first nine months of 2013 the Company recognized a curtailment gain of \$8 million related to an amendment made to its U.S. postretirement benefit plan.



---

**Table of Contents**

8 Litigation

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

With the support from its in-house and outside counsel and based on its best estimate, the Company records an accrual for any claim that arises whenever it considers that it is probable that it is exposed to a loss contingency and the amount of the loss contingency can be reasonably estimated. Based on the most current information available to it and based on its best estimate, the Company also reevaluates at least on a quarterly basis the claims that have arisen to determine whether any new accruals need to be made or whether any accruals made need to be adjusted.

Based on the procedures described above, the Company has an aggregate amount of approximately \$8 million accrued for legal proceedings pending as of September 29, 2013, compared to approximately \$59 million as of December 31, 2012. There can be no assurance that the Company's accruals will be sufficient to cover the extent of its potential exposure to losses. Historically, legal actions have not had a material adverse effect on the Company's business, results of operations or financial condition.

Set forth below are descriptions of our most important legal proceedings pending as of September 29, 2013, for which the related loss contingency is either probable or reasonably possible, including the legal proceedings for which accruals have been made:

Three former employees of Signetics Corp, a predecessor of NXP Semiconductors USA, Inc. and their respective children each separately filed various counts against NXP Semiconductors USA, Inc. (negligence, premises liability, strict liability, abnormal and ultrahazardous activity, willful and wanton misconduct and loss of consortium) asserting exposure to harmful chemicals and substances while the employees concerned were working in a factory clean room of Signetics Corp., resulting in alleged physical injuries and eventual birth defects to their children (cases No. N09C-10-032 JRJ, N10C-05-137 JRJ and 1-10-CV-188679). Initial discovery has commenced by both sides in above mentioned cases. Actual substantive responses are pending.

In 2007, certain former employees of NXP Semiconductors France SAS employed by a subsidiary of the DSP Group, Inc. filed a claim against NXP Semiconductors France SAS before the Tribunal de Grande Instance in an emergency procedure (procédure de référé) to demand re-integration within NXP Semiconductors France SAS, following the closure of the DSP Group's activities in France and the consequent termination of their employment agreements. The claim was rejected by the Tribunal de Grande Instance. The employees concerned then brought the same claim before the Social Court (Conseil de Prud'hommes) in Caen which, on April 27, 2010, also ruled in favor of NXP Semiconductors France SAS. The claimants filed for an appeal on May 18, 2010. On October 11, 2013 the Court of Appeal adjudicated. The Company is waiting for a written verdict.

On April 2, 2013, the ICC arbitration tribunal issued a final award in a second arbitration commenced by STMicroelectronics (ST) to reverse the economic effect of the award by the ICC Tribunal in a first arbitration between

ST and NXP of April 5, 2012 concerning the interpretation of the contractual arrangements concerning underloading in the NXP wafer fabs and ST's liability for the associated costs. According to this first arbitration, ST paid to NXP approximately \$59 million in the second quarter of 2012. By ruling of April 2, 2013, the ICC arbitration tribunal dismissed all claims made by ST in this second arbitration. No appeal is available to ST.

The estimated aggregate range of reasonably possible losses is based on currently available information in relation to the claims that have arisen and on the Company's best estimate of such losses for those cases for which such estimate can be made. For certain claims, the Company believes that an estimate cannot currently be made. The estimated aggregate range requires significant judgment, given the varying stages of the proceedings (including the fact that many of them are currently in preliminary stages), the existence of multiple defendants (including the Company) in such claims whose share of liability has yet to be determined, the numerous yet-unresolved issues in many of the claims, and the attendant uncertainty of the various potential outcomes of such claims. Accordingly, the Company's estimate will change from time to time, and actual losses may be more than the current estimate. As at September 29, 2013, the Company believes that for all litigation pending its aggregate exposure to loss in excess of the amount accrued could range between \$0 and approximately \$4 million.

[-31]

**Table of Contents**

## 9 Related-party transactions

The Company's related parties are the Private Equity Consortium, the members of the board of directors of NXP Semiconductors N.V., the members of the management team of NXP Semiconductors N.V. and equity-accounted investees.

On September 13, 2013, certain of our stockholders offered 25 million shares of our common stock, at a price of \$37.65 per share. The offering was settled and closed on September 18, 2013. Subsequent to the settlement and closing, the consortium of funds advised by Kohlberg Kravis Roberts & Co. L.P., AlpInvest Partners B.V., Apax Partners LLP, Bain Capital Partners, LLC and Silver Lake Technology Management, L.L.C (collectively the Private Equity Consortium) beneficially owns 24.7% of our shares of common stock as of that date. NXP did not receive any proceeds from the sale of shares in the offering.

