

**ANNUAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED December 31, 2025**

**NXP SEMICONDUCTORS N.V.**

## Introduction and Forward Looking Statements

This Annual Report for the fiscal year ended December 31, 2025 (the “Annual Report”) and certain information incorporated herein by reference contains forward-looking statements. 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, 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 *Corporate Governance* section 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; recent changes in global trade policy including tariffs and related trade actions announced by the U.S., China and other countries, potential increase of barriers to international trade, including the imposition of new or increased tariffs, and resulting disruptions to our established supply chains; the impact of government actions and regulations, including as a result of executive orders, including restrictions on the export of products and technology; increasing and evolving cybersecurity threats and privacy risks; 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 correct 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; global hostilities, including the invasion of Ukraine by Russia and resulting regional instability, sanctions and any other retaliatory measures taken against Russia, and the continued hostilities and armed conflict in the Middle East, which could adversely impact the global supply chain, disrupt our operations or negatively impact the demand for our products in our primary end markets; our ability to maintain good relationships with our suppliers; our ability to integrate acquired businesses in an efficient and effective manner; 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; and a change in tax laws could have an effect on our estimated effective tax rates.

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, our end markets and business generally, which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which the semiconductor industry, our end markets and business 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. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak to results only as of the date the statements were made. Except for any ongoing obligation to disclose material information as required by the United States federal securities laws, NXP does not have any intention or obligation to publicly update or revise any forward-looking statements after we file this document with the U.S. Securities and Exchange Commission, whether to reflect any future events or circumstances or otherwise.

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.

**Basis of presentation**

The accompanying financial information included in this document is based on International Financial Reporting Standards (“IFRS”) as adopted by the European Union, unless otherwise indicated.

For internal and external reporting purposes, NXP follows accounting principles generally accepted in the United States of America (“U.S. GAAP”). U.S. GAAP is NXP’s primary accounting standard for the Company’s setting of financial and operational performance targets.

**Statutory financial statements**

These Group financial statements and the Company financial statements of NXP Semiconductors N.V. contain the statutory financial statements of the Company prepared in accordance with Dutch law.

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In this report the name "NXP" is sometimes used for convenience in contexts where reference is made to NXP Semiconductors N.V. and/or any of its subsidiaries in general. The name is also used where no useful purpose is served by identifying the particular company or companies.

# Report of the Directors

## History and development of the Company

### Company Overview

NXP Semiconductors N.V. is a global semiconductor company and a long-standing supplier in the industry, with over 70 years of innovation and operating history. For the year ended December 31, 2025, we generated revenue of \$12,269 , compared to \$12,614 for the year ended December 31, 2024.

We provide leading solutions that leverage our combined portfolio of intellectual property, deep application knowledge, process technology and manufacturing expertise in the domains of embedded processing, mixed-signal analog-digital (mixed A/D), power management, digital signal processing, cryptography-security, high-speed interface, radio frequency (RF), 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 companies 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 and are a Dutch public company with limited liability (naamloze vennootschap). Our common shares are listed on the Nasdaq Global Select Market (“Nasdaq”).

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

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. We are registered at the office of the Commercial Register in Eindhoven, Netherlands (file no. 34253298).

## Business overview

### 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 \$791.7 billion in 2025.

### Business Combinations

On June 17, 2025, NXP announced the closing of the acquisition of 100% of TTTech Auto for \$766 million in cash (\$675 million net of cash acquired). TTTech Auto is a leader in innovating unique safety-critical systems and middleware for software-defined vehicles (SDVs). The TTTech Auto acquisition complements and expands NXP’s system and software offerings in the Automotive and Industrial & IoT end markets.

On October 24, 2025, NXP closed the previously announced acquisition of 100% of Aviva Links for \$222 million in cash (\$202 million net of cash acquired) and \$26 million through the settlement of previously held investments in Aviva Links. Aviva Links is a provider of Automotive SerDes Alliance (ASA) compliant in-vehicle connectivity solutions. The Aviva Links acquisition complements and expands NXP’s automotive networking solutions in the Automotive and Industrial & IoT end markets.

