
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: **001-34841**

NXP Semiconductors N.V.

(Exact name of registrant as specified in its charter)

Netherlands
(State or other jurisdiction
of incorporation or organization)

98-1144352

(I.R.S. employer identification number)

60 High Tech Campus
Eindhoven
Netherlands
(Address of principal executive offices)

5656 AG
(Zip Code)

+31 40 2729999

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common shares, EUR 0.20 par value	NXPI	The Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant has submitted electronically every interactive data file required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing sale price of our ordinary shares on July 2, 2021 as reported on the Nasdaq Global Select Market, was \$54.7 billion. As of February 18, 2022, the Registrant had 262,538,156 outstanding ordinary shares, excluding shares held in treasury.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to its 2022 Annual General Meeting of shareholders (the "2022 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2022 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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Introduction and Forward Looking Statements

This Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the “Annual Report”) and certain information incorporated herein by reference contains forward-looking statements, which are provided under the “safe harbor” protection of the Private Securities Litigation Reform Act of 1995. When used in this Annual Report, the words “anticipate”, “believe”, “estimate”, “forecast”, “expect”, “intend”, “plan” and “project” and similar expressions, as they relate to us, our management or third parties, identify forward-looking statements. Forward-looking statements include statements regarding our business strategy, financial condition, results of operations, expected timeline to remediate the identified material weakness in our internal control over financial reporting, market data as well as any other statements that are not historical facts. These statements reflect beliefs of our management, as well as assumptions made by our management and information currently available to us. Although we believe that these beliefs and assumptions are reasonable, these statements are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. These factors, risks and uncertainties expressly qualify all subsequent oral and written forward-looking statements attributable to us or persons acting on our behalf and include, in addition to those listed under Part I, Item 1A. *Risk Factors* and elsewhere in this Annual Report, 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;
- potential impacts of the COVID-19 pandemic;
- trade disputes between the U.S. and China, and the potential increase of barriers to international trade and resulting disruptions to our established supply chains;
- our ability to generate sufficient cash, raise sufficient capital or refinance our debt at or before maturity to meet our debt service, 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 strategic alliance partners;
- our ability to win competitive bid selection processes;
- our ability to develop products for use in our customers’ equipment and products;
- our ability to successfully hire and retain key management and senior product engineers; and
- our ability to maintain good relationships with our suppliers.

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

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

The financial information included in this Annual Report is based on United States Generally Accepted Accounting Principles (U.S. GAAP), unless otherwise indicated.

In presenting and discussing our 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 or as alternatives to the equivalent U.S. GAAP measures and should be used in conjunction with the most directly comparable U.S. GAAP measures. A discussion of non-U.S. GAAP measures included in this Annual Report and a reconciliation of such measures to the most directly comparable U.S. GAAP measures are set forth under “Use of Certain Non-U.S. GAAP Financial Measures” contained in this Annual Report under Part II, Item 7. *Management’s Discussion and Analysis of Financial Condition and Results of Operations*.

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

This Annual Report includes market data and certain other statistical information and estimates that are based on reports and other publications from industry analysts, market research firms, and other independent sources, as well as management’s own good faith estimates and analyses. NXP believes these third-party reports to be reputable, but has not independently verified the underlying data sources, methodologies or assumptions. The reports and other publications referenced are generally available to the public and were not commissioned by NXP. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information.

Part I

Item 1. Business

Company Overview

NXP Semiconductors N.V. is a global semiconductor company and a long-standing supplier in the industry, with over 50 years of innovation and operating history. For the year ended December 31, 2021, we generated revenue of \$11,063 million, compared to \$8,612 million for the year ended December 31, 2020.

We provide leading solutions that leverage our combined portfolio of intellectual property, deep application knowledge, process technology and manufacturing expertise in the domains of cryptography-security, high-speed interface, radio frequency (RF), mixed-signal analog-digital (mixed A/D), power management, digital signal processing and embedded system design. Our product solutions are used in a wide range of end market applications including: automotive, industrial & Internet of Things (IoT), mobile, and communication infrastructure. We engage with leading global original equipment manufacturers (OEMs) and sell products in all major geographic regions.

Our legal name is NXP Semiconductors N.V. and our commercial name is “NXP” or “NXP Semiconductors.” We were incorporated in the Netherlands in 2006 as a Dutch public company with limited liability (naamloze vennootschap).

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 2729999. Our registered agent in the United States is NXP USA, Inc., 6501 William Cannon Dr. West, Austin, Texas 78735, United States of America, phone number +1 512 9338214.

Semiconductor Market Overview

Semiconductors perform a broad variety of functions within electronic products and systems, including processing data, sensing, storing information and converting or controlling electronic signals. Semiconductors vary significantly depending upon the specific function or application of the end product in which the semiconductor is used and the customer who is deploying it. Semiconductors also vary on a number of technical characteristics including the degree of integration, level of customization, programmability and the process technology utilized to manufacture the semiconductor. Advances in semiconductor technology have increased the functionality and performance of semiconductors, improving their features and power consumption characteristics while reducing their size and cost. These advances have resulted in growth of semiconductors and electronic content across a diverse array of products. The semiconductor market totaled \$555.9 billion in 2021.

Reporting Segment

NXP has one reportable segment representing the entity as a whole, which reflects the way in which our chief operating decision maker executes operating decisions, allocates resources, and manages the growth and profitability of the Company.

End Market Exposure

Our product groups are focused on four primary end markets that we believe are characterized by long-term, attractive growth opportunities and where we believe we enjoy sustained, competitive differentiation through our technology leadership. The four end markets are Automotive, Industrial & IoT, Mobile, and Communication Infrastructure & Other.

	Automotive	Industrial & IoT	Mobile	Comm Infra & Other
Key Applications	ADAS Electrification Vehicle Networks Secure Car Access eCockpit Body Comfort & Convenience Powertrain	Smart Home Edge Nodes Factory and Building Automation Home Entertainment Power and Energy Smart Appliances Medical Smart Retail	Smartphones Wearables Mobile Accessories	Wireless Basestations Network & Security Banking Cards Government ID documents Transit Cards RFID Tagging
Growth Drivers	Radar systems Domain and zonal processors Electrification systems	Secure connected Edge solutions Smart home and industrial automation Connectivity and crossover processors	UWB mobile access solutions Mobile Wallet/Mobile Transit	RF Power Systems 5G roll out

i. Automotive

Growth in automotive semiconductor sales relies on global vehicle sales and production trends and the increase in semiconductor content per vehicle, which is being driven by the proliferation of electronic features throughout the vehicle. Despite the decline in vehicles sales and production in 2020 due to the outbreak of the COVID-19 and the very low growth in 2021 due to the global supply crisis, the increase in semiconductor content per vehicle continued.

We believe three mega-trends will drive the semiconductor content increase in the future: Autonomous driving, electrification and the service oriented car. Each of the megatrends involve new functions and each new function requires new technologies. The path to full autonomy is driving the increase of driver assistance systems in the car already today. In the same way, strict emissions regulations as well as consumer willingness for energy efficient cars are accelerating the penetration of electrification, which has been even more intensified during the pandemic, with OEMs prioritizing investments in this area. Last but not least, many consumers want their cars to be service oriented, hyper-connected, configurable and upgradeable, in the same way as they are used to with their smartphones.

Semiconductor content per vehicle continues to increase due to government regulation of safety and emissions, standardization of higher-end options across a greater number of vehicle classes as well as consumer demand for greater fuel efficiency, advanced safety, multimedia applications and connectivity. Automotive safety features are evolving from passive safety systems to active safety systems with Advanced Driving Assisted Systems (ADAS) such as radar and vision systems. Semiconductor content is also increasing in engine management and fuel economy applications, like Battery Management Systems (BMS). Comfort and convenience systems and user interface applications, as well as infotainment features such as digital audio broadcasting are also areas with high semiconductor content increases. In addition, the use of networking in automotive applications continues to increase as various subsystems communicate within the automobile and with external devices and networks. Furthermore, we believe networking will play a key role in the electrical/electronic (E/E) architecture transformation towards domain and zonal architectures. Smart car access, automotive Ultra-Wideband (UWB) and Near-Field Communication (NFC) are gaining ground in automotive as well, enabling the connection of vehicles and car keys to portable devices and the infrastructure. Data integrity and security hardware features for safeguarding memory, communication and system data are also increasing in importance.

Due to the high degree of regulatory scrutiny and safety requirements, the automotive semiconductor market is characterized by stringent qualification processes, zero defect quality processes, functionally safe design architecture, high reliability, extensive design-in timeframes and long product life cycles, which results in significant barriers to entry.

ii. Industrial & IoT

The world is becoming smarter, more connected and more data driven, and the Industrial & IoT market sits at the center of this global digital transformation. The Industrial & IoT market is highly fragmented with a diverse collection of products and applications such as factory automation, smart home, smart appliances, home entertainment, smart retail, power and energy and medical electronics.

Growth in the Industrial market is driven by the replacement of traditional mechanical equipment by smart and connected electronic equipment using various sensors, processors, connectivity and security chipsets that align well with NXP's ability to provide a complete range of processing, connectivity and secure solutions. In IoT, growth is driven by the increasing use of high-performance edge and media devices (e.g., home entertainment, connected home assistants, home control and security) and low power IoT nodes (e.g. smart home, wearables, health trackers) where NXP scalable solutions across the entire embedded processing spectrum are ideally suited. Working and learning from home significantly increased in the past two years due to the COVID-19 pandemic, resulting in strong demand for smart home devices, computing peripherals, home entertainment and gaming consoles within our Industrial & IoT business.

The increase in productivity with real-time insights and efficient processes for factory automation, the enhancement in consumer convenience, security and comfort for smart homes, the reduction of resource consumption and better energy efficiency for smart appliances, the increase in performance of rich media content in smart consumer devices and the need for better health prevention and monitoring solutions (wearables, smart patches and smart drug delivery devices) to help ensure the future health of millions of people are some of the key use-cases driving growth in Industrial & IoT.

Finally, with the growing number of connected devices, latency, privacy and bandwidth have become critical limiting factors and Edge computing solves this by bringing the intelligence closer to the source. Security and tamper-detection capabilities are also becoming essential features of these Industrial & IoT solutions.

iii. Mobile

Mobile includes applications such as smartphones, feature phones, tablets, wearables and mobile accessories. NXP has a strong focus on mobile wallet, Ultra-Wideband (UWB) and specialty custom analog solutions. The demand for faster speeds, improved battery life, fast charging, mobile wallets, highly secure localization and sensing technology, mobile transit and authentication is driving increased semiconductor content for NXP. The growth in this market is mainly driven by the increasing attach rate of these features across devices, vendors and regions, from flagship smartphones down to feature phones, from developed countries to emerging regions. UWB, thanks to its unique precision, robustness, and reliability, is emerging as a secure, fine-ranging technology capable of enabling a wide range of innovative location-based user experiences. The technology is gaining momentum thanks to wider chipset availability, adoption across various devices by multiple brands, and the formation of a strong UWB ecosystem across the whole supply chain and NXP is well positioned in this market.

iv. Communication Infrastructure & Other

The Communication Infrastructure & Other end market is a combination of three different application markets, namely 5G networks, digital network communications and secure edge identification solutions.

The transition to 5G and the cloudification of the network present a significant opportunity for NXP. More base stations are needed and massive MIMO radio technology - which provides better throughput and better spectrum efficiency - is greatly expanding the number of antennas and power amplifiers needed. Small cells are also deployed to improve coverage and capacity of wireless networks. In power amplification, as more bandwidth and higher frequencies are needed, we observe an increasing adoption of GaN technology because of its higher power output and efficiency.

Workplaces are evolving from offices to homes, and consumers and enterprises need to adapt to changing working conditions, leading to increasing demand for better digital communication capabilities and digital content. This creates strong growth in the network communications market. Meanwhile, billions of connected devices exchange more and more data, leading to strong demand for device edge and cloud processing solutions.

Finally, in secure edge identification solutions, NXP has extensive experience providing customers with solutions for applications demanding the highest security and reliability (ePassports, eID credentials, transportation & payment cards and RFID solutions). Further digitalization of governmental services, the trend

towards secure contactless payment and the need to improve tracking, traceability and authentication of products are driving demand across these applications.

Products

We offer customers a broad portfolio of semiconductor products, including microcontrollers, application processors, communication processors, connectivity chipsets, analog and interface devices, RF power amplifiers, security controllers and sensors. A key element of our strategy is to offer highly integrated and secure solutions that are increasingly sought by our customers to simplify their development efforts and shorten their time to market. We believe we have the broadest ARM processor portfolio in the industry, from microcontrollers to crossover processors and from application processors to communication processors.

i. Microcontrollers

We have been a provider of MCU solutions for more than 40 years. MCUs integrate all of the major components of a computing system onto a single semiconductor device. Typically, this includes a programmable processor core, memory, interface circuitry and other components. MCUs provide the digital logic, or intelligence, for electronic applications, controlling electronic equipment or analyzing sensor inputs. We are a trusted, long-term supplier of MCUs to many of our customers, especially in the automotive, smartcards, industrial and consumer markets. Our MCU product portfolio ranges from 8-bit products to higher performance 16-bit and 32-bit products with on-board flash memory. Our portfolio is highly scalable, and is coupled with our extensive software and design tools. This enables our customers to design-in and deploy our MCU families, leveraging a consistent software development environment. Due to the scalability of our portfolio we are able to help future-proof our customer's products as their systems evolve, becoming more complex or requiring greater processing capabilities over time. For automotive applications, our microcontrollers deliver the required reliability, security and functional safety to address current and future automotive challenges. In an increasingly connected and networked society, where security is playing a more important role, our MCU families are equipped with varying security features (such as remote authentication, system/data integrity, secure communication and anomaly detection) to address different type of security risks. Our new i.MX RT crossover processors are built using applications processors chassis, delivering a high level of integration, high speed peripherals, enhanced security, and engines for enhanced user experience (for example, 2D/3D graphics), but powered by a low-power MCU core running a real-time operating system like Amazon FreeRTOS or Zephyr RTOS. The i.MX RT series offers the high performing Arm Cortex-M core, real-time functionality, and MCU usability at an affordable price. Our S32x Automotive Processing Platform offers scalability across products and multiple application domains with S32K MCU's based on Arm Cortex-M cores with Automotive Safety Integrity Level (ASIL-D) capabilities.

ii. Application Processors

Application processors consist of a computing core with embedded memory and special-purpose hardware and software for secure multimedia applications such as graphics and video. Our products focus on consumer devices, industrial applications and automotive applications, like driver information systems, ADAS and vehicle networking that require processing and multimedia capabilities. We provide highly integrated ARM-based i.MX application processors with integrated audio, video and graphics capability that are optimized for low-power and high-performance applications. Our i.MX family of processors are designed in conjunction with a broad suite of additional products including power management solutions, audio codecs, touch sensors and accelerometers to provide full systems solutions across a wide range of operating systems and applications. Our i.MX 8 and 9 families are the latest generations of our general purpose application processors. Our i.MX 8 family is a feature and performance scalable multi-core platform that includes single, dual and quad-core families based on the Arm Cortex architecture for advanced graphics, imaging, machine vision, audio, voice, video, and safety-critical applications. Together, these products provide a family of applications processors featuring software, power and pin compatibility across single, dual and quad core implementations. Software support includes Linux and Android implementations. Our i.MX 9 series of application processors integrates hardware neural processing units across the entire series for acceleration of machine learning applications at the edge. In Automotive, our S32x Automotive Processing Platform offers scalability across products and multiple application domains based on Arm Cortex-A, Cortex-R, and Cortex-M cores with Automotive Safety Integrity Level (ASIL-D) capabilities with software compatibility from the MCU's to SoC's.

iii. Communication Processors

Communication processors combine a computing core, caches and other memories, with high-speed networking and input/output interfaces, such as Ethernet and PCI Express. Our portfolio includes 64-bit Arm-based Layerscape processors with up to 16 CPUs and Ethernet ports running at up to 100Gbps. Software support includes Linux and commercial real-time operating systems. Within enterprise and data-center communications infrastructure, our processors are used in switches, routers, SD-WAN access devices, Wi-Fi access points, and network security systems. Within service-provider communications infrastructure, our processors are used in cellular base stations, fixed wireless access Customer Premises Equipment (CPE), residential gateways, broadband aggregation systems, and core networking equipment. Although designed for use in communications infrastructure, these processors also find widespread use in other types of equipment, including industrial automation for control, edge computing nodes, cloud computing servers for offloading networking functions, and automobiles for communications and some ADAS functions. We also offer Layerscape Access processors, which implement baseband functions, principally for wireless systems such as 5G fixed wireless access, using programmable vector signal processors.

iv. Wireless Connectivity

We offer a broad portfolio of connectivity solutions, including Near Field Communications (NFC), Ultra-wideband (UWB), Bluetooth low-energy (BLE), Zigbee as well as Wi-Fi and Wi-Fi/Bluetooth integrated SoCs. These products are integrated into a wide variety of end devices, such as mobile phones, wearables, enterprise access points, home gateways, voice assistants, multimedia devices, gaming consoles, printers, automotive infotainment and smart industrial devices.

v. Analog and Interface Products

We have a very broad portfolio of Analog and Interface products that are used in many markets, particularly automotive, industrial/IoT and mobile. In automotive we are the market leader in most of the applications, with integrated 77GHz Radar solution for ADAS, battery management products for Electrification, audio processing solutions and amplifiers for car entertainment, Controller Area Network (CAN), Local Interconnect Network (LIN), FlexRay and Ethernet solutions for in-vehicle networking and two-way secure products for secure car access. In Industrial/IoT and mobile, we are a major supplier in interface, power and high-performance analog products. Our product portfolios includes I2C/I³C, General Purpose Input/Output (GPIO), LED controllers, real-time clocks, signal and load switches, signal integrity products, wired charging solutions, fast charging solutions, DC-DC, AC-DC converters and high-performance RF amplifiers. We have also successfully engaged with leading OEMs to drive custom and semi-custom products which in turn allow us to refine and accelerate our innovation and product roadmaps.

vi. Radio Frequency Devices

NXP is the market leader in High-Performance Radio Frequency (HPRF) power amplifiers. We have an extensive portfolio of LDMOS, GaN and GaAs RF transistors. NXP's solutions range from sub-6GHz to 40GHz and from milliwatts to kilowatts. For base stations, NXP offers a full range of solutions addressing 5G RF power amplification needs from MIMO to massive MIMO based active antenna systems for cellular and millimeter Wave (mmWave) spectrum bands. We are engaged with the majority of the largest customers in mobile base stations and in several other application areas. In low and medium Power Amplification, NXP's low noise amplifier (LNA) portfolio offers solutions to meet future design needs in a wide range of applications. Two technologies serve the LNA portfolio, each with distinct advantages for their applications. Wireless infrastructure applications and many general wireless applications are served with III-V technology LNAs. Advanced SiGe technology is utilized in LNAs designed for wireless communication, cellular, consumer, automotive and industrial applications.

vii. Security Controllers

NXP is the market leader in security controller ICs. Our security controller ICs are embedded in smart cards (ePassports, electronic ID credentials, payment cards and transportation cards), as well as in consumer electronic and smart devices, for example in smartphones, tablets and wearables. These security controller ICs are suited for applications demanding the highest security and reliability. Nearly all of our security products consist of multi-functional solutions comprised of passive RF connectivity devices facilitating information transfer from the user document to reader infrastructure; secure, tamper-proof microcontroller devices in which

information is securely encrypted (“secure element”); and secure real-time operating system software products to facilitate the encryption-decryption of data, and the interaction with the reader infrastructure systems. Our solutions are developed to provide extreme levels of security of user information, undergoing stringent and continued global governmental and banking certification processes, and to deliver a high level of device performance enabling significant throughput and productivity to our customers.

viii. Sensors

Sensors serve as a primary interface in embedded systems for advanced human interface and contextual awareness that mimic the human “5 senses” interaction with the external environment. We provide several categories of semiconductor-based environmental and inertial sensors for the Automotive market, including pressure, inertial, magnetic and gyroscopic sensors that provide orientation detection, gesture recognition, tilt to scroll functionality and position detection.

Manufacturing

We manufacture integrated circuits and discrete semiconductors through a combination of wholly owned manufacturing facilities, a manufacturing facility operated jointly with another semiconductor company and third-party foundries and assembly and test subcontractors. We manage our manufacturing assets together through one centralized organization to ensure we realize scale benefits in asset utilization, purchasing volumes and overhead leverage across businesses.

In the future, we expect to outsource an increased part of our internal demand for wafer foundry and packaging services to third-party manufacturing sources in order to increase our flexibility to accommodate increased demand.

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

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

Our front-end manufacturing facilities use a broad range of production processes and proprietary design methods, including complementary metal oxide semiconductor (CMOS), bipolar, bipolar CMOS (BiCMOS) and double-diffused metal on silicon oxide semiconductor (DMOS) technologies. Our wafer fabs produce semiconductors with line widths ranging from 90 nanometers to 3 microns for integrated circuits and 0.5 microns to greater than 4 microns for discrettes. This broad technology portfolio enables us to meet increasing demand from customers for system solutions, which require a variety of technologies.

Our back-end manufacturing facilities test and package many different types of products using a wide variety of processes. To optimize flexibility, we use shared technology platforms for our back-end assembly operations. Most of our assembly and test activities are maintained in-house.

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

Site	Ownership	Wafer sized used	Line widths used (vm) (Microns)	Technology/Products
Front-end				
Singapore (SSMC) ¹⁾	61.2 %	8"	0.14-0.25	CMOS, eNVM, Power, BCDMOS, RF
Nijmegen, the Netherlands	100 %	8"	0.14-1.00	CMOS, BCDMOS, RF, Power MOSFET
Austin (Oak Hill), United States	100 %	8"	0.25-1.50	CMOS, Sensors, RF, Power MOSFET
Chandler, United States	100 %	8"	0.18-0.50	CMOS, eNVM, BCDMOS
Chandler RF, United States	100 %	6"	0.25-0.40	GaN
Austin (Ed Bluestein), United States	100 %	8"	0.09-0.18	CMOS, eNVM, BCDMOS, Radar
Back-end				
Kaohsiung, Taiwan	100 %	—	—	NFC, Automotive Car-access, In-Vehicle Networking, Micro-controllers, ADAS (Radar), Analog, Mixed-Signal and Power
Bangkok, Thailand	100 %	—	—	Automotive In-Vehicle Networking and Sensors, Analog, RFID, Banking and e-Passport modules, Power Management
Kuala Lumpur, Malaysia	100 %	—	—	Micro-processors, ADAS/Radar, Micro-controllers, Advanced Audio Processor, Sensors, Power Management, Analog and Mixed Signal, RF devices
Tianjin, China	100 %	—	—	Micro-processors, Micro-controllers, Power Management, Battery Management, Analog and Mixed Signal

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

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

We typically source our other raw materials in a similar fashion as our wafers, although our portfolio of suppliers is more diverse. Some of our suppliers provide us with materials on a just-in-time basis, which permits us to reduce our procurement costs and the negative cash flow consequences of maintaining inventories, but exposes us to potential supply chain interruptions. We purchase most of our raw materials on the basis of fixed price contracts.

Due to the COVID-19 pandemic, semiconductor supply chains have been under significant pressure. As a result, there has been a tendency towards longer term contracts with suppliers in exchange for capacity. From an operational perspective, all of our manufacturing facilities continue to operate around the world in accordance with guidance issued by local and national government authorities.

Sales, Marketing and Customers

We market our products and solutions worldwide to a variety of OEMs, contract manufacturers and distributors. We generate demand for our products by delivering product solutions to our customers, and supporting their system design-in activities by providing application architecture expertise and local field application engineering support.

Our sales and marketing teams are organized into five regions, which are EMEA (Europe, the Middle East and Africa), the Americas, Japan, South Korea, and Greater China and Asia Pacific). These sales regions are responsible for managing customer relationships and creating demand for our solutions through the full ecosystem development. In addition, our sales and marketing teams in the regions partner with our distributors and our large number of mass market customers.

Our sales and marketing strategy focuses on key defined verticals in Automotive, Mobile, Industrial & IoT and Communication Infrastructure, deepening our relationship with our top OEMs and electronic manufacturing service customers, expanding our reach to our mass market customers, startups and our distribution partners and becoming their preferred supplier, which we believe assists us in reducing sales volatility in challenging markets. We have long-standing customer relationships with most of our customers. Our 10 largest OEM end customers, some of whom are supplied by distributors, in alphabetical order, are Apple, Aptiv, Bosch, Continental, Denso, Harman Auto, LGE, Samsung, Visteon, and Vitesco. We also have a strong position with our distribution partners, including our three largest, Arrow, Avnet and WT Micro.

Our revenue is primarily the sum of our direct sales to OEMs plus our distributors' resale of NXP products. Avnet accounted for 18% of our revenue in 2021 and 17% in 2020. No other distributor accounted for greater than 10% of our revenue. No OEM for which we had direct sales to accounted for more than 10% of our revenue in 2021 or 2020.

Research and Development

We believe that our future success depends on our ability to both improve our existing products and to develop new products for both existing and new markets. We direct our research and development efforts largely to the development of new semiconductor solutions where we see significant opportunities for growth. We target applications that require stringent overall system and subsystem performance. As new and challenging applications proliferate, we believe that many of these applications will benefit from our solutions. We have assembled a global team of highly skilled semiconductor and embedded software design engineers with expertise in RF, analog, power management, interface, security and digital processing.

To outpace market growth we invest in research and development to extend or create leading market positions, with an emphasis on fast growing sizable market segments, such as ADAS, in-vehicle networks and power management, as well as Edge computing to support the successful deployment in the IoT with our cross-over processing technology, but also in emerging markets, such as massive MIMO in RF Power and mmWave for 5G. In addition, we invest a few percent of our total research and development expenditures in research activities that develop fundamental new technologies or product categories that could contribute significantly to our company's growth in the future.

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

Intellectual Property

The creation and use of intellectual property is a key aspect of our strategy to differentiate ourselves in the marketplace. We seek to protect our proprietary technologies by obtaining patents, trademarks, domain names, retaining trade secrets and defending, enforcing and utilizing our intellectual property rights, where appropriate. We believe this strategy allows us to preserve the advantages of our products and technologies, and helps us to improve the return on our investment in research and development. We have a broad portfolio of approximately 9,500 patent families (each patent family includes all patents and patent applications originating from the same invention). To protect confidential technical information and software, we rely on copyright and trade secret law and enter into confidentiality agreements as applicable. In situations where we believe that a third party has infringed on our intellectual property, we enforce our rights through all available legal means to the extent that we determine the benefits of such actions to outweigh the costs and risks involved.

We own a number of trademarks that are used in the conduct of our business. Where we consider it desirable, we develop names for our new products and secure trademark protection. Our trademarks allow us to further distinguish our company and our products and are important in our relationships with customers, suppliers, partners and end-users.

While our patents, trademarks, trade secrets and other intellectual property rights constitute valuable assets, we do not view any individual right or asset as material to our operations as a whole. We believe it is the combination of our proprietary technology, patents, know-how and other intellectual property rights and assets that creates an advantage for our business.

In addition to obtaining our own patents and other intellectual property rights, we have entered into licensing agreements and other arrangements authorizing us to use intellectual property rights, confidential technical information, software and other technology owned by third parties. We also engage, in certain instances, in licensing and selling of certain of our technology, patents and other intellectual property rights.

Competition

We compete with many different semiconductor companies on a global basis, including with both integrated device manufacturers (“IDMs”) as well as fabless companies. Nearly all our competitors invest extensively in research and development, manufacturing, sales and marketing capabilities across a broad spectrum of product lines. Many of our competitors are focused on single applications or market segments. Most of our competitors compete with us with respect to some, but not all, of our product lines.

Our primary key public competitors in alphabetical order include, but are not limited to, Analog Devices Inc., Infineon Technologies AG, Intel Corp., Marvell Technology, Mediatek Inc., Microchip Technology Inc., NVIDIA Corp., Qualcomm Incorporated, Renesas Electronics Corp., STMicroelectronics NV and Texas Instruments Incorporated.

The basis on which we compete varies across end markets and geographic regions. This includes competing on the basis of our ability to develop new products and the underlying intellectual property in a timely manner to meet customer requirements in terms of product features, quality, performance, warranty, availability and cost. In addition, we are asked to deliver full system capabilities which include multiple NXP devices and enabling software. This requires in-depth knowledge of specific applications in target markets in order to develop robust system solutions and qualified customer support resources.

Seasonality

Historically, our net revenue does not display consistent or predictable seasonal patterns.

Government Regulation, including Environmental Regulation

The information set forth under the “Environmental remediation” caption of Note 15 of our notes to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report is incorporated herein by

reference. For additional discussion of certain risks associated with government and environmental regulation, see Part I, Item 1A. *Risk Factors*.

Information about our Executive Officers

The names, ages and positions as of February 24, 2022, of our executive officers, including our chief executive officer, Mr. Sievers, are as follows:

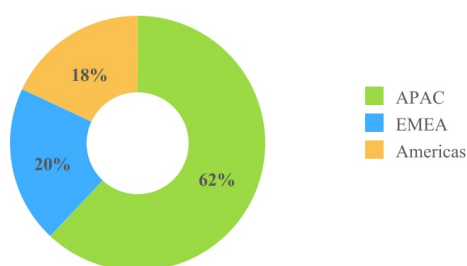
Name	Age	Position
Kurt Sievers	52	Executive director, president and chief executive officer
Bill Betz	44	Executive vice president and chief financial officer
Christopher Jensen	52	Executive vice president and chief human resources officer
Andy Micallef	57	Executive vice president global operations
Stephen Owen	61	Executive vice president sales & marketing
Jennifer Wuamett	56	Executive vice president and general counsel

Human Capital

At NXP, our diverse and talented employees drive the innovation that sets our company apart and fuels our success in the market. Across the globe, we have policies and programs to attract and maintain the best talent possible. We focus on driving employee engagement; building thought leadership; embracing diversity, equity and inclusion; providing competitive and fair compensation and benefits; enabling talent development and growth opportunities; investing in future talent; focusing on employee retention; and giving back to our communities.

NXP's workforce includes direct labor (DL) and indirect labor (IDL). DL are those employees directly involved in manufacturing our products, while IDL consists of individual contributors, managers and executives in other functions such as research and development (R&D) and selling, general and administrative (SG&A). At December 31, 2021, we had approximately 31,000 employees, which includes approximately 1,500 employees in our joint venture. Our NXP global workforce spans three regions encompassing 30+ countries and includes approximately 9,300 employees dedicated to research and development of our products and solutions.

