NXP

Report on the performance of the combined NXP Group
Combined Interim Financial Statements
(unaudited)

for the nine months ended September 28, 2006

Forward looking statements

This document includes forward-looking statements. When used in this document, the words "anticipate," "believe," "estimate," "forecast," "expect," "intend," "plan" and "project," and similar expressions, as they relate to us, our management or third parties, identify forward-looking statements. Forward-looking statements include statements regarding our business strategy, financial condition, results of operations, and market data, as well as any other statements which 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, the 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 the following:

- market demand and semiconductor industry conditions
- our ability to successfully introduce new technologies and products
- the demand for the goods into which our products are incorporated
- our ability to generate sufficient cash or raise sufficient capital to meet both our debt service and research and development and capital investment requirements
- our ability to accurately estimate demand and match our production capacity accordingly or obtain supplies from third-party producers
- our access to production from third-party outsourcing partners, and any events that might affect their business or our relationship with them
- our ability to secure adequate and timely supply of equipment and materials from suppliers
- our ability to avoid operational problems and product defects and, if such issues were to arise, to rectify them quickly
- our ability to form strategic partnerships and joint ventures and successfully cooperate with our alliance partners
- our ability to win competitive bid selection processes to develop products for use in our customers' equipment and products
- our ability to successfully establish a brand identity
- our ability to successfully hire and retain key management and senior product architects; and
- our ability to maintain good relationships with our suppliers.

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

Use of non-US GAAP information

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

Use of fair value measurements

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

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"NXP B.V.", the "company", "we", "us", and "our" each refers to NXP B.V. and its subsidiaries, including its predecessor businesses, which comprise certain operations that were formerly part of the semiconductors segment of Koninklijke Philips Electronics N.V. ("Philips"), except where the context makes clear that the reference is only to NXP B.V. itself and not to its subsidiaries or predecessor businesses. We acquired substantially all of the assets, liabilities and related infrastructure that comprise Philips' semiconductors businesses in the Separation, as described under Subsequent events, which occurred on September 28, 2006.
Following the Separation, all of our issued and outstanding shares were acquired by KASLION Acquisition B.V. ("KASLION"), our parent company, which was formed as an acquisition vehicle by a consortium of private equity investors and Philips.

Our financial results for the nine months ended September 30, 2006 and 2007 have been derived from our unaudited consolidated financial statements prepared in accordance with US GAAP and from accounting records of Philips for its semiconductors businesses that, following the Separation, are now part of our company. Our unaudited combined financial statements have been prepared based on a number of assumptions regarding what our costs would have been if we had been independently operated during the relevant periods. These assumptions relate in particular to the expense allocations for certain corporate functions historically provided to us by Philips, including general corporate expenses, basic research costs, employee benefits and incentives (including pensions), legal and intellectual property services, and financing expenses. While we and Philips consider these allocations to be a reasonable reflection of the utilization of the services provided to us by Philips, the corresponding costs we incur as a separate, stand-alone company may be higher or lower than the amounts reflected in our historical combined statements of operations. Accordingly, our combined financial statements may not necessarily reflect our results of operations, financial position and cash flows in the future or what our results of operations, financial position and cash flows would have been had we been a separate, stand-alone company during the periods presented.

In particular, our combined financial statements do not reflect the effects on us of borrowing funds as a separate entity. We expect that our interest expense will increase significantly and our effective tax rate will decrease as a result of the Transactions. In addition, our combined financial statements do not reflect the impact of any purchase accounting for the Acquisition. The push-down of purchase accounting will result in, among other things, changes to pensions, deferred tax liabilities and inventories and may result in a significant resulting change to goodwill.

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

all amounts in millions of euros unless otherwise stated; data included are unaudited

financial reporting based on US GAAP

Group reporting

These condensed combined financial statements for the nine-months period ended September 28, 2006 (the "reporting period") are for a period ended prior to our acquisition, and represent the financial results and position of the semiconductors businesses of Philips that were transferred to us in connection with our acquisition by KASLION.

Total sales

Total sales in the nine months ending September 28, 2006 were €3,770 million, an increase of 10.6% compared to the same period in 2005. Excluding foreign currency effects, sales increased by 9.7%. Sales growth was particularly strong in our Multimarket Semiconductors and Automotive & Identification business units. Direct plus indirect sales to the Philips Group decreased from 8.5% to 6.6% of sales.