Upon completion of this secondary offering, all the options under the Pre-IPO Plans, approximately 10 million options, became exercisable, subject to applicable laws and regulations.

**Other**

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

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

	For the three months ended		For the nine months ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
Revenue				33
Purchase of goods and services	29	54	78	149

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

	September 29, 2013	December 31, 2012
Receivables (net)		
Payables	34	30

## 10 Restructuring charges

The restructuring liability balance as of September 29, 2013 primarily relates to:

The OPEX Reduction Program announced in 2012. This cost savings and restructuring program was initiated to improve operational efficiency and to competitively position the Company for sustainable growth. A liability has been recognized relating to the associated costs. Its implementation is expected to be substantially complete by the first quarter of 2014. The majority of the remaining cash expenditures relating to this initiative are anticipated to be paid by the fourth quarter of 2014. In the third quarter of 2013, as part of the OPEX Reduction Program, we recognized an additional charge of \$13 million associated with onerous contracts relating to leased office buildings in the Netherlands. The remaining balance as of September 29, 2013 relating to this program amounts to \$87 million;

[-32]

**Table of Contents**

Workforce reductions associated with the expected closure of our ICN 4 and ICN 6 wafer fabrication facilities in Nijmegen which are expected to be substantially complete in the fourth quarter of 2013. This program was initiated to reduce our overall manufacturing footprint, consistent with our current manufacturing strategy which focuses on capabilities that differentiate NXP in terms of product features, process capabilities, cost, supply chain and quality. The remaining balance as of September 29, 2013 relating to this program amounts to \$35 million.

There are no new restructuring projects in 2013.

The following table presents the changes in the position of restructuring liabilities in 2013 by segment:

	Balance January 1, 2013	Additions	Utilized	Released	Other <sup>(1)</sup> changes	Balance September 29, 2013
HPMS	57	1	(18)	(2)	(2)	36
SP	41		(2)	(7)	1	33
Manufacturing Operations	9		(3)			6
Corporate and Other	63	13	(15)	(4)	4	61
	170	14	(38)	(13)	3	136

<sup>(1)</sup> Other changes primarily related to translation differences

The total restructuring liability as of September 29, 2013 of \$136 million is classified in the balance sheet under current liabilities: \$99 million and non-current liabilities: \$37 million.

Releases of restructuring liabilities of \$13 million were recorded in the nine months ended September 29, 2013, primarily attributable to a reduction of ICN 4 and ICN 6 related severance payments due to employees that will be transferred to other positions in NXP, due to expansion activities ICN 8, who were originally expected to be laid off. In the third quarter of 2013, no releases are recorded.

The utilization of the restructuring liabilities mainly reflects the execution of ongoing restructuring programs.

The components of restructuring charges less releases recorded in the liabilities for the three and nine months ended September 29, 2013 and September 30, 2012 are as follows:

	For the three months ended September 29, September 30, 2013 2012		For the nine months ended September 29, September 30, 2013 2012	
Personnel lay-off costs		3	1	9
Other restructuring costs	13	2	13	2
Release of excess provisions/accruals		(2)	(13)	(4)

Edgar Filing: NXP Semiconductors N.V. - Form 6-K

Net restructuring charges less releases	<b>13</b>	3	<b>1</b>	7
---	-----------	---	----------	---

The restructuring charges less releases recorded in operating income are included in the following line items in the statement of operations:

	For the three months ended		For the nine months ended	
	<b>September 29,</b> <b>2013</b>	September 30, 2012	<b>September 29,</b> <b>2013</b>	September 30, 2012
Cost of revenue		(1)	<b>(7)</b>	
Selling, general and administrative	<b>13</b>		<b>8</b>	
Research and development		4		7
Net restructuring charges	<b>13</b>	3	<b>1</b>	7

[-33]

**Table of Contents**

In addition, restructuring related costs (excluding product transfers) of \$10 million and \$16 million were directly charged to operating income for the three and nine months ended September 29, 2013 (for the three and nine months ended September 30, 2012: \$3 million and \$8 million), and included in the following line items:

	For the three months ended		For the nine months ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
Cost of revenue	7	1	10	3
Selling, general and administrative	3	1	6	5
Research and development				(1)
Other (income) expense		1		1
	<b>10</b>	<b>3</b>	<b>16</b>	<b>8</b>

## 11 Provision for Income Taxes

The effective income tax rates for the three months ended September 29, 2013 and September 30, 2012 were 0.6% and 4.4%, respectively. The effective tax rate for the three months ended September 29, 2013 differed from the Netherlands statutory rate primarily due to tax incentives in certain jurisdictions, offset by losses recorded in jurisdictions where a valuation allowance was recorded and certain non-tax deductible expenditure. The effective tax rate for the three months ended September 30, 2012 differed from the statutory rate in the Netherlands primarily due to profits recorded in jurisdictions for which a full valuation allowance is recorded, the effective tax rate also differed due to tax incentives in certain jurisdictions, offset by certain non-tax deductible expenditure.