2021 NXP Workforce by Region



We monitor voluntary attrition closely as a key indicator of employee engagement. This attrition is also compared to industry norms to ensure we are effectively retaining our employees throughout the world. During calendar 2021, our voluntary attrition rate was 7.9% for IDL, 18.4% for our DL population and 12.1% of the combined employee population. In 2021, NXP saw a year-over-year increase in employee turnover. To mitigate voluntary turnover, we launched several initiatives centered around retention for strategic roles and top-performing talent, as well as broad-based programs targeting all employees.

Diversity, Equality and Inclusion

At NXP, we value diversity, equality and inclusion, and respect the unique talents, experiences, backgrounds, cultures and ideas of our team members. Our diversity, equality and inclusion approach is centered around ensuring leadership commitment and accountability; building and sustaining a qualified and diverse talent pipeline and equitable processes; and fostering an inclusive culture and a sense of belonging to attract and retain the best talent. NXP continues to contribute resources focused on driving cultural awareness across the Company, which is spearheaded by NXP's Head of Diversity, Equality and Inclusion. The Compensation Committee of our Board provides oversight of our policies, programs and initiatives focusing on human capital management, including workforce diversity, equality and inclusion.

NXP Employee Resource Groups (ERGs) enable our culture and inclusive work environment, as we work to ensure diversity of thought throughout our company and bring unique perspectives and skills to help those in our communities. Today, we have eight primary ERGs, with representation in Asia, Europe, Mexico and the United States. Membership and participation in ERGs is open to all employees, and global engagement is encouraged. To track the progress of our growing ERGs, we measure membership, programming and employee engagement for each group.

To support our diversity, equality and inclusion approach and demonstrate our commitment to transparency and accountability, we have established the following aspirational 2025 diversity, equality and inclusion stretch goals to improve global gender representation and minority race and ethnicity representation in the United States.

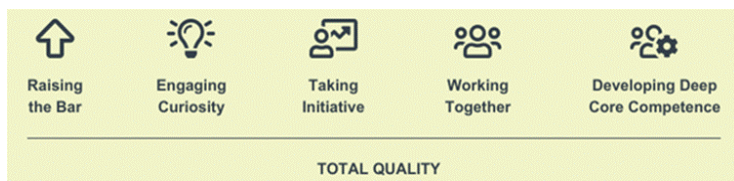
2025 Goals				
40% Women in Overall Global Workforce	30% Women in Global Indirect Labor Workforce	20% Women in Executive Positions*	25% Women in R&D Positions	50% Minority Representation in the United States*

2021 Progress towards Goals				
37%	24%	13%	17%	49%

* Executive positions are defined as individuals at the level of Vice President and above. Minority representation includes employees who self-identify as Asian, Hispanic or Latino, Black or African American, American Indian or Alaska Native, Pacific Islander or two or more races. We also include within minority representation employees who have not self-identified an ethnicity.

Corporate Values and Employee Engagement

NXP's values are the foundation of what makes us an extraordinary company. Engaging, developing, and caring for our team members is how we create long-term value for our stakeholders. Our values guide our decision making and speak to how we operate, our inherent beliefs and how we engage and respect each employee's contribution, and push the boundaries of creativity and innovation. We hold ourselves accountable to our values by including them in our performance evaluation process.



To assess and improve employee engagement, NXP regularly conducts our global Winning Culture Survey. We invite employees to share their level of agreement on a variety of factors, including engagement, strategy, culture, leadership, continuous improvement, collaboration, execution, accountability, work environment and support.

Talent Development

NXP is committed to continuous learning, including mechanisms for learning from others, on-the-job development experiences, and formal training. Using a blend of internally designed and externally sourced courses and learning resources, we offer our employees around the globe a variety of training programs that provide real-time learning opportunities in support of key business processes, requirements and initiatives. We also provide a library of on-demand skills development and microlearning resources to all our employees.

We work to create developmental opportunities for our employees through stretch assignments, project roles, cross-functional interactions, cross-geography engagements, and both temporary and longer-term job rotations – all of which are used to stimulate core skill and leadership competency development, provide on-the-job learning experience, and fuel employee career growth. We also believe that our commitment to our internship programs and university partnerships are a key contributor to developing the new generation of talent, including engineers in our industry and company, and provide a pipeline of recent college graduates into our talent pool.

Compensation and Benefits

We provide total rewards packages that include market competitive base salary, as well as opportunities to earn short-term cash incentives and equity-based incentives. In addition, in an effort to meet the specific needs of our employees and their families, we offer benefits programs, which vary by country/region, and include an Employee Stock Purchase Plan, retirement programs, healthcare and insurance benefits, allowances, paid time off, family leave, flexible work arrangements, and other employee assistance programs.

NXP's compensation programs are designed to attract the best talent and drive performance across all areas of our diverse workforce. NXP is committed to managing all reward-based compensation programs, including merit increases, incentive program payouts and long-term incentive awards, to deliver on our pay-for-performance philosophy. Rewarding performance is a critical foundation for our overall compensation program.

We also have developed a proactive process to evaluate each reward-based compensation program in real time and provide leaders with feedback to ensure fair and equitable compensation while decisions are being made. NXP relies on third-party data to establish fair, equitable and competitive compensation and benefits programs. We then empower leaders to recognize both individual and team accomplishments through a variety of compensation programs.

Employee Health and Safety

We are committed to the safety of our employees, and we continuously assess safety risks globally to ensure workplace risks are mitigated. We are certified to ISO 45001, the occupational health and safety management system, and have developed robust safety programs and initiatives to safeguard our workforce.

With the unprecedented COVID-19 pandemic ongoing over the last two years, the health and safety of our employees has continued to be of utmost importance, and we have effectively managed our safety programs over this period. For example, employees who are required to be physically at one of our locations are protected with increased safety and site entry requirements, many of which exceed local requirements. We have hosted several successful vaccination drives in some countries where our employees live and work. During this period we have also transitioned many of our employees to remote working partially or full-time to protect those who must be on-site to do their jobs. Additionally, as external conditions improve, we have developed a global flexible work arrangement program which offers eligible employees the ability to work a combination of on-site and remotely. These remote work arrangements reduce the individual site population to further protect employees who must work on-site. We believe the combination of our remote work transitions and our robust on-site safety programs and initiatives has significantly mitigated the safety risks for all our workforce.

Employee Representation

A number of our employees are members of a labor union and in various countries, local law requires us to inform and consult with employee representatives on matters relating to labor conditions. We have not experienced any material strikes or labor disputes in the past and consider our employee relations to be good.

We also have employee-lead worker's councils in various countries that provide input and oversight to many of the decisions made on behalf of employees.

Climate and Environment

As part of our commitment to reducing emissions and conserving the earth's natural resources, environment is a key pillar in our Sustainability Policy and strategy. We set company-wide environmental targets to optimize our resource use and consumption, minimize waste and continuously improve. Our targets are set periodically, and we currently are in the process of evaluating and updating focused mid- and long-term targets on carbon footprint reduction, renewable energy consumption, and water and waste recycling.

See Part I, Item 1A. Risk Factors for a discussion of potential global environmental risks that may adversely affect our business operations, such as climate change or natural disasters.

Our commitment to enable a smarter, more sustainable world goes beyond our operations, and includes innovating product solutions that support the sustainability goals and objectives of our stakeholders. We monitor developments of global legislation by tracking current discussions, timelines, and the likelihood of new implementations. During the design and development phase of our new product solutions, we emphasize these potential requirements to coincide with new product introductions. This proactively timed approach supports the success of sustainable green technology for long- and short-term impact of NXP and our customers.

Additional information about our environment strategy, targets and metrics is included in our Corporate Sustainability Report, and can be found on our website¹.

Available Information

Our main corporate website address is www.nxp.com. Copies of our filings with the United States Securities and Exchange Commission (SEC), including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are available free of charge on our website within the "Investors Relations" section as soon as reasonably practicable after having been electronically filed or furnished to the SEC. All SEC filings are also available at the SEC's website at www.sec.gov. The information contained on these websites as referenced is not incorporated by reference into this filing. Further, the Company's references to website URLs are intended to be inactive textual references only.

Item 1A. Risk Factors

Risks related to the coronavirus (COVID-19) pandemic

The extent to which the coronavirus (COVID-19) outbreak and measures taken in response thereto could materially adversely affect our financial condition and results of operations will depend on future developments, which are highly uncertain and are difficult to predict. The COVID-19 pandemic and measures taken in response have adversely impacted the Company's financial condition and results of operations.

The novel strain of the coronavirus identified in China in late 2019 has globally spread throughout other areas such as Asia, Europe, the Middle East, and North America and has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter in place orders, and shutdowns. These measures have adversely impacted and may further impact our workforce and operations, the operations of our customers, and those of our respective vendors and suppliers. We have significant manufacturing operations in China, Malaysia, Thailand, Singapore, Taiwan, The Netherlands and the U.S., and each of these countries has been affected by the outbreak and taken measures to try to contain it. There is considerable uncertainty regarding such measures and potential future measures, and restrictions on our access to our manufacturing facilities or on our support operations or workforce, or similar limitations for our vendors and suppliers, and restrictions or disruptions of transportation, such as reduced availability of air transport, port closures, and increased border controls or closures, could limit our capacity to meet customer demand and have a material adverse effect on our financial condition and results of operations.

The outbreak has significantly increased economic and demand uncertainty. We experienced a significant decline in revenue in the first half of 2020 related to the COVID-19 outbreak and then a swift rebound in demand beginning in the third quarter of 2020 and accelerating through the fourth quarter of 2021. The situation remains uncertain and the continued spread of COVID-19 or variants of COVID-19 may result in another economic

¹ The contents of our website and our Corporate Sustainability Report and Sustainability Policy are referenced for general information only and are not incorporated by reference in this Form 10-K.

slowdown similar or worse than what we experienced in the first half of 2020, including the possibility that it could lead to a global recession. Risks related to a slowdown or recession are described in our risk factor titled “Significantly increased volatility and instability and unfavorable economic conditions may adversely affect our business” below.

The spread of COVID-19 caused us to modify our business practices (including employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences), and we may reinstitute these and additional measures as may be required by government authorities or that we determine are in the best interests of our employees, customers, partners, and suppliers as we continue to respond to the COVID-19 situation in the communities in which we operate. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus, and our ability to perform critical functions could be harmed.

The degree to which COVID-19 adversely impacts our future results will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Even after the COVID-19 outbreak has subsided, we may experience material adverse impacts to our business as a result of the global economic impact and any recession that has occurred or may occur in the future. To the extent the COVID-19 pandemic adversely affects our business, results of operations, financial condition and cash flows, it may also heighten many of the other risks described below. There are no comparable recent events that provide guidance as to the effect the spread of COVID-19 as a global pandemic may have, and, as a result, the ultimate impact of the outbreak on our operations and financial results is highly uncertain and subject to change.

Risks related to the semiconductor industry and the markets in which we participate

The semiconductor industry is highly cyclical.

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

Significantly increased volatility and instability and unfavorable economic conditions may adversely affect our business.

It is difficult for us, our customers and suppliers to forecast demand trends. We may be unable to accurately predict the extent or duration of cycles or their effect on our financial condition or result of operations and can give no assurance as to the timing, extent or duration of the current or future business cycles generally, or specific to the markets in which we participate. In the first half of 2020, demand in the automotive market steeply declined as a result of manufacturing shutdowns by automotive OEMs due to the coronavirus pandemic, resulting in an unforeseen negative impact to our results of operations. Beginning in the third quarter of 2020, demand rebounded more quickly than anticipated and accelerated through the fourth quarter of 2021, resulting in our inability to fully satisfy customer demand. In 2008 and 2009, Europe, the United States and international markets experienced increased volatility and instability related to the global financial crisis. In the event of a future decline in global economic conditions, our business, financial condition and results of operations could be materially adversely affected, and the resulting economic decline might disproportionately affect the markets in which we participate, further exacerbating a decline in our results of operations.

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

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

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

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

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

The semiconductor industry is characterized by continued price erosion, especially after a product has been on the market.

One of the results of the rapid innovation in the semiconductor industry is that pricing pressure, especially on products containing older technology, can be intense. Product life cycles are relatively short, and as a result, products tend to be replaced by more technologically advanced substitutes on a regular basis.

In turn, demand for older technology falls, causing the price at which such products can be sold to drop, in some cases precipitously. In order to continue profitably supplying these products, we must reduce our production costs in line with the lower revenue we can expect to generate per unit. Usually, this must be accomplished through improvements in process technology and production efficiencies. If we cannot advance our process technologies or improve our efficiencies to a degree sufficient to maintain required margins, we will no longer be able to make a profit from the sale of these products. Moreover, we may not be able to cease production of such products, either due to contractual obligations or for customer relationship reasons, and as a result may be required to bear a loss on such products. We cannot guarantee that competition in our core product markets will not lead to price erosion, lower revenue or lower margins in the future. Should reductions in our

manufacturing costs fail to keep pace with reductions in market prices for the products we sell, this could have a material adverse effect on our business, financial condition and results of operations.

Risks related to our business operations

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

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

Our global business operations expose us to international business risks that could adversely affect our business.

If any of the following international business risks were to materialize or become worse, they could have a material adverse effect on our business, financial condition and results of operations:

- negative economic developments in economies around the world and the instability of governments and international trade arrangements, such as the increase of barriers to international trade including the imposition of tariffs on imports by the United States and China, the withdrawal of the United Kingdom from the European Union and the sovereign debt crisis in certain European countries;
- social and political instability in a number of countries around the world, including continued hostilities and civil unrest in the Middle East. The instability may have a negative effect on our business, financial condition and operations via our customers and volatility in energy prices and the financial markets;
- potential terrorist attacks;
- epidemics and pandemics, such as the coronavirus outbreak, which may adversely affect our workforce, as well as our suppliers and customers;
- adverse changes in governmental policies, especially those affecting trade and investment;
- volatility in foreign currency exchange rates, in particular with respect to the U.S. dollar, and transfer restrictions, in particular in China; and
- threats that our operations or property could be subject to nationalization and expropriation.

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

Goodwill and other identifiable intangible assets are recorded at fair value on the date of an acquisition. As a result of our acquisition of Marvell's Wireless WiFi Connectivity Business Unit, Bluetooth technology portfolio and related assets in 2019, we recognized goodwill of \$1.1 billion and intangible assets of \$0.5 billion. We review our goodwill and other intangible assets balance for impairment upon any indication of a potential impairment, and in the case of goodwill, at a minimum of once a year. Impairment may result from, among other things, a sustained decrease in share price, deterioration in performance, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of or affect the products and services we sell, challenges to the validity of certain registered intellectual property, reduced sales of certain products incorporating intellectual property and a variety of other factors. The amount of any quantified impairment must be expensed immediately as a charge to results of operations. Depending on future circumstances, it is possible that we may never realize the full value of our intangible assets. Any future determination of impairment of goodwill or other identifiable intangible assets could have a material adverse effect on our financial position, results of operations and stockholders' equity.

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

The semiconductor industry is characterized by high fixed costs and, notwithstanding our utilization of third-party manufacturing capacity, our production requirements are in part met by our own manufacturing facilities. In less favorable industry environments, like we faced in the first half of 2020, we are generally faced with a decline in the utilization rates of our manufacturing facilities due to decreases in demand for our products. During such periods, our fabrication plants could operate at lower loading level, while the fixed costs associated with the full capacity continue to be incurred, resulting in lower gross profit.

We may from time to time restructure parts of our organization. Any such restructuring may impact customer satisfaction and the costs of implementation may be difficult to predict.

We have previously executed restructuring initiatives and continue to assess, restructure and make changes to parts of the processes in our organization. If the global economy remains volatile, our revenues could decline and we may be forced to take cost savings steps that could result in additional charges and materially affect our business. The costs of implementing any restructurings, changes or cost savings steps may differ from our estimates and any negative impacts on our revenues or otherwise of such restructurings, changes or steps, such as situations in which customer satisfaction is negatively impacted, may be larger than originally estimated.

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

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

Our working capital needs are difficult to predict.

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

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

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

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

We face risks related to security vulnerabilities in our products.

We and third parties regularly identify security vulnerabilities with respect to our products and services. The same holds for the operating systems and workloads that run on them and the components that interact with them. Components and IP we purchase or license from third parties for use in our products, as well as industry-standard specifications we implement in our products, are also regularly subject to security vulnerabilities. As we have become a more data-centric company, our processors and other products are being used in additional and new and critical application areas that create new or increased cybersecurity, privacy or safety risks. This includes applications that gather and process large amounts of data, such as the cloud or Internet of Things, and critical infrastructure and automotive applications. We, our customers, and the users of our products do not always promptly learn of or have the ability to fully assess the magnitude or effects of a vulnerability, including the extent, if any, to which a vulnerability has been exploited. Additionally, new information can subsequently develop that may impact our assessment of a security vulnerability, including additional information learned as we develop and deploy mitigations or updates, become aware of additional variants and evaluate the competitiveness of existing and new products.

Security vulnerabilities and any limitations of, or adverse effects resulting from, mitigation techniques can adversely affect our results of operations, financial condition, sales, branding, customer relationships, share price, prospects, and reputation in a number of ways, any of which may be material.

Adverse publicity about security vulnerabilities or mitigations could damage our reputation with customers or users and reduce demand for our products and services. These effects may be greater to the extent that competing products are not susceptible to the same vulnerabilities or if vulnerabilities can be more effectively mitigated in competing products. Moreover, third parties can release information regarding potential vulnerabilities of our products before mitigations are available. This, in turn, could lead to attempted or successful exploits, adversely affect our ability to introduce mitigations, or otherwise harm our business and reputation.

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

We manufacture, in our own factories as well as with third parties, our products using processes that are highly complex, require advanced and costly equipment and must continuously be modified to improve yields and performance. Difficulties in the production process can reduce yields or interrupt production, and, as a result of such problems, we may on occasion not be able to deliver products or do so in a timely or cost-effective or competitive manner. As the complexity of both our products and our fabrication processes has become more advanced, manufacturing tolerances have been reduced and requirements for precision have become more demanding. As is common in the semiconductor industry, we have in the past experienced manufacturing difficulties that have given rise to delays in delivery and quality control problems. There can be no assurance that any such occurrence in the future would not materially harm our results of operations. Further, we may suffer disruptions in our manufacturing operations, either due to production difficulties such as those described above or as a result of external factors beyond our control, such as the disruption to our Austin, Texas manufacturing facilities caused by the February 2021 winter storm. We may, in the future, experience manufacturing difficulties or permanent or temporary loss of manufacturing capacity due to the preceding or other risks. Any such event could have a material adverse effect on our business, financial condition and results of operations.

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

Our manufacturing operations depend on deliveries of equipment and materials in a timely manner and, in some cases, on a just-in-time basis. From time to time, suppliers may extend lead times, limit the amounts supplied to us or increase prices due to capacity constraints or other factors. Supply disruptions may also occur due to shortages in critical materials, such as silicon wafers or specialized chemicals. Because the equipment that

we purchase is complex, it is frequently difficult or impossible for us to substitute one piece of equipment for another or replace one type of material with another. A failure by our suppliers to deliver our requirements could result in disruptions to our manufacturing operations. Our business, financial condition and results of operations could be harmed if we are unable to obtain adequate supplies of quality equipment or materials in a timely manner or if there are significant increases in the costs of equipment or materials.

Failure of our third party suppliers to perform could adversely affect our results of operations.

We currently use outside suppliers for a portion of our manufacturing capacity. Outsourcing our production presents a number of risks. If our outside suppliers are unable to satisfy our demand, or experience manufacturing difficulties, delays or reduced yields, our results of operations and ability to satisfy customer demand could suffer. In addition, purchasing rather than manufacturing these products may adversely affect our gross profit margin if the purchase costs of these products are higher than our own manufacturing costs would have been. Prices for foundry products also vary depending on capacity utilization rates at our suppliers, quantities demanded, product technology and geometry. Furthermore, these outsourcing costs can vary materially from quarter to quarter and, in cases of industry shortages, they can increase significantly, negatively affecting our gross profit. In addition, we have entered into long term supply agreements with certain key manufacturing partners. The failure of these suppliers to perform under these agreements or an unexpected reduction in demand for these products could result in a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

Environmental and other disasters, such as flooding, large earthquakes, volcanic eruptions or nuclear or other disasters, or a combination thereof may negatively impact our business. If flooding, a large earthquake, volcanic eruption or, extreme weather event or other natural disaster were to directly damage, destroy or disrupt our manufacturing facilities, it could disrupt our operations, delay new production and shipments of existing inventory or result in costly repairs, replacements or other costs, all of which would negatively impact our business. Even if our manufacturing facilities are not directly damaged, a large natural disaster may result in disruptions in distribution channels, supply chains, movement of goods and significant increases in the prices of raw materials used for our manufacturing process. For instance, the nuclear incident following the tsunami in Japan in 2011 impacted the supply chains of our customers and suppliers. Furthermore, any disaster affecting our customers (or their respective customers) may significantly negatively impact the demand for our products and our revenues. In addition, climate change could cause certain natural disasters, such as drought, wildfires, storms, flooding or rising sea levels, to occur more frequently or with greater intensity, which could pose

physical risks to our manufacturing or IT facilities or our suppliers' facilities, or could disrupt the availability of water and utilities necessary for the operation of our manufacturing facilities or our suppliers' facilities resulting in increased operating costs and/or business disruption, such as the disruption to our Austin, Texas manufacturing facilities caused by the February 2021 winter storm and weather-related disruption of water and utilities to these facilities.

The impact of any such natural disasters depends on the specific geographic circumstances but could be significant, as some of our factories are located in areas with known earthquake fault zones, flood or storm risks, including but not limited to Singapore, Taiwan, Malaysia or Thailand. There is increasing concern that climate change is occurring that may cause a rising number of natural disasters with potentially dramatic effects on human activity. We cannot predict the economic impact, if any, of natural disasters or climate change.

Risks related to regulatory or legal challenges

As our business is global, we need to comply with laws and regulations in countries across the world.

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

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

No assurance can be given that we have been or will be at all times in complete compliance with the laws and regulations to which we are subject or that we have obtained or will obtain the permits and other authorizations or licenses that we need. If we violate or fail to comply with laws, regulations, permits and other authorizations or licenses, we could be fined or otherwise sanctioned by regulators. Furthermore, if one or more of our customers are sanctioned by regulators for non-compliance with laws and regulations, we could experience a decrease in demand for our products. For example, import and export regulations, such as the U.S. Export Administration Regulations administered by the U.S. Department of Commerce, are complex, change frequently, have generally become more stringent over time and have intensified in recent years. Our results of operations could be negatively impacted if we are required to suspend activities with certain customers or suppliers due to future changes in regulations. In 2020, due to regulations imposed by the U.S. government, we ceased shipments of our products to Huawei pending approval of export licenses. Furthermore, global privacy legislation, enforcement, and policy activity, such as the EU General Data Privacy Regulation, are rapidly expanding and creating a complex regulatory compliance environment. Costs to comply with and implement these privacy-related and data protection measures could be significant. Even our inadvertent failure to comply with applicable privacy-related or data protection laws and regulations could result in proceedings against us by governmental entities or others.

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

We and certain of our businesses are involved as plaintiffs or defendants in legal proceedings in various matters. For example, we are involved in legal proceedings claiming personal injuries to the children of former employees as a result of employees' alleged exposure to chemicals used in semiconductor manufacturing clean room environments operated by us or our former parent companies, Philips and Motorola. Furthermore, because we continue to utilize these clean rooms, we may become subject to future claims alleging personal injury that may lead to additional liability. A judgment against us or material defense cost could harm our business, financial condition and results of operations.

Our manufacturing operations are subject to environmental laws and regulations and initiatives to address climate change.

We are subject to many environmental, health and safety laws and regulations in each jurisdiction in which we operate, which govern, among other things, emissions of pollutants into the air, wastewater discharges, the use and handling of hazardous substances, waste disposal, the investigation and remediation of soil and ground

water contamination and the health and safety of our employees. We are also required to obtain environmental permits from governmental authorities for certain of our operations. We cannot assure you that we have been or will be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators.

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

Public and private initiatives to address climate change may result in an increase in the cost of production due to increase in the prices of energy, introduction of energy or carbon tax or the purchase of carbon offsets. A variety of regulatory developments have been introduced that focus on restricting or managing the emission of carbon dioxide, methane and other greenhouse gases. Enterprises may need to purchase at higher costs new equipment or raw materials with lower carbon footprints. Environmental laws and regulations could also require us to acquire pollution abatement or remediation equipment, modify product designs, or incur expenses. New materials that we are evaluating for use in our operations may become subject to regulation. These developments and further legislation that is likely to be enacted could affect our operations negatively. Changes in environmental regulations could increase our production and operational costs, which could adversely affect our results of operations and financial condition.

Risks related to cybersecurity and IT systems

Interruptions in our information technology systems could adversely affect our business.

We rely on the efficient and uninterrupted operation of complex information technology applications, systems and networks to operate our business. The reliability and security of our information technology infrastructure and software, and our ability to expand and continually update technologies in response to our changing needs is critical to our business. Any significant interruption in our business applications, systems or networks, including but not limited to new system implementations, computer viruses, cyberattacks, security breaches, facility issues or energy blackouts could have a material adverse impact on our business, financial condition and results of operations.

Our computer systems and networks are subject to attempted security breaches and other cybersecurity incidents, which, if successful, could impact our business.

We have, from time to time, experienced cyber-attacks attempting to obtain access to our computer systems and networks. Such incidents, whether or not successful, could result in the misappropriation of our proprietary information and technology, the compromise of personal and confidential information of our employees, customers or suppliers or interrupt our business. There can be no assurance that a breach or incident will not have a material impact on our operations and financial results in the future. In the current environment, there are numerous and evolving risks to cybersecurity and privacy, including criminal hackers, state-sponsored intrusions, industrial espionage, employee malfeasance, and human or technological error. Computer hackers and others routinely attempt to breach the security of technology products, services, and systems, and those of customers, suppliers, and some of those attempts may be successful. Such breaches could result in, for example, unauthorized access to, disclosure, modification, misuse, loss, or destruction of our, our customer, or other third party data or systems, theft of sensitive or confidential data including personal information (including personal data about our employees, customers or other third parties) and intellectual property, system disruptions, and

denial of service. In the event of such breaches, we, our customers or other third parties could be exposed to potential liability, litigation, and regulatory action, as well as the loss of existing or potential customers, damage to our reputation, and other financial loss. In addition, the cost and operational consequences of responding to breaches and implementing remediation measures could be significant. As these threats continue to develop and grow, we have been adapting our security measures and we continue to increase the amount we allocate to implement, maintain and/or update security systems to protect data and infrastructure. As a global enterprise, we could also be impacted by existing and proposed laws and regulations, as well as government policies and practices related to cybersecurity, privacy and data protection. Additionally, cyber-attacks or other catastrophic events resulting in disruptions to or failures in power, information technology, communication systems or other critical infrastructure could result in interruptions or delays to us, our customers, or other third party operations or services, financial loss, potential liability, and damage our reputation and affect our relationships with our customers and suppliers.

Risks related to intellectual property

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

Our success and future revenue growth depends, in part, on our ability to protect our proprietary technology, our products, our proprietary designs and fabrication processes, and other intellectual property against misappropriation by others. We primarily rely on patent, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods, to protect our intellectual property. We may have difficulty obtaining patents and other intellectual property rights to protect our proprietary products, technology and intellectual property, and the patents and other intellectual property rights we receive may be insufficient to provide us with meaningful protection or commercial advantage. We may not obtain patent protection or secure other intellectual property rights in all the countries in which we operate, and under the laws of such countries, patents and other intellectual property rights may be or become unavailable or limited in scope. Even if new patents are issued, the claims allowed may not be sufficiently broad to effectively protect our proprietary technology, processes and other intellectual property. In addition, any of our existing patents, and any future patents issued to us may be challenged, invalidated or circumvented. The protection offered by intellectual property rights may be inadequate or weakened for reasons or circumstances that are out of our control. Further, our proprietary technology, designs and processes and other intellectual property may be vulnerable to disclosure or misappropriation by employees, contractors and other persons. It is possible that competitors or other unauthorized third parties may obtain, copy, use or disclose our proprietary technologies, our products, designs, processes and other intellectual property despite our efforts to protect our intellectual property. While we hold a significant number of patents, there can be no assurances that additional patents will be issued or that any rights granted under our patents will provide meaningful protection against misappropriation of our intellectual property. Our competitors may also be able to develop similar technology independently or design around our patents. We may not have or pursue patents or pending applications in all the countries in which we operate corresponding to all of our primary patents and applications. Even if patents are granted, effective enforcement in some countries may not be available. In particular, intellectual property rights are difficult to enforce in countries where the application and enforcement of the laws governing such rights may not have reached the same level as compared to other jurisdictions where we operate. Consequently, operating in some countries may subject us to an increased risk that unauthorized parties may attempt to copy or otherwise use our intellectual property or the intellectual property of our suppliers or other parties with whom we engage. There is no assurance that we will be able to protect our intellectual property rights or have adequate legal recourse in the event that we seek legal or judicial enforcement of our intellectual property rights under the laws of such countries. Any inability on our part to adequately protect our intellectual property may have a material adverse effect on our business, financial condition and results of operations.

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

We have from time to time received, and may in the future receive, communications alleging possible infringement of patents and other intellectual property rights of others. Further, we may become involved in costly litigation brought against us regarding patents, copyrights, trademarks, trade secrets or other intellectual property rights. If any such claims are asserted against us, we may seek to obtain a license under the third party's intellectual property rights. We cannot assure you that we will be able to obtain any or all of the necessary

licenses on satisfactory terms, if at all. In the event that we cannot obtain or take the view that we don't need a license, these parties may file lawsuits against us seeking damages (and potentially treble damages in the United States) or an injunction against the sale of our products that incorporate allegedly infringed intellectual property or against the operation of our business as presently conducted. Such lawsuits, if successful, could result in an increase in the costs of selling certain of our products, our having to partially or completely redesign our products or stop the sale of some of our products and could cause damage to our reputation. Any litigation could require significant financial and management resources regardless of the merits or outcome, and we cannot assure you that we would prevail in any litigation or that our intellectual property rights can be successfully asserted in the future or will not be invalidated, circumvented or challenged. The award of damages, including material royalty payments, or the entry of an injunction against the manufacture and sale of some or all of our products, could affect our ability to compete or have a material adverse effect on our business, financial condition and results of operations.

Risks related to human capital management

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

We depend on our key management to run our business and on our senior engineers to develop new products and technologies. Our success will depend on the continued service of these individuals. Although we have several share based compensation plans in place, we cannot be sure that these plans will help us in our ability to retain key personnel, especially considering that the stock options under some of our plans become exercisable upon a change of control (in particular, when a third party, or third parties acting in concert, obtains, whether directly or indirectly, control of us). The loss of any of our key personnel, whether due to departures, death, ill health or otherwise, could have a material adverse effect on our business. The market for qualified employees, including skilled engineers and other individuals with the required technical expertise to succeed in our business, is highly competitive and the loss of qualified employees or an inability to attract, retain and motivate the additional highly skilled employees required for the operation and expansion of our business could hinder our ability to successfully conduct research activities or develop marketable products. The foregoing risks could have a material adverse effect on our business.