Cost of sales

Cost of sales for the reporting period was €2,331 million, or 61.8% of sales, compared with 63.1% in the previous year, mainly as a result of higher utilization, reduced manufacturing costs and yield improvements.

Gross margin

Gross margin was €1,439 million which represents 38.2% of total sales for the reporting period, compared to €1,257 million, or 36.9% of total sales for the corresponding period in 2005.

Selling expenses

As a percentage of total sales, selling expenses for the reporting period increased from 6.7% to 7.3%. This included restructuring charges of €11 million, which were recognized in the first nine months of 2006, representing relocation and severance costs.

General and administrative expenses

General and administrative expenses were €299 million for the first nine months of 2006, compared to €322 million in the corresponding period of 2005. As a percentage of total sales, these expenses were reduced from 9.4% to 7.9%.

Research and development expenses

Research and development expenses for the reporting period were €737 million, compared to €754 million for the corresponding period in 2005, a decrease of 2.3% primarily caused by our portfolio management, in particular in respect of DVD-R and Mobile Display Drivers.

Other business income

Other business income was €18 million for the reporting period, mainly reflecting the sale of certain U.S. real estate. Over the same period in 2005 the amount was €12 million, reflecting the sale of property in Albuquerque, New Mexico and San Antonio, Texas.

Income (loss) from operations

Income from operations was €146 million, representing 3.9% of total sales, compared to a loss of €35 million in the same period of 2005. Restructuring charges for the first nine months were €19 million, compared to €5 million in the corresponding period of 2005. EBITDA increased from € 556 million to €568 million.

Financial income and expenses

Net financial expenses decreased to €22 million in the nine months ended September 28, 2006 (September 30, 2005: expense of €52 million), mainly due to lower financing by Philips.

Income tax expenses

The tax expense on income before tax amounted to €75 million in the first nine months of 2006, compared to an expense of €20 million in this period in 2005. Both amounts were determined based on the tax allocation methodology used by Philips.

Results relating to unconsolidated companies

Results relating to unconsolidated entities showed a profit of €3 million for the reporting period, compared with a loss of €7 million for the nine months ended September 30, 2005. These results mainly relate to our investment in Advanced Semiconductor Manufacturing Company (ASMC).

Minority interests

The share of minority interests in the company reduced income by €50 million, compared to €18 million for the first nine months in 2005; this was mainly related to the 49.5% stake held by third parties in Systems on Silicon Manufacturing Company (SSMC).

Net income

Net income improved from a net loss of €132 million in the first nine months of 2005 to a profit of €2 million in the reporting period.

Segment reporting

Mobile & Personal

Total sales were €1,172 million for the reporting period, compared to €1,144 million for the comparable period in 2005, an increase of 2.4%, mainly driven by increased sales in Connectivity. Excluding foreign currency effects, sales increased by 1.6%.

Income from operations decreased from €40 million for the nine months ending September 30, 2005 to €23 million in the reporting period, mainly caused by increased research and development in key growth areas, including 3G cellular systems and Nexperia multimedia solutions.

Home

Total sales of our Home segment were €730 million for the nine months ended September 28, 2006, compared to €721 million for the nine months ended September 30, 2005, an increase of 1.2%. Excluding foreign currency effects, total sales in Home increased 0.5%.
The increase in sales of our digital television products and decrease of our CRT TV-related sales reflected the transition from analog to digital markets.

Income from operations improved from a loss of €66 million to a loss of €37 million for the reported period, mainly due to our decision to exit the DVD-R business.

Automotive & Identification

Total sales were €662 million in the reporting period, compared with €518 million for the comparable period in 2005, an increase of 27.8% mainly driven by our identification businesses. Our automotive sales were in line with overall growth in the automotive market. Excluding foreign currency effects, total sales increased by 26.8%.

Income from operations improved from €125 million to €151 million in the reporting period, including increased research and development investments in automotive.

Multimarket Semiconductors (MMS)

Total sales of our Multimarket Semiconductors segment were €1,017 million in the reporting period, compared to €893 million in the same period last year, an increase of 13.9% (excluding foreign currency effects: 12.9%). This increase was visible in all our businesses except the Mobile Display Drivers business line, which was phased out and represented sales of €104 million in the first nine months of 2005 and €20 million for the comparable period in 2006.