# Report of the Directors Governance

On October 27, 2025, NXP closed the previously announced acquisition of 100% of Kinara, Inc. for \$284 million in cash (\$283 million net of cash acquired). Kinara is an industry leader in high performance, energy-efficient and programmable discrete neural processing units (NPUs). The Kinara acquisition complements and expands NXP's solutions for AI-powered edge systems in the Industrial & IoT and Automotive end markets.

## Reporting Segment

NXP has one reportable segment representing the entity as a whole, which reflects the way in which our chief operating decision maker, Rafael Sotomayor, 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  |
|---------------------------|--|---|---|---|
| <b>Core</b>               | Auto MCU (non-S32)<br>In-vehicle infotainment (IVI)<br>In-vehicle networking (IVN)<br>Advanced Analog<br>Secure Car Access | Processors<br>Analog & Security<br>Connectivity | Secure Mobile payment &<br>Access Solutions<br>Custom Analog Interfaces | Secure Card Solutions<br>Legacy Networking<br>Processors<br>RF Power Amplifiers |
| <b>Accelerated Growth</b> | SDV<br>Radar Systems<br>Electrification<br>Connectivity  | Intelligent Edge Systems                        |   |   |

## Automotive

Growth in automotive semiconductor sales relies on (1) global vehicle sales and production trends and (2) the increase in semiconductor content per vehicle. In the past few years, and going forward, we believe the latter will be the most important driver for growth in the automotive semiconductor market, while the stagnation of global vehicle sales and production will make the former less relevant. The increase of the average semiconductor content is being driven by the proliferation of electronic features throughout the vehicle, especially for advanced driver assistance system (ADAS), and by the increasing penetration of electrified vehicles, which have much higher semiconductor content. Furthermore, the evolution into new vehicle architectures that allow the implementation of software defined vehicles (SDV) is expected to help contribute to the increase of the semiconductor content per vehicle.

We believe three mega-trends will drive the semiconductor content increase in the future: Autonomous driving, electrification and SDVs. 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. 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. We expect such consumer demands will lead to new vehicle architectures and eventually to SDVs.

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 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

# Report of the Directors

subsystems communicate within the automobile and with external devices and networks. Furthermore, we believe networking will play a key role in the electrical/electronic 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.

## ***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, home and building automation, appliances, home entertainment, power and energy and healthcare solutions.

The need for productivity increase requiring real-time insights and efficient processes for factory automation, the reduction of resource consumption and better energy efficiency for smart factories and buildings, the enhancement in consumer convenience security and comfort for smart homes, the increase in performance requirements for processing content in smart consumer devices, the need for better health prevention and monitoring solutions, are some of the key use-cases and trends driving growth in Industrial & IoT. Carbon emissions reduction efforts (global net zero emission commitments) will also be a key growth driver with large transformations expected of our energy systems. Factories, buildings and homes will need to rely much more on renewable energy (e.g., solar, wind) and increase efficient use of energy. The way we generate and store energies will likely be more distributed. The energy ecosystem needs to develop and ensure smart, efficient and reliable power delivery.

These trends drive the replacement of traditional mechanical equipment by smart, energy-saving and connected electronic equipment using various sensors, processors, connectivity, analog and security chipsets that align well with NXP's portfolio and ability to provide customers with system solutions across these applications segments.

Finally, with the growing number of connected devices and increasing data generation, latency, privacy and bandwidth have become critical limiting factors. Intelligent edge solutions solve this by bringing the intelligence closer to the source. Edge systems reduce the dependency on the cloud, lowering power consumption, strengthening data protection. They are, most of the time, autonomous and real-time. They handle data and do decisions locally. NXP's scalable low power solutions across the entire embedded processing spectrum are ideally suited here.