Risks related to our corporate structure

United States civil liabilities may not be enforceable against us.

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

In the absence of an applicable treaty for the mutual recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters to which the United States and the Netherlands are a party, a judgment obtained against the Company in the courts of the United States, whether or not predicated solely upon the U.S. federal securities laws, including a judgment predicated upon the civil liability provisions of the U.S. securities law or securities laws of any State or territory within the United States, will not be directly enforceable in the Netherlands.

In order to obtain a judgment which is enforceable in the Netherlands, the claim must be relitigated before a competent court of the Netherlands; the relevant Netherlands court has discretion to attach such weight to a judgment of the courts of the United States as it deems appropriate; based on case law, the courts of the Netherlands may be expected to recognize and grant permission for enforcement of a judgment of a court of competent jurisdiction in the United States without re-examination or relitigation of the substantive matters adjudicated thereby, provided that (i) the relevant court in the United States had jurisdiction in the matter in accordance with standards which are generally accepted internationally; (ii) the proceedings before that court complied with principles of proper procedure; (iii) recognition and/or enforcement of that judgment does not conflict with the public policy of the Netherlands; and (iv) recognition and/or enforcement of that judgment is

not irreconcilable with a decision of a Dutch court rendered between the same parties or with an earlier decision of a foreign court rendered between the same parties in a dispute that is about the same subject matter and that is based on the same cause, provided that earlier decision can be recognized in the Netherlands.

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

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

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

We are a Dutch public company with limited liability (*naamloze vennootschap*). Our corporate affairs are governed by our articles of association and by the laws governing companies incorporated in the Netherlands. The rights of stockholders and the responsibilities of members of our board of directors may be different from the rights and obligations of stockholders in companies governed by the laws of U.S. jurisdictions. In the performance of its duties, our board of directors is required by Dutch law to consider the interests of our company, its stockholders, its employees and other stakeholders, in all cases with due observation of the principles of reasonableness and fairness. It is possible that some of these parties will have interests that are different from, or in addition to, your interests as a stockholder. See Part III, Item 10. *Directors, Executive Officers and Corporate Governance*.

Risks related to our indebtedness

Our debt obligations expose us to risks that could adversely affect our financial condition, which could adversely affect our results of operations.

As of December 31, 2021, we had outstanding indebtedness with an aggregate principal amount of \$10,650 million. Our substantial indebtedness could have a material adverse effect on our business by:

- increasing our vulnerability to adverse economic, industry or competitive developments;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates in the event we have borrowings under our \$1,500 million revolving credit facility agreement (the “RCF Agreement”) because loans under the RCF Agreement bear interest at a variable rate;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness and any failure to comply with the obligations of any our debt instruments, including restrictive covenants and borrowing conditions, could result in an event default under the indentures governing our notes and agreements governing other indebtedness;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financial for working capital, capital expenditures, restructurings, product development, research and development, debt service requirements, investments, acquisitions and general corporate or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who therefore, may be able to take advantage of opportunities that our leverage prevents us from exploiting.

Despite our level of indebtedness, we may still incur significantly more debt, which could further exacerbate the risks described above and affect our ability to service and repay our debt.

If we do not comply with the covenants in our debt agreements or fail to generate sufficient cash to service and repay our debt, it could adversely affect our operating results and our financial condition.

The RCF Agreement and the indentures governing our unsecured notes or any other debt arrangements that we may have require us to comply with various covenants. If there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could terminate commitments to lend and cause all amounts outstanding with respect to the debt to be due and payable immediately, which in turn could result in cross defaults under our other debt instruments. Our assets and cash flow may not be sufficient to fully repay borrowings under all of our outstanding debt instruments if some or all of these instruments are accelerated upon an event of default.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital, restructure or refinance our indebtedness or reduce or delay capital expenditures, strategic acquisitions, investments and alliances, any of which could have a material adverse effect on our business. We cannot guarantee that we will be able to obtain enough capital to service our debt and fund our planned capital expenditures and business plan. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

The rating of our debt by major rating agencies may further improve or deteriorate, which could affect our additional borrowing capacity and financing costs.

The major debt rating agencies routinely evaluate our debt. These ratings are based on current information furnished to the ratings agencies by us and information obtained by the ratings agencies from other sources. An explanation of the significance of such rating may be obtained from such rating agency. There can be no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect our market value and/or increase our corporate borrowing costs.

General risk factors

We identified a material weakness in our internal control related to ineffective information technology general controls which, if not remediated appropriately or timely, could result in loss of investor confidence and adversely impact our stock price.

As disclosed in Part II, Item 9A, management concluded that our internal control over financial reporting was not effective as of December 31, 2021 due to a material weakness in our internal control over financial reporting associated with ineffective information technology general controls (ITGCs) in the areas of user access, change-management and IT operations over certain information technology (IT) systems that support the Company's financial reporting processes.

We have initiated remediation plans to address the material weakness, including, but not limited to, expanding controls, applying other appropriate procedures to address the design and operation of internal controls relating to certain IT systems, and enhancing procedures for the identification of control activities and monitoring of control performance to ensure that the components of internal control relating to certain IT systems are present and functioning. While there can be no assurance that our efforts will be successful, in fiscal year 2022 we intend to fully implement these plans to remediate the material weaknesses.

If we are unable to remediate the material weakness, or are otherwise unable to maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to record, process and report financial information accurately, and to prepare financial statements within required time periods, could be adversely affected, which could subject us to litigation or investigations requiring management resources and

payment of legal and other expenses, negatively affect investor confidence in our financial statements and adversely impact our stock price.

The price of our common stock historically has been volatile. The price of our common stock may fluctuate significantly.

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price for our common stock has varied between a high of \$239.91 on December 7, 2021 and a low of \$156.02 on January 27, 2021 in the twelve-month period ending on December 31, 2021. The market price of our common stock is likely to continue to be volatile and subject to significant price and volume fluctuations for many reasons, including in response to the risks described in this section, changes in our dividend or share repurchase policies, variations between our actual financial results or guidance and expectations of securities analysts or investors or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors, peer companies or suppliers regarding their own performance, or announcements by our competitors of significant contracts, strategic partnerships, joint ventures, joint marketing relationships or capital commitments, the passage of legislation or other regulatory developments affecting us or our industry, as well as industry conditions and general financial, economic and political instability. In the past, following periods of market volatility, shareholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation.

We may have fluctuations in the amount and frequency of our stock repurchases.

The amount, timing, and execution of our stock repurchases may fluctuate based on our priorities for the use of cash for other purposes—such as investing in our business, including operational spending, capital spending, and acquisitions, and returning cash to our stockholders as dividend payments—and because of changes in cash flows, tax laws, and the market price of our common stock.

There can be no assurance that we will continue to declare cash dividends.

Our board of directors has adopted a dividend policy pursuant to which we currently pay a cash dividend on our ordinary shares on a quarterly basis. The declaration and payment of any dividend is subject to the approval of our board and our dividend may be discontinued or reduced at any time. There can be no assurance that we will declare cash dividends in the future in any particular amounts, or at all.

Future dividends, if any, and their timing and amount, may be affected by, among other factors: management's views on potential future capital requirements for strategic transactions, including acquisitions; earnings levels; contractual restrictions; cash position and overall financial condition; and changes to our business model. The payment of cash dividends is restricted by applicable law, contractual restrictions and our corporate structure.

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

We sponsor defined benefit pension plans in a number of countries and a significant number of our employees are covered by our defined benefit pension plans. As of December 31, 2021, we had recognized a net accrued benefit liability of \$508 million, representing the unfunded benefit obligations of our defined pension plans. The funding status and the liabilities and costs of maintaining these defined benefit pension plans may be impacted by financial market developments. For example, the accounting for such plans requires determining discount rates, expected rates of compensation and expected returns on plan assets, and any changes in these variables can have a significant impact on the projected benefit obligations and net periodic pension costs. Negative performance of the financial markets could also have a material impact on funding requirements and net periodic pension costs. Our defined benefit pension plans may also be subject to demographic trends. Accordingly, our costs to meet pension liabilities going forward may be significantly higher than they are today, which could have a material adverse impact on our financial condition.

Future changes to Dutch, U.S. and other foreign tax laws could adversely affect us.

The European Commission, U.S. Congress and Treasury Department, the Organization for Economic Co-operation and Development, and other government agencies in jurisdictions where we and our affiliates do business have had an extended focus on issues related to the taxation of multinational corporations, particularly payments made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. As a result, the tax laws in the European Union, U.S. and other countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely affect us and our affiliates.

Recent examples include the Organization for Economic Co-operation and Development's initiatives to revise profit allocation and nexus rules to allocate more taxing rights to countries where companies have their markets and to establish a minimum tax rate on a global basis. These initiatives include recommendations and proposals that, if enacted in countries in which we and our affiliates do business, could adversely affect us and our affiliates.

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

We are required to pay taxes in multiple jurisdictions. We determine the taxes we are required to pay based on our interpretation of the applicable tax laws and regulations in the jurisdictions in which we operate. We may be subject to unfavorable changes in the respective tax laws and regulations to which we are subject. Tax controls, audits, change in controls and changes in tax laws or regulations or the interpretation given to them may expose us to negative tax consequences, including interest payments and potentially penalties. We have issued transfer-pricing directives in the areas of goods, services and financing, which are in accordance with the Guidelines of the Organization of Economic Co-operation and Development (OECD). As transfer pricing has a cross border effect, the focus of local tax authorities on implemented transfer pricing procedures in a country may have an impact on results in another country.

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

In 2021, the United States proposed a budget reconciliation act that could amend the Internal Revenue Code (the "Build Back Better Act"). The Build Back Better proposal contains provisions affecting the tax treatment of both U.S. companies (such as certain of our subsidiaries) and non-U.S. companies that could materially affect us. The Build Back Better proposal includes provisions that impose a minimum tax of 15% on adjusted financial statement net income, extends through the end of 2025 (set to expire on December 31, 2021) the expensing of research and experimental costs, and modifies U.S. inbound and outbound international provisions – including the global intangible low-taxed income (GILTI) on foreign earnings made by U.S. corporations' foreign subsidiaries, the deduction for certain foreign-derived intangible income (FDII), and the base erosion and anti-abuse tax (BEAT) levied on otherwise deductible payments made to certain foreign affiliates. Although not yet passed and not yet signed into law, the effective date for the provisions could range from January 1, 2022 to January 1, 2023.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The Company's headquarters are located in Eindhoven, the Netherlands. As of February 24, 2022, the Company operates owned manufacturing facilities primarily in the United States, Netherlands, Malaysia, China, Thailand and Taiwan, as well as in Singapore (SSMC) together with our joint venture partner TSMC. The Company also owns or leases other properties in multiple countries for use as administrative, sales or research and development facilities. The Company believes its existing facilities and equipment are in good operating condition and adequate to meet our need for the near future.

Item 3. Legal Proceedings

The information set forth under the “Litigation” and “Environmental Remediation” captions of Note 15 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report is incorporated herein by reference. For additional discussion of certain risks associated with legal proceedings, see Part I, Item 1A. *Risk Factors*.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock is traded on the Nasdaq stock market under the symbol NXP. On February 16, 2022 there were 14 shareholders of record and 741,000 beneficial shareholders of our common stock.

Dividends Per Common Share

The following table presents the quarterly dividends on our common stock for the periods indicated:

	2021	2020
First Quarter	0.5625	0.375
Second Quarter	0.5625	0.375
Third Quarter	0.5625	0.375
Fourth Quarter	0.5625	0.375

On January 31, 2022, the board of directors of NXP approved a 50 percent increase in the quarterly cash dividend to \$0.845 per ordinary share to be paid in cash on April 6, 2022 to shareholders of record as of March 15, 2022. We currently expect to continue to pay dividends in the future.

Issuer Purchases of Equity Securities

In November 2019, the board of directors of NXP (the "Board") approved the repurchase of shares up to a maximum of \$2 billion (the "2019 Share Repurchase Program"). In addition, the Board approved the purchase of shares from participants in NXP's equity programs who trade shares as trade for tax and this authorization will remain in effect until terminated by the Board. In March 2021, the Board approved the repurchase of shares up to a maximum of \$2 billion (the "2021 Share Repurchase Program"), and in August 2021, the Board increased the 2021 Share Repurchase Program authorization by \$2 billion, for a total of \$4 billion approved for the repurchase of shares under the 2021 Share Repurchase Program. In January 2022, the Board approved the repurchase of shares up to a maximum of \$2 billion (the "2022 Share Repurchase Program").

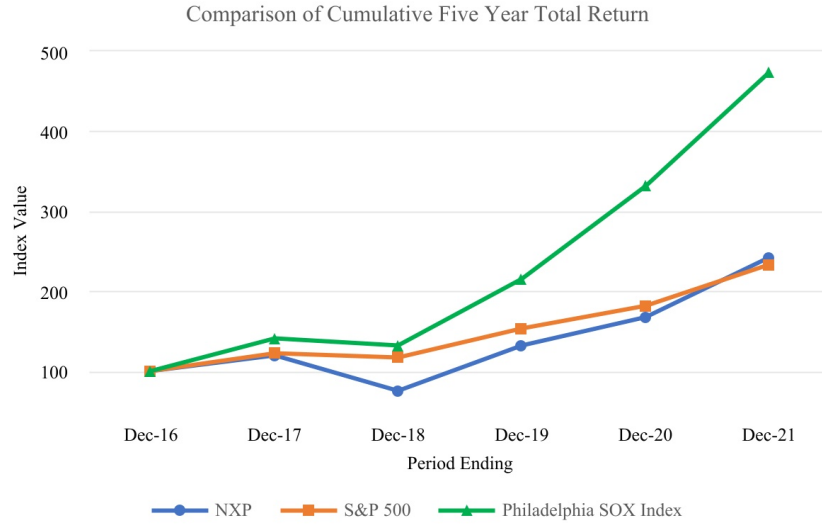
The following table provides a summary of share repurchase activity during the three months ended December 31, 2021:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Program	Number of Shares Purchased as Trade for Tax (1)
October 4, 2021 – November 7, 2021	2,164,950	\$195.24	1,548,400	9,286,006	616,550
November 8, 2021 – December 5, 2021	971,221	\$220.28	971,225	8,226,693	(4)
December 6, 2021 – December 31, 2020	502,822	\$225.55	502,949	7,704,856	(127)
Total	<u>3,638,993</u>		<u>3,022,574</u>		<u>616,419</u>

(1) Reflects shares surrendered by participants to satisfy tax withholding obligations in connection with the Company's equity programs.

Company Performance

The following graph shows a comparison, since December 31, 2016 of cumulative total return for NXP, the Standard & Poor's 500 Index, and the Philadelphia Stock Exchange Semiconductor Index. The graph assumes \$100 (not in millions) invested on December 31, 2016 in our common stock and each of the indices.



Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of financial condition and results of operations (MD&A) should be read in conjunction with the financial statements and the related notes that appear elsewhere in this document. This section of this Form 10-K generally discusses 2021 and 2020 items and year-to-year comparisons between 2021 and 2020. Discussions of 2019 items and year-to-year comparisons between 2020 and 2019 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 as filed with the SEC on February 25, 2021.

Our MD&A is provided in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition and cash flows. MD&A is organized as follows:

- *Overview* - Overall analysis of financial and other highlights to provide context for the MD&A
- *Results of Operations* - An analysis of our financial results
- *Financial Condition, Liquidity and Capital Resources* - An analysis of changes in our balance sheets and cash flows and a discussion of our financial condition and potential sources of liquidity
- *Critical Accounting Estimates* - Accounting estimates that management believes are the most important to understanding the assumptions and judgments incorporated in our financial results and forecasts
- *Use of Certain Non-GAAP Financial Measures* - A discussion of the non-GAAP measures used

NXP has one reportable segment representing the entity as a whole. Our segment represents groups of similar products that are combined on the basis of similar design and development requirements, product characteristics, manufacturing processes and distribution channels, and how management allocates resources and measures results. See Note 1 to the consolidated financial statements for more information regarding our segment.

Overview

(\$ in millions, unless otherwise stated)	Three Months Ended			Years Ended		
	December 31, 2021	October 3, 2021	Increase/(decrease)	December 31, 2021	December 31, 2020	Increase/(decrease)
Revenue	3,039	2,861	178	11,063	8,612	2,451
Gross profit	1,707	1,583	124	6,067	4,235	1,832
Operating income (loss)	807	711	96	2,583	418	2,165
Cash flow from operating activities	785	924	(139)	3,077	2,482	595
Total debt	10,572	9,593	979	10,572	7,609	2,963
Net debt	7,742	7,290	452	7,742	5,334	2,408
Diluted weighted average number of shares outstanding	268,545	271,359	(2,814)	275,646	283,809	(8,163)
Diluted net income per share	2.24	1.91	0.33	6.79	0.18	6.61
Dividends per common share	0.5625	0.5625	—	2.25	1.50	0.75

Revenue for 2021 was \$11,063 million as compared to the \$8,612 million reported in 2020, an increase of \$2,451 million or an increase of 28.5% year-on-year, as a result of resurgent growth across all of the Company's four focus end markets, with substantial growth in our strategic focused Automotive and Industrial & IoT end markets. The growth NXP experienced in 2021 was due to a combination of rebounding end market demand from the initial shock and widespread market disruption caused by the emergence of the COVID-19 pandemic in the first half of 2020 and accelerating adoption of the Company's innovative new products and solutions. The year-on-year growth was due to higher unit volumes, as well as a higher average selling prices resulting from increases in input costs from NXP's supplier base, which were passed onto our customers. The growth NXP experienced in 2021 began to clearly emerge at the end of the third quarter of 2020 and has continued to steadily accelerate through the fourth quarter of 2021. Even with the strong growth experienced in 2021, the Company believes customer demand will continue to outpace material supply, resulting in another positive year of growth into 2022.

Our gross profit percentage for 2021 increased to 54.8% from 49.2%, primarily due to the significant acceleration of revenue during the second half of 2021, after the drop of sales in 2020 due to the COVID-19 pandemic, which led to improved utilization, cost reductions and efficiencies, partly offset by higher personnel-related costs.

Revenue for the fourth quarter, which ended December 31, 2021 was \$3,039 million as compared to \$2,507 million for the fourth quarter ended December 31, 2020, an increase of \$532 million or an increase of 21.2%. Revenue

in the fourth quarter of 2021 represented a historical record for NXP, the result of strong demand in a supply constrained market which was consistent with the trends seen in the first three quarters of 2021.

We continue to generate strong operating cash flows, with \$3,077 million in cash flows from operations for 2021. We returned \$4,577 million to our shareholders during the year in dividends and repurchases of common stock. Our cash position at the end of 2021 was \$2,830 million. On November 18, 2021, the NXP Board of Directors approved a cash dividend of \$0.5625 per common share for the fourth quarter of 2021.

Our global communities continue to face unprecedented challenges posed by the COVID-19 pandemic, but NXP has continued to actively respond by addressing the COVID-19 situation and its impact globally with global crisis response teams, working to mitigate the potential impacts to our people and our business. With our strong business model and with demonstrated financial discipline, which is a keystone of our culture, we continue to believe that we will emerge from this time well positioned for long-term growth as we continue to see strong customer interest in the breadth of our product portfolio, combined with solid design win awards. However, we cannot reasonably estimate the duration and severity of the pandemic or its ultimate impact on the global economy and our business and results.

Demand has come back more rapidly than we expected and our current focus is on looking after our customers and ensuring we ship as much product to them as possible. While we are encouraged by the rapid rebound in demand, we are still challenged by the impact of the global pandemic, including supply chain constraints and COVID outbreaks, and resulting government responses, in areas in which we operate. We are still of the view that the best course of action is to continue to focus on enabling our customers' success while simultaneously assuring the safety and health of all of our employees.

Results of Operations

The following table presents the composition of operating income for the years ended December 31, 2021 and December 31, 2020.

(\$ in millions, unless otherwise stated)	2021	2020
Revenue	11,063	8,612
% nominal growth	28.5	(3.0)
Gross profit	6,067	4,235
Research and development	(1,936)	(1,725)
Selling, general and administrative (SG&A)	(956)	(879)
Amortization of acquisition-related intangible assets	(592)	(1,327)
Other income	—	114
Operating income	2,583	418

Revenue

Revenue for the year-ended December 31, 2021 was \$11,063 million compared to \$8,612 million for the year-ended December 31, 2020, an increase of \$2,451 million or 28.5% year-on-year, as a result of resurgent growth across all of the Company's four focus end markets, with substantial growth in our strategic focused Automotive and Industrial end markets.

Revenue by end market was as follows:

(\$ in millions, unless otherwise stated)	2021	2020	Increase/(decrease)	%
Automotive	5,493	3,825	1,668	43.6 %
Industrial & IoT	2,410	1,836	574	31.3 %
Mobile	1,412	1,248	164	13.1 %
Communication Infrastructure & Other	1,748	1,703	45	2.6 %
Revenue	11,063	8,612	2,451	28.5 %

Revenue by sales channel was as follows:

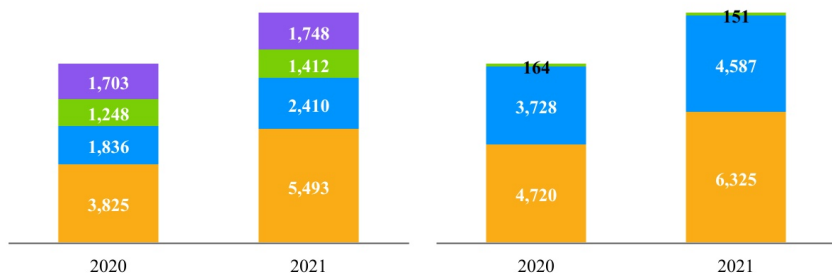
(\$ in millions, unless otherwise stated)	2021	2020	Increase/(decrease)	%
Distributors	6,325	4,720	1,605	34.0 %
OEM/EMS	4,587	3,728	859	23.0 %
Other	151	164	(13)	(7.9)%
Revenue	11,063	8,612	2,451	28.5 %

Revenue by geographic region, which is based on the customer's shipped-to location, was as follows:

(\$ in millions, unless otherwise stated)	2021	2020	Increase/(decrease)	%
Greater China and Asia Pacific	6,374	5,124	1,250	24.4 %
EMEA (Europe, the Middle East and Africa)	2,036	1,538	498	32.4 %
Americas	1,376	977	399	40.8 %
Japan	810	647	163	25.2 %
South Korea	467	326	141	43.3 %
Revenue	11,063	8,612	2,451	28.5 %

Revenue by end-market
\$ in millions

Revenue by sales channel
\$ in millions



■ Automotive
■ Industrial & IoT
■ Mobile
■ Comm Infra & Other

■ Distributors
■ OEM/EMS
■ Other

Revenue in the Automotive end market was \$5,493 million, an increase of 43.6% versus the year ago period due to a significant increase in demand for NXP's embedded automotive processing solutions, including solutions to address the shift toward domain and zonal processing. Additionally, customer adoption of NXP's radar products for ADAS safety products, and a rebound in demand for advanced analog products, including demand for solutions to enable electric vehicle power trains contributed to the strong year-on-year growth. From a channel perspective, NXP's distribution partners in Greater China and Asia Pacific, the Americas, and Japan were responsible for the majority of the year-on-year growth, though the Company experienced solid growth from direct OEM/EMS customers across all geographic regions.

Revenue in the Industrial & IoT end market was \$2,410 million, an increase of 31.3% versus the year ago period primarily due to strong demand for NXP's embedded processing solutions, especially industrial application processors and next generation crossover processors. Additionally, NXP experienced positive year-on-year trends within our advanced analog and connectivity solutions. From a channel perspective, NXP's distribution channel partners in the Greater China and Asia Pacific region enabled NXP to service demands of the long-tail of Industrial & IoT customers.

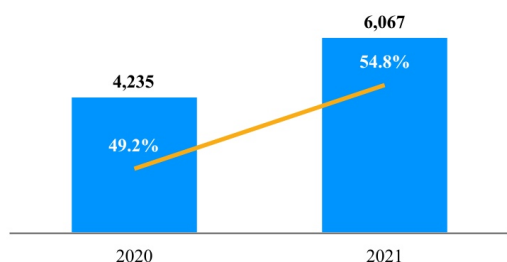
Revenue in the Mobile end market was \$1,412 million, an increase of 13.1% versus the year ago period due to continued demands for NXP's unique Secure Mobile Wallet solutions, as well as early ramps of the Company's Ultra-Wide Band (UWB) solutions and continued adoption of Mobile Embedded Power products, offset by declines in custom interface. From a channel perspective, NXP's distribution partners in Greater China and Asia Pacific facilitated the year-on-year growth, servicing the concentrated mobile manufacturing centers in Asia.

Revenue in the Communication Infrastructure & Other end market was \$1,748 million, an increase of 2.6% versus the year ago period due to a combination of Secure Tagging and Smart Transit products, as well as strength from RF Power products levered to the secular build-out of 5G base stations, offset by declines in legacy multi-core processing solutions. From a channel perspective, NXP's distribution partners in Greater China and Asia Pacific facilitated the year-on-year growth.

Gross Profit

Gross profit for the year-ended December 31, 2021 was \$6,067 million, or 54.8% of revenue, compared to \$4,235 million, or 49.2% of revenue, for the year-ended December 31, 2020. The increase of \$1,832 million was primarily driven by the significantly higher revenue in 2021 compared to 2020 resulting from accelerating demand and as such, improved loading and manufacturing efficiencies, offset by higher personnel-related cost, including variable compensation cost, and a less favorable product mix. As a result, the gross margin percentage increased to 54.8% from 49.2%.

Gross Profit \$ in millions



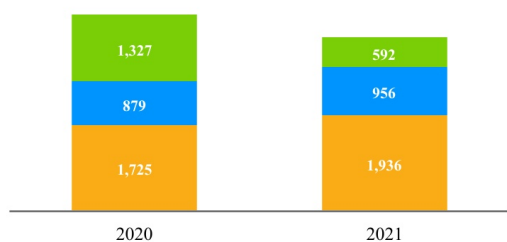
Operating Expenses

Operating expenses for the year-ended December 31, 2021 totaled \$3,484 million, or 31.5% of revenue, compared to \$3,931 million, or 45.6% of revenue, for the year-ended December 31, 2020.

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

(\$ in millions, unless otherwise stated)	2021	% of revenue	2020	% of revenue	% change
Research and development	1,936	17.5 %	1,725	20.0 %	12.2 %
Selling, general and administrative	956	8.6 %	879	10.2 %	8.8 %
Amortization of acquisition-related intangible assets	592	5.4 %	1,327	15.4 %	(55.4)%
Operating expenses	3,484	31.5 %	3,931	45.6 %	(11.4)%

Operating expenses \$ in millions



■ R&D
 ■ SG&A
 ■ Amortization acquisition-related

The decrease in operating expenses was a result of the following items:

Research and development (R&D) costs primarily consist of engineer salaries and wages (including share based compensation and other variable compensation), engineering related costs (including outside services, fixed-asset, IP and other licenses related costs), shared service center costs and other pre-production related expenses.

- R&D costs for the year-ended December 31, 2021 increased by \$211 million, or 12.2%, when compared to last year driven by:
 - + personnel-related costs, including variable compensation costs; and
 - lower restructuring cost due to the absence of restructurings in 2021.

Selling, general and administrative (SG&A) costs primarily consist of personnel salaries and wages (including share based compensation and other variable compensation), communication and IT related costs, fixed-asset related costs and sales and marketing costs (including travel expenses).

- SG&A costs for the year-ended December 31, 2021 increased by \$77 million, or 8.8%, when compared to last year mainly due to:
 - + higher personnel-related costs, including variable compensation costs;
 - + higher legal expense;
 - lower share-based compensation expenses as a result of the CEO transition in 2020; and
 - lower restructuring costs due to the absence of restructuring in 2021.
- Amortization of acquisition-related intangible assets decreased by \$735 million, or 55.4%, when compared to last year driven by:
 - certain intangibles became fully amortized during 2020;
 - an impairment charge in 2020 relative to IPR&D acquired as part of the acquisition of Freescale; and
 - + an impairment charge in 2021 as a result of the discontinuation of an IPR&D project.

Other Income (Expense)

Income and expenses derived from manufacturing service arrangements (“MSA”) and transitional service arrangements (“TSA”) that are put into place when we divest a business or activity, are included in other income (expense). These arrangements are expected to decrease as the divested business or activity becomes more established.

The following table presents the split of other income (expense) for the years ended December 31, 2021 and 2020:

(\$ in millions)	2021	2020
Result from MSA and TSA arrangements	(2)	—
Other, net	2	114
Total	—	114

Other income (expense) reflects nil for 2021, compared to \$114 million of income in 2020. Included in 2020 is \$110 million relating to the net gain on the sale of the Voice and Audio Solutions (VAS) assets.

Financial Income (Expense)

(\$ in millions)	For the years ended December 31,	
	2021	2020
Interest income	4	13
Interest expense	(369)	(362)
Total interest expense, net	(365)	(349)
Foreign exchange rate results	5	(16)
Extinguishment of debt	(22)	(60)
Miscellaneous financing income (expense) and other, net	(21)	8
Total other financial income (expense)	(38)	(68)
Total	(403)	(417)

Financial income (expense) was an expense of \$403 million in 2021, compared to an expense of \$417 million in 2020. The change in financial income (expense) is primarily attributable to foreign exchange results, which resulted in a profit of \$5 million in 2021 versus a loss of \$16 million in 2020 and lower debt extinguishment costs in 2021 versus 2020 of \$38 million. This was partially offset by lower interest income of \$9 million as a result of lower interest rates, an increase of interest expense of \$7 million and a change in miscellaneous financial income/expense of \$29 million, mainly driven by a loss of \$2 million on investments in 2021, where 2020 resulted in a profit of \$24 million.

Benefit (Provision) for Income Taxes

We recorded an income tax expense of \$272 million for the year-ended December 31, 2021, which reflects an effective tax rate of 12.5% compared to a benefit of \$83 million ((8300.0)%) for the year-ended December 31, 2020.