The effective income tax rates for the nine months ended September 29, 2013 and September 30, 2012 were 3.9% and 8.4%, respectively. The effective tax rate for the nine months ended September 29, 2013 differed from the Netherlands statutory rate primarily due to tax incentives in certain jurisdictions, offset by losses recorded in jurisdictions where a valuation allowance was recorded and certain non-tax deductible expenditure. The effective tax rate for the nine months ended September 30, 2012 differed from the Netherlands statutory tax rate primarily due to tax incentives in certain jurisdictions, offset by certain non-tax deductible expenditure.

## 12 Segments Information

NXP is organized into three reportable segments in compliance with ASC 280 Segment Reporting .

NXP has two market-oriented business segments, High Performance Mixed Signal ( HPMS ) and Standard Products ( SP ) and one other reportable segment, Manufacturing Operations. Corporate and Other represents the remaining portion to reconcile to the consolidated financial statements.

Our HPMS business segment delivers high performance mixed signal solutions to our customers to satisfy their system and sub systems needs across eight application areas: automotive, identification, mobile, consumer, computing, wireless infrastructure, lighting and industrial, and software solutions for mobile phones.

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

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 HPMS and SP segments, revenue and costs in this segment are to a large extent derived from revenue of wafer foundry and packaging services to third parties and 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 revenue from these sources is expected to further decline.

[-34]



**Table of Contents**

Corporate and Other is not a separate reporting segment because it does not meet the quantitative threshold criteria for being separately reported. Corporate and Other includes unallocated research expenses, corporate restructuring charges and other expenses not related to any specific business segment.

**Revenue, R&D and operating income (loss)**

	For the three months ended				September 30, 2012			
	September 29, 2013		Operating		Research		Operating	
	Research	and	Operating	in %	Revenue	and	Operating	in %
	development	development	income	of	development	development	income	of
			(loss)				(loss)	
				Amount revenue				Amount revenue
HPMS	922	138	184	20.0	804	131	157	19.5
SP	291	14	21	7.2	316	13	43	13.6
Manufacturing Operations	36	1	(9)	(25.0)	49	1	(6)	(12.2)
Corporate and Other <sup>1)</sup>		10	(28)		1	8	(26)	
<b>Total</b>	<b>1,249</b>	<b>163</b>	<b>168</b>	<b>13.5</b>	<b>1,170</b>	<b>153</b>	<b>168</b>	<b>14.4</b>

<sup>1)</sup> Corporate and Other is not a segment under ASC 280 Segment Reporting .

	For the nine months ended				September 30, 2012			
	September 29, 2013		Operating		Research		Operating	
	Research	and	Operating	in %	Revenue	and	Operating	in %
	development	development	income	of	development	development	income	of
			(loss)				(loss)	
				Amount revenue				Amount revenue
HPMS	2,576	399	485	18.8	2,191	392	374	17.1
SP	851	43	37	4.3	881	38	87	9.9
Manufacturing Operations	94	1	(26)	(27.7)	168	1	(21)	(12.5)
Corporate and Other <sup>1)</sup>	1	28	(43)		2	26	(61)	
<b>Total</b>	<b>3,522</b>	<b>471</b>	<b>453</b>	<b>12.9</b>	<b>3,242</b>	<b>457</b>	<b>379</b>	<b>11.7</b>

<sup>1)</sup> Corporate and Other is not a segment under ASC 280 Segment Reporting .

13 Subsequent events

*Repayment of Debt*

On October 15, 2013, the net proceeds of \$495 million from the issuance of the Senior Unsecured Notes 2016 were used to repay the \$422 million principal amount Senior Secured Notes due August 2018, as well as pay related call premiums of \$51 million and accrued interest of \$8 million. The balance of \$14 million will be used for general corporate purposes. As a result of the extinguishment, capitalized issue costs related to the \$422 million principal amount Senior Secured Notes due August 2018 in the amount of \$9 million will be written off in the 4<sup>th</sup> quarter of 2013.

[-35]