## ***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 where NXP is well positioned.

## ***Communication Infrastructure & Other***

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

# Report of the Directors

In secure edge identification solutions, NXP has extensive experience providing customers with solutions for applications demanding the highest security and reliability such as ePassports, eID credentials, transportation & payment cards. Included as well in this end market is the growing RFID market that uses wireless technology for identification and tracking of objects. 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.

Most countries in the world have migrated their wireless infrastructure to 5G network technology. This application market provides base station radio units with power amplifiers for improved signal throughput and efficiency.

Finally, the increasing number of connected devices exchanging more data in the cloud and on the device edge, combined with demand for improved digital communication drives demand in the network communications market.

## **Products**

We offer customers a broad portfolio of semiconductor products for building advanced systems, including microcontrollers, application processors, communication processors, connectivity chipsets, analog and interface devices, RF power amplifiers, security controllers, sensors and foundational system middleware. Using our strong Automotive & Industrial portfolios, we are enhancing our product offerings by providing system solution platforms including safety case enablement and software defined vehicle (SDV) middleware for the growing ecosystems in & around vehicles, smart factories, robotics, homes and buildings. Enabling innovation at our customers as well as reducing complexity, integration efforts and shorten time to market is a key element of our strategy. We believe we have the broadest Arm processor portfolio in the industry, from microcontrollers to crossover processors and from application processors to communication processors.

### ***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. 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. For automotive applications, our microcontrollers deliver the required reliability, security and functional safety to address current and future automotive challenges. Our S32x Automotive Processing Platform offers scalability across products and multiple application domains with S32K MCU's based on Arm Cortex-M cores up to the Automotive Safety Integrity Level (ASIL-D) capabilities. Our 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 new MCX MCU family of Arm Cortex-M based MCUs, builds on the strength of our Kinetis and LPC portfolio. The MCX series also integrates our machine learning neural processing unit for machine learning applications.

# Report of the Directors

## ***Application Processors***

Application processors, also known as SoCs, consist of a computing core with external memory and special-purpose hardware accelerators and software for secure applications that support standard application operating systems such as Linux, and are targeted at specific applications, such as multimedia to run graphics and video, system networking management, or specialized processing. Our products focus on consumer devices, industrial applications and automotive applications, like driver information systems, ADAS and vehicle networking. 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 2025, NXP acquired Kinara to complement NXP's existing range of processors. Kinara brings high-performance, energy-efficient Discrete Neural Processing Units (NPUs), optimized specifically for generative artificial intelligence (AI) and large language models, to the NXP portfolio. Together with NXP's existing processors, connectivity, and security solutions, these NPU's help form a scalable platform for AI-powered edge systems.

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 up to Automotive Safety Integrity Level (ASIL-D) capabilities with software compatibility from the MCUs to SoCs.

## ***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 are also used in industrial and cloud server offload-applications. We also offer Layerscape Access processors, which implement baseband functions, principally for wireless systems such as 5G fixed wireless access and small cells.

## ***Wireless Connectivity***

We offer a broad portfolio of connectivity solutions, including NFC, UWB, Bluetooth low-energy (BLE), Zigbee, Thread 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.

# Report of the Directors

## ***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 Ethernet and SerDes (from the Aviva Links acquisition) 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/I<sup>3</sup>C, 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 global companies to drive custom and semi-custom products which in turn allow us to refine and accelerate our innovation and product roadmaps.

## ***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.

## ***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.

## ***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 employ a hybrid manufacturing model where we manufacture 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.

# Report of the Directors

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.

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 discretetes. This broad technology portfolio enables us to meet increasing demand from customers for system solutions, which require a variety of technologies.