	2021		2020	
	\$	%	\$	%
Statutory income tax in the Netherlands	545	25.0	—	25.0
Rate differential local statutory rates versus statutory rate of the Netherlands	(42)	(1.9)	22	2,175.0
Net change in valuation allowance	(20)	(0.9)	35	3,500.0
Non-deductible expenses/losses	53	2.5	61	6,100.0
Netherlands tax incentives	(69)	(3.2)	(48)	(4,800.0)
Foreign tax incentives	(163)	(7.5)	(117)	(11,700.0)
Changes in estimates of prior years' income taxes	(21)	(1.0)	(13)	(1,300.0)
Sale of non-deductible goodwill	—	—	10	1,000.0
Withholding taxes	(8)	(0.4)	(31)	(3,100.0)
Other differences	(3)	(0.1)	(2)	(200.0)
Effective tax rate	272	12.5	(83)	(8,300.0)

The effective tax rate reflects the impact of tax incentives, a portion of our earnings being taxed in foreign jurisdictions at rates different than the Netherlands statutory tax rate, changes in estimates of prior years' income taxes, change in valuation allowance and non-deductible expenses, sale of non-deductible goodwill and withholding taxes. The impact of these items results in offsetting factors that attribute to the change in the effective tax rate between the two periods, with the significant drivers outlined below:

- The Company benefits from certain tax incentives, which reduce the effective tax rate. The dollar amount of the incentive in any given year is commensurate with the taxable income in that same period. For 2021, the foreign tax and Netherlands tax incentives were higher than 2020 by \$67 million, mainly due to the fact that NXP increased its investment expenditures and benefited from higher qualifying income.

- The difference in valuation allowance in 2021 as compared with 2020 is mainly due to the fact that the Netherlands released its valuation allowance related to carried forward interest expenses impacted by the interest limitation rules as a result of higher qualifying income.
- The difference in withholding taxes is mainly due to changes in the applicable deferred tax liability rate regarding future remittances of the earnings of foreign subsidiaries in 2020.
- The tax effect of the non-deductible goodwill of \$10 million is linked to the divestiture of the VAS business in 2020.

Results Relating to Equity-accounted Investees

Results relating to equity-accounted investees amounted to a loss of \$2 million in 2021, whereas in 2020, results relating to equity-accounted investees amounted to a loss of \$4 million.

Non-controlling Interests

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 \$35 million for the year-ended December 31, 2021, compared to a profit of \$28 million for the year-ended December 31, 2020.

Financial Condition, Liquidity and Capital Resources

We derive our liquidity and capital resources primarily from our cash flows from operations. We continue to generate strong positive operating cash flows, and we currently use cash to fund operations, meet working capital requirements, for capital expenditures and for potential common stock repurchases, dividends and strategic investments. Based on past performance and current expectations, we believe that our current available sources of funds (including cash and cash equivalents, RCF Agreement, plus anticipated cash generated from operations) will be adequate to finance our operations, working capital requirements, capital expenditures and potential dividends for at least the next year.

Cash

As of December 31, 2021, our cash balance was \$2,830 million, an increase of \$555 million compared to December 31, 2020 (\$2,275 million), of which \$208 million (2020, \$185 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 2021, no dividend (2020, \$90 million) was declared. Taking into account the available undrawn amount of the RCF Agreement of \$1,500 million, we had access to \$4,330 million of liquidity as of December 31, 2021.

Capital return

The common stock repurchase activity was as follows:

(\$ in millions, unless otherwise stated)	2021	2020
Shares repurchased	20,628,901	4,828,913
Cost of shares repurchased	4,015	627
Average price per share	\$194.63	\$129.70

Under Dutch corporate law and our articles of association, NXP may acquire its own shares if the general meeting of shareholders has granted the board of directors the authority to effect such acquisitions. It is our standard practice to request our annual general meeting of shareholders (the "AGM") every year to renew this authorization for a period of 18 months from the AGM. For repurchases of shares in 2020 and 2021, the board of directors made use of the authorizations renewed by the AGM on June 17, 2019, May 27, 2020 and May 26, 2021, respectively. In November 2019, the board of directors approved the additional repurchase of shares up to a maximum of \$2 billion (the "2019 Share Repurchase Program") and the purchase of shares from participants in NXP's equity programs who trade shares as trade for tax. In March 2021, the board of directors approved the

additional repurchase of shares up to a maximum of \$2 billion (the "2021 Share Repurchase Program"), and in August 2021, the board of directors increased the 2021 Share Repurchase Program authorization by \$2 billion, for a total of \$4 billion approved for the repurchase of shares under the 2021 Share Repurchase Program. During the fiscal year-ended December 31, 2020 NXP repurchased 4.8 million shares, for a total of approximately \$0.6 billion and during the fiscal year-ended December 31, 2021 NXP repurchased 20.6 million shares, for a total of approximately \$4 billion. Under Dutch tax law, the repurchase of a company's shares by an entity domiciled in the Netherlands results in a taxable event (unless exemptions apply). The tax on the repurchased shares is attributed to the shareholders, with NXP making the payment on the shareholders' behalf. As such, the tax on the repurchased shares is accounted for within stockholders' equity.

Subject to Dutch corporate law and our articles of association, the board of directors of NXP may cancel shares acquired if authorized by the general meeting of shareholders. As with repurchases of our shares, it is our standard practice to request our annual general meeting of shareholders (the "AGM") every year to renew this authorization for a period of 18 months from the AGM. For cancellations of shares in 2020 and 2021, the board of directors made use of the authorizations renewed on May 27, 2020 and May 26, 2021, respectively.

As approved by the board of directors, on December 15, 2020, NXP cancelled 26 million shares and on November 30, 2021, NXP cancelled 15 million shares. As a result, the number of issued NXP shares as per November 30, 2021 is 274,519,638.

In January 2022, the Board approved the repurchase of shares up to a maximum of \$2 billion (the "2022 Share Repurchase Program").

Under our Quarterly Dividend Program, interim dividends of \$0.375 per ordinary share were paid on April 6, July 6, October 5, 2020; and January 5, 2021, and dividends of \$0.5625 per ordinary share were paid on April 5, July 6, October 6, 2021; and January 6, 2022.

	<u>2021</u>	<u>2020</u>
Dividends declared (per share)	2.25	1.50
Dividends declared (in millions)	606	420

Debt

Our total debt, inclusive of aggregate principal, unamortized discounts, premiums, debt issuance costs and fair value adjustments, amounted to \$10,572 million as of December 31, 2021, an increase of \$2,963 million compared to December 31, 2020 (\$7,609 million). On May 11, 2021, NXP issued \$1 billion of 2.5% Senior Unsecured Notes due 2031 and \$1 billion of 3.25% Senior Unsecured Notes due 2041. On November 30, 2021, NXP issued \$1 billion of 2.65% Senior Unsecured Notes due 2032, \$500 million of 3.125% Senior Unsecured Notes due 2042 and \$500 million of 3.25% Senior Unsecured Notes due 2051. On December 1, 2021, \$1 billion of 3.875% Senior Notes due 2022 were redeemed in full.

As of December 31, 2021, the Company had outstanding fixed-rate notes with varying maturities for an aggregate principal amount of \$10,650 million (collectively the "Notes"), with \$0 payable within 12 months. Future interest payments associated with the Notes total \$3,358 million, with \$384 million payable within 12 months.

Additional capital requirements

We believe our current cash and cash equivalents position, our expected cash flow generated from operations and our expected financing activities will satisfy our working and other capital requirements for at least the next 12 months based on our current business plans. Recent and expected working and other capital requirements, in addition to the above matters, also include the items described below:

- The Company maintains purchase commitments with certain suppliers, primarily for raw materials, semi-finished goods and manufacturing services and for some non-production items. Purchase commitments for inventory materials are generally restricted to a forecasted time-horizon as mutually agreed upon between the parties. This forecasted time-horizon can vary for different suppliers. As of December 31, 2021, the Company had purchase commitments of \$4,354 million, of which \$1,377 million is expected to be paid in the next 12 months. We expect an increase in operating cash outflows as compared to 2021 as we make payments under these purchase commitments.
- Amounts related to future lease payments for operating lease obligations at December 31, 2021 totaled \$256 million, with \$60 million expected to be paid within the next 12 months.
- The Company enters into certain technology license arrangements which are used in conjunction with research and development activities for product development. Payments for these technology licenses are made over varying time periods. Outstanding unpaid balances for technology licenses total \$281 million as of December 31, 2021, of which \$85 million is expected to be paid in the next 12 months.
- Cash outflows for capital expenditures were \$767 million in 2021, compared to \$392 million in 2020. We expect capital expenditures to increase in 2022, consistent with our long-term financial model, to support the increase in our manufacturing and production capacity needs.
- Our research and development expenditures were \$1,936 million in 2021 and \$1,725 million in 2020, and we expect to maintain our investment in research and development as a percentage of revenues in 2022 consistent with our long-term financial model.

From time to time, we engage in discussions with third parties regarding potential acquisitions of, or investments in, businesses, technologies and product lines. Any such transaction could require significant use of our cash and cash equivalents, or require us to arrange for new debt and equity financing to fund the transaction. Our ability to make scheduled payments or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions. In the future, we may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay principal, premium, if any, and interest on our indebtedness. Our business may not generate sufficient cash flow from operations, or we may not have enough capacity under the RCF Agreement, or from other sources in an amount sufficient to enable us to repay our indebtedness, including the RCF Agreement, the unsecured notes or to fund our other liquidity needs, including working capital and capital expenditure requirements. In any such case, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. See Part I, Item 1A. *Risk Factors*.

2021 Financing Activities

2032, 2042 and 2051 Senior Unsecured Notes

On November 30, 2021, NXP B.V., together with NXP USA Inc. and NXP Funding LLC, issued \$1 billion of 2.65% Senior Unsecured Notes due 2032, \$500 million of 3.125% Senior Unsecured Notes due 2042 and \$500 million of 3.25% Senior Unsecured Notes due 2051. The Company used a portion of the net proceeds of the offering of these notes to redeem the \$1 billion aggregate principal amount of outstanding 3.875% Senior Notes due 2022. The remaining net proceeds will be used for general corporate purposes, which may include capital expenditures or equity buyback transactions.

2031 and 2041 Senior Unsecured Notes

On May 11, 2021, NXP B.V., together with NXP USA Inc. and NXP Funding LLC, issued \$1 billion of 2.5% Senior Unsecured Notes due 2031 and \$1 billion of 3.25% Senior Unsecured Notes due 2041. The net proceeds of the 2.5% Senior Notes due 2031 ("2031 Notes") are being used to finance certain eligible green

projects. Pending the allocation of an amount equal to the net proceeds of the 2031 Notes to finance these eligible green projects, the remaining net proceeds of the 2031 Notes, together with the net proceeds of the 3.25% Senior Notes due 2041, are temporarily being held as cash and other short-term securities or are being used for general corporate purposes, including capital expenditures, short-term debt repayment or equity buyback transactions.

2020 Financing Activities

2025, 2027 and 2030 Senior Unsecured Notes

On May 1, 2020, NXP B.V., together with NXP USA Inc. and NXP Funding LLC, issued \$500 million of 2.7% Senior Unsecured Notes due 2025, \$500 million of 3.15% Senior Unsecured Notes due 2027 and \$1 billion of 3.4% Senior Unsecured Notes due 2030. NXP used the net proceeds of the offering of these notes to repay in full on September 28, 2020, the \$1,350 million aggregate principal amount of outstanding 4.125% Senior Notes due 2021 and the \$400 million aggregate principal amount of outstanding 4.625% Senior Notes due 2022.

Debt Position

Short-term Debt

As of December 31, 2021 and 2020, we had no short-term debt outstanding.

Long-term Debt

As of December 31, 2021 and 2020, we had outstanding debt of:

(\$ in millions)

	December 31, 2020	Accrual/release Original Issuance/Debt Discount and Debt Issuance Cost	Debt Exchanges/ Repurchase/ New Borrowings	December 31, 2021
U.S. dollar-denominated 3.875% senior unsecured notes due September 2022 ⁽¹⁾	998	2	(1,000)	—
U.S. dollar-denominated 4.625% senior unsecured notes due June 2023 ⁽²⁾	897	1	—	898
U.S. dollar-denominated 4.875% senior unsecured notes due March 2024 ⁽³⁾	996	1	—	997
U.S. dollar-denominated 2.7% senior unsecured notes due May 2025 ⁽⁴⁾	497	1	—	498
U.S. dollar-denominated 5.35% senior unsecured notes due March 2026 ⁽³⁾	498	—	—	498
U.S. dollar-denominated 3.875% senior unsecured notes due June 2026 ⁽⁵⁾	746	1	—	747
U.S. dollar-denominated 3.15% senior unsecured notes due May 2027 ⁽⁴⁾	497	—	—	497
U.S. dollar-denominated 5.55% senior unsecured notes due December 2028 ⁽³⁾	496	1	—	497
U.S. dollar-denominated 4.3% senior unsecured notes due June 2029 ⁽⁵⁾	992	1	—	993
U.S. dollar-denominated 3.4% senior unsecured notes due May 2030 ⁽⁴⁾	992	1	—	993
U.S. dollar-denominated 2.5% senior unsecured notes due May 2031 ⁽⁶⁾	—	1	991	992
U.S. dollar-denominated 2.65% senior unsecured notes due Feb 2032 ⁽⁷⁾	—	—	992	992
U.S. dollar-denominated 3.25% senior unsecured notes due May 2041 ⁽⁶⁾	—	—	987	987
U.S. dollar-denominated 3.125% senior unsecured notes due Feb 2042 ⁽⁷⁾	—	—	492	492
U.S. dollar-denominated 3.25% senior unsecured notes due Nov 2051 ⁽⁷⁾	—	—	491	491
	7,609	10	2,953	10,572
RCF Agreement ⁽⁸⁾	\$ —	\$ —	\$ —	\$ —
Total long-term debt	\$ 7,609	\$ 10	\$ 2,953	\$ 10,572

- (1) On August 11, 2016, we issued \$1,000 million aggregate principal amount of 3.875% Senior Unsecured Notes due 2022. On December 1, 2021 the Notes were redeemed in full.
- (2) On May 23, 2016, we issued \$900 million aggregate principal amount of 4.625% Senior Unsecured Notes due 2023.
- (3) On December 6, 2018, we issued \$1,000 million aggregate principal amount of 4.875% Senior Unsecured Notes due 2024, \$500 million aggregate principal amount of 5.35% Senior Unsecured Notes due 2026 and \$500 million aggregate principal amount of 5.55% Senior Unsecured Notes due 2028.
- (4) On May 1, 2020, we issued \$500 million aggregate principal amount of 2.7% Senior Unsecured Notes due 2025, \$500 million aggregate principal amount of 3.15% Senior Unsecured Notes due 2027 and \$1 billion aggregate principal amount of 3.4% Senior Unsecured Notes due 2030.
- (5) On June 18, 2019, we issued \$750 million of 3.875% Senior Unsecured Notes due 2026 and \$1 billion of 4.3% Senior Unsecured Notes due 2029.

- (6) On May 11, 2021, we issued \$1,000 million aggregate principal amount of 2.5% Senior Unsecured Notes due 2031 and \$1,000 million aggregated principal amount of 3.25% Senior Unsecured Notes due 2041.
- (7) On November 30, 2021, we issued \$1,000 million aggregate principal amount of 2.65% Senior Unsecured Notes due 2032, \$500 million aggregate principal amount of 3.125% Senior Unsecured Notes due 2042 and \$500 million aggregated principal amount of 3.25% Senior Unsecured Notes due 2051.
- (8) On June 11, 2019, we entered into a \$1.5 billion unsecured revolving credit facility agreement.

We may from time to time continue to seek to retire or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. See the discussion in Part II, Item 7. *Financial Condition, Liquidity and Capital Resources* above.

2019 Cash Convertible Senior Notes

We repaid the Cash Convertible Notes upon their maturity on December 1, 2019 through a combination of available cash and payments made by the counterparties under privately negotiated convertible note hedge transactions (the “Cash Convertible Notes Hedges”), as further described in Note 13 of the notes to consolidated financial statements in this report. For a detailed description of the Warrants underlying the Cash Convertible Notes Hedge, refer to Note 13 of the notes to the consolidated financial statements included in this report.

Cash flows

Our cash and cash equivalents in 2021 increased by \$558 million (excluding the effect of changes in exchange rates on our cash position of \$(3) million) as follows:

(\$ in millions)	Year ended December 31,	
	2021	2020
Net cash provided by (used for) operating activities	3,077	2,482
Net cash (used for) provided by investing activities	(934)	(418)
Net cash provided by (used for) financing activities	(1,585)	(835)
Increase (decrease) in cash and cash equivalents	558	1,229

• Cash Flow from Operating Activities

For the year-ended December 31, 2021 our operating activities provided \$3,077 million in cash. This was primarily the result of net income of \$1,906 million, adjustments to reconcile the net income of \$1,628 million and changes in operating assets and liabilities of \$(437) million. Adjustments to net income include offsetting non-cash items, such as depreciation and amortization of \$1,262 million, share-based compensation of \$353 million, amortization of the discount on debt and debt issuance costs of \$8 million, a gain on sale of assets of \$1 million, a loss on extinguishment of debt of \$22 million, a loss on equity securities of \$2 million, results relating to equity-accounted investees of \$2 million and changes in deferred taxes of \$(20) million.

The change in operating assets and liabilities was attributable to the following:

The \$176 million increase in receivables and other current assets was primarily due to the increase in trade accounts receivable, net, which was driven by the increasing linearity of revenue between the two periods, customer mix, and the related timing of cash collections in 2021 compared with the same period in 2020.

The \$159 million increase in inventories was primarily related to increased production levels in order to attempt to align inventory on hand with the current revenue forecasts.

The \$248 million increase in accounts payable and other liabilities was primarily related to increases in trade accounts payable of \$262 million, and \$163 million related to accruals for employee compensation; partially offset by the decrease of other liabilities of \$57 million related to income and social taxes payable, \$37

million related to restructuring liabilities and \$83 million of other net movements including the non-cash adjustment for capital expenditures and purchased IP.

The \$350 million increase in other non-current assets was primarily related to prepayments to secure long-term production supply with multiple vendors.

For the year-ended December 31, 2020 our operating activities provided \$2,482 million in cash. This was primarily the result of net income of \$80 million, adjustments to reconcile the net income of \$1,959 million and changes in operating assets and liabilities of \$438 million. Net income includes offsetting non-cash items, such as depreciation and amortization of \$1,988 million, share-based compensation of \$384 million, amortization of the discount on debt and debt issuance costs of \$8 million, a gain on sale of assets of \$(115) million, a loss on extinguishment of debt of \$60 million, a gain on equity securities of \$(21) million, results relating to equity-accounted investees of \$4 million and changes in deferred taxes of \$(349) million.

• **Cash Flow from Investing Activities**

Net cash used for investing activities amounted to \$934 million for the year-ended December 31, 2021 and principally consisted of the cash outflows for capital expenditures of \$767 million, \$132 million for the purchase of identified intangible assets, \$33 million for the purchase of equipment leased to others, \$23 million purchases of interests in businesses (net of cash acquired) and \$8 million purchase of investments, partly offset by proceeds of \$10 million from insurance recoveries received for equipment damage, \$10 million from proceeds from return of equity investments and \$8 million from proceeds from sale of investments.

Net cash used for investing activities amounted to \$418 million for the year-ended December 31, 2020 and principally consisted of the cash outflows for capital expenditures of \$392 million, \$130 million for the purchase of identified intangible assets, \$34 million purchases of interests in businesses (net of cash acquired), and \$30 million purchase of investments, partly offset by proceeds of \$161 million from the sale of our Voice and Audio Solution assets (net of cash).

• **Cash Flow from Financing Activities**

Net cash used for financing activities was \$1,585 million for the year-ended December 31, 2021 compared to \$835 million for the year-ended December 31, 2020. The cash flows related to financing transactions in 2021 and 2020 are primarily related to the financing activities described below under the captions *2021 Financing Activities and 2020 Financing Activities*.

In addition to the financing activities described below, net cash used for financing activities by year included:

(\$ in millions)

	Year ended December 31,	
	2021	2020
Dividends paid to non-controlling interests	—	(35)
Dividends paid to common stockholders	(562)	(420)
Cash proceeds from exercise of stock options	62	72
Purchase of treasury shares	(4,015)	(627)
Other, net	(2)	(1)

Information Regarding Guarantors of NXP (unaudited)

Summarized Combined Financial Information for Guarantee of Securities of Subsidiaries

The following debt instruments are guaranteed, fully and unconditionally, jointly and severally, by NXP Semiconductors N.V. and issued or guaranteed by NXP USA, Inc., NXP B.V. and NXP LLC, (together, the "Subsidiary Obligor" and together with NXP Semiconductors N.V., the "Obligor Group"): 4.625% Senior Notes due 2023, 4.875% Senior Notes due 2024, 2.700% Senior Notes due 2025, 5.350% Senior Notes due 2026, 3.875% Senior Notes due 2026, 3.150% Senior Notes due 2027, 5.550% Senior Notes due 2028, 4.300% Senior Notes due 2029, 3.400% Senior Notes due 2030, 2.500% Senior Notes due 2031, 2.650% Senior Notes

due 2032, 3.250% Senior Notes due 2041, 3.125% Senior Notes due 2042, and the 3.250% Senior Notes due 2051 (together the “Notes”). Other than the Subsidiary Obligor, none of the Company’s subsidiaries (together the “Non-Guarantor Subsidiaries”) guarantee the Notes. The Company consolidates the Subsidiary Obligors in its consolidated financial statements and each of the Subsidiary Obligors are wholly owned subsidiaries of the Company.

All of the existing guarantees by the Company rank equally in right of payment with all of the existing and future senior indebtedness of the Obligor Group. There are no significant restrictions on the ability of the Obligor Group to obtain funds from respective subsidiaries by dividend or loan.

The following tables present summarized financial information of the Obligor Group on a combined basis, with intercompany balances and transactions between entities of the Obligor Group eliminated and investments and equity in the earnings of the Non-Guarantor Subsidiaries excluded. The Obligor Group’s amounts due from, amounts due to, and intercompany transactions with Non-Guarantor Subsidiaries have been disclosed below the table, when material.

Summarized Statements of Income

(\$ in millions)	December 31, 2021
Revenue	6,428
Gross Profit	3,179
Operating income	797
Net income	235

Summarized Balance Sheets

(\$ in millions)	As of December 31, 2021
Current assets	2,535
Non-current assets	11,576
Total assets	14,111
Current liabilities	637
Non-current liabilities	10,792
Total liabilities	11,429
Obligor’s Group equity	2,682
Total liabilities and Obligor’s Group equity	14,111

NXP Semiconductors N.V. is the head of a fiscal unity for the corporate income tax and VAT that contains the most significant Dutch wholly-owned group companies. The Company is therefore jointly and severally liable for the tax liabilities of the tax entity as a whole, and as such the income tax expense of the Dutch fiscal unity has been included in the Net income of the Obligor Group.

The financial information of the Obligor Group includes sales executed through a Non-Guarantor Subsidiary single-billing entity as a sales agent on behalf of an entity in the Obligor Group. The Obligor Group has sales to non-guarantors (2021: \$563 million). The Obligor Group has amounts due from equity financing (2021: \$5,167) and due to debt financing (2021: \$3,053) with non-guarantor subsidiaries.

Critical Accounting Estimates

The preparation of financial statements and related disclosures in accordance with U.S. GAAP requires our management to make judgments, assumptions and estimates that affect the amounts reported in our Consolidated

Financial Statements and the accompanying notes. Our management bases its estimates and judgments on historical experience, current economic and industry conditions and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The methods, estimates, and judgments that we use in applying our accounting policies have a significant impact on the results that we report in our Consolidated Financial Statements. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates regarding matters that are inherently uncertain. Our most critical accounting estimates include:

- the valuation of inventory, which impacts gross margin;
- the assessment of recoverability of goodwill, identified intangible assets and tangible fixed assets, which impacts gross margin or operating expenses when we record asset impairments or accelerate their depreciation or amortization;
- revenue recognition, which impacts our results of operations;
- the recognition of current and deferred income taxes (including the measurement of uncertain tax positions), which impacts our provision for income taxes;
- the assumptions used in the determination of postretirement benefit obligations, which impacts operating expenses;
- the assumptions used in the determination of share based compensation, which impacts gross margin and operating expenses; and
- the recognition and measurement of loss contingencies, which impacts gross margin or operating expenses when we recognize a loss contingency or revise the estimates for a loss contingency.

In the following section, we discuss these policies further, as well as the estimates and judgments involved.

Inventories

Inventories are valued at the lower of cost or net realizable value. We regularly review our inventories and write down our inventories for estimated losses due to obsolescence. This allowance is determined for groups of products based on sales of our products in the recent past and/or expected future demand. Future demand is affected by market conditions, technological obsolescence, new products and strategic plans, each of which is subject to change with little or no forewarning. In estimating obsolescence, we utilize information that includes projecting future demand.

The need for strategic inventory levels to ensure competitive delivery performance to our customers are balanced against the risk of inventory obsolescence due to rapidly changing technology and customer requirements.

The change in our reserves for inventories was primarily due to the normal review and accrual of obsolete or excess inventory. If actual future demand or market conditions are less favorable than those projected by our management, additional inventory write-downs may be required.

Goodwill

Goodwill is required to be assessed for impairment at least once annually, or more frequently if indicators of potential impairment exist, which includes evaluating qualitative and quantitative factors to assess the likelihood of an impairment of a reporting unit's goodwill. Such events or changes in circumstances can be significant changes in business climate, operating performance or competition, or upon the disposition of a significant portion of a reporting unit. A significant amount of judgment is involved in determining if an indicator of impairment has occurred between annual test dates. We perform impairment tests using a fair value approach when necessary. Determining the fair value of a reporting unit involves the use of significant estimates and assumptions, including projected future cash flows, discount rates based on weighted average cost of capital and future economic and market conditions. We base our fair-value estimates on assumptions we believe to be reasonable. Actual cash flow amounts for future periods may differ from estimates used in impairment testing.

We perform our annual impairment test for goodwill in the fourth quarter of each fiscal year. We did not recognize any impairment charges for goodwill in the years presented, as our annual impairment testing indicated that the fair value exceeded the recorded value for the respective reporting unit.

Impairment or disposal of identified long-lived assets

We perform reviews of long-lived assets including property, plant and equipment, and intangible assets subject to amortization, whenever facts and circumstances indicate that the useful life is shorter than what we had originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances exist, we assess the recoverability of the long-lived assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. In the event such cash flows are not expected to be sufficient to recover the recorded value of the assets, the assets are written down to their estimated fair values based on the expected discounted future cash flows attributable to the assets or based on appraisals. Impairment losses, if any, are based on the excess of the carrying amount over the fair value of those assets. Long-lived assets to be disposed of by sale are reported at the lower of their carrying amounts or their estimated fair values less costs to sell and are not depreciated.

The assumptions and estimates used to determine future values and remaining useful lives of our intangible and other long-lived assets are complex and subjective. They can be affected by various factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our forecasts for specific product lines. In 2021, we recognized impairment charges of \$36 million as a result of the discontinuation of an IPR&D project. In 2020, we recognized impairment charges of \$36 million, relative to IPR&D that was acquired from Freescale. In 2019 we had no impairments.

Revenue recognition

The Company recognizes revenue under the core principle to depict the transfer of control to customers in an amount reflecting the consideration the Company expects to be entitled. In order to achieve that core principle, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

The vast majority of the Company's revenue is derived from the sale of semiconductor products to distributors, Original Equipment Manufacturers ("OEMs") and similar customers. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment to determine the consideration to which the Company expects to be entitled. Variable consideration is estimated and includes the impact of discounts, price protection, product returns and distributor incentive programs. The estimate of variable consideration is dependent on a variety of factors, including contractual terms, analysis of historical data, current economic conditions, industry demand and both the current and forecasted pricing environments. The estimate of variable consideration is not constrained because the Company has extensive experience with these contracts.

Revenue is recognized when control of the product is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs at shipment. In determining whether control has transferred, the Company considers if there is a present right to payment and legal title, and whether risks and rewards of ownership having transferred to the customer.

For sales to distributors, revenue is recognized upon transfer of control to the distributor. For some distributors, contractual arrangements are in place which allow these distributors to return products if certain conditions are met. These conditions generally relate to the time period during which a return is allowed and reflect customary conditions in the particular geographic market. Other return conditions relate to circumstances arising at the end of a product life cycle, when certain distributors are permitted to return products purchased during a pre-defined period after the Company has announced a product's pending discontinuance. These return rights are a form of variable consideration and are estimated using the most likely method based on historical return rates in order to reduce revenues recognized. However, long notice periods associated with these announcements prevent significant amounts of product from being returned. For sales where return rights exist, the Company has determined, based on historical data, that only a very small percentage of the sales of this type to distributors is actually returned. Repurchase agreements with OEMs or distributors are not entered into by the Company.

Sales to most distributors are made under programs common in the semiconductor industry whereby distributors receive certain price adjustments to meet individual competitive opportunities. These programs may include credits granted to distributors, or allow distributors to return or scrap a limited amount of product in accordance with contractual terms agreed upon with the distributor, or receive price protection credits when our standard published prices are lowered from the price the distributor paid for product still in its inventory. In determining the transaction price, the Company considers the price adjustments from these programs to be variable consideration that reduce the amount of revenue recognized. The Company's policy is to estimate such price adjustments using the most likely method based on rolling historical experience rates, as well as a prospective view of products and pricing in the distribution channel for distributors who participate in our volume rebate incentive program. We continually monitor the actual claimed allowances against our estimates, and we adjust our estimates as appropriate to reflect trends in pricing environments and inventory levels. The estimates are also adjusted when recent historical data does not represent anticipated future activity. Historically, actual price adjustments for these programs relative to those estimated have not materially differed.

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts. Measurement of deferred tax assets and liabilities is based upon the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax liabilities for withholding taxes on dividends from subsidiaries are recognized in situations where the Company does not consider the earnings indefinitely reinvested and to the extent that these withholding taxes are not expected to be refundable.

Deferred tax assets, including assets arising from loss carryforwards, are recognized, net of a valuation allowance, if based upon the available evidence it is more likely than not that the asset will be realized.

The income tax benefit from an uncertain tax position is recognized only if it is more likely than not that the tax position will be sustained upon examination by the relevant taxing authorities. The income tax benefit recognized is measured based on the largest benefit that is more than 50% likely to be realized upon resolution of the uncertainty. Unrecognized tax benefits are presented as a reduction to the deferred tax asset for related net operating loss carryforwards, unless these would not be available, in which case the uncertain tax benefits are presented together with the related interest and penalties as a liability, under accrued liabilities and other non-current liabilities based on the timing of the expected payment. Penalties are recorded as income tax expense, whereas interest is reported as financial expense in the statement of operations.

Postretirement benefits

The Company's employees participate in pension and other postretirement benefit plans in many countries. The costs of pension and other postretirement benefits and related assets and liabilities with respect to the Company's employees participating in defined-benefit plans are based upon actuarial valuations.