Income from operations was €203 million for the reporting period, compared to €87 million for the same period in 2005. The increase resulted primarily from higher sales volumes and therefore higher utilization rates at our dedicated MMS factories. Our continuing rationalization of manufacturing operations has resulted in significant cost savings.

IC Manufacturing Organization (IMO)

Total sales were €140 million for the reporting period, compared to €93 million, an increase of 50.5%. This is related to external sales only and reflects the higher sales of SSMC to TSMC. Excluding foreign currency effects, total sales increased by 48.3%.

Income from operations improved from a loss of €38 million for the first nine months of 2005 to €7 million profit in the reporting period. This improvement resulted mainly from higher utilization, lower manufacturing costs and better yields. Utilization rates increased from 78% to 84% in the comparable period.

Corporate and Other

Sales in Corporate and Other are related to IP licensing income and software, and totaled €49 million for the reporting period, compared to €39 million for the first nine months of 2005.

Income from operations were a loss of €204 million in the reporting period compared with an operating loss of €183 million in the similar period for 2005. An amount of €119 million for the reporting period and €106 million for the corresponding period in 2005 are based on the cost allocation methodology used by Philips for pensions, IP management and corporate infrastructure.

In each of 2006 and 2005, these losses related primarily to certain cost allocations relating to our separation from Philips, including restructuring charges and certain cost allocations relating to items including

Liquidity and capital resources

Prior to the Separation we have participated in Philips' worldwide cash management system under which we generally maintained accounts that were zero balanced at the Philips global pool, in order to facilitate centralized cash management by Philips. For the reporting period, the balance of these accounts is reflected in business' equity on our combined balance sheet, as Philips' net investment in our company. At September 28, 2006, we had a cash position of €169 million. We have since entered into certain financing transactions. See "Subsequent events - 1. Separation from Philips – Financing Transactions".

Subsequent events

1. Separation from Philips

On September 29, 2006, Philips sold 80.1% of its semiconductors businesses to a consortium of private equity investors in a multi-step transaction (the "Transactions"). As part of this transaction, Philips transferred these businesses to us on September 28, 2006. All of our issued and outstanding shares were then acquired by KASLION, our parent company, which was formed as an acquisition vehicle by the private equity consortium and Philips. At the time of our acquisition by KASLION, the private equity consortium was comprised of investment funds associated with or advised by each of Kohlberg Kravis Roberts & Co. L.P. ("KKR"), Bain Capital LLC ("Bain"), Silver Lake Management Company L.L.C. ("Silver Lake"), Apax Partners Europe Managers Ltd. ("Apax") and AlpInvest Partners N.V. ("AlpInvest", and together with KKR, Bain, Silver Lake and Apax, the "Sponsors") as well as other investors designated by the Sponsors (collectively, the "Consortium").

The Transactions included the following steps:

- Our separation from Philips. On September 28, 2006, we acquired substantially all of the semiconductors businesses of Philips. We refer to this transaction as the "Separation". As contemplated by the Separation arrangements, Philips' interest in ASMC (a joint venture in which Philips holds a 27% interest) has not yet been transferred to us. We expect that this interest will remain with Philips for a limited period of time and be transferred to us on or before June 30, 2007. In addition, not all contracts related to our business to which Philips was a party have been transferred to us. In connection with the Separation, we have entered into various agreements with Philips that relate to our ongoing affairs, including in the areas of intellectual property and research and development.
- Acquisition of our company by an investment vehicle. On September 28, 2006, KASLION entered into a Stock Purchase Agreement (the "Purchase Agreement") with Philips. Pursuant to the Purchase Agreement, KASLION acquired 100% of our issued and outstanding shares from Philips on September 29, 2006 for an aggregate purchase price of €4,305 million. We refer to our acquisition by KASLION as the "Acquisition". The transfer of Philips' interest in ASMC to us referred to above is subject to a deferred closing mechanism under the Purchase Agreement, pursuant to which Philips is required to deliver these interests to us on or before June 30, 2007 or else to compensate KASLION for the value of these interests based on an agreed-upon valuation mechanism.

Separately, KASLION Holding B.V. ("Consortium Holding"), the investment vehicle of the Consortium, paid approximately €3,451 million, and Philips paid approximately €854 million, in exchange for, respectively, 80.1% and 19.9% of the total equity of KASLION (prior to dilution from our management equity program). KASLION used these funds to purchase 100% of our shares from Philips.