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

As part of executing our hybrid manufacturing model, we have initiated the consolidation of our internal wafer fabs to 300 millimeter factories. We believe this will enable economic and manufacturing efficiencies in the future. As part of this consolidation, we have made equity investments in the following joint venture manufacturing companies with the aim of facilitating this transition:

- European Semiconductor Manufacturing Company (ESMC) GmbH will build and operate a new 300mm semiconductor wafer manufacturing facility in Dresden, Germany. ESMC is 70% owned by TSMC, with Bosch, Infineon, and NXP each owning 10%. NXP is entitled to 10% of the fab facility capacity. Initial production at ESMC is currently targeted to begin in 2028.
- VisionPower Semiconductor Manufacturing Company Pte. Ltd. (VSMC) will build and operate a new 300mm semiconductor wafer manufacturing facility in Singapore. VSMC is 60% owned by Vanguard International Semiconductor Corporation and 40% owned by NXP. NXP is entitled to 40% of the fab facility capacity. Initial production at VSMC is currently targeted to begin in 2027.

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

# Report of the Directors

| Site                                 | Ownership | Wafer sized used | Line widths used (µm)<br>(Microns) | Technology/Products   |
|--------------------------------------|-----------|------------------|------------------------------------|---|
| <b>Front-end</b>                     |           |                  |                                    |   |
| Singapore (SSMC) <sup>1)</sup>       | 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  |
| 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   |
| <b>Back-end</b>                      |           |                  |                                    |   |
| 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  |

<sup>1</sup> Joint venture with TSMC

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.

In recent years, as a result of constraints in the semiconductor supply chains, there has been a tendency towards longer-term supply 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.

# Report of the Directors

## **Sales, Marketing and Customers**

We market our products and solutions worldwide through a combination of direct sales offices (hereafter “direct”) and independent distributors (hereafter “distributors”). Our regional sales offices enable us to maintain close relationships with customers, provide technical support, and manage strategic accounts. In addition, we leverage a network of authorized distributors who purchase our products and resell them to a broad range of customers. This dual-channel approach allows us to extend our market reach, optimize logistics and provide localized service while maintaining flexibility to address diverse customer needs. 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 six regions, which are EMEA (Europe, the Middle East and Africa), the Americas, Japan, South Korea, China and South 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, Industrial & IoT, Communication Infrastructure, and Mobile. We aim to deepen relationships with our top direct customers, expand our reach to mass-market customers, startups and distribution partners, and become their preferred supplier. We believe that this approach helps reduce sales volatility in challenging markets.

We have long-standing customer relationships with most of our customers. Our 10 largest end customers, some of whom are supplied by distributors, in alphabetical order, are Apple, Aptiv, Aumovio, Bosch, Denso, Harman Auto, Hyundai, LGE Automotive, Samsung and Visteon. We also have a strong position with our distribution partners, including our five largest in alphabetical order, Arrow, Avnet, Nexty, WT Micro and World Peace.

Our revenue is primarily the sum of our direct sales plus our sales to distributors. Avnet accounted for 23% of our revenue in 2025 and 22% in 2024. No other distributor accounted for greater than 10% of our revenue. No direct customer accounted for more than 10% of our revenue in 2025 or 2024.

## **Research and Development**

We design purpose-built, rigorously tested technologies that enable devices to sense, think, connect and act intelligently to improve people's daily lives. 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 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, functional safety, and digital processing. These dedicated team members are united by a passion to build solutions—not just products—that enhance the capabilities of people, organizations, and society at large.

NXP is uniquely positioned to bring intelligent systems to the edge in Automotive and Industrial & IoT. With the intent 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 Software-Defined Vehicle, Radar, Connected Edge Processing, Wired Networking and Energy Management Solutions to support the successful deployment of AI at the Edge. In addition, we invest a few percent of our total research and development expenditures in research activities that drive innovative products or technologies 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 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 breakthrough 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.

# Report of the Directors

## Subsidies and Grants

We receive subsidies and grants from governments in some countries in the form of direct grants as well as tax credits for R&D activities. Such funding is generally provided to encourage R&D activities, industrialization and local economic development and is generally available to all companies. The conditions for the receipt of government grants and subsidies may include eligibility restrictions, approval by relevant authorities, annual budget appropriations, compliance with relevant regulations or contingent return provisions, as well as specifications regarding objectives and results. The approval process for such funding may last up to several years. Certain specific contracts require compliance with extensive regulatory requirements and set forth certain conditions relating to the funded programs. There could be penalties if these objectives are not fulfilled.