The projected defined-benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. For the Company's major plans, the discount rate is derived from market yields on high quality corporate bonds. Plans in countries without a deep corporate bond market use a discount rate based on the local government bond rates.

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

The Company determines the fair value of plan assets based on quoted prices or comparable prices for non-quoted assets. For a defined-benefit pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement defined benefit plan it is the accumulated postretirement benefit obligation.

Share-based compensation

We recognize compensation expense for all share-based awards based on the grant-date estimated fair values, net of an estimated forfeiture rate. We use the Black-Scholes option pricing model to determine the estimated fair value for certain awards. Share-based compensation cost for restricted share units ("RSUs") with time-based vesting is measured based on the closing fair market value of our common stock on the date of the grant, reduced by the present value of the estimated expected future dividends, and then multiplied by the number of RSUs granted. Share-based compensation cost for performance-based share units ("PSUs") granted with performance or market conditions is measured using a Monte Carlo simulation model on the date of grant.

Our valuation models and generally accepted valuation techniques require us to make assumptions and to apply judgment to determine the fair value of our awards. These assumptions and judgments include estimating the volatility of our stock price, expected dividend yield, employee turnover rates and employee stock option exercise behaviors. When establishing the expected life assumption, we used the 'simplified' method prescribed in ASC Topic 718 for companies that do not have adequate historical data. The risk-free interest rate is measured as the prevailing yield for a U.S. Treasury security with a maturity similar to the expected life assumption. We also estimate a forfeiture rate at the time of grant and revise this rate in subsequent periods if actual forfeitures or vesting differ from the original estimates.

We evaluate the assumptions used to value our awards on a quarterly basis. If factors change and we employ different assumptions, share-based compensation expense may differ significantly from what we have recorded in the past. If there are any modifications or cancellation of the underlying unvested securities, we may be required to accelerate, increase or cancel any remaining unearned share-based compensation expense.

Litigation and claims

We are regularly involved as plaintiffs or defendants in claims and litigation related to our past and current business operations. The claims can cover a broad range of topics, including intellectual property, reflecting the Company's identity as a global manufacturing and technology business. The Company vigorously defends itself against improper claims, including those asserted in litigation. Due to the unpredictable nature of litigation, there can be no assurance that the Company's accruals will be sufficient to cover the extent of its potential exposure to losses but, historically, legal actions have not had a material adverse effect on the Company's business, results of operations or financial condition.

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.

Use of Certain Non-GAAP Financial Measures

In addition to disclosing financial results in accordance with U.S. GAAP, this document contains references to net debt. Net debt is a non-GAAP financial measure and represents total debt (short-term and long-term) after deduction of cash and cash equivalents. We believe this measure provides investors with useful supplemental information about the financial performance of our business, enables comparison of financial results between periods where certain items may vary independent of business performance, and allows for greater transparency with respect to calculating our net leverage.

The following is a reconciliation of net debt to the most directly comparable GAAP measure, total debt, as adjusted for our cash and cash equivalents our net debt was calculated as follows:

(\$ in millions)	2021	2020
Long-term debt	10,572	7,609
Short-term debt	—	—
Total debt	10,572	7,609
Less: cash and cash equivalents	(2,830)	(2,275)
Net debt	7,742	5,334

We understand that, although net debt is used by investors and securities analysts in their evaluation of companies, this concept has limitations as an analytical tool and it should not be used as an alternative to any other measure in accordance with U.S. GAAP.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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

Interest Rate Risk

Our RCF Agreement has a \$1,500 million borrowing capacity with a floating rate interest. As there are currently no borrowings under this facility, a hypothetical increase in LIBOR based interest rates would not have caused any change to our interest expense on our floating rate debt.

Additional information regarding our notes is provided in Note 2 - Significant Accounting Policies, and Note 13 - Debt, of our notes to the Consolidated Financial Statements included in Item 8. of this Annual Report is incorporated herein by reference.

Foreign Currency Risks

We are also exposed to market risk from changes in foreign currency exchange rates, which could affect operating results as well as our financial position and cash flows. We monitor our exposures to these market risks and generally employ operating and financing activities to offset these exposures where appropriate. If we do not have operating or financing activities to sufficiently offset these exposures, from time to time, we may employ derivative financial instruments such as swaps, collars, forwards, options or other instruments to limit the volatility to earnings and cash flows generated by these exposures. Derivative financial instruments are only used for hedging purposes and not for trading or speculative purposes. All counterparties to our derivatives contracts are major banking institutions. In the event of financial insolvency or distress of a counterparty to our derivative financial instruments, we may be unable to settle transactions if the counterparty does not provide us with sufficient collateral to secure its net settlement obligation to us, which could have a negative impact on our results. The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate and record these as assets or liabilities in the balance sheet. Changes in the fair values are recognized in the statement of operations immediately unless cash flow hedge accounting is applied. A summary of our foreign currency accounting policies is provided in Note 2 - Significant Accounting Policies, of our notes to the Consolidated Financial Statements included in Item 8. of this Annual Report is incorporated herein by reference.

At December 31, 2021 our net asset related to foreign currency forward contracts designated as hedges of foreign currency risk on certain operating expenditure transactions was \$2 million. If our forecasted operating expenditures for currencies in which we hedge were to decline by 20% and foreign exchange rates were to change unfavorably by 20% in our hedged foreign currency, we would incur a negligible loss.

Financial assets and liabilities held by consolidated subsidiaries that are not denominated in the functional currency of those entities are subject to the effects of currency fluctuations and may affect reported earnings. As a global company, we face exposure to adverse movements in foreign currency exchange rates. We may hedge currency exposures associated with certain assets and liabilities denominated in nonfunctional currencies and certain anticipated nonfunctional currency transactions. As a result, we could experience unanticipated gains or losses on anticipated foreign currency cash flows, as well as economic loss with respect to the recoverability of investments.

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

Item 8. Financial Statements and Supplementary Data

List of Financial Statements

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- Ernst & Young Accountants LLP; Eindhoven, the Netherlands; PCAOB ID:	1396	
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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of NXP Semiconductors N.V.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of NXP Semiconductors N.V. (the Company) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission “(2013 framework)”, and our report dated February 24, 2022 expressed an adverse opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Effect on financial statements of material weakness in internal control over financial reporting

Description of the Matter

As disclosed in management's report on internal control over financial reporting, the Company identified a material weakness as of December 31, 2021 associated with ineffective information technology general controls (ITGCs) in the areas of user access, change-management and IT operations over certain information technology (IT) systems that support the Company's financial reporting processes. Automated and manual business process controls that are dependent on the affected ITGCs were also deemed ineffective, because they could have been adversely impacted to the extent that they rely upon information and configurations from the affected IT systems. This material weakness affects substantially all financial statement accounts.

Auditing the significant financial statement accounts affected by the material weakness was determined to be a critical audit matter, because significant auditor judgment, including the assistance of IT professionals, was required to design and execute the incremental audit procedures related to the financial statement accounts that are reliant on IT systems impacted by the ineffective ITGCs and to assess the sufficiency of the procedures performed and evidence obtained.

How We Addressed the Matter in Our Audit

We used significant judgment and involved our IT professionals to determine the timing, nature and extent of incremental procedures to be performed over financial statement accounts that are reliant on IT systems impacted by the ineffective ITGCs, including the impacted automated and manual business process controls. These incremental procedures were performed closer to the balance sheet date and included, among others, lowering our testing thresholds, increasing sample sizes and manually testing the completeness and accuracy of system reports or other information generated by the Company's impacted IT systems, including increasing the extent to which items selected for testing were agreed to source documents.

/s/ Ernst & Young Accountants LLP

We have served as the Company's auditor since 2020.

Eindhoven, the Netherlands
February 24, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of NXP Semiconductors N.V.

Opinion on Internal Control Over Financial Reporting

We have audited NXP Semiconductors N.V.'s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, because of the effect of the material weakness described below on the achievement of the objectives of the control criteria, NXP Semiconductors N.V. (the Company) has not maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment.

Management has identified a material weakness associated with ineffective information technology general controls (ITGCs) in the areas of user access, change-management and IT operations, over certain information technology (IT) systems that support the Company's financial reporting processes. Automated and manual business process controls that are dependent on the affected ITGCs were also deemed ineffective because they could have been adversely impacted to the extent that they rely upon information and configurations from the affected IT systems.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, cash flows and changes in equity for the years in the periods ended December 31, 2021 and 2020 and the related notes (collectively referred to as the "consolidated financial statements"). This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2021 consolidated financial statements, and this report does not affect our report dated February 24, 2022, which expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young Accountants LLP

Eindhoven, the Netherlands
February 24, 2022

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
NXP Semiconductors N.V.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of operations, comprehensive income, cash flows and changes in equity of NXP Semiconductors N.V. and subsidiaries (the Company) for the year ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of operations of the Company and its cash flows for the year ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ KPMG Accountants N.V.

We served as the Company's auditor from 2009 to 2019.

Amstelveen, the Netherlands
February 27, 2020

NXP Semiconductors N.V.
Consolidated Statements of Operations

(\$ in millions, unless otherwise stated)

	For the years ended December 31,		
	2021	2020	2019
Revenue	11,063	8,612	8,877
Cost of revenue	(4,996)	(4,377)	(4,259)
Gross profit	6,067	4,235	4,618
Research and development	(1,936)	(1,725)	(1,643)
Selling, general and administrative	(956)	(879)	(924)
Amortization of acquisition-related intangible assets	(592)	(1,327)	(1,435)
Total operating expenses	(3,484)	(3,931)	(4,002)
Other income (expense)	—	114	25
Operating income (loss)	2,583	418	641
Financial income (expense):			
Extinguishment of debt	(22)	(60)	(11)
Other financial income (expense)	(381)	(357)	(339)
Income (loss) before income taxes	2,180	1	291
Benefit (provision) for income taxes	(272)	83	(20)
Results relating to equity-accounted investees	(2)	(4)	1
Net income (loss)	1,906	80	272
Less: Net income (loss) attributable to non-controlling interests	35	28	29
Net income (loss) attributable to stockholders	1,871	52	243
Earnings per share data:			
<i>Net income (loss) per common share attributable to stockholders in \$:</i>			
– Basic	6.91	0.19	0.86
– Diluted	6.79	0.18	0.85
<i>Weighted average number of shares of common stock outstanding during the year (in thousands):</i>			
– Basic	270,687	279,763	282,056
– Diluted	275,646	283,809	285,911

See accompanying notes to the Consolidated Financial Statements.

NXP Semiconductors N.V.
Consolidated Statements of Comprehensive Income

(\$ in millions, unless otherwise stated)

	For the years ended December 31,		
	2021	2020	2019
Net income (loss)	1,906	80	272
Other comprehensive income (loss), net of tax:			
Change in fair value cash flow hedges *	(11)	9	5
Change in foreign currency translation adjustment	(74)	78	(15)
Change in net actuarial gain (loss)	16	(45)	(38)
Total other comprehensive income (loss)	(69)	42	(48)
Total comprehensive income (loss)	1,837	122	224
Less: Comprehensive income (loss) attributable to non-controlling interests	35	28	29
Total comprehensive income (loss) attributable to stockholders	1,802	94	195

* Reclassification adjustments included in Cost of revenue, Selling, general and administrative, Research and development and Results relating to equity-accounted investees in the Consolidated Statements of Operations.

See accompanying notes to the Consolidated Financial Statements.

NXP Semiconductors N.V.
Consolidated Balance Sheets

(\$ in millions, unless otherwise stated)	As of December 31,	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	2,830	2,275
Accounts receivables, net	923	765
Assets held for sale	—	—
Inventories, net	1,189	1,030
Other current assets	286	254
Total current assets	5,228	4,324
Non-current assets:		
Other non-current assets	1,346	1,013
Property, plant and equipment, net	2,635	2,284
Identified intangible assets, net	1,694	2,242
Goodwill	9,961	9,984
Total non-current assets	15,636	15,523
Total assets	20,864	19,847
Liabilities and equity		
Current liabilities:		
Accounts payable	1,252	991
Restructuring liabilities - current	25	60
Other current liabilities	1,175	966
Total current liabilities	2,452	2,017
Non-current liabilities:		
Long-term debt	10,572	7,609
Restructuring liabilities	12	14
Deferred tax liabilities	57	85
Other non-current liabilities	1,001	971
Total non-current liabilities	11,642	8,679
Equity:		
Non-controlling interests	242	207
Stockholders' equity:		
Preferred stock, par value €0.20 per share:		
Authorized: 645,754,500 (2020: 645,754,500 shares)		
Issued: none		
Common stock, par value €0.20 per share:		
Authorized: 430,503,000 shares (2020: 430,503,000 shares)		
Issued and fully paid: 274,519,638 shares (2020: 289,519,638 shares)	56	59
Capital in excess of par value	13,727	14,133
Treasury shares, at cost:		
9,569,359 shares (2020: 9,044,952 shares)	(1,932)	(1,037)
Accumulated other comprehensive income (loss)	48	117
Accumulated deficit	(5,371)	(4,328)
Total Stockholders' equity	6,528	8,944
Total equity	6,770	9,151
Total liabilities and equity	20,864	19,847

See accompanying notes to the Consolidated Financial Statements.

NXP Semiconductors N.V.
Consolidated Statements of Cash Flows

(\$ in millions, unless otherwise stated)

	For the years ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income (loss)	1,906	80	272
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	1,262	1,988	2,047
Share-based compensation	353	384	346
Amortization of discount (premium) on debt, net	1	(1)	42
Amortization of debt issuance costs	7	9	11
Net (gain) loss on sale of assets	(1)	(115)	(20)
(Gain) loss on extinguishment of debt	22	60	11
Results relating to equity-accounted investees	2	4	(1)
(Gain) loss on equity securities, net	2	(21)	—
Deferred tax expense (benefit)	(20)	(349)	(175)
Changes in operating assets and liabilities:			
(Increase) decrease in receivables and other current assets	(176)	(51)	116
(Increase) decrease in inventories	(159)	163	128
Increase (decrease) in accounts payable and accrued liabilities	248	319	(460)
Decrease (increase) in other non-current assets	(350)	7	43
Exchange differences	(5)	16	15
Other items	(15)	(11)	(2)
Net cash provided by (used for) operating activities	3,077	2,482	2,373
Cash flows from investing activities:			
Purchase of identified intangible assets	(132)	(130)	(102)
Capital expenditures on property, plant and equipment	(767)	(392)	(526)
Purchase of equipment leased to others	(33)	—	—
Insurance recoveries received for equipment damage	10	—	—
Proceeds from disposals of property, plant and equipment	1	4	23
Purchase of interests in businesses, net of cash acquired	(23)	(34)	(1,698)
Proceeds from sale of interests in businesses, net of cash divested	—	161	37
Purchase of investments	(8)	(30)	(19)
Proceeds from the sale of investments	8	2	1
Proceeds from return of equity investments	10	1	—
Net cash provided by (used for) investing activities	(934)	(418)	(2,284)
Cash flows from financing activities:			
Payment of cash convertible note	—	—	(1,150)
Proceeds from settlement of cash convertible note hedge	—	—	144
Payment of bond hedge derivatives - convertible option	—	—	(145)
Repurchase of long-term debt	(1,021)	(1,809)	(600)
Proceeds from the issuance of long-term debt	4,000	2,000	1,750
Cash paid for debt issuance costs	(47)	(15)	(24)
Dividends paid to non-controlling interests	—	(35)	—
Dividends paid to common stockholders	(562)	(420)	(319)
Proceeds from issuance of common stock through stock plans	62	72	84

NXP Semiconductors N.V.
Consolidated Statements of Cash Flows (Continued)

Purchase of treasury shares and restricted stock unit withholdings	(4,015)	(627)	(1,443)
Cash paid on behalf of shareholders for tax on repurchased shares	—	—	(128)
Other, net	(2)	(1)	—
Net cash provided by (used for) financing activities	(1,585)	(835)	(1,831)
Effect of changes in exchange rates on cash positions	(3)	1	(2)
Increase (decrease) in cash and cash equivalents	555	1,230	(1,744)
Cash and cash equivalents at beginning of period	2,275	1,045	2,789
Cash and cash equivalents at end of period	2,830	2,275	1,045
<i>Supplemental disclosures to the consolidated cash flows</i>			
Net cash paid during the period for:			
Interest	356	336	242
Income taxes, net of refunds	353	148	368
Net gain (loss) on sale of assets:			
Cash proceeds from the sale of assets	1	165	21
Book value of these assets	—	(50)	(1)
Non-cash investing activities:			
Non-cash capital expenditures	243	119	133

See accompanying notes to the Consolidated Financial Statements.

NXP Semiconductors N.V.
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021, 2020 and 2019

(\$ in millions, unless otherwise stated)	Outstand- ing number of shares (in thousands)	Common stock	Capital in excess of par value	Treasury shares at cost	Accumul-ated other compre-hensive income (loss)	Accumu-lated deficit	Total stockhol-ders' equity	Non- controll-ing interests	Total equity
Balance as of December 31, 2018	292,790	67	15,460	(3,238)	123	(1,907)	10,505	185	10,690
Net income (loss)						243	243	29	272
Other comprehensive income					(48)		(48)		(48)
Share-based compensation plans			356				356		356
Shares issued pursuant to stock awards	4,513			422		(338)	84		84
Treasury shares repurchased and retired	(15,866)	(3)	(632)	(221)		(587)	(1,443)		(1,443)
Shareholder tax on repurchased shares						95	95		95
Dividends common stock						(351)	(351)		(351)
Balance as of December 31, 2019	281,437	64	15,184	(3,037)	75	(2,845)	9,441	214	9,655
Net income (loss)						52	52	28	80
Other comprehensive income					42		42		42
Share-based compensation plans			384				384		384
Shares issued pursuant to stock awards	3,867			364		(292)	72		72
Treasury shares repurchased and retired	(4,829)	(5)	(1,267)	1,636		(991)	(627)		(627)
Expiration of stock purchase warrants			(168)			168			—
Dividends non-controlling interests								(35)	(35)
Dividends common stock						(420)	(420)		(420)
Balance as of December 31, 2020	280,475	59	14,133	(1,037)	117	(4,328)	8,944	207	9,151
Net income (loss)						1,871	1,871	35	1,906
Other comprehensive income					(69)		(69)		(69)
Share-based compensation plans			341				341		341
Shares issued pursuant to stock awards	5,104			525		(463)	62		62
Treasury shares repurchased and retired	(20,629)	(3)	(747)	(1,420)		(1,845)	(4,015)		(4,015)
Dividends common stock						(606)	(606)		(606)
Balance as of December 31, 2021	264,950	56	13,727	(1,932)	48	(5,371)	6,528	242	6,770

See accompanying notes to the Consolidated Financial Statements.

NXP Semiconductors N.V.
Notes to the Consolidated Financial Statements
All amounts in millions of \$ unless otherwise stated

Note 1 – Basis of Presentation and Overview

The Consolidated Financial Statements include the Company and its subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. 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. We have reclassified certain prior period amounts to conform to current period presentation.

Segment reporting

NXP has one reportable segment representing the entity as a whole and reflects the way in which our chief operating decision maker executes operating decisions, allocates resources, and manages the growth and profitability of the Company.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Significant Accounting Policies

Revenue recognition

The Company recognizes revenue under the core principle to depict the transfer of control to customers in an amount reflecting the consideration the Company expects to be entitled. In order to achieve that core principle, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

The vast majority of the Company's revenue is derived from the sale of semiconductor products to distributors, Original Equipment Manufacturers ("OEMs") and similar customers. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment to determine the consideration to which the Company expects to be entitled. Variable consideration is estimated and includes the impact of discounts, price protection, product returns and distributor incentive programs. The estimate of variable consideration is dependent on a variety of factors, including contractual terms, analysis of historical data, current economic conditions, industry demand and both the current and forecasted pricing environments. The process of evaluating these factors is subjective and requires estimates including, but not limited to, forecasted demand, returns, pricing assumptions and inventory levels. The estimate of variable consideration is not constrained because the Company has extensive experience with these contracts.

Revenue is recognized when control of the product is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs at shipment. In determining whether control has transferred, the Company considers if there is a present right to payment and legal title, and whether risks and rewards of ownership having transferred to the customer.

The Company applies the practical expedient to not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Company recognizes revenue at the amount to which the Company has the right to invoice for services performed. The Company applies the practical expedient to expense sales commissions when incurred because the amortization period would have been one year or less.

For sales to distributors, revenue is recognized upon transfer of control to the distributor. For some distributors, contractual arrangements are in place which allow these distributors to return products if certain conditions are met. These conditions generally relate to the time period during which a return is allowed and reflect customary conditions in the particular geographic market. Other return conditions relate to circumstances arising at the end of a product life cycle, when certain distributors are permitted to return products purchased during a pre-defined period after the Company has announced a product's pending discontinuance. These return rights are a form of variable consideration and are estimated using the most likely method based on historical return rates in order to reduce revenues recognized. However, long notice periods associated with these announcements prevent significant amounts of product from being returned. For sales where return rights exist, the Company has determined, based on historical data, that only a very small percentage of the sales of this type to distributors is actually returned. Repurchase agreements with OEMs or distributors are not entered into by the Company.

Sales to most distributors are made under programs common in the semiconductor industry whereby distributors receive certain price adjustments to meet individual competitive opportunities. These programs may include credits granted to distributors, or allow distributors to return or scrap a limited amount of product in accordance with contractual terms agreed upon with the distributor, or receive price protection credits when our standard published prices are lowered from the price the distributor paid for product still in its inventory. In determining the transaction price, the Company considers the price adjustments from these programs to be variable consideration that reduce the amount of revenue recognized. The Company's policy is to estimate such price adjustments using the most likely method based on rolling historical experience rates, as well as a prospective view of products and pricing in the distribution channel for distributors who participate in our volume rebate incentive program. We continually monitor the actual claimed allowances against our estimates, and we adjust our estimates as appropriate to reflect trends in pricing environments and inventory levels. The estimates are also adjusted when recent historical data does not represent anticipated future activity. Historically, actual price adjustments for these programs relative to those estimated have not materially differed.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments with a maturity of three months or less at acquisition that are readily convertible into known amounts of cash. Cash and cash equivalents are stated at face value which approximates fair value.

Receivables

Receivables are carried at amortized cost, net of allowances for credit loss and net of rebates and other contingent discounts granted to distributors. When circumstances indicate a specific customer's ability to meet its financial obligation to us is impaired, we record an allowance against amounts due and value the receivable at the amount reasonably expected to be collected. For all other customers, we evaluate our trade accounts receivable risk of credit loss based on numerous factors including historical loss rates, credit-risk concentration, and specific circumstances such as serious adverse economic conditions in a specific country or region.

Inventories

Inventories are stated at the lower of cost or net realizable value. The cost of inventories is determined using the first-in, first-out (FIFO) method. An allowance is made for the estimated losses due to obsolescence. This allowance is determined for groups of products based on purchases in the recent past and/or expected future demand and market conditions. Abnormal amounts of idle facility expense and waste are not capitalized in inventory. The allocation of fixed production overheads to the inventory cost is based on the normal capacity of the production facilities.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method over the expected economic life of the asset. Depreciation of special tooling is also based on the straight-line method unless a depreciation method other than the straight-line method better represents the consumption pattern. Gains and losses on the sale of property, plant and equipment are included in other income and expense. Plant and equipment under finance leases are initially recorded at the lower of the fair value of the leased property or the present value of minimum lease payments. These assets and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

Leases

We determine if an arrangement is a lease at inception of the arrangement. Once it is determined that an arrangement is, or contains, a lease, that determination should only be reassessed if the legal arrangement is modified. Changes to assumptions such as market-based factors do not trigger a reassessment. Determining whether a contract contains a lease requires judgement. In general, arrangements are considered to be a lease when all of the following apply:

- It conveys the right to control the use of an identified asset for a period of time in exchange for consideration;
- We have substantially all economic benefits from the use of the asset; and
- We can direct the use of the identified asset

The terms of a lease arrangement determine how a lease is classified and the resulting income statement recognition. When the terms of a lease effectively transfer control of the underlying asset, the lease represents an in substance financed purchase (sale) of an asset and the lease is classified as a finance lease by the lessee and a sales-type lease by the lessor. When a lease does not effectively transfer control of the underlying asset to the lessee, but the lessor obtains a guarantee for the value of the asset from a third party, the lessor would classify a lease as a direct financing lease. All other leases are classified as operating leases.

With the exception of five instances (with a combined value of \$67 million), the Company's lease arrangements are all operating leases.

Lease assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at January 1, 2019, the date of the adoption of ASC 842, or commencement date, if later, in determining the present value of future payments. The lease payments that are included in the lease liability are comprised of fixed payments (including in-substance fixed payments), less any lease incentives receivable; variable lease payments that depend on an index or rate; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of a purchase option that the lessee is reasonably certain to exercise; and payments for terminating the lease unless it is reasonably certain that early termination will not occur. The lease ROU asset includes any lease payment made and initial direct costs incurred. Our lease terms include the non-cancelable period for which a lessee has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and the periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise the option.

For operating leases, the lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. For finance leases each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of operations over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The finance lease asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

We have lease agreements with lease and non-lease components. Except for gas and chemical contracts, NXP did not make the election to treat the lease and non-lease components as a single component, and considers the non-lease components as a separate unit of account.

Equity investments

NXP's equity investments include equity method investments, marketable equity investments and non-marketable equity investments.

Equity method investments: NXP's investments over which it has significant influence, but not control are accounted for using the equity method. Under the equity method, the investment is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the NXP's share of net assets of the equity accounted investee since the acquisition date. NXP's share of the results of operations of the equity accounted investees are recognized in 'Results relating to equity-accounted investees'.

Marketable equity investments: all equity investments with a readily determinable fair value, other than equity-method investments, in unconsolidated entities are measured at fair value through earnings in the statement of operations on a recurring basis. We classify marketable securities as current or non-current based on the nature of the securities and their availability for use in current operations. Gains and losses on investments in marketable equity securities, realized and unrealized, are recognized in 'Financial income (expense)'.

Non-marketable equity investments: all equity investments without a readily determinable fair value, other than equity-method investments, in unconsolidated entities are recorded at cost, less impairments, adjusted for observable price changes in orderly transactions for identical or similar securities. All gains and losses on investments in non-marketable equity investments, realized and unrealized, are recognized in 'Financial income (expense)'.

We monitor our equity method investments and non-marketable equity securities for events or changes in circumstances which may indicate the investments are impaired. If an assessment indicates an investment is impaired, we recognize a charge for the difference between the estimated fair value and the carrying value. For equity method investments, we record impairment losses in earnings only when impairments are considered other-than-temporary.

Business combinations

We allocate the purchase price paid for assets acquired and liabilities assumed in connection with our acquisitions based on their estimated fair values at the time of acquisition. This allocation involves a number of assumptions, estimates and judgments that could materially affect the timing or amounts recognized in our financial statements.

Significant judgment is required in estimating the fair value of acquired intangible assets, including the valuation methodology, estimations of future cash flows, discount rates, market segment growth rates, and our assumed market segment share, as well as the estimated useful life of intangible assets. Further judgment is required in estimating the fair values of deferred tax assets and liabilities, uncertain tax positions and tax-related valuation allowances, which are initially estimated as of the acquisition date, as well as inventory, property, plant and equipment, pre-existing liabilities or legal claims, deferred revenue and contingent consideration, each as may be applicable.

The fair value estimates are based on available historical information and on future expectations and assumptions deemed reasonable by management but are inherently uncertain. Our assumptions and estimates are based upon comparable market data and information obtained from our management and the management of the acquired companies as well as the amount and timing of future cash flows (including expected revenue growth rates and profitability), the underlying product or technology life cycles, the economic barriers to entry and the discount rate applied to the cash flows. As such, acquired tangible and identified intangible assets are classified as Level 3 assets. Unanticipated market or macroeconomic events and circumstances may occur that could affect the accuracy or validity of the estimates and assumptions.

Goodwill

We record goodwill when the purchase price of an acquisition exceeds the fair value of the net tangible and identified intangible assets acquired. We assign the goodwill to our reporting unit based on the relative expected fair value provided by the acquisition. We perform an impairment assessment at least once annually, or more frequently if indicators of potential impairment exist, which includes evaluating qualitative and quantitative factors to assess the likelihood of an impairment of a reporting unit's goodwill. We perform impairment tests using a fair value approach when necessary. The reporting unit's carrying value used in an impairment test represents the assignment of various assets and liabilities, excluding certain corporate assets and liabilities, such as cash, investments and debt.

Identified intangible assets

Licensed technology and patents are generally amortized on a straight-line basis over the periods of benefit. We amortize all acquisition-related intangible assets that are subject to amortization over their estimated useful life based on economic benefit. Acquisition-related in-process R&D assets represent the fair value of incomplete R&D projects that had not reached technological feasibility as of the date of acquisition; initially, these assets are not subject to amortization. Assets related to projects that have been completed are subject to amortization, while assets related to projects that have been abandoned are impaired and expensed to R&D. One year following the period in which identified intangible assets become fully amortized, we remove the fully amortized balances from the gross asset and accumulated amortization amounts.

We perform an impairment assessment for indefinite-lived intangible assets at least once annually, or more frequently if indicators of potential impairment exist, to determine whether it is more likely than not that the carrying value of the assets may not be recoverable. If necessary, a quantitative impairment test is performed to compare the fair value of the indefinite-lived intangible asset with its carrying value. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets.

Impairment or disposal of identified long-lived assets

We perform reviews of long-lived assets including property, plant and equipment, ROU assets, and intangible assets subject to amortization, whenever facts and circumstances indicate that the useful life is shorter than what we had originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances exist, we assess the recoverability of the long-lived assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. In the event such cash flows are not expected to be sufficient to recover the recorded value of the assets, the assets are written down to their estimated fair values based on the expected discounted future cash flows attributable to the assets or based on appraisals. Impairment losses, if any, are based on the excess of the carrying amount over the fair value of those assets. If an asset's useful life is shorter than originally estimated, we accelerate the rate of amortization and amortize the remaining carrying value over the new shorter useful life. Long-lived assets to be disposed of by sale are reported at the lower of their carrying amounts or their estimated fair values less costs to sell and are not depreciated.

Fair value measurements

Fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for an identical asset or liability, we develop assumptions based on market observable data and, in the absence of such data, utilize internal information that we consider to be consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Priority is given to observable inputs. These two types of inputs form the basis for the following fair value hierarchy.

- Level 1: Quoted prices for identical assets or liabilities in active markets.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for similar or identical assets or liabilities in markets that are not active; and valuations based on models where the inputs or significant value drivers are observable, either directly or indirectly.
- Level 3: Significant inputs to the valuation model are unobservable.