On September 29, 2006, Philips, Consortium Holding, KASLION, Stichting Management Co-Investment NXP (a foundation that holds equity in KASLION as part of our management equity program) and we entered into a shareholders agreement, which we refer to as the "Shareholders Agreement". For so long as Philips holds more than 10% of KASLION's equity, the Shareholders Agreement includes, amongst others, limitations on our indebtedness and our ability to pay dividends or make other distributions, provisions regarding the composition of our supervisory board and provisions that subject certain of our activities to the approval of either a supervisory board member designated by Philips or the chairman of our supervisory board. The Shareholders Agreement provides that the chairman must be a person not affiliated with Philips or Consortium Holding.

As a result of our acquisition by KASLION, we expect that the assets and liabilities reported on our balance sheet will change substantially for reporting periods subsequent to the acquisition. In addition, adjustments to the final purchase price paid by KASLION to Philips are still the subject of negotiation between KASLION and Philips, and as a result we may experience variation in our reported assets and liabilities for several reporting periods following the acquisition. The allocation of the purchase price paid by KASLION to Philips that will be reflected in our financial statements will initially be based on estimated fair values, and in accordance with applicable accounting guidelines will be subsequently adjusted based on a complete assessment of the fair value of the net assets acquired.

• Financing Transactions. In connection with the Acquisition NXP issued on October 12, 2006 approximately an aggregate principal amount of €4,529 million euro-equivalent senior secured and senior unsecured notes to repay an intercompany loan provided by Philips, to pay expenses and for other purposes. NXP also arranged a €500 million senior secured revolving credit facility which was entered into on September 29, 2006. The approximately €4,407 million euro-equivalent senior secured notes (conversion rate per December 20) issued on October 12, 2006 and all debt outstanding under our senior secured revolving credit facility benefit from a security interest in substantially all of our assets, subject to certain limitations set forth in the finance documents for those transactions. In certain jurisdictions security over particular asset classes is not being taken, and, in addition, the organizational documents of certain of our joint ventures, including SSMC and PJSC, require the consent of other joint venture partners in order for us to pledge our equity interests in these joint ventures. As required under the finance documents, we have sought since the closing of the senior secured notes offering and the senior secured revolving credit facility to obtain these consents. The joint venture partners of SSMC and PJSC have recently advised us that they will not consent to the grant of security. In this respect we note that the finance documents provide significant limitations on our ability to grant security in our interests in SSMC and PJSC to any other person, unless the senior secured notes and senior secured revolving credit facility also benefit from that security. After the end of the reporting period, as of September 29, 2006, liquidity in our business is derived primarily from cash generated by our operations. Management currently believes that our cash on hand, cash flows from operations and funds available under our senior secured revolving credit facility provide sufficient liquidity to fund our current obligations, expected working capital requirements, restructuring obligations and capital spending. Additionally, we have € 500 million available under our senior secured revolving credit facility.

2. Increase of stake in SSMC

On November 15, 2006, we exercised an option to purchase additional shares of SSMC, thereby increasing our stake from 50.5 to 61.2%. The purchase price for these additional shares was approximately US$113 million, funded with cash on hand.

3. New external auditor

While we were operated as a division of Philips, KPMG Accountants N.V. ("KPMG"), which is the external independent auditor for the Philips consolidated group, audited us and our subsidiaries. For fiscal periods commencing subsequent to our separation from Philips (the first such fiscal period commencing September 29, 2006), Deloitte Touche Tohmatsu ("Deloitte") will replace KPMG as our external independent auditor. The resignation of KPMG and the appointment of Deloitte was proposed by our Supervisory Board and the Board of Management and approved at a general meeting of shareholders held on December 19, 2006. During the fiscal years ended December 31, 2004 and 2005 and through December 21, 2006, there have been no disagreements with KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of KPMG would have caused it to make reference thereto in its reports on our financial statements for such years.

Outlook

Our business is characterized by both a cyclical and a seasonal pattern. Usually we see revenue peaking in the fourth quarter of the year. Due to a softening of the cycle in the semiconductors industry we expect that the seasonal effect of the fourth quarter will not be as visible in 2006 as it was in the previous year. This is also reflected in our book to bill ratio which declined from 1.07 at the end of the second quarter to 0.92 at the end of the third quarter of 2006.

We are confident that our business portfolio is well positioned for the coming years, and that we will continue to benefit from our focus and business renewal program.