Our direct grants include those awarded under the European 2nd Important Project of Common European Interest on Microelectronics and Communication Technologies (“IPCEI ME/CT”) in multiple EU member states, the duration of which is planned to run until the end of 2029. The conditions to receive the IPCEI ME/CT government assistance include restrictions on eligible expenditures, employment retention, annual budget appropriations by the member states, compliance with member states’ regulations and project objectives and results, as well as repayment conditions. Our dedicated R&D teams across the involved member states under the IPCEI ME/CT program seek to innovate in core technologies across automotive, industrial and cybersecurity. This includes 5nm, advanced driving assistance in automotive, 6G, Wireless Interface Technology and UWB as well as AI, RISC-V and post-quantum cryptography.

## 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. In certain instances, we also engage 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.

# Report of the Directors

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

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.

## **Environmental Regulation**

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

As with other companies engaged in similar activities or that own or operate real property, the Company faces inherent risks of environmental liability at our current and legacy 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. Some specific 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 a contributor or responsible party for environmental contamination.

Soil and groundwater contamination has been identified at our property near Phoenix, Arizona, United States. The remediation processes at this location are expected to continue for many years.

As of December 31, 2025, we have recorded \$95 for environmental remediation costs (2024: \$95 million), which are primarily included in *Long-term provisions* in the accompanying consolidated balance sheet.

# Report of the Directors

## Management commentary

### Introduction

The consolidated financial statements including notes thereon of NXP Semiconductors N.V. ('the Company' or 'NXP') that are included in this Annual Report are prepared on a basis in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS). For the IFRS accounting principles, we refer to Note 2 *Material accounting policies and new accounting standards to be adopted after 2025* of the consolidated financial statements.

The preparation of financial statements in conformity with IFRS 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.

For internal and external reporting purposes, NXP follows accounting principles generally accepted in the United States of America ("U.S. GAAP"). U.S. GAAP is NXP's primary accounting standard for the Company's setting of financial and operational performance targets.

### Reconciliation from IFRS to U.S. GAAP

#### Differences IFRS versus U.S. GAAP

The main differences between the IFRS and U.S. GAAP operating income relate to the following:

- IFRS requires capitalization of development costs, if the relevant conditions are met, and subsequent amortization over the expected useful life or impairment if applicable. Under U.S. GAAP development costs are immediately recognized as an expense;
- Unlike U.S. GAAP, IFRS does not allow the application of the straight-line attribution method for awards with graded vesting in allocating share-based payment expenses but requires the application of the graded vesting attribution method;
- Under IFRS the recognition date of restructuring charges is sometimes different compared to U.S. GAAP;
- All other differences between IFRS and U.S. GAAP are of a minor importance and have no material impact.

### Reconciliation of operating income from IFRS to U.S. GAAP

| \$ in millions   | 2025    | 2024    |
|--|---------|---------|
| Operating income as per the consolidated statements of operations on an IFRS basis | 3,405   | 3,878   |
| Adjustments to reconcile to U.S. GAAP:   |         |         |
| - Reversal of capitalized product development costs                                | (1,170) | (1,279) |
| - Reversal of amortization of product development assets                           | 821     | 706     |
| - Reversal of impairment of product development assets                             | 45      | 122     |
| - Reversal of IFRS adjustment for share-based compensation                         | (3)     | 11      |
| - Reversal of IFRS adjustment for restructuring                                    | (50)    | (26)    |
| - Reversal/reclassification of IFRS adjustment for pensions                        | 9       | 14      |
| - Reversal/reclassification of IFRS adjustment for leases                          | (10)    | (9)     |
| Operating income as per the consolidated statement of operations on a U.S. GAAP    | 3,047   | 3,417   |

# Report of the Directors

## Performance of the Group

### Operating results

For internal and external reporting purposes, NXP follows accounting principles generally accepted in the United States of America (“U.S. GAAP”). U.S. GAAP is NXP’s primary accounting standard for the Company’s setting of financial and operational performance targets. Consequently, the information is presented on a U.S. GAAP basis, with, when applicable, a reconciling item to the IFRS basis.