Foreign currencies

The Company uses the U.S. dollar as its reporting currency. The functional currency of the Company is the U.S. dollar. For consolidation purposes, the financial statements of the entities within the Company with a functional currency other than the U.S. dollar, are translated into U.S. dollars. Assets and liabilities are translated using the exchange rates on the applicable balance sheet dates. Income and expense items in the statements of operations, statements of comprehensive income and statements of cash flows are translated at monthly exchange rates in the periods involved.

The effects of translating the financial position and results of operations from functional currencies to reporting currency are recognized in other comprehensive income and presented as a separate component of accumulated other comprehensive income (loss) within stockholders' equity. If the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is recorded under non-controlling interests.

The following table sets out the exchange rates for U.S. dollars into euros applicable for translation of NXP's financial statements for the periods specified.

	\$ per € 1			
	period end	average ⁽¹⁾	high	low
Year-ended December 31, 2021	1.1325	1.1818	1.2280	1.1325
Year-ended December 31, 2020	1.2280	1.1412	1.0862	1.2280
Year-ended December 31, 2019	1.1217	1.1210	1.0935	1.1476

(1) The average of the noon-buying rate at the end of each fiscal month during the period presented.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction or the date of valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations, except when the foreign exchange exposure is part of a qualifying cash flow or net investment hedge accounting relationship, in which case the related foreign exchange gains and losses are recognized directly in other comprehensive income to the extent that the hedge is effective and presented as a separate component of accumulated other comprehensive income (loss) within stockholders' equity. To the extent that the hedge is ineffective, such differences are recognized in the statement of operations. Currency gains and losses on intercompany loans that have the nature of a permanent investment are recognized as translation differences in other comprehensive income and are presented as a separate component of accumulated other comprehensive income (loss) within equity.

Derivative financial instruments including hedge accounting

The Company uses derivative financial instruments in the management of its foreign currency risks and the input costs of gold for a portion of our anticipated purchases within the next 12 months.

The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate, and records these as assets or liabilities in the balance sheet. Changes in the fair values are immediately recognized in the statement of operations unless cash flow hedge accounting is applied. The cash flows associated with these derivative instruments are classified in the consolidated statements of cash flows in the same category as the hedged transaction.

Changes in the fair value of a derivative that is highly effective and designated and qualifies as a cash flow hedge are recorded in accumulated other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item. The cash flows associated with these derivative instruments are classified in the consolidated statements of cash flows in the same category as the hedged transaction. The application of cash flow hedge accounting for foreign currency risks is limited to transactions that represent a substantial currency risk that could materially affect the financial position of the Company.

Foreign currency gains or losses arising from the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized directly in other comprehensive income, to the extent that the hedge is effective, and are presented as a separate component of accumulated other comprehensive income (loss) within stockholders' equity.

To the extent that a hedge is ineffective, the ineffective portion of the fair value change is recognized in the Consolidated Statements of Operations. When the hedged net investment is disposed of, the corresponding amount in the accumulated other comprehensive income is transferred to the statement of operations as part of the profit or loss on disposal.

On initial designation of the hedge relationship between the hedging instrument and hedged item, the Company documents this relationship, including the risk management objectives, strategy in undertaking the hedge transaction and the hedged risk, and the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk.

When cash flow hedge accounting is discontinued because it is not probable that a forecasted transaction will occur within a period of two months from the originally forecasted transaction date, the Company continues to carry the derivative on the Consolidated Balance Sheets at its fair value, and gains and losses that were accumulated in other comprehensive income are recognized immediately in earnings. In situations in which hedge accounting is discontinued, the Company continues to carry the derivative at its fair value on the Consolidated Balance Sheets and recognizes any changes in its fair value in earnings.

The gross notional amounts of the Company's foreign currency derivatives by currency for the years ended December 31, 2021 and December 31, 2020 were as follows:

	2021	2020
Euro	528	532
Chinese renminbi	242	150
Great British pound	40	34
Japanese yen	41	21
Malaysian ringgit	122	122
Singapore dollar	76	65
Swiss franc	30	29
New Taiwan dollar	213	159
Thai baht	112	104
Other	54	48

Dividends to shareholders

Dividends to the Company's shareholders are charged to retained earnings when the dividends are approved.

Stock repurchases and retirement

For each repurchase of common stock, the number of shares and the acquisition price for those shares is added to the existing treasury stock count and total value. When treasury shares are retired, the Company's policy is to allocate the excess of the repurchase price over the par value of shares acquired to both Retained Earnings and Capital in Excess of Par. The portion allocated to Capital in Excess of Par is calculated by applying a percentage, determined by dividing the number of shares to be retired by the number of shares issued, to the balance of Capital in Excess of Par as of the retirement date.

Research and development

Costs of research and development are expensed in the period in which they are incurred, except for in-process research and development assets acquired in business combinations, which are capitalized and, after completion, are amortized over their estimated useful lives.

Advertising

Advertising costs are expensed when incurred.

Debt issuance costs

Direct costs incurred to obtain financings are capitalized and subsequently amortized over the term of the debt using the effective interest rate method. Upon extinguishment of any related debt, any unamortized debt issuance costs are expensed immediately.

Restructuring

The provision for restructuring relates to the estimated costs of initiated restructurings that have been approved by Management. When such plans require discontinuance and/or closure of lines of activities, the anticipated costs of closure or discontinuance are recorded at fair value when the liability has been incurred. The Company determines the fair value based on discounted projected cash flows in the absence of other observable inputs such as quoted prices. The restructuring liability includes the estimated cost of termination benefits provided to former or inactive employees after employment but before retirement, costs to terminate leases and other contracts, and selling costs associated with assets held for sale and other costs related to the closure of facilities. One-time employee termination benefits are recognized ratably over the future service period when those employees are required to render services to the Company, if that period exceeds 60 days or a longer legal notification period. However, generally, employee termination benefits are covered by a contract or an ongoing benefit arrangement and are recognized when it is probable that the employees will be entitled to the benefits and the amounts can be reasonably estimated.

Other income (expense)

Other income (expense) primarily consists of gains and losses related to divestment of activities and subsidiaries, as well as gains and losses related to the sale of long-lived assets and other non-core operating items. This includes income derived from manufacturing service arrangements ("MSA") and transitional service arrangements ("TSA") that are put in place when we divest a business or activity as well as related expenditures.

Financial income and expense

Financial income and expense is comprised of interest income on cash and cash equivalent balances, the interest expense on borrowings, the accretion of the discount or premium on issued debt, the gain or loss on the disposal of financial assets, impairment losses on financial assets and gains or losses on hedging instruments recognized in the statement of operations.

Borrowing costs that are not directly attributable to the acquisition, construction or production of property, plant and equipment are recognized in the statement of operations using the effective interest method.

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts. Measurement of deferred tax assets and liabilities is based upon the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax liabilities for income taxes or withholding taxes on dividends from subsidiaries are recognized in situations where the Company does not consider the earnings indefinitely reinvested and to the extent that the withholding taxes are not expected to be refundable.

Deferred tax assets, including assets arising from loss carryforwards, are recognized, net of a valuation allowance, if based upon the available evidence it is more likely than not that the asset will be realized.

The income tax benefit from an uncertain tax position is recognized only if it is more likely than not that the tax position will be sustained upon examination by the relevant taxing authorities. The income tax benefit recognized is measured based on the largest benefit that is greater than 50% likely to be realized upon resolution of the uncertainty. A liability for unrecognized tax benefits and the related interest and penalties is recorded under accrued liabilities and other non-current liabilities in the balance sheet based on the timing of the expected payment. Penalties related to income taxes are recorded as income tax expense, whereas interest is reported as financial expense in the statement of operations.

Postretirement benefits

The Company's employees participate in pension and other postretirement benefit plans in many countries. The costs of pension and other postretirement benefits and related assets and liabilities with respect to the Company's employees participating in the various plans are based upon actuarial valuations.

Some of the Company's defined-benefit pension plans are funded with plan assets that have been segregated and restricted in a trust, foundation or insurance company to provide for the pension benefits to which the Company has committed itself.

The net liability or asset recognized in the balance sheet in respect of the postretirement plans is the present value of the projected benefit obligation less the fair value of plan assets at the balance sheet date. Most of the Company's plans are unfunded and result in a provision or a net liability.

For the Company's major plans, the discount rate is derived from market yields on high quality corporate bonds. Plans in countries without a deep corporate bond market use a discount rate based on the local government bond rates.

Benefit plan costs primarily represent the increase in the actuarial present value of the obligation for benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets and net of employee contributions.

Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and what has actually occurred. They are recognized in the statement of operations, over the expected average remaining service periods of the employees only to the extent that their net cumulative amount exceeds 10% of the greater of the present value of the obligation or of the fair value of plan assets at the end of the previous year (the corridor). Events which invoke a curtailment or a settlement of a benefit plan will be recognized in our statement of operations.

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

Unrecognized prior-service costs related to the plans are amortized to the statements of operations over the average remaining service period of the active employees.

Contributions to defined-contribution and multi-employer pension plans are recognized as an expense in the statements of operations as incurred.

The Company determines the fair value of plan assets based on quoted prices or comparable prices for non-quoted assets. For a defined-benefit pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement defined benefit plan it is the accumulated postretirement benefit obligation.

The Company recognizes as a component of other comprehensive income, net of taxes, the gains or losses and prior service costs that arise during the year but are not recognized as a component of net periodic benefit cost. Amounts recognized in accumulated other comprehensive income, including the gains or losses and the prior services costs are adjusted as they are subsequently recognized as components of net periodic benefit costs.

For all the Company's postretirement benefit plans, the measurement date is December 31, our year-end.

Share-based compensation

We recognize compensation expense for all share-based awards based on the grant-date estimated fair values, net of an estimated forfeiture rate. We use the Black-Scholes option pricing model to determine the estimated fair value for certain awards. NXP's grants through the incentive plan are equity settled. Share-based compensation cost for restricted share units ("RSU"s) with time-based vesting is measured based on the closing fair market value of our common stock on the date of the grant, reduced by the present value of the estimated expected future dividends, and then multiplied by the number of RSUs granted. Share-based compensation cost for performance-based share units ("PSU"s) granted with performance or market conditions is measured using a Monte-Carlo simulation model on the date of grant.

The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service periods in our Consolidated Statements of Operations. For stock options, PSUs and RSUs, the grant-date value, less estimated pre-vest forfeitures, is expensed on a straight-line basis over the vesting period. The vesting period for stock options is generally four years, for RSUs and PSUs it is generally three years.

Earnings per share

Basic earnings per share attributable to stockholders is calculated by dividing net income or loss attributable to stockholders of the Company by the weighted average number of common shares outstanding during the period.

To determine diluted share count, we apply the treasury stock method to determine the dilutive effect of outstanding stock option shares, RSUs, PSUs, Employee Stock Purchase Plan ("ESPP") shares and MT Annual Incentive Plan. Under the treasury stock method, the amount the employee must pay for exercising share-based awards and the amount of compensation cost for future service that the Company has not yet recognized are assumed to be used to repurchase shares.

Concentration of risk

Financial instruments, including derivative financial instruments, that may potentially subject NXP to concentrations of credit risk, consist principally of cash and cash equivalents, short-term investments, long-term investments, accounts receivable and forward contracts.

We sell our products to OEMs and to distributors in various markets, who resell these products to OEMs or to their subcontract manufacturers. One of our distributors accounted for 18% of our revenue in 2021, 17% in 2020 and 14% in 2019. No other distributor accounted for greater than 10% of our revenue for 2021, 2020 or 2019. One OEM for which we had direct sales to accounted for less than 10% of our revenue in 2021 and 2020 and 11% in 2019. No other individual OEM for which we had direct sales to accounted for more than 10% of our revenue for 2021, 2020 or 2019.

Credit exposure related to NXP's foreign currency forward contracts is limited to the realized and unrealized gains on these contracts.

The Company uses outside suppliers or foundries for a portion of its manufacturing capacity.

We have operations in Europe and Asia subject to collective bargaining agreements which could pose a risk to the Company but we do not expect that our operations will be disrupted if such is the case.

Accounting standards adopted in 2021

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. ASU 2019-12 modifies ASC 740 to simplify the accounting for income taxes, removing certain exceptions to the general principles in ASC 740 and amending existing guidance to improve consistent application. ASU 2019-12 became effective for us on January 1, 2021. We have assessed our current positions and the interrelation to the amendments and the adoption of this update did not have a material impact on the Company's consolidated financial statements and related disclosures.

In October 2020, the FASB issued ASU 2020-09, Debt (Topic 470): Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762, to reflect changes the U.S. Securities and Exchange Commission has made to its disclosure rules on guaranteed debt securities offerings. The new rules replace the previously required condensed consolidating financial information with summarized financial information of the issuer and the guarantor and, among other things, require expanded qualitative disclosures. We have elected to provide this information in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations as permitted by the new rules.

In July 2021, the FASB issued ASU 2021-05, Leases (Topic 842) Lessors—Certain Leases with Variable Lease Payments. ASU 2021-05 continues to address any additional issues that may have arisen since the adoption of Topic 842 by public business entities. The amendments in this Update affect lessors with lease contracts that (1) have variable lease payments that do not depend on a reference index or a rate and (2) would have resulted in the recognition of a selling loss at lease commencement if classified as sales-type or direct financing. ASU 2021-05 became effective for us on December 15, 2021. We have assessed our current positions and the interrelation to the amendments and the adoption of this update did not have a material impact on the Company's consolidated financial statements and related disclosures.

No other new accounting pronouncements were issued or became effective in the period that had, or are expected to have, a material impact on our Consolidated Financial Statements.

Note 3 – Acquisitions and Divestments

2021

On July 6, 2021, we acquired Retune DSP for a total consideration of \$15.7 million, net of closing adjustments.

2020

There were no material acquisitions during 2020. On February 3, 2020, we completed the sale of the Company's Voice and Audio Solutions (VAS) assets, pursuant to the definitive agreement dated August 16, 2019 and which was previously classified as held for sale, with Shenzhen Goodix Technology Co., Ltd. ("Goodix") from China, for a net cash amount of \$161 million inclusive of final working capital adjustments. This resulted in a gain of \$110 million recorded in Other income (expense) on the Consolidated Statements of Operations.

2019

On December 6, 2019, we completed the acquisition of Marvell's Wireless WiFi Connectivity Business Unit, Bluetooth technology portfolio and related assets for total consideration of \$1.7 billion, net of closing adjustments. The acquisition complements NXP's processing, security and connectivity offerings in the Industrial & IoT, as well as in the Automotive and Communication Infrastructure markets.

The fair values of the assets acquired and liabilities assumed in the acquisition, by major class, were recognized as follows:

Tangible fixed assets	2
Inventory	50
Identified intangible assets	514
Goodwill	1,138
Deferred tax assets	1
Net assets acquired	1,705

Our valuation procedures related to the acquired assets and assumed liabilities was completed during the second quarter of 2020.

Goodwill arising from the acquisition is attributed to the anticipated growth from new product sales, sales to new customers, the assembled workforce and synergies expected from the combination. Substantially all of the goodwill recognized is expected to be deductible for income tax purposes.

The identified intangible assets assumed were recognized as follows:

	Fair Value	Weighted Average Estimated Useful Life (in Years)
Customer relationships (included in customer-related)	20	6
Developed technology (included in technology-based)	324	4.4
In-process research and development ⁽¹⁾	170	N/A
Total identified intangible assets	514	

¹⁾ Acquired in-process research and development (“IPR&D”) is an intangible asset classified as an indefinite lived asset until the completion or abandonment of the associated research and development effort. IPR&D will be amortized over an estimated useful life to be determined at the date the associated research and development effort is completed, or expensed immediately when, and if, the project is abandoned. Acquired IPR&D is not amortized during the period that it is considered indefinite lived, but rather is subject to annual testing for impairment or when there are indicators for impairment.

Variations of the income approach were applied to estimate the fair values of the intangible assets acquired. Developed technology and IPR&D were valued using the multi-period excess earnings method which reflects the present values of the projected cash flows that are expected to be generated by the existing technology and IPR&D less charges representing the contribution of other assets to those cash flows. Customer relationships were valued using the distributor method which uses market-based data to support the selection of profitability related to the customer relationship function.

Acquisition-related transaction costs (\$5 million) such as legal, accounting and other related expenses were recorded as a component of selling, general and administrative expense in our Consolidated Statement of Operations.

Pro forma financial information (unaudited)

The following unaudited pro forma financial information presents combined consolidated results of operations for each of the fiscal years presented, as if Marvell's Wireless WiFi Connectivity Business Unit, Bluetooth technology portfolio and related assets had been acquired as of January 1, 2018:

	2019	2018
Revenue	9,169	9,715
Net income (loss) attributable to stockholders	237	2,154
Net income (loss) per common share attributable to stockholders:		
– Basic	0.84	6.61
– Diluted	0.83	6.55

The pro forma information include the effect of certain purchase accounting adjustments such as the estimate changes in amortization and depreciation for identified intangible assets and property, plant and equipment acquired and adjustments to share-based compensation expense. The pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the revenue or operating results that would have been achieved had the acquisition actually taken place as of January 1, 2018 or of the results of future operations of the combined business. In addition, these results are not intended to be a projection of future results and do not reflect synergies that might be achieved from the combined operations.

On March 27, 2019, we sold our remaining equity interest in WeEn, receiving net cash proceeds of \$37 million.

Note 4 - Supplemental Financial Information

Statement of Operations Information

Disaggregation of revenue

The following table presents revenue disaggregated by sales channel:

	2021	2020	2019
Distributors	6,325	4,720	4,409
Original Equipment Manufacturers and Electronic Manufacturing Services	4,587	3,728	4,352
Other	151	164	116
Total	11,063	8,612	8,877

Depreciation, amortization and impairment

Depreciation and amortization, including impairment charges, are as follows:

	2021	2020	2019
Depreciation of property, plant and equipment	551	547	518
Amortization of internal use software	7	6	8
Amortization of other identified intangible assets (*)	704	1,435	1,521
	1,262	1,988	2,047

(*) For the period ending December 31, 2021, the amount includes an impairment charge as a result of the discontinuation of an IPR&D project for an amount of \$36 million. For the period ending December 31, 2020, the amount includes an impairment relative to IPR&D acquired as part of the acquisition of Freescale for an amount of \$36 million.

Depreciation of property, plant and equipment is primarily included in cost of revenue.

Other income (expense)

Income derived from manufacturing service arrangements (“MSA”) and transitional service arrangements (“TSA”) that are put in place when we divest a business or activity, is included in other income (expense). These arrangements are expected to decrease as the divested business or activity becomes more established.

The following table presents the split of other income (expense):

	2021	2020	2019
Result from MSA and TSA arrangements	(2)	—	
Other, net	2	114	
Total	—	114	

Financial income (expense)

	2021	2020	2019
Interest income	4	13	57
Interest expense	(369)	(362)	(370)
Total interest expense, net	(365)	(349)	(313)
Net gain (loss) on extinguishment of debt	(22)	(60)	(11)
Foreign exchange rate results	5	(16)	(15)
Miscellaneous financing income (expense) and other, net	(21)	8	(11)
Total other financial income (expense)	(38)	(68)	(37)
Total	(403)	(417)	(350)

Balance Sheet Information**Cash and cash equivalents**

At December 31, 2021 and December 31, 2020, our cash balance was \$2,830 million and \$2,275 million, respectively, of which \$208 million and \$185 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 2021, no dividend (2020: \$90 million dividend) was paid by SSMC.

Equity Investments

At December 31, 2021 and December 31, 2020, the total carrying value of investments in equity securities is summarized as follows:

	2021	2020
Marketable equity securities	18	
Non-marketable equity securities	19	
Equity-accounted investments	75	
	112	

The total carrying value of investments in equity-accounted investees is summarized as follows:

	2021		2020	
	Shareholding %	Amount	Shareholding %	Amount
Wise Road Industry Investment Fund I, L.P.	8.41 %	31	10.17 %	29
Others	—	44	—	32
		75		61

Results related to equity-accounted investees at the end of each period were as follows:

	2021	2020	2019
Company's share in income (loss)	(1)	(4)	
Other results	(1)	—	
	(2)	(4)	

Other current liabilities

Other current liabilities at December 31, 2021 and December 31, 2020 consisted of the following:

	2021	2020
Accrued compensation and benefits	476	
Income taxes payable	82	
Dividend payable	149	
Other	468	
	1,175	

Note 5 - Restructuring Charges

At each reporting date, we evaluate our restructuring liabilities, which consist primarily of termination benefits, to ensure that our accruals are still appropriate. During 2021 and 2019, there were no new significant restructuring programs. In the fourth quarter of 2020, we recognized \$38 million of employee severance costs in our restructuring liabilities, related to specific targeted actions.

The following table presents the changes in the position of restructuring liabilities in 2021:

	Balance January 1, 2021	Additions	Utilized	Released	Other changes ⁽¹⁾	Balance December 31, 2021
Restructuring liabilities	74	1	(37)	—	(1)	37

(1) Other changes primarily related to translation differences.

The total restructuring liability as of December 31, 2021 of \$37 million is classified in the Consolidated Balance Sheets under current liabilities (\$25 million) and non-current liabilities (\$12 million).

The utilization of the restructuring liabilities mainly reflects the execution of ongoing restructuring programs the Company initiated in earlier years.

The following table presents the changes in the position of restructuring liabilities in 2020:

	Balance January 1, 2020	Additions	Utilized	Released	Other changes ⁽¹⁾	Balance December 31, 2020
Restructuring liabilities	32	77	(36)	—	1	74

(1) Other changes primarily related to translation differences.

The total restructuring liability as of December 31, 2020 of \$74 million is classified in the Consolidated Balance Sheets under current liabilities (\$60 million) and non-current liabilities (\$14 million).

The utilization of the restructuring liabilities mainly reflects the execution of ongoing restructuring programs the Company initiated in earlier years.

The components of restructuring charges recorded in 2021, 2020 and 2019 are as follows:

	2021	2020	2019
Personnel lay-off costs	1	78	32
Other exit costs	—	—	—
Release of provisions/accruals	—	—	(4)
Net restructuring charges	1	78	28

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

	2021	2020	2019
Cost of revenue	—	15	3
Research & development	1	39	16
Selling, general and administrative	—	24	9
Other (income) expense	—	—	—
Net restructuring charges	1	78	28

Note 6 - Income Taxes

In 2021, NXP generated income before income taxes of \$2,180 million (2020: income of \$1 million; 2019: income of \$291 million). The components of income (loss) before income taxes are as follows:

	2021	2020	2019
Netherlands	942	447	429
Foreign	1,238	(446)	(138)
	2,180	1	291

The components of income tax benefit (expense) are as follows:

	2021	2020	2019
Current taxes:			
Netherlands	(106)	(147)	(90)
Foreign	(186)	(119)	(105)
	(292)	(266)	(195)
Deferred taxes:			
Netherlands	10	58	(28)
Foreign	10	291	203
	20	349	175
Total income tax benefit (expense)	(272)	83	(20)

A reconciliation of the statutory income tax rate in the Netherlands as a percentage of income (loss) before income taxes and the effective income tax rate is as follows:

	2021		2020		2019	
	amount	%	amount	%	amount	%
Statutory income tax rate in the Netherlands	545	25.0	—	25.0	73	25.0
Rate differential between the local statutory rates and the statutory rate of the Netherlands	(42)	(1.9)	22	2,175.0	16	5.5
Net change in valuation allowance	(20)	(0.9)	35	3,500.0	59	20.2
Non-deductible expenses/losses	53	2.5	61	6,100.0	52	17.8
Netherlands tax incentives	(69)	(3.2)	(48)	(4,800.0)	(68)	(23.2)
Foreign tax incentives	(163)	(7.5)	(117)	(11,700.0)	(118)	(40.5)
Changes in estimates of prior years' income taxes	(21)	(1.0)	(13)	(1,300.0)	(3)	(1.2)
Sale of non-deductible goodwill	—	—	10	1,000.0	—	—
Withholding taxes	(8)	(0.4)	(31)	(3,100.0)	5	1.8
Other differences	(3)	(0.1)	(2)	(200.0)	4	1.5
Effective tax rate	272	12.5	(83)	(8,300.0)	20	6.9

We recorded an income tax expense of \$272 million in 2021, which reflects an effective tax rate of 12.5% compared to a benefit of \$83 million and an effective rate of (8300.0)% in 2020. The effective tax rate reflects the impact of tax incentives, a portion of our earnings being taxed in foreign jurisdictions at rates different than the Netherlands statutory tax rate, changes in estimates of prior years' income taxes, change in valuation allowance and non-deductible expenses, sale of non-deductible goodwill and withholding taxes. The impact of these items results in offsetting factors that attribute to the change in the effective tax rate between the two periods, with the significant drivers outlined below:

- The Company benefits from certain tax incentives, which reduce the effective tax rate. The dollar amount of the incentive in any given year is commensurate with the taxable income in that same period. For 2021, the foreign tax and Netherlands tax incentives were higher than 2020 by \$67 million, mainly due to the fact that NXP increased its investment expenditures and benefited from higher qualifying income.
- The increase in the valuation allowance is mostly due to new Dutch corporate income tax law applicable as from 2019. A portion of the interest expenses is non-deductible in the year it is recorded but can be carried forward without expiration. The release of the valuation allowance in 2021 is due to higher qualifying income compared to 2020 and 2019.
- The withholding tax benefit in 2021 is mainly due to changes in considering more undistributed earnings as indefinitely reinvested resulting in a tax benefit of \$17 million. The difference of \$36 million in the withholding tax benefit in 2020 as compared with the tax expense in 2019 is mainly due to changes in the applicable deferred tax liability rate regarding future remittances of the earnings of foreign subsidiaries and due to changes in considering more undistributed earnings as indefinitely reinvested.
- The tax effect of the non-deductible goodwill of \$10 million is linked to the divestiture of the VAS business in 2020.

The Company benefits from income tax holidays in certain jurisdictions which provide that we pay reduced income taxes in those jurisdictions for a fixed period of time that varies depending on the jurisdiction. The predominant income tax holiday is expected to expire at the end of 2026. The impact of this tax holiday decreased foreign income taxes by \$14 million in 2021 (2020: \$11 million; 2019: \$12 million). The benefit of this tax holiday on net income per share (diluted) was \$0.05 in 2021 (2020: \$0.04; 2019: \$0.04).

Deferred tax assets and liabilities

The principal components of deferred tax assets and liabilities are presented below:

	2021	2020
Operating loss and tax credit carry forwards	317	480
Disallowed interest and tax incentive carry forwards	19	69
Other accrued liabilities	147	107
Pensions	104	121
Other non-current liabilities	60	58
Share-based compensation	9	13
Restructuring liabilities	6	15
Receivables	89	55
Inventories	5	8
Total Deferred Tax Assets	756	926
Valuation allowance	(161)	(227)
Total Deferred Tax Assets, net of valuation allowance	595	699
Identified intangible assets, net	(20)	(116)
Undistributed earnings of foreign subsidiaries	(38)	(54)
Property, plant and equipment, net	(7)	(15)
Goodwill	(83)	(66)
Other current and non-current assets	(63)	(56)
Total Deferred Tax Liabilities	(211)	(307)
Net Deferred Tax Position	384	392

The classification of the deferred tax assets and liabilities in the Company's Consolidated Balance Sheets is as follows:

	2021	2020
Deferred tax assets within other non-current assets	441	477
Deferred tax liabilities within non-current liabilities	(57)	(85)
	384	392

The Company has significant deferred tax assets resulting from net operating loss carryforwards, tax credit carryforwards and deductible temporary differences that may reduce taxable income or income taxes payable in future periods. Valuation allowances have been established for deferred tax assets based on a "more likely than not" threshold. The realization of our deferred tax assets depends on our ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction. The valuation allowance decreased by \$66 million during 2021 (2020: \$37 million increase). Besides the net change in the valuation allowance of \$20 million this mainly includes a decrease of the valuation allowance due to liquidating a dormant legal entity for \$17 million and for the remainder due to a change in estimates of prior years' income taxes.

We consider all available evidence in forming a judgment regarding the valuation allowance as of December 31, 2021, including events that occur subsequent to year end but prior to the issuance of the financial statements. The deferred tax assets are recognized to the extent that we consider it more likely than not that these assets will be realized. In making such a determination, we consider all available positive and negative evidence, including reversal of existing temporary differences, projected future taxable income and tax planning strategies.

At December 31, 2021 tax loss carryforwards of \$537 million (inclusive of \$139 million of U.S. state tax losses) will expire as follows:

	Balance December 31, 2021	Scheduled expiration							
		2022	2023	2024	2025	2026	2027-2031	later	unlimited
Tax loss carryforwards	537	13	2	3	10	13	91	45	360

This overview is excluding carried forward tax incentives of \$78 million which have an unlimited expiration date.

The Company also has tax credit carryforwards of \$363 million (excluding the effect of unrecognized tax benefits), which are available to offset future tax, if any, and which will expire as follows:

	Balance December 31, 2021	Scheduled expiration							
		2022	2023	2024	2025	2026	2027-2031	later	unlimited
Tax credit carryforwards	363	10	11	11	19	22	49	188	53

The net income tax payable (excluding the liability for unrecognized tax benefits) as of December 31, 2021 amounted to \$55 million (2020: net income tax payable of \$117 million) and includes amounts directly receivable from or payable to tax authorities.

The Company does not indefinitely reinvest the majority of the undistributed earnings of its subsidiaries. Consequently, the Company has recognized a deferred tax liability of \$38 million at December 31, 2021 (2020: \$54 million) for the additional income taxes and withholding taxes payable upon the future remittances of these earnings of foreign subsidiaries. The Company considers \$345 million of the undistributed earnings indefinitely reinvested although the timing of the reversal can be controlled. Upon repatriation of those earnings the Company would be subject to tax of \$35 million, which is not recognized as deferred tax liability at December 31, 2021.

A reconciliation of the beginning and ending amount of unrecognized tax benefits excluding interest and penalties is as follows:

	2021	2020	2019
Balance as of January 1,	161	159	165
Translation differences	(1)	—	(1)
Lapse of statute of limitations	(1)	(4)	(3)
Increases from tax positions taken during prior periods	7	5	4
Decreases from tax positions taken during prior periods	(1)	—	(4)
Increases from tax positions taken during current period	11	7	7
Decreases relating to settlements with the tax authorities	—	(6)	(9)
Balance as of December 31,	176	161	159

Of the total unrecognized tax benefits at December 31, 2021, \$152 million, if recognized, would impact the effective tax rate. All other unrecognized tax benefits, if recognized, would not affect the effective tax rate as these would be offset by compensating adjustments in the Company's deferred tax assets that would be subject to valuation allowance based on conditions existing at the reporting date.