Eindhoven, December 21, 2006
Board of Management

Combined interim financial statements

Unaudited combined statements of operations for the nine months ending September

in million of euros unless otherwise stated

	2005	**2006**
Sales	3,293	**3,702**
Sales to Philips companies	115	**68**
Total sales	3,408	**3,770**
Cost of sales	(2,151)	**(2,331)**
Gross margin	1,257	**1,439**
Selling expenses	(228)	**(275)**
General and administrative expenses	(322)	**(299)**
Research and development expenses	(754)	**(737)**
Other business income (expense)	12	**18**
Income (loss) from operations	(35)	**146**
Financial income (expense)	(52)	**(22)**
Income (loss) before taxes	(87)	**124**
Income tax expense	(20)	**(75)**
Income (loss) after taxes	(107)	**49**
Results relating to unconsolidated companies	(7)	**3**
Minority interests	(18)	**(50)**
Net income (loss)	(132)	**2**

The accompanying notes are an integral part of these condensed combined financial statements.

Combined interim financial statements

Unaudited combined balance sheets
in millions of euros unless otherwise stated

Assets

		December 31, 2005		September 28, 2006
Current assets				
Cash and cash equivalents		110		**169**
Receivables:				
– Accounts receivable - net	534		**661**	
– Accounts receivable from Philips Companies	34		**-**	
– Other receivables	21		**22**	
		589		**683**
Inventories		696		**710**
Other current assets		106		**112**
Total current assets		1,501		**1674**
Non-current assets				
Investments in unconsolidated companies		48		**53**
Other non-current assets		129		**90**
Property, plant and equipment:				
– At cost	7,688		**7,576**	
– Less accumulated depreciation	(5,632)		**(5,623)**	
		2,056		**1,953**
Intangible assets excluding goodwill:				
– At cost	527		**504**	
– Less accumulated amortization	(469)		**(450)**	
		58		**54**
Goodwill		213		**200**
Total non-current assets		2,504		**2,350**
Total		4,005		**4,024**

The accompanying notes are an integral part of these condensed combined financial statements.

Liabilities and business' equity

		December 31, 2005		**September 28, 2006**
Current liabilities				
Accounts payable:				
– Trade creditors	415		**486**	
– Accounts payable to Philips Companies	55		**-**	
		470		**486**
Accrued liabilities		548		**608**
Short-term provisions		53		**59**
Other current liabilities		55		**30**
Short-term debt		147		**18**
Loans with Philips companies, current portion		610		**518**
Total current liabilities		1,883		**1,719**
Non-current liabilities				
Long-term debt		224		**11**
Loans with Philips companies, non-current portion		502		**23**
Long-term provisions		88		**64**
Other non-current liabilities		9		**18**
Total non-current liabilities		823		**116**
Commitments and contingent liabilities				
Minority interests		173		**208**
Total Business' equity		1,126		**1,981**
Total		4,005		**4,024**

The accompanying notes are an integral part of these condensed combined financial statements.

Combined interim financial statements

Unaudited combined statements of cash flows for the nine months ending September

in millions of euros unless otherwise stated;

	2005	**2006**
Cash flows from operating activities:		
Net income (loss)	(132)	**2**
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	616	**471**
Net gain on sale of assets	(12)	**(7)**
Results relating to unconsolidated companies	7	**(3)**
Minority interests	18	**50**
Increase in receivables and other current assets	(107)	**(51)**
Decrease (increase) in inventories	22	**(67)**
(Decrease) increase in accounts payable, accrued and other liabilities	(59)	**87**
Decrease (increase) current accounts Philips	(16)	**(19)**
Decrease in non-current receivables/other assets	27	**68**
(Decrease) increase in provisions	(16)	**(35)**
Other items	14	**13**
Net cash provided by operating activities	362	**509**
Cash flows from investing activities:		
Purchase of intangible assets	(13)	**(12)**
Capital expenditures on property, plant and equipment	(280)	**(449)**
Proceeds from disposals of property, plant and equipment	49	**26**
Purchase of interest in businesses	(5)	**(3)**
Proceeds from sale for interests in unconsolidated businesses	8	**-**
Purchase of other non-current financial assets	(1)	**(3)**
Net cash used for investing activities	(242)	**(441)**
Cash flows from financing activities:		
Net increase (decrease) in debt	(106)	**(323)**
Net draws (repayments) loans Philips companies	-	**(497)**
Net transactions with Philips	(27)	**821**
Net cash provided by (used for) financing activities	(133)	**1**
Increase (decrease) in cash and cash equivalents	(13)	**69**
Effect of changes in exchange rates on cash positions	6	**(10)**
Cash and cash equivalents at beginning of period	75	**110**
Cash and cash equivalents at end of period	68	**169**

The accompanying notes are an integral part of these condensed combined financial statements.