### Revenue and Operating income

The following table presents the composition of revenue and operating income for the years ended December 31, 2025 and December 31, 2024.

| \$ in millions  | 2025      |                 |         | 2024      |                 |         |
|---|-----------|-----------------|---------|-----------|-----------------|---------|
|   | U.S. GAAP | IFRS adjustment | IFRS    | U.S. GAAP | IFRS adjustment | IFRS    |
| Revenue   | 12,269    | —               | 12,269  | 12,614    | —               | 12,614  |
| % nominal growth                                      | (2.7)%    |                 | (2.7)%  | (5.0)%    | —               | (5.0)%  |
| Gross profit  | 6,716     | 5               | 6,721   | 7,119     | 1               | 7,120   |
| % of Revenue  | 54.7 %    |                 | 54.8 %  | 56.4 %    | —               | 56.4 %  |
| Research and development                              | (2,360)   | 257             | (2,103) | (2,347)   | 364             | (1,983) |
| Selling, general and administrative (SG&A)            | (1,204)   | (22)            | (1,226) | (1,164)   | (40)            | (1,204) |
| Amortization of acquisition-related intangible assets | (117)     | 117             | —       | (136)     | 136             | —       |
| Operating Expenses                                    | (3,681)   | 352             | (3,329) | (3,647)   | 460             | (3,187) |
| % of Revenue  | 30.0 %    |                 | 27.1 %  | 28.9 %    | —               | 25.3 %  |
| Other income  | 43        | —               | 43      | 15        | —               | 15      |
| Other expense   | (31)      | —               | (31)    | (70)      | —               | (70)    |
| Operating income (loss)                               | 3,047     | 358             | 3,405   | 3,417     | 461             | 3,878   |
| % of Revenue  | 24.8 %    |                 | 27.8 %  | 27.1 %    |                 | 30.7 %  |

# Report of the Directors

## Revenue

Revenue for the year ended December 31, 2025 was \$12,269 million compared to \$12,614 million for the year ended December 31, 2024, a decrease of \$345 million or 2.7% year-on-year.

Revenue by end market was as follows:

| (\$ in millions, unless otherwise stated) | 2025   | 2024   | Increase / Decrease | %       |
|---|--------|--------|---------------------|---------|
| Automotive                                | 7,116  | 7,151  | (35)                | (0.5)%  |
| Industrial & IoT                          | 2,273  | 2,269  | 4                   | 0.2 %   |
| Mobile                                    | 1,584  | 1,497  | 87                  | 5.8 %   |
| Communication Infrastructure & Other      | 1,296  | 1,697  | (401)               | (23.6)% |
| Revenue :                                 | 12,269 | 12,614 | (345)               | (2.7)%  |

Revenue by sales channel was as follows:

| (\$ in millions, unless otherwise stated) | 2025   | 2024   | Increase / Decrease | %      |
|---|--------|--------|---------------------|--------|
| Distributors                              | 7,051  | 7,203  | (152)               | (2.1)% |
| OEM/EMS                                   | 5,084  | 5,291  | (207)               | (3.9)% |
| Other                                     | 134    | 120    | 14                  | 11.7 % |
| Revenue :                                 | 12,269 | 12,614 | (345)               | (2.7)% |

Revenue by geographic region, which is based on the location where the sale originated, was as follows: <sup>1)</sup>

| (\$ in millions, unless otherwise stated) | 2025   | 2024   | Increase / Decrease | %      |
|---|--------|--------|---------------------|--------|
| China <sup>2)</sup>                       | 2,036  | 1,921  | 115                 | 6.0 %  |
| APAC, excluding China                     | 3,581  | 3,794  | (213)               | (5.6)% |
| EMEA (Europe, the Middle East and Africa) | 3,276  | 3,428  | (152)               | (4.4)% |
| Americas                                  | 3,376  | 3,471  | (95)                | (2.7)% |
| Revenue :                                 | 12,269 | 12,614 | (345)               | (2.7)% |