The Company classifies interest related to an underpayment of income taxes as financial expense and penalties as income tax expense. The total related interest and penalties recorded during the year 2021 amounted to a \$5 million expense (2020: \$4 million expense; 2019: \$3 million benefit). As of December 31, 2021 the

Company has recognized a liability for related interest and penalties of \$18 million (2020: \$13 million; 2019: \$11 million). It is reasonably possible that the total amount of unrecognized tax benefits may significantly increase/decrease within the next 12 months of the reporting date due to, for example, completion of tax examinations. It is estimated that this reasonably possible change will not be significant.

The Company files income tax returns in the Netherlands, the U.S.A. and in various other foreign jurisdictions. Tax filings of our subsidiaries are routinely audited in the normal course of business by tax authorities around the world. Tax years that remain subject to examination by major tax jurisdictions: the Netherlands (2018-2020), Germany (2017-2020), USA (2005-2020), China (2011-2020), Taiwan (2016-2020), Thailand (2016-2020), Malaysia (2014-2020) and India (2004, 2005, 2007-2020).

Note 7 - Accounts Receivable, net

Accounts receivable, net are summarized as follows:

	2021	2020
Accounts receivable from third parties	925	767
Allowance for credit loss	(2)	(2)
	923	765

The following table presents accounts receivable, net disaggregated by sales channel:

	2021	2020
Distributors	171	186
Original Equipment Manufacturers and Electronic Manufacturing Services	722	533
Other	30	46
	923	765

Note 8 - Inventories, net

Inventories are summarized as follows:

	2021	2020 ¹⁾
Raw materials	107	66
Work in process	846	738
Finished goods	236	226
	1,189	1,030

¹⁾ Certain prior period amounts have been reclassified, correcting for the current year presentation of the allowance for obsolescence between finished goods and work in process categories, with no impact on total net inventories.

The portion of finished goods stored at customer locations under consignment amounted to \$12 million as of December 31, 2021 (2020: \$31 million).

The amounts recorded above are net of an allowance for obsolescence of \$120 million as of December 31, 2021 (2020: \$122 million).

Note 9 - Property, Plant and Equipment, net

The following table presents details of the Company's property, plant and equipment, net of accumulated depreciation:

	Useful Life (in years)	2021	2020
Land		164	165
Buildings	9 to 50	1,465	1,425
Machinery and installations	2 to 10	4,457	3,970
Other Equipment	1 to 5	802	751
Prepayments and construction in progress		423	210
		7,311	6,521
Less accumulated depreciation		(4,676)	(4,237)
Property, plant and equipment, net of accumulated depreciation		2,635	2,284

Note 10 - Identified Intangible Assets

The changes in identified intangible assets were as follows:

	Total
<i>Balance as of January 1, 2020</i>	
Cost	9,384
Accumulated amortization/impairment	(5,764)
Book value	3,620
<i>Changes in book value:</i>	
Acquisitions/additions	63
Transfer to assets held for sale	—
Amortization	(1,398)
Impairment	(43)
Total changes	(1,378)
<i>Balance as of December 31, 2020</i>	
Cost	9,249
Accumulated amortization/impairment	(7,007)
Book value	2,242
<i>Changes in book value:</i>	
Acquisitions/additions	163
Transfer to assets held for sale	—
Amortization	(674)
Impairment	(37)
Translation differences	—
Total changes	(548)
<i>Balance as of December 31, 2021</i>	
Cost	4,715
Accumulated amortization/impairment	(3,021)
Book value	1,694

Identified intangible assets as of December 31, 2021 and 2020 respectively were composed of the following:

	December 31, 2021		December 31, 2020	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
IPR&D ⁽¹⁾	96	—	147	—
Marketing-related	81	(81)	81	(81)
Customer-related	852	(325)	957	(381)
Technology-based	3,686	(2,615)	8,064	(6,545)
Identified intangible assets	4,715	(3,021)	9,249	(7,007)

(1) IPR&D is not subject to amortization until completion or abandonment of the associated research and development effort.

The estimated amortization expense for these identified intangible assets for each of the five succeeding years is:

2022	614
2023	383
2024	197
2025	101
2026	68
Thereafter	331

All intangible assets, excluding IPR&D and goodwill, are subject to amortization and have no assumed residual value.

The expected weighted average remaining life of identified intangibles is 4 years as of December 31, 2021.

Note 11 - Goodwill

The changes in goodwill in 2021 and 2020 were as follows:

	2021	2020
Balances as of January 1		
Cost	10,098	10,063
Accumulated impairment	(114)	(114)
Book value	9,984	9,949
Changes in book value:		
Acquisitions	6	3
Transfer to assets held for sale	—	—
Translation differences	(29)	32
Total changes	(23)	35
Balances as of December 31		
Cost - Balance	10,075	10,098
Accumulated impairment - Balance	(114)	(114)
Book value - Balance	9,961	9,984

No goodwill impairment charges were required to be recognized in 2021 or 2020.

The fair value of the reporting unit substantially exceeds the carrying value of the reporting unit.

See Note 3, "Acquisitions and Divestments".

Note 12 - Postretirement Benefit Plans

Pensions

Our employees participate in employee pension plans in accordance with legal requirements, customs and the related matters in the respective countries. These are defined-benefit pension plans, defined-contribution plans and multi-employer plans.

The Company's employees in The Netherlands participate in a multi-employer plan, implemented for the employees of the Metal and Electrical Engineering Industry ("Bedrijfstakpensioenfonds Metalektro" or "PME") in accordance with the mandatory affiliation to PME effective for the industry in which NXP operates. As this affiliation is a legal requirement for the Metal and Electrical Engineering Industry it has no expiration date. This PME multi-employer plan (a career average plan) covers 1,430 companies and 627,000 participants. The plan monitors its risk on an aggregate basis, not by company or participant and can therefore not be accounted for as a defined benefit plan. The pension fund rules state that the only obligation for affiliated companies will be to pay the annual plan contributions. There is no obligation for affiliated companies to fund plan deficits. Affiliated companies are also not entitled to any possible surpluses in the pension fund.

Every participating company contributes the same fixed percentage of its total pension base, being pensionable salary minus an individual offset. The Company's pension cost for any period is the amount of contributions due for that period.

The contribution rate for the mandatory scheme will increase from 27.59% (2021) to 27.98% (2022).

PME multi-employer plan	2021	2020	2019
NXP's contributions to the plan	37	33	31
(including employees' contributions)	5	4	4
Average number of NXP's active employees participating in the plan	2,075	2,048	2,129
NXP's contribution to the plan exceeded more than 5 percent of the total contribution (as of December 31 of the plan's year end)	No	No	No

The amount for pension costs included in the statement of operations for the year 2021 was \$112 million (2020: \$103 million; 2019: \$98 million) of which \$52 million (2020: \$47 million; 2019: \$47 million) represents defined-contribution plans and \$32 million (2020: \$29 million; 2019: \$27 million) represents the PME multi-employer plans.

Defined-benefit plans

The benefits provided by defined-benefit plans are based on employees' years of service and compensation levels. Contributions are made by the Company, as necessary, to provide assets sufficient to meet the benefits payable to defined-benefit pension plan participants.

These contributions are determined based upon various factors, including funded status, legal and tax considerations as well as local customs. The Company funds certain defined-benefit pension plans as claims are incurred.

The total ongoing cost of defined-benefit plans amounted to \$28 million in 2021 (2020: a cost of \$27 million; 2019: a cost of \$24 million).

The table below provides a summary of the changes in the pension benefit obligations and defined-benefit pension plan assets for 2021 and 2020, associated with the Company's dedicated plans, and a reconciliation of the funded status of these plans to the amounts recognized in the Consolidated Balance Sheets.

	2021	2020
Projected benefit obligation		
Projected benefit obligation at beginning of year	790	665
Service cost	17	17
Interest cost	6	7
Actuarial (gains) and losses	(3)	65
Curtailments and settlements	—	—
Benefits paid	(22)	(22)
Exchange rate differences	(58)	58
Projected benefit obligation at end of year	730	790
Plan assets		
Fair value of plan assets at beginning of year	224	203
Actual return on plan assets	19	5
Employer contributions	18	22
Curtailments and settlements	—	—
Benefits paid	(21)	(22)
Exchange rate differences	(18)	16
Fair value of plan assets at end of year	222	224
Funded status	(508)	(566)
Classification of the funded status is as follows		
– Accrued pension cost within other non-current liabilities	(497)	(554)
– Accrued pension cost within accrued liabilities	(11)	(12)
Total	(508)	(566)
Accumulated benefit obligation		
Accumulated benefit obligation for all Company-dedicated benefit pension plans	705	755
Plans with assets less than accumulated benefit obligation (including unfunded plans)		
– Fair value of plan assets	217	220
– Accumulated benefit obligations	699	750
Amounts recognized in accumulated other comprehensive income (before tax)		
Total AOCI at beginning of year	214	140
– Net actuarial loss (gain)	(24)	58
– Exchange rate differences	(15)	16
Total AOCI at end of year	175	214

The net amount of projected benefit obligation and plan assets for all underfunded (including unfunded) pension plans was \$508 million and \$566 million at December 31, 2021 and 2020, respectively, and was classified as liabilities in the Consolidated Balance Sheets.

For the year ended December 31, 2021, actuarial losses were primarily related to increases in discount rates of approximately 40 basis points on a weighted basis and updates to mortality table benchmarks in various countries. For the year ended December 31, 2020, actuarial losses were primarily related to decreases in discount rates of approximately 40 basis points on a weighted basis and updates to mortality table benchmarks in various countries.

The weighted average assumptions used to calculate the projected benefit obligations were as follows:

	2021	2020
Discount rate	1.2 %	0.8 %
Rate of compensation increase	2.2 %	1.6 %

The weighted average assumptions used to calculate the net periodic pension cost were as follows:

	2021	2020	2019
Discount rate	0.8 %	1.2 %	2.0 %
Expected returns on plan assets	2.6 %	2.6 %	2.7 %
Rate of compensation increase	1.6 %	1.5 %	1.8 %

For the Company's major plans, the discount rate used is based on high quality corporate bonds (iBoxx Corporate Euro AA 10+).

Plans in certain Asian countries without a deep corporate bond market use a discount rate based on the local sovereign rate and the plans' maturities (Bloomberg Government Bond Yields).

Expected returns per asset class are based on the assumption that asset valuations tend to return to their respective long-term equilibria. The Expected Return on Assets for any funded plan equals the average of the expected returns per asset class weighted by their portfolio weights in accordance with the fund's strategic asset allocation.

The components of net periodic pension costs were as follows:

	2021	2020	2019
Service cost	18	17	14
Interest cost on the projected benefit obligation	6	7	12
Expected return on plan assets	(6)	(5)	(6)
Amortization of net (gain) loss	10	8	4
Curtailments & settlements	—	—	—
Net periodic cost	28	27	24

The components of net periodic pension cost other than the service cost component are included in Other financial income (expense) in the Consolidated Statements of Operations.

Plan assets

The actual pension plan asset allocation at December 31, 2021 and 2020 is as follows:

	2021	2020
Asset category:		
Equity securities	34 %	34 %
Debt securities	35 %	39 %
Insurance contracts	7 %	7 %
Other	24 %	20 %
	100 %	100 %

We met our target plan asset allocation. The investment objectives for the pension plan assets are designed to generate returns that, along with the future contributions, will enable the pension plans to meet their future obligations. The investments in our major defined benefit plans largely consist of government bonds, "Level 2" Corporate Bonds and cash to mitigate the risk of interest fluctuations. The asset mix of equity, bonds, cash and other categories is evaluated by an asset-liability modeling study for our largest plan. The assets of funded plans in other countries mostly have a large proportion of fixed income securities with return characteristics that are

aligned with changes in the liabilities caused by discount rate volatility. Total pension plan assets of \$222 million include \$193 million related to the German and Japanese pension funds.

The following table summarizes the classification of these assets.

	2021			2020		
	Level I	Level II	Level III	Level I	Level II	Level III
Equity securities	—	71	—	—	71	—
Debt securities	6	53	—	8	62	—
Insurance contracts	—	15	—	—	15	—
Other	1	24	22	—	21	18
	7	163	22	8	169	18

The Company currently expects to make \$12 million of employer contributions to defined-benefit pension plans and \$10 million of expected cash payments in relation to unfunded pension plans in 2022.

Estimated future pension benefit payments

The following benefit payments are expected to be made (including those for funded plans):

2022	22
2023	23
2024	25
2025	25
2026	28
Years 2027-2031	162

Postretirement health care benefits

In addition to providing pension benefits, NXP provides retiree healthcare benefits in the US which are accounted for as defined-benefit plans.

The accumulated postretirement benefit obligation at the end of 2021 equals \$4 million (2020: \$6 million).

Note 13 - Debt

Long-term debt

The following table summarizes the outstanding long-term debt as of December 31, 2021 and 2020:

	Maturities	2021		2020	
		Amount	Interest rate	Amount	Interest rate
Fixed-rate 3.875% senior unsecured notes	Sep, 2022	—	3.875	1,000	3.875
Fixed-rate 4.625% senior unsecured notes	Jun, 2023	900	4.625	900	4.625
Fixed-rate 4.875% senior unsecured notes	Mar, 2024	1,000	4.875	1,000	4.875
Fixed-rate 2.7% senior unsecured notes	May, 2025	500	2.700	500	2.700
Fixed-rate 5.35% senior unsecured notes	Mar, 2026	500	5.350	500	5.350
Fixed-rate 3.875% senior unsecured notes	Jun, 2026	750	3.875	750	3.875
Fixed-rate 3.15% senior unsecured notes	May, 2027	500	3.150	500	3.150
Fixed-rate 5.55% senior unsecured notes	Dec, 2028	500	5.550	500	5.550
Fixed-rate 4.3% senior unsecured notes	Jun, 2029	1,000	4.300	1,000	4.300
Fixed-rate 3.4% senior unsecured notes	May, 2030	1,000	3.400	1,000	3.400
Fixed-rate 2.5% senior unsecured notes	May, 2031	1,000	2.500	—	—
Fixed-rate 2.65% senior unsecured notes	Feb, 2032	1,000	2.650	—	—
Fixed-rate 3.25% senior unsecured notes	May, 2041	1,000	3.250	—	—
Fixed-rate 3.125% senior unsecured notes	Feb, 2042	500	3.125	—	—
Fixed-rate 3.25% senior unsecured notes	Nov, 2051	500	3.250	—	—
Floating-rate revolving credit facility (RCF)	Jun, 2024	—	—	—	—
Total principal		10,650		7,650	
Unamortized discounts, premiums and debt issuance costs		(78)		(41)	
Total debt, including unamortized discounts, premiums, debt issuance costs and fair value adjustments		10,572		7,609	
Current portion of long-term debt		—		—	
Long-term debt		10,572		7,609	

	Range of interest rates	Average rate of interest	Principal amount outstanding 2021	Due in 2022	Due after 2022	Due after 2026	Average remaining term (in years)	Principal amount outstanding 2020
USD notes	2.5%-5.6%	3.7 %	10,650	—	10,650	7,000	9.05	7,650
Revolving Credit Facility (1)	— %	— %	—	—	—	—	—	—
Bank borrowings	— %	— %	—	—	—	—	—	—
			10,650	—	10,650	7,000	9.05	7,650

(1) We do not have any borrowings under the \$1,500 million Revolving Credit Facility as of December 31, 2021 and 2020.

As of December 31, 2021, the following principal amounts of long-term debt are due in the next 5 years:

2022	—
2023	900
2024	1,000
2025	500
2026	1,250
Due after 5 years	7,000
	<hr/>
	10,650

As of December 31, 2021, the book value of our outstanding long-term debt was \$10,650 million, less debt issuance costs of \$47 million and original issuance/debt discount of \$31 million.

As of December 31, 2021, we had no aggregate principal amount of variable interest rate indebtedness under our loan agreements. The remaining tenor of unsecured debt is on average 9.1 years.

Accrued interest as of December 31, 2021 is \$57 million (December 31, 2020: \$57 million).

2021 Financing Activities

2032, 2042 and 2051 Senior Unsecured Notes

On November 30, 2021, NXP B.V., together with NXP USA Inc. and NXP Funding LLC, issued \$1 billion of 2.65% Senior Unsecured Notes due 2032, \$500 million of 3.125% Senior Unsecured Notes due 2042 and \$500 million of 3.25% Senior Unsecured Notes due 2051. The Company used a portion of the net proceeds of the offering of these notes to redeem the \$1 billion aggregate principal amount of outstanding 3.875% Senior Notes due 2022. The remaining net proceeds will be used for general corporate purposes, which may include capital expenditures or equity buyback transactions.

2031 and 2041 Senior Unsecured Notes

On May 11, 2021, NXP B.V., together with NXP USA Inc. and NXP Funding LLC, issued \$1 billion of 2.5% Senior Unsecured Notes due 2031 and \$1 billion of 3.25% Senior Unsecured Notes due 2041. The net proceeds of the 2.5% Senior Notes due 2031 ("2031 Notes") are being used to finance certain eligible green projects. Pending the allocation of an amount equal to the net proceeds of the 2031 Notes to finance these eligible green projects, the remaining net proceeds of the 2031 Notes, together with the net proceeds of the 3.25% Senior Notes due 2041, are temporarily being held as cash and other short-term securities or are being used for general corporate purposes, including capital expenditures, short-term debt repayment or equity buyback transactions.

Certain terms and Covenants of the notes

The Company is not required to make mandatory redemption payments or sinking fund payments with respect to the notes.

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. The Company has been in compliance with any such indentures and financing covenants.

No portion of long-term and short-term debt as of December 31, 2021 and December 31, 2020 has been secured by collateral on substantially all of the Company's assets and of certain of its subsidiaries.

We are in compliance with all covenants under our debt agreements as of December 31, 2021.

2019 Cash Convertible Senior Notes

In November 2014, NXP issued \$1,150 million principal amount of its 2019 Cash Convertible Senior Notes (the "Notes"). The Cash Convertible Notes matured on December 1, 2019. All of the holders elected to convert their Cash Convertible Notes for settlement on December 2, 2019, and none of the Cash Convertible Notes were repurchased or converted into cash prior to such date.

On December 2, 2019, we repaid the \$1,150 million aggregate principal amount of the Cash Convertible Notes using available cash.

In separate transactions, NXP also sold warrants to various parties for the purchase of up to 11.18 million shares of NXP's common stock at an initial strike price of \$133.32 per share in a private placement pursuant to Section 4(2) of the Securities Act of 1933, as amended, or the Securities Act. The warrants expired on various dates ranging from March 2, 2020 to May 26, 2020. During the full period the NXP share price was below the conversion price of the warrants, and as such, none of the warrants have been converted. The Warrants are included in diluted earnings per share to the extent the impact is dilutive. As of December 31, 2020, the Warrants were not dilutive.

Note 14 – Leases

Operating and finance lease assets relate to buildings (corporate offices, research and development and manufacturing facilities and datacenters), land, machinery and installations and other equipment (vehicles and certain office equipment). These leases, except for land leases, have remaining lease terms of 1 to 30 years (land leases 48 to 90 years), some of which may include options to extend the leases for up to 5 years, and some of which may include options to terminate the leases within 1 year. As of December 31, 2021, assets recorded under finance leases amounted to \$82 million and accumulated depreciation associated with finance leases was \$15 million (2020: \$82 million and \$12 million, respectively). Finance lease liabilities amounted to \$23 million as of December 31, 2021 (December 31, 2020: \$24 million).

The components of operating lease expense were as follows

	2021	2020	2019
Operating lease cost	66	65	59

Other information related to operating leases was as follows:

Supplemental cash flows information:

Operating cash flows from operating leases	64	63	53
Right-of-use assets obtained in exchange for lease obligations ¹⁾	67	50	279
Weighted average remaining lease term	6 years	6 years	6 years
Weighted average discount rate	2 %	3 %	3 %

¹⁾ \$188 million recorded on January 1, 2019 in accordance with the adoption of ASC 842.

Future minimum lease payments for operating leases as of December 31, 2021 were as follows:

	As of December 31, 2021
2022	60
2023	53
2024	40
2025	30
2026	28
Thereafter	45
Total future minimum lease payments	256
Less: imputed interest	(19)
Total	237

Rent expense amounted to \$10 million in 2021 compared to \$9 million in 2020 and \$12 million in 2019 (containing services related to leased assets as well as short-term leases).

Lease liabilities related to operating leases are split between current and non-current:

	As of December 31,	
	2021	2020
Other current liabilities	56	60
Other non-current liabilities	181	177
Total	237	237

Operating lease right-of-use assets are \$226 million as of December 31, 2021 (December 31, 2020: \$223 million) and are included in other non-current assets in the consolidated balance sheet.

Note 15 - Commitments and Contingencies

Purchase Commitments

The Company maintains purchase commitments with certain suppliers, primarily for raw materials, semi-finished goods and manufacturing services and for some non-production items. Purchase commitments for inventory materials are generally restricted to a forecasted time-horizon as mutually agreed upon between the parties. This forecasted time-horizon can vary for different suppliers. As of December 31, 2021, the Company had purchase commitments of \$4,354 million, which are due through 2044. Our long-term obligations increased substantially in 2021 as we locked in long-term supply with our key manufacturing partners.

Litigation

We are regularly involved as plaintiffs or defendants in claims and litigation relating to a variety of matters such as contractual disputes, personal injury claims, employee grievances and intellectual property litigation. In addition, our acquisitions, divestments and financial transactions sometimes result in, or are followed by, claims or litigation. Some of these claims may possibly be recovered from insurance reimbursements. Although the ultimate disposition of asserted claims 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. 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. Legal fees are expensed when incurred.

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 \$65 million accrued for potential and current legal proceedings pending as

of December 31, 2021, compared to \$17 million accrued at December 31, 2020 (without reduction for any related insurance reimbursements). The accruals are included in "Other current liabilities" and "Other non-current liabilities". As of December 31, 2021, the Company's balance related to insurance reimbursements was \$46 million (December 31, 2020: \$8 million) and is included in "Other non-current assets".

The Company also estimates the aggregate range of reasonably possible losses in excess of the amount accrued based on currently available information for those cases for which such estimate can be made. The estimated aggregate range requires significant judgment, given the varying stages of the proceedings, 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 December 31, 2021, the Company believes that for all litigation pending its potential aggregate exposure to loss in excess of the amount accrued (without reduction for any amounts that may possibly be recovered under insurance programs) could range between \$0 million and \$63 million. Based upon our past experience with these matters, the Company would expect to receive additional insurance reimbursement of up to \$48 million on certain of these claims that would partially offset the potential aggregate exposure to loss in excess of the amount accrued.

In addition, the Company is currently assisting Motorola in the defense of personal injury lawsuits due to indemnity obligations included in the agreement that separated Freescale from Motorola in 2004. The multi-plaintiff Motorola lawsuits are pending in the Circuit Court of Cook County, Illinois. These claims allege a link between working in semiconductor manufacturing clean room facilities and birth defects in 18 individuals. The Motorola suits allege exposures between 1981 and 2006. Each claim seeks an unspecified amount of damages for the alleged injuries; however, legal counsel representing the plaintiffs have indicated they will seek substantial compensatory and punitive damages from Motorola for the entire inventory of claims which, if proven and recovered, the Company considers to be material. A portion of any indemnity due to Motorola will be reimbursed to NXP if Motorola receives an indemnification payment from its insurance coverage. Motorola has potential insurance coverage for many of the years indicated above, but with differing types and levels of coverage, self-insurance retention amounts and deductibles. We are in discussions with Motorola and their insurers regarding the availability of applicable insurance coverage for each of the individual cases. Motorola and NXP have denied liability for these alleged injuries based on numerous defenses.

Loss recovery

In February 2021, NXP's two wafer manufacturing facilities in Austin, Texas were negatively impacted by unusually severe winter weather conditions that corresponded with a widespread disruption of gas, electricity, and water. The Company has insurance coverage for the repair or replacement of assets that suffered damage or loss and business interruption coverage, including lost profits, and the reimbursement of other expenses and costs that have been incurred relating to the damages and losses suffered.

For the year ended December 31, 2021, the Company recognized \$177 million in insurance proceeds directly offsetting the loss from operations that were incurred in the period.

Environmental remediation

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

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

Soil and groundwater contamination has been identified at our properties in Nijmegen, the Netherlands and near Phoenix, Arizona, United States. The remediation processes at these locations are expected to continue for many years.

As of December 31, 2021, we have recorded \$87 million for environmental remediation costs, which are primarily included in other non-current liabilities in the accompanying Consolidated Balance Sheets. This amount represents the undiscounted future cash flows of our estimated share of costs incurred in environmental cleanup sites without considering recovery of costs from any other party or insurer, since in most cases potentially responsible parties other than us may exist and be held responsible.

Note 16 - Stockholders' Equity and Earnings per Share

The share capital of the Company as of December 31, 2021 consists of 1,076,257,500 authorized shares, including 430,503,000 authorized shares of common stock, and 645,754,500 authorized but unissued shares of preferred stock.

In November 2019, the board of directors of NXP (the "Board"), as authorized by the 2019 annual general meeting of shareholders, approved the repurchase of shares up to a maximum of \$2 billion (the "2019 Share Repurchase Program"). In addition, the Board approved the purchase of shares from participants in NXP's equity programs who trade shares as trade for tax and this authorization will remain in effect until terminated by the Board. In March 2021, the Board, as authorized by the 2020 annual general meeting of shareholders, approved the repurchase of shares up to a maximum of \$2 billion (the "2021 Share Repurchase Program"), and in August 2021, the Board, as authorized by the 2021 annual general meeting of shareholders, increased the 2021 Share Repurchase Program authorization by \$2 billion, for a total of \$4 billion approved for the repurchase of shares under the 2021 Share Repurchase Program.

During the fiscal year-ended December 31, 2020, NXP repurchased 4.8 million shares, for a total of approximately \$0.6 billion, and during the year-ended December 31, 2021, NXP repurchased 20.6 million shares, for a total of approximately \$4 billion. As approved by the board of directors, on December 15, 2020, NXP cancelled some 26 million shares and on November 30, 2021, NXP cancelled 15 million shares. As a result, the number of issued NXP shares as per December 31, 2020 is 289,519,638 shares and as per December 31, 2021, the Company has issued and paid up 274,519,638 shares of common stock each having a par value of €0.20 or a nominal stock capital of €55 million (2020: €58 million).

Cash dividends

The following dividends were declared in 2021, 2020 and 2019 under NXP's quarterly dividend program which was introduced as of the third quarter of 2018:

	2021	2020	2019
Dividends declared (in millions)	606	420	351
Dividends declared (per share)	2.25	1.50	1.25

Share-based awards

The Company has granted share-based awards to the members of our board of directors, management team, our other executives, selected other key employees/talents of NXP and selected new hires to receive the Company's shares in the future. See Note 17, "Share-based Compensation".

Treasury shares

From time to time, last on May 26, 2021, the General Meeting of Shareholders authorizes the Board of Directors to repurchase shares of our common stock. On that basis, the Board of Directors has approved various share repurchase programs. In accordance with the Company's policy to provide share-based 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 and performance 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.

The following transactions took place resulting from employee option and share plans:

	2021	2020	2019
Total shares in treasury at beginning of year	9,044,952	34,082,242	35,913,021
Total cost	1,037	3,037	3,238
Shares acquired under repurchase program	20,628,901	4,828,913	15,865,718
Average price in \$ per share	194.63	129.70	90.94
Amount paid	4,015	627	1,443
Shares delivered	5,104,494	3,866,203	4,513,416
Average price in \$ per share	102.88	94.26	93.55
Amount received	62	71	84
Shares retired	15,000,000	26,000,000	13,183,081
Total shares in treasury at end of year	9,569,359	9,044,952	34,082,242
Total cost	1,932	1,037	3,037

Shareholder tax on repurchased shares

Under Dutch tax law, the repurchase of a company's shares by an entity in the Netherlands is a taxable event (unless exemptions apply). The tax on the repurchased shares is attributed to the shareholders, with NXP making the payment on the shareholders' behalf. As such, the tax on the repurchased shares is accounted for within stockholders' equity.

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

	2021	2020	2019
Net income (loss)	1,906	80	272
Less: Net income (loss) attributable to non-controlling interests	35	28	29
Net income (loss) attributable to stockholders	1,871	52	243
Weighted average number of shares outstanding (after deduction of treasury shares) during the year (in thousands)	270,687	279,763	282,056
Plus incremental shares from assumed conversion of:			
Options ¹⁾	386	526	776
Restricted Share Units, Performance Share Units and Equity Rights ²⁾	4,573	3,520	3,079
Dilutive potential common share	4,959	4,046	3,855
Adjusted weighted average number of shares outstanding (after deduction of treasury shares) during the year (in thousands) ¹⁾	275,646	283,809	285,911
EPS attributable to stockholders in \$:			
Basic net income (loss)	6.91	0.19	0.86
Diluted net income (loss)	6.79	0.18	0.85

¹⁾ No stock options to purchase shares of NXP's common stock that were outstanding in 2021 (2020: none; 2019: 0.1 million shares) were anti-dilutive and were not included in the computation of diluted EPS because the exercise price was greater than the average fair market value of the common stock or the number of shares assumed to be repurchased using the proceeds of unrecognized compensation expense and exercise prices was greater than the weighted average number of shares underlying outstanding stock options.

²⁾ Unvested RSU's, PSU's and equity rights up to 0.1 million shares that were outstanding in 2021 (2020: 0.6 shares; 2019: 0.7 million shares) were anti-dilutive and were not included in the computation of diluted EPS because the number of shares assumed to be repurchased using the proceeds of unrecognized compensation expense was greater than the weighted average number of outstanding unvested RSU's, PSU's and equity rights or the performance goal has not been met.

Note 17 - Share-based Compensation

Share-based compensation expense is included in the following line items in our consolidated statement of operations:

	2021	2020	2019
Cost of revenue	45	45	42
Research and development	165	159	141
Selling, general and administrative	143	180	163
	353	384	346

The income tax (expense) benefit recognized in net income related to share-based compensation expenses was \$54 million (includes \$32 million of excess tax benefits), \$32 million (includes \$10 million of excess tax benefits) and \$27 million (includes \$3 million of excess tax benefits) for the years ended December 31, 2021, 2020 and 2019, respectively.