Combined interim financial statements

Unaudited information by segment for the nine months ending September
in millions of euros unless otherwise stated

Segments

	sales	research and development expenses	income (loss) from operations	income (loss) from operations as a % of sales	results relating to unconsolidated companies
September 28, 2006					
Mobile & Personal	1,172	280	23	2.0	
Multi Market Semi-conductors (MMS)	1,017	67	203	20.0	
Home	730	146	(37)	(5.1)	
Automotive & Identification	662	92	151	22.8	
IC Manufacturing Organization (IMO)*	140	65	7	5.0	4
Corporate and Other	49	87	(201)		(1)
	3,770	**737**	**146**	**3.8**	**3**
September 30, 2005					
Mobile & Personal	1,144	269	40	3.5	
Multi Market Semi-conductors (MMS)	893	74	87	9.7	
Home	721	219	(66)	(9.2)	
Automotive & Identification	518	80	125	24.1	
IC Manufacturing Organization (IMO)*	93	50	(38)	(40.9)	
Corporate and Other	39	62	(183)		(7)
	3,408	**754**	**(35)**	**(1.0)**	**(7)**

* For the nine months ended September 28, 2006 IMO supplied €1,599 million to other segments (for the nine months ended September 30, 2005: €1,470 million), which have been eliminated in the above presentation.

Segments

	inventories*	property, plant and equipment, net	capital expenditures	depreciation property, plant and equipment
	at end of September 28, 2006		9 months ended September 28, 2006	
Mobile & Personal	175	47	19	12
Multi Market Semiconductors (MMS)	162	279	52	67
Home	105	35	6	7
Automotive & Identification	81	15	10	2
IC Manufacturing Organization (IMO)	188	1,432	218	301
Corporate and Other	(1)	145	144	63
	710	**1,953**	**449**	**452**

	at end of December 31, 2005		9 months ended September 30, 2005	
Mobile & Personal	186	46	16	18
Multi Market Semiconductors (MMS)	167	299	22	79
Home	94	47	9	9
Automotive & Identification	71	12	3	3
IC Manufacturing Organization (IMO)	217	1,524	190	434
Corporate and Other	(39)	128	38	19
	696	**2,056**	**278**	**562**

* Inventory 'Corporate and Other' includes the central value adjustment, i.e. the central intercompany profit elimination from inventories.

Notes to the combined interim financial statements
(Unaudited)

1 Background and Basis of Presentation

Background

These combined interim financial statements for the nine-months period ended September 28, 2006 (the "reporting period") are for a period ended prior to our Acquisition and represent the financial results and position of the semiconductors businesses of Koninklijke Philips Electronics N.V. ("Philips") that were transferred to us in connection with our acquisition by KASLION Acquisition B.V. ("KASLION") on September 29, 2006. Philips sold 80.1% of its semiconductors businesses to a consortium of private equity investors in a multi-step transaction. All of our issued and outstanding shares were then acquired by KASLION, our parent company, which was formed as an acquisition vehicle by the private equity consortium and Philips.
Accordingly, these financial statements may not necessarily reflect what our results of operations, financial position and cash flows would have been had we been a separate, stand-alone company during the reporting period. As a result of our acquisition by KASLION, we expect that the assets and liabilities reported on our balance sheet will change substantially for reporting periods subsequent to the acquisition. In addition, adjustments to the final purchase price paid by KASLION to Philips are still the subject of negotiation between KASLION and Philips, and as a result we may experience variation in our reported assets and liabilities for several reporting periods following the acquisition. The allocation of the purchase price paid by KASLION to Philips that will be reflected in our financial statements will initially be based on estimated fair values, and in accordance with applicable accounting guidelines will be subsequently adjusted based on a complete assessment of the fair value of the net assets acquired.