<sup>1)</sup> As of December 31, 2025, and applied retrospectively for all the periods presented, the Company revised its methodology for attributing revenue to geographic areas to reflect the location where sales originate, which represents where critical commercial decisions are made. This may differ from the customer's shipped-to location. The change in reporting basis was made to more appropriately reflect how we manage our business. For 2025, the largest impacts from the change were to the Americas region and the China region, which reflected changes of approximately 104.9% and (57.0)%, respectively.

<sup>2)</sup> China includes Mainland China and Hong Kong

The year-to-date change in revenue was primarily driven by a lower selling mix of products, slightly offset by higher shipment volumes. The combination of these two effects resulted in a net decrease of \$345 million revenue.

From an end market perspective, NXP experienced declines in the Communication Infrastructure & Other and Automotive end markets, which was partially offset by growth in its Mobile and Industrial & IoT end markets versus the year ago period.

Revenue in the Automotive end market was \$7,116 million, a decrease of \$35 million or 0.5% versus the year ago period. The decline was driven by processors, partially offset by growth in mixed-signal products.

Revenue in the Industrial & IoT end market was \$2,273 million, an increase of \$4 million or 0.2% versus the year ago period. The increase was attributable to growth in mixed-signal products, partially offset by declines in processors.

Revenue in the Mobile end market was \$1,584 million, an increase of \$87 million or 5.8% versus the year ago period, with processors and mixed-signal products contributing to the growth.

# Report of the Directors

Revenue in the Communication Infrastructure & Other end market was \$1,296 million, a decrease of \$401 million or 23.6% versus the year ago period. The decline was primarily due to processors.

When aggregating all end markets and reviewing sales channel performance, revenue from distributors was \$7,051 million, a decrease of \$152 million or 2.1% versus the year ago period. Revenue from direct customers was \$5,084 million, a decrease of \$207 million or 3.9% versus the year ago period.

From a geographic perspective, revenue increased year-on-year in the China region and declined in the APAC, EMEA, and Americas regions.

# Report of the Directors

## Gross profit

Gross profit for the year ended December 31, 2025 was \$6,721, or 54.8% of revenue, compared to \$7,120, or 56.4% of revenue for the year ended December 31, 2024. The decrease in gross margin was mainly driven by:

- Lower selling prices (1.9%)
- Mix /volume (1.5%)
- + Lower manufacturing costs (factory utilization and sourcing) (2.1%)

## Operating expenses

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

| (\$ in millions, unless otherwise stated)                | 2025         | % of<br>revenue | 2024  | % of<br>revenue | % change<br>year on<br>year |
|--|--------------|-----------------|-------|-----------------|-----------------------------|
| <b>Research and development</b>                          | <b>2,103</b> | <b>17.1 %</b>   | 1,983 | 15.7 %          | 6.1 %                       |
| a. Amortization of acquisition related intangible assets | 68           | 0.6 %           | 91    | 0.7 %           | (25.3)%                     |
| b. Other R&D   | 2,035        | 16.6 %          | 1,892 | 15.0 %          | 7.6 %                       |
| <b>Selling, general and administrative</b>               | <b>1,226</b> | <b>10.0 %</b>   | 1,204 | 9.5 %           | 1.8 %                       |
| a. Amortization of acquisition related intangible assets | 37           | 0.3 %           | 45    | 0.4 %           | (17.8)%                     |
| b. Other SG&A  | 1,189        | 9.7 %           | 1,159 | 9.2 %           | 2.6 %                       |
| <b>Operating expenses</b>                                | <b>3,329</b> | <b>27.1 %</b>   | 3,187 | 25.3 %          | 4.5 %                       |

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.