Long Term Incentive Plans (LTIP's)

The LTIP was introduced in 2010 and is a broad-based long-term retention program to attract, retain and motivate talented employees as well as align stockholder and employee interests. The LTIP provides share-based compensation ("awards") to both our eligible employees and non-employee directors. Awards that may be granted include performance shares, stock options and restricted shares. On November 2, 2021, the Company granted PSU awards to certain executives of the Company with a performance measure of Relative Total Shareholder Return ("Relative TSR"). Each PSU, which cliff vests on the third anniversary of the date of grant, entitles the grant recipient to receive from 0 to 2 common shares for each of the target units awarded based on

the Relative TSR of the Company's share price as compared to a set of peer companies. The Company estimates the fair value of the PSUs using a Monte Carlo valuation model, utilizing assumptions underlying the Black-Scholes methodology. The grant date fair value was \$257.26 per PSU. The fair value of the PSUs is recognized as compensation cost over the service period of 3 years. Awards granted generally will become fully vested upon a termination event occurring within one year following a change in control, as defined. A termination event is defined as either termination of employment or services other than for cause or constructive termination resulting from a significant reduction in either the nature or scope of duties and responsibilities, a reduction in compensation or a required relocation. The number of shares authorized and available for awards at December 31, 2021 was 23.8 million.

A charge of \$331 million was recorded in 2021 for the LTIP (2020: \$376 million; 2019: \$339 million).

A summary of the activity for our LTIP's during 2021 is presented below.

Stock options

The options have a strike price equal to the closing share price on the grant date. The fair value of the options has been calculated using the Black-Scholes formula, using the following assumptions:

- an expected life varying from 5.98 to 6.25 years, calculated in accordance with the guidance provided in SEC Staff bulletin No. 110 for plain vanilla options using the simplified method, since our equity shares have been publicly traded for only a limited period of time and we did not have sufficient historical exercise data at the grant date of the options;
- a risk-free interest rate varying from 1.2% to 1.9% (2020: 1.2% to 1.9%; 2019: 1.0% to 1.9%);
- no expected dividend payments; and
- a volatility of 42 – 45% based on the volatility of a set of peer companies. Peer company data was used given the short period of time our shares had been publicly traded.

Above assumptions were valid at the moment NXP granted the options. Changes in the assumptions can materially affect the fair value estimate.

	Stock options	Weighted average exercise price in USD	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at January 1, 2021	644,334	56.03		
Granted	—	—		
Exercised	182,847	54.54		
Forfeited	3,275	17.96		
Outstanding at December 31, 2021	458,212	56.90	2.70	78
Exercisable at December 31, 2021	458,212	56.90	2.70	78

No options were granted in 2021, 2020 and 2019.

The intrinsic value of the exercised options was \$27 million (2020: \$45 million; 2019: \$48 million), whereas the amount received by NXP was \$10 million (2020: \$26 million; 2019: \$45 million). The tax benefit realized from stock options exercised during fiscal 2021, 2020, and 2019 was \$58 million, \$33 million, and \$31 million, respectively.

At December 31, 2021, there were no (2020: none) unrecognized compensation cost related to non-vested stock options.

Performance share units

Market performance conditions

	Shares	Weighted average grant date fair value in USD
Outstanding at January 1, 2021	2,131,694	131.81
Granted	238,043	257.18
Performance based adjustment ¹⁾	499,303	121.37
Vested	1,914,161	121.20
Forfeited	79,301	—
Outstanding at December 31, 2021	875,578	181.50

¹⁾ The amount shown represents performance adjustments for performance-based awards granted on July 26, 2018. These units vested at 135% during 2021 based on the achievement of relative TSR performance conditions.

In 2021, the weighted average grant date fair value of performance share units granted was \$257.18 (2020: \$164.92; 2019: \$141.64).

In 2021, the fair value of the performance share units at the time of vesting was \$395 million (2020: nil ; 2019: nil).

At December 31, 2021, there was a total of \$90 million (2020: \$89 million; 2019: \$135 million) of unrecognized compensation cost related to non-vested performance share units. This cost is expected to be recognized over a weighted-average period of 1.7 years (2020: 2.0 years; 2019: 2.0 years).

Restricted share units

	Shares	Weighted average grant date fair value in USD
Outstanding at January 1, 2021	5,392,686	114.83
Granted	1,819,220	201.68
Vested	2,693,170	107.31
Forfeited	340,819	122.22
Outstanding at December 31, 2021	4,177,917	156.89

The weighted average grant date fair value of restricted share units granted in 2021 was \$201.68 (2020: \$129.05; 2019: \$111.62). The fair value of the restricted share units at the time of vesting was \$533 million (2020: \$372 million; 2019: \$325 million).

At December 31, 2021, there was a total of \$546 million (2020: \$502 million; 2019: \$501 million) of unrecognized compensation cost related to non-vested restricted share units. This cost is expected to be recognized over a weighted-average period of 1.6 years (2020: 1.5 years; 2019: 1.5 years).

Note 18 - Accumulated Other Comprehensive Income (Loss)

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:

	Currency translation differences	Change in fair value cash flow hedges	Net actuarial gain/(losses)	Accumulated Other Comprehensive Income (loss)
As of December 31, 2019	203	2	(130)	75
Other comprehensive income (loss) before reclassifications	78	15	(63)	30
Amounts reclassified out of accumulated other comprehensive income (loss)	—	(4)	—	(4)
Income tax effects	—	(2)	18	16
Other comprehensive income (loss)	78	9	(45)	42
As of December 31, 2020	281	11	(175)	117
Other comprehensive income (loss) before reclassifications	(74)	(9)	23	(60)
Amounts reclassified out of accumulated other comprehensive income (loss)	—	(6)	—	(6)
Income tax effects	—	4	(7)	(3)
Other comprehensive income (loss)	(74)	(11)	16	(69)
As of December 31, 2021	207	—	(159)	48

Note 19 - Related-party Transactions

The Company's related parties are the members of the board of directors of NXP Semiconductors N.V., the executive officers of NXP Semiconductors N.V. and equity-accounted investees.

The following table presents the amounts related to revenue and other income and purchase of goods and services incurred in transactions with these related parties:

	2021	2020	2019
Revenue and other income	8	54	82
Purchase of goods and services	4	36	64

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

	2021	2020
Receivables	1	3
Payables	3	7

Note 20 - Fair Value of Financial Assets and Liabilities

The following table summarizes the estimated fair value of our financial instruments which are measured at fair value on a recurring basis:

	Fair value hierarchy	Estimated fair value	
		December 31, 2021	December 31, 2020
Assets:			
Money market funds	1	2,111	1,469
Marketable equity securities	1	18	19
Derivative instruments-assets	2	5	18
Liabilities:			
Derivative instruments-liabilities	2	(3)	—

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

Assets and liabilities measured at fair value on a recurring basis

Investments in money market funds (as part of our cash and cash equivalents) and marketable equity securities (as part of other non-current assets) have fair value measurements which are all based on quoted prices in active markets for identical assets or liabilities. For derivatives (as part of other current assets or accrued liabilities) the fair value is based upon significant other observable inputs depending on the nature of the derivative.

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

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

Assets and liabilities not recorded at fair value on a recurring basis

Financial instruments not recorded at fair value on a recurring basis include non-marketable equity securities and equity method investments that have not been remeasured or impaired in the current period and debt.

As of December 31, 2021, the estimated fair value of current and non-current debt was \$11.3 billion (\$8.6 billion as of December 31, 2020). The fair value is estimated on the basis of broker-dealer quotes, which are Level 2 inputs. Accrued interest is included under accrued liabilities and not within the carrying amount or estimated fair value of debt.

Note 21 - Other Financial Instruments, Derivatives and Currency Risk

We conduct business in diverse markets around the world and employ a variety of risk management strategies and techniques to manage foreign currency exchange rate and interest rate risks. Our risk management program focuses on the unpredictability of financial markets and seeks to minimize the potentially adverse effects that the volatility of these markets may have on our operating results. One way we achieve this is through the active hedging of risks through the selective use of derivative instruments.

Derivatives are recorded on our Consolidated Balance Sheets at fair value which fluctuates based on changing market conditions.

The Company does not purchase or hold financial derivative instruments for trading purposes.

Currency risk

The Company's transactions are denominated in a variety of currencies. The Company uses financial instruments to reduce its exposure to the effects of currency fluctuations. Accordingly, the Company's organizations identify and measure their exposures from transactions denominated in other than their own functional currency. We calculate our net exposure on a cash flow basis considering balance sheet items, actual orders received or made and anticipated revenue and expenses. The Company generally hedges foreign currency exposures in relation to transaction exposures, such as receivables/payables resulting from such transactions and part of anticipated sales and purchases. The Company generally uses forwards to hedge these exposures. As of January 1, 2016, as a result of the acquisition of Freescale, NXP has concluded that the functional currency of the Company is USD. Beginning from January 1, 2016, our U.S. dollar-denominated notes and short term loans will no longer need to be re-measured. Prior to January 1, 2016, the U.S. dollar-denominated debt held by our Dutch subsidiary (which had at that time a euro functional currency) could have generated adverse currency results in financial income and expenses depending on the exchange rate movement between the euro and the U.S. dollar. The U.S. dollar exposure of the net investment in U.S. dollar functional currency subsidiaries was hedged by certain of our U.S. dollar denominated debt. The hedging relationship was assumed to be highly effective. Foreign currency gains or losses on this U.S. dollar debt that were recorded in a euro functional currency entity that were designated as, and to the extent they were effective, as a hedge of the net investment in our U.S. dollar foreign entities, were reported as a translation adjustment in other comprehensive income within equity, and offset in whole or in part the foreign currency changes to the net investment that were also reported in other comprehensive income. Absent the application of net investment hedging, these amounts would have been recorded as a loss within financial income (expense) in the statement of operations.

Note 22 - Segments and Geographical Information

NXP has one reportable segment representing the entity as a whole, aligning with our organizational structure and with the way our chief operating decision maker makes operating decisions, allocates resources, and manages the growth and profitability of the business.

Revenue attributed to geographic areas is based on the customer's shipped-to location. Long-lived assets include Property and equipment, net, which were based on the physical location of the assets as of the end of each year.

Geographical Information

	Revenue			Property, plant and equipment, net		
	2021	2020	2019	2021	2020	2019
China	4,180	3,324	3,147	387	257	265
Netherlands	352	222	275	251	212	221
United States	964	750	840	719	766	845
Singapore	1,269	1,064	1,006	391	304	321
Germany	628	483	526	44	51	52
Japan	810	647	780	1	—	—
South Korea	467	327	327	—	—	—
Malaysia	123	95	120	326	288	337
Other countries	2,270	1,700	1,856	516	406	407
	11,063	8,612	8,877	2,635	2,284	2,448

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures**Disclosure Controls and Procedures**

As of the end of the period covered by this Annual Report, our management, with the participation of our chief executive officer and chief financial officer, conducted an evaluation pursuant to Rule 13a-15(e) and 15d-15(e) of the Exchange Act of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our chief executive officer and chief financial officer concluded that as of the end of the period covered by this Annual Report the disclosure controls and procedures were not effective due to a material weakness in internal control over financial reporting, described below.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15(d)-15(f) of the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance, not absolute assurance, regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021 based on the criteria established in "*Internal Control - Integrated Framework (2013)*" by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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

The Company's management identified a material weakness in our internal control over financial reporting associated with ineffective information technology general controls (ITGCs) in the areas of user access, change-management and IT operations over certain information technology (IT) systems that support the Company's financial reporting processes. Management also deemed ineffective our automated and manual business process controls that are dependent on the affected ITGCs, because they could have been adversely impacted to the extent that they rely upon information and configurations from the affected IT systems. We believe that these control deficiencies were a result of: IT control processes lacking sufficient documentation such that the successful operation of ITGCs was overly dependent upon knowledge and actions of certain individuals for each applicable IT system; insufficient training of IT personnel on the importance of ITGCs; and risk-assessment processes being inadequate to identify and assess risks in IT environments that could impact internal control over financial reporting. The material weakness did not result in any identified misstatements to the financial statements, and there were no changes to previously released financial results. However, the deficiencies in IT General Controls created a more than remote possibility that a material misstatement to the Consolidated financial statements would not be prevented or detected on a timely basis. Based on this material weakness, our management concluded that as of December 31, 2021, the Company's internal control over financial reporting was not effective.

Management has analyzed the material weaknesses and performed additional analysis and procedures in preparing our Consolidated financial statements. We have concluded that our Consolidated financial statements fairly present, in all material respects, our financial condition, results of operations and cash flows at and for the periods presented. Apart from the material weaknesses described above, NXP's management has not identified any other deficiencies.

The Company's independent registered public accounting firm, Ernst & Young Accountants LLP, has issued an adverse audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2021, which appears in Part II, Item 8 of this Form 10-K.

Remediation

Management has been implementing and continues to implement measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented, and operating effectively. These remediation actions are ongoing and include or are expected to include:

- Expanding controls and/or applying other appropriate procedures to address the design and operation of ITGCs on systems supporting our financial processes.
- Creating and filling functions with an emphasis on IT compliance and oversight.
- Developing a training program addressing ITGCs and policies, including educating control owners concerning the principles and requirements of each control, with a focus on those related to user access and change-management over IT systems impacting financial reporting.
- Developing and maintaining policy documentation underlying ITGCs to promote knowledge transfer upon personnel and function changes.
- Developing enhanced risk assessment and control identification procedures.
- Implementing an IT management review and testing plan to monitor ITGCs with a specific focus on systems supporting our financial reporting processes.
- Enhanced quarterly reporting on the remediation measures to the Audit Committee of the Board of Directors.

As we continue to evaluate and work to improve our internal control over financial reporting, we may decide to take additional measures to address control deficiencies or modify the remediation plans described above. We believe that these actions will remediate the material weakness, however the weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Management believes the foregoing plans will effectively remediate the deficiencies constituting the material weaknesses and intends the remediation of this material weakness to be completed prior to the end of fiscal 2022. However, there is no assurance as to when such remediation will be completed. As the remediation plans are or continue to be implemented, management may take additional measures or modify the plan elements described above.

Inherent Limitations on Effectiveness of Controls

It should be noted that any control system, regardless of how well it is designed and operated, can provide only reasonable, not absolute, assurance that its objectives will be met. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Changes in Internal Control Over Financial Reporting

Except for the material weakness identified during the quarter, as of December 31, 2021, there were no other changes in the Company's internal control over financial reporting during the three and twelve month periods ended December 31, 2021, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this Item regarding our directors, executive officers and governance, appears under the captions "Item 3: (Re-)appointment of Directors", "Executive Officers", "Corporate Governance" and "How our Board Governs and Is Governed", in the 2022 Proxy Statement to be filed with the SEC within 120 days after December 31, 2021 in connection with the solicitation of proxies for the Company's 2022 annual meeting of shareholders, and is incorporated herein by reference.

Item 11. Executive Compensation

The captions entitled "Executive Compensation" and "How Our Directors Are Compensated" in our 2022 Proxy Statement to be filed with the SEC within 120 days after December 31, 2021, are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The captions entitled "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in our 2022 Proxy Statement to be filed with the SEC within 120 days after December 31, 2021, are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information under the captions "Certain Relationships and Related Party Transactions," "Item 3: (Re-)appointment of Directors" and "How our Board Governs and Is Governed" in the 2022 Proxy Statement to be filed with the SEC within 120 days after December 31, 2021, are incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information under the captions "Independent Registered Public Accounting Firm," "Auditors' fees" and "Audit Committee Pre-Approval Policies" in the 2022 Proxy Statement to be filed with the SEC within 120 days after December 31, 2021, are incorporated herein by reference.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements:

See "List of Financial Statements" within the Consolidated Financial Statements

(a) 2. Financial Statement Schedules:

Not applicable or the required information is otherwise included in the Consolidated Financial Statements and accompanying notes.

(a) 3. Exhibits:

The exhibits listed on the index below are filed as part of, or hereby incorporated by reference into, this Form 10-K.

Exhibit Number	Description of Document
3.1	Articles of Association of NXP Semiconductors N.V. dated June 9, 2020 (incorporated by reference to Exhibit 3.1 to the Company's quarterly report on Form 10-Q of NXP Semiconductors N.V., filed on July 28, 2020)
4.1	Description of the Company's securities
4.2	Senior Indenture dated as of May 23, 2016, between NXP B.V. and NXP Funding LLC as Issuers, each of the guarantors party thereto and Deutsche Bank Trust Company Americas as Trustee (incorporated by reference to Exhibit 2 of the Form 6-K of NXP Semiconductors N.V. filed on August 2, 2016)
4.3	Senior Indenture dated as of December 6, 2018, among NXP B.V., NXP Funding LLC, each of the guarantors party thereto and Deutsche Bank Trust Company Americas as trustee (incorporated by reference to Exhibit 4.13 of the Form 20-F of NXP Semiconductors N.V. filed on March 1, 2019)
4.4	Senior Indenture dated as of June 18, 2019, among NXP B.V., NXP Funding LLC, NXP USA, Inc. as Issuers, NXP Semiconductors N.V. as Guarantor and Deutsche Bank Trust Company Americas as Trustee (incorporated by reference to Exhibit 4 of the Form 6-K of NXP Semiconductors N.V. filed on July 30, 2019)
4.5	Senior Indenture, dated as of May 1, 2020, among NXP B.V., NXP Funding LLC, NXP USA, Inc. as Issuers, NXP Semiconductors N.V. as Guarantor and Deutsche Bank Trust Company Americas, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K of NXP Semiconductors N.V., filed on May 1, 2020)
4.6	Senior Indenture, dated as of May 11, 2021, among the Issuers, the Company and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K of NXP Semiconductors N.V., filed on May 11, 2021)
4.7	Senior Indenture, dated as of November 30, 2021, among the Issuers, the Company and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K of NXP Semiconductors N.V., filed on November 30, 2021)
4.8	Registration Rights Agreement, dated December 6, 2018, among NXP B.V. and NXP Funding LLC as Issuers, NXP Semiconductors N.V., NXP Semiconductors Netherlands B.V. and NXP USA, Inc. as Guarantors and Barclays Capital Inc. and Credit Suisse Securities (USA) LLC, as Representatives of the Initial Purchasers
4.9	Registration Rights Agreement, dated June 18, 2019, among NXP B.V., NXP Semiconductors N.V., NXP Funding LLC and NXP USA, Inc. and Goldman Sachs & Co. LLC, BofA Securities, Inc., Deutsche Bank Securities Inc., Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC as Representatives of the Initial Purchasers

- 4.10 [Registration Rights Agreement, dated May 1, 2020, among NXP B.V., NXP Semiconductors N.V., NXP Funding LLC and NXP USA, Inc. and Goldman Sachs & Co. LLC, BofA Securities, Inc., Deutsche Bank Securities Inc., Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC, as Representatives of the Initial Purchasers \(incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K of NXP Semiconductors N.V., filed on May 1, 2020\)](#)
- 4.11 [Registration Rights Agreement, dated May 11, 2021, among the Issuers, the Company and Barclays Capital Inc., Citigroup Global Markets Inc. and Credit Suisse Securities \(USA\) LLC, as Representatives. \(incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K of NXP Semiconductors N.V., filed on May 11, 2021\)](#)
- 4.12 [Registration Rights Agreement, dated November 30, 2021, among the Issuers, the Company and BofA Securities, Inc., Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC, as Representatives. \(incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K of NXP Semiconductors N.V., filed on November 30, 2021\)](#)
- 10.1 [Intellectual Property Transfer and License Agreement dated as of September 28, 2006 between Koninklijke Philips Electronics N.V. and NXP B.V. \(incorporated by reference to Exhibit 10.1 of the Amendment No. 3 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 30, 2010 \(File No. 333-166128\)\)](#)
- 10.2 [Intellectual Property Transfer and License Agreement dated as of November 16, 2009 among NXP B.V., Virage Logic Corporation and VL C.V. \(incorporated by reference to Exhibit 10.2 of the Amendment No. 3 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 30, 2010 \(File No. 333-166128\)\)](#)
- 10.3 [Shareholders' agreement dated as of March 30, 1999, as amended among EBD Investments Pte. Ltd., Koninklijke Philips Electronics N.V. and Taiwan Semiconductor Manufacturing Company Ltd. \(incorporated by reference to Exhibit 10.4 of the Amendment No. 3 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 30, 2010 \(File No. 333-166128\)\)](#)
- 10.4 [Lease Agreement dated as of December 23, 2004 between Jurong Town Corporation and Systems on Silicon Manufacturing Company Pte. Ltd. for the property at No. 70 Pasir Ris Drive 1, Singapore \(incorporated by reference to Exhibit 10.8 of the Amendment No. 2 to the Registration Statement on Form F-1 of NXP Semiconductors N.V. filed on June 10, 2010 \(File No. 333-166128\)\)](#)
- 10.5+ [Long Term Incentive Plan 2015/6 Terms and Conditions with regard to the Stock Option Plan, the Performance Stock Unit Plan and the Restricted Stock Unit Plan \(incorporated by reference to Exhibit 10.22 of the Form 20-F of NXP Semiconductors N.V. filed on February 26, 2016\)](#)
- 10.6+ [NXP Semiconductors N.V. 2019 Omnibus Incentive Plan \(incorporated by reference to Exhibit 4.3 of the Form S-8 of NXP Semiconductors N.V. filed on September 10, 2019 \(File No. 333-233694\)\)](#)
- 10.7+ [Form of Director Restricted Stock Unit Award Agreement \(incorporated by reference to Exhibit 10.1 of the Form 10-Q of NXP Semiconductors N.V. filed on October 29, 2019\)](#)
- 10.8+ [Form of Restricted Stock Unit Award Agreement \(incorporated by reference to Exhibit 10.2 of the Form 10-Q of NXP Semiconductors N.V. filed on October 29, 2019\)](#)
- 10.9+ [Form of Performance Restricted Stock Unit Award Agreement \(incorporated by reference to Exhibit 10.3 of the Form 10-Q of NXP Semiconductors N.V. filed on October 29, 2019\)](#)
- 10.10+ [Employment Letter between NXP USA, Inc. and Peter Kelly dated August 17, 2018 and Employment Agreement between NXP Semiconductors N.V. and Mr. P Kelly effective June 19, 2012 \(incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K of NXP Semiconductors N.V., filed on February 27, 2020\)](#)
- 10.11+ [Summary of MT Change of Control Severance Arrangement \(incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K of NXP Semiconductors N.V., filed on February 27, 2020\)](#)
- 10.12+ [Summary of MT Death Benefit Arrangement related to Equity Awards \(incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K of NXP Semiconductors N.V., filed on February 27, 2020\)](#)

10.13	Revolving Credit Agreement dated as of June 11, 2019, among NXP B.V. and NXP Funding LLC, the financial institutions from time to time party thereto, Barclays Bank PLC as Administrative Agent (incorporated by reference to Exhibit 2 of the Form 6-K of NXP Semiconductors N.V. filed on July 30, 2019)
10.14	Guaranty, dated as of June 11, 2019, made by NXP Semiconductors N.V. and NXP USA, Inc. and Barclays Bank PLC, as Administrative Agent (incorporated by reference to Exhibit 3 of the Form 6-K of NXP Semiconductors N.V. filed on July 30, 2019)
10.15+	Management Agreement dated March 5, 2020 between the Company and Kurt Sievers (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K of NXP Semiconductors N.V., filed on March 9, 2020)
10.16+	Secondment Addendum dated March 5, 2020 between NXP Semiconductors Germany GmbH and Kurt Sievers (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K of NXP Semiconductors N.V., filed on March 9, 2020)
10.17+	Employment Agreement dated October 23, 2009 between NXP Semiconductors Germany GmbH and Kurt Sievers, as amended (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q of NXP Semiconductors N.V., filed on April 28, 2020)
10.18+	Employment Agreement dated March 18, 2013 between NXP Semiconductors N.V. and Steve Owen (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q of NXP Semiconductors N.V., filed on April 28, 2020)
10.19+	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q of NXP Semiconductors N.V., filed on October 27, 2020)
10.20+	Form of Performance Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K of NXP Semiconductors N.V., filed on February 25, 2021)
10.21+	Employment Agreement dated August 25, 2021 between NXP USA, Inc. and Jennifer Wuamett (incorporated by reference to 10.1 to the Company's Current Report on Form 8-K of NXP Semiconductors N.V., filed on August 26, 2021)
10.22+	Employment Agreement dated October 12, 2021 between NXP USA, Inc. and Bill Betz (incorporated by reference to 10.1 to the Company's Current Report on Form 8-K of NXP Semiconductors N.V., filed on October 12, 2021)
10.23+	Form of Performance Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q of NXP Semiconductors N.V., filed on November 2, 2021)
21.1*	List of Subsidiaries of the Registrant
23.1*	Consent of Ernst & Young LLP
23.2*	Consent of KPMG Accountants N.V.
31.1*	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer
31.2*	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer
32.1*	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer
101	The following financial information from the Company's Annual Report on Form 10-K for the year ended December 31, 2021, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Statements of Operations; (ii) Consolidated Statements of Comprehensive Income; (iii) Consolidated Balance Sheets; (iv) Consolidated Statements of Cash Flows; (v) Consolidated Statements of Changes in Equity; and (vi) Notes to the Consolidated Financial Statements
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
*	Filed or furnished herewith.
+	Indicates management contract or compensatory plan or arrangements.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: February 24, 2022

NXP Semiconductors N.V.

By: /s/ WILLIAM J. BETZ

William J. Betz, Executive Vice President and Chief Financial Officer

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints each of Jennifer Wuamett and Timothy Shelhamer, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and re-substitution, for him or her and in his or her name, place and stead, in any and all capacities, in connection with this Annual Report on Form 10-K, to sign any and all amendments to the Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities indicated on February 24, 2022.

/s/KURT SIEVERS

Kurt Sievers
Executive Director, President and Chief Executive Officer
(Principal Executive Officer)

/s/WILLIAM J. BETZ

William J. Betz
Executive Vice President and Chief Financial Officer
(Principal Financial Officer, Principal Accounting Officer)

/s/SIR PETER BONFIELD

Sir Peter Bonfield
Non-executive Director and Chair of the Board

/s/ANNETTE CLAYTON

Annette Clayton
Non-executive Director

/s/ANTHONY FOXX

Anthony Foxx
Non-executive Director

/s/KENNETH A. GOLDMAN

Kenneth A. Goldman
Non-executive Director

/s/JOSEF KAESER

Josef Kaeser
Non-executive Director

/s/LENA OLVING

Lena Olving
Non-executive Director

/s/PETER SMITHAM

Peter Smitham
Non-executive Director

/s/JULIE SOUTHERN

Julie Southern
Non-executive Director

/s/JASMIN STAIBLIN

Jasmin Staiblin
Non-executive Director

/s/GREGORY L. SUMME

Gregory L. Summe
Non-executive Director

/s/KARL-HENRIK SUNDSTRÖM

Karl-Henrik Sundström
Non-executive Director

LIST OF SUBSIDIARIES OF THE REGISTRANT.

List of direct and indirect subsidiaries as of December 31, 2021

Country of incorporation	Name legal entity
Australia	Cohda Wireless Pty Ltd. (27%)*
Austria	NXP Semiconductors Austria GmbH & Co KG
Austria	NXP Semiconductors Austria GmbH
Belgium	NXP Semiconductors Belgium N.V.
Brazil	NXP Semicondutores Brasil Ltda.
Canada	NXP Canada Inc.
China	NXP (China) Management Ltd.
China	NXP (Chongqing) Semiconductors Co. Ltd.
China	NXP Semiconductors (Shanghai) Co., Ltd.
China	Datang NXP Semiconductors Co., Ltd (49%)*
China	NXP Qiangxin (Tianjin) IC Design Co. Ltd. (75%)*
China	NXP Semiconductors (Tianjin) Ltd.
Czech Republic	NXP Semiconductors Czech Republic s.r.o.
Denmark	Retune DSP ApS
France	NXP Semiconductors France SAS
Germany	SMST Unterstützungskasse GmbH
Germany	NXP Semiconductors Germany GmbH
Germany	Catena Germany GmbH
Hong Kong	NXP Semiconductors Asia Hong Kong Limited
Hungary	NXP Semiconductors Hungary Ltd.
India	NXP India Pvt. Ltd.
India	Intoto Software India Private Limited
Israel	NXP Semiconductors Israel Limited
Israel	Freescale Semiconductor Israel Limited
Japan	NXP Japan Limited
Korea	NXP Semiconductors Korea Ltd.
Malaysia	NXP Malaysia Sdn Bhd.
Mexico	NXP Semiconductors México, S. de R.L. de C.V.
Netherlands	NXP B.V.
Netherlands	NXP Semiconductors Netherlands B.V.
Philippines	NXP Philippines, Inc.
Romania	NXP Semiconductors Romania Srl
Russia	NXP Semiconductors Moscow LLC
Singapore	NXP Semiconductors Singapore Pte. Ltd.
Singapore	Systems on Silicon Manufacturing Company Pte Ltd (61.2%)*
Sweden	NXP Semiconductors Nordic AB
Switzerland	Freescale Semiconductor EME&A SA

Taiwan	NXP Semiconductors Taiwan Ltd.
Thailand	NXP Manufacturing (Thailand) Co., Ltd.
Thailand	NXP Semiconductors (Thailand) Co., Ltd.
Turkey	NXP Semiconductors Elektronik Ticaret A.S.
United Kingdom	NXP Laboratories UK Ltd.
USA	NXP Funding LLC
USA	Intoto LLC
USA	Omniphy, Inc.
USA	Freescale Semiconductor Holdings V, Inc.
USA	NXP USA, Inc.
USA	Freescale Semiconductor Holding Limited Liability Company

* = joint venture

Consent of Independent Registered Public Accounting Firm

To the Board of Directors of NXP Semiconductors N.V.

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-233694, No. 333-227332, No. 333-221118, No. 333-220341, No. 333-203192, No. 333-190472, No. 333-172711) of our reports dated February 24, 2022, with respect to the consolidated financial statements of NXP Semiconductors N.V., and the effectiveness of internal control over financial reporting of NXP Semiconductors N.V. included in this Annual Report (Form 10-K) for the year-ended December 31, 2021.

/s/ Ernst & Young Accountants LLP

Eindhoven, the Netherlands

February 24, 2022

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (No. 333-233694, No. 333-227332, No. 333-221118, No. 333-220341, No. 333-203192, No. 333-190472 and No. 333-172711) on Form S-8 of NXP Semiconductors N.V. of our report dated February 27, 2020, with respect to the consolidated statements of operations, comprehensive income, cash flows and changes in equity of NXP Semiconductors N.V. and subsidiaries for the year ended December 31, 2019, and the related notes, which report appears in the December 31, 2021 annual report on Form 10-K of NXP Semiconductors N.V.

/s/ KPMG Accountants N.V.

Amstelveen, the Netherlands
February 24, 2022

CERTIFICATION

I, Kurt Sievers, certify that:

1. I have reviewed this Annual Report on Form 10-K of NXP Semiconductors N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2022

By: /s/ Kurt Sievers

Kurt Sievers
President & Chief Executive Officer

CERTIFICATION

I, William J. Betz, certify that:

1. I have reviewed this Annual Report on Form 10-K of NXP Semiconductors N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2022

By:

/s/ William J. Betz

William J. Betz
Chief Financial Officer