Basis of Presentation

The unaudited combined interim financial statements represent the financial statements of NXP together with the combined financial statements of the semiconductor business of Philips and have been derived from the consolidated financial statements and accounting records of Philips, principally representing the semiconductors segment, using the historical results of operations, and historical basis of assets and liabilities of the semiconductors businesses. These combined interim financial statements also include an allocation of the costs of certain corporate functions (management oversight, corporate services, basic research, and brand campaign expenses) historically provided by Philips but not charged to the semiconductors segment. Additionally, the combined interim financial statements include cash, debt and related interest income and expense, which have not been historically reported under the semiconductors segment. Furthermore, the condensed combined financial statements present income taxes calculated on a separate return basis.

These allocations were made on a specifically identifiable basis or using relative percentages, as compared to Philips' other businesses, of our net sales, payroll, fixed assets, inventory, net assets, excluding debt, headcount or other reasonable methods.

Management believes the assumptions underlying the combined interim financial statements are reasonable. However, the combined interim financial statements included herein may not necessarily reflect the company's results of operations, financial position and cash flows in the future or what its results of operations, financial positions and cash flows would have been if the company had been a stand-alone company during the periods presented.

Since a direct ownership relationship did not exist among the various worldwide entities comprising the company prior to the legal separation from Philips, Philips' net investment in the company is shown as Business' equity in lieu of Stockholders' equity in the combined interim financial statements. Transactions between NXP and Philips and its affiliates have been identified in the combined interim financial statements as transactions between related parties.

The combined interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying combined interim financial statements as of September 28, 2006 and for the nine months ended September 28, 2006 and September 30, 2005 are unaudited, with the December 31, 2005 amounts included herein derived from the audited combined interim financial statements. In the opinion of management these unaudited combined interim statements include all adjustments (consisting of normal recurring adjustments and reclassifications) necessary to present fairly the financial position, results of operations and cash flows as of September 28, 2006 and for the periods ended September 28, 2006 and September 30, 2005.

Certain information and footnote disclosures, typically included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted from the combined interim financial statements. These combined interim financial statements should be read in conjunction with the combined financial statements and notes hereto as of December 31, 2005 and 2004. The results of operations for the nine months ended September 28, 2006 are not necessarily indicative of operating results to be expected for the full year.

These financial statements have been prepared as of and for the period immediately prior to the legal separation of the company from Philips and, accordingly, do not reflect the impact of the Separation or the impact of the subsequent acquisition of the company described in "Subsequent events - 1. Separation from Philips". The company has closed the period on September 28 as this is the period prior to the acquisition and represents the company on a basis consistent with the prior periods.

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2 Inventories

Inventories were €710 million at the end September 28, 2006, compared to €696 million at the end of December 31, 2005. This slightly higher figure reflects the normal seasonality pattern in the semiconductor industry.

Inventories are summarized as follows:

	December 31, 2005	**September 28, 2006**
Raw materials and supplies	368	**372**
Work in process	141	**124**
Finished goods	187	**214**
	696	**710**

3 Property, plant and equipment

The net book value of property, plant and equipment at September 28, 2006 was €103 million lower than the balance at December 31, 2005. The decrease was mainly attributable to depreciation expenses of €452 million and a currency translation effect and other changes of €100 million, partially offset by capital expenditures of €449 million.

4 Goodwill

The changes during the nine months ended September 28 were as follows:

	2006
Book value as of January 1	213
Changes in book value:	
Acquisitions	
Write off	
Translation differences	(13)
Book value as of September 28	**200**

5 Other commitments and contingent liabilities

Guarantees

In the normal course of business, the company issues certain guarantees. Guarantees issued or modified after December 31, 2002, having characteristics defined in FIN45, are measured at fair value and recognized on the balance sheet. At the end of September 2006 there were no material guarantees recognized by the company.

Guarantees issued before December 31, 2002 and not modified afterward, and certain guarantees issued after December 31, 2002, which do not have characteristics as defined in FIN45, remain off-balance sheet. At the end of September 2006 there were no such guarantees recognized.

Environmental Remediation

The company accrues for losses associated with environmental obligations when such losses are probable and reasonably estimable.

Litigation

The company and certain of its businesses are involved as plaintiff or defendant in litigation relating to such matters as competition issues, commercial transactions, product liability, participations and environmental pollution. Although the ultimate disposition of asserted claims and proceedings cannot be predicted with certainty, it is the opinion of the company's management that the outcome of any such claims, either individually or on a combined basis, will not have a material adverse effect on the company's consolidated financial position, but could be material to the consolidated results of operations of the company for a particular period.