Amortization of acquisition-related intangible assets with regard to R&D and SG&A decreased by \$31 million, or 23%, when compared to 2024 since certain intangibles became fully amortized.

Other R&D costs for the year-ended December 31, 2025 increased by \$143 million, or 7.6%, when compared to 2024. The change is primarily the effect of higher amortization charges and lower capitalization related to capitalized development expenses, partially offset by lower impairments related to capitalized development expenses (see also Note 14 *Intangible assets*) and lower personnel related costs.

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).

Other SG&A costs for the year-ended December 31, 2025 increased by \$30 million, or 2.6%, when compared to last year. The change is primarily the effect of higher restructuring costs.

## Other income (expense)

Other income (expense) includes results from manufacturing service arrangements (MSA) and transitional service arrangements (TSA) that are put into place when we divest a business or activity, as well as other activities. These arrangements are expected to decrease as the divested business or activity becomes more established. Other income (expense) reflects an income of \$12 million for 2025, compared to an expense of \$55 million in 2024, which included a \$40 million charge for a vacated deposit on an exited technology

# Report of the Directors

## Financial income (expense)

|                                  | 2025  | 2024  |
|----------------------------------|-------|-------|
| Interest income                  | 145   | 160   |
| Total financial income           | 145   | 160   |
| Interest expense                 | (478) | (408) |
| Other financial expense          | (55)  | (63)  |
| Total financial expense          | (533) | (471) |
| Total financial income (expense) | (388) | (311) |

Financial income (expense) was an expense of \$388 million in 2025, compared to an expense of \$311 million in 2024. The change in financial income (expense) is attributable to an increase in interest expense of \$70 million as a result of the issuance of new bonds, EIB loans and commercial paper notes. Interest income decreased by \$15 million as a result of lower cash levels in 2025. Other financial expenses decreased due to adjustments in our investments as well as lower interest related to prior tax positions. The 2025 foreign exchange rate results include a currency hedging gain of \$114 million (2024: loss of \$90 million). Note 21 *Long-term debt* contains detailed information on our outstanding debt and related interest rates.

For information on the use of financial instruments and risk management we refer to Note 21 *Long-term debt* and Note 33 *Financial risk management and concentration of risk*. Legal requirements with regard to future obligations are disclosed in Note 27 *Contractual obligations*.

## Income taxes

The reconciliation of the statutory income tax rate in the Netherlands with the effective income tax rate can be summarized as follows:

|   | 2025 |       | 2024  |       |
|---|------|-------|-------|-------|
|   | \$   | %     | \$    | %     |
| <b>Statutory income tax rate in the Netherlands</b>                     | 778  | 25.8  | 921   | 25.8  |
| <b>Foreign tax effects</b>  |      |       |       |       |
| United States   |      |       |       |       |
| Statutory tax rate difference between United States and the Netherlands | (44) | (1.5) | (68)  | (1.9) |
| R&D tax credits   | (47) | (1.6) | (59)  | (1.7) |
| Foreign-derived intangible income                                       | (68) | (2.1) | (127) | (3.5) |
| Other   | 29   | 1.0   | 27    | 0.8   |
| Taiwan  | 18   | 0.6   | *     | *     |
| Other foreign jurisdictions   | (12) | (0.4) | 45    | 1.3   |
| <b>Effect of Cross-border Tax Laws</b>                                  | 16   | 0.5   | 23    | 0.6   |
| <b>Tax Credits</b>  | (8)  | (0.3) | (8)   | (0.2) |
| <b>Changes in Valuation Allowances</b>                                  | 1    | —     | (2)   | (0.1) |
| <b>Nontaxable or Nondeductible Items</b>                                |      |       |       |       |
| Netherlands tax incentive   | (98) | (3.2) | (116) | (3.3) |
| Other   | 13   | 0.4   | 17    | 0.5   |
| <b>Changes in Unrecognized Tax Benefits</b>                             | 7    | 0.2   | 28    | 0.8   |
| <b>Other Adjustments</b>  | (6)  | (0.2) | (1)   | —     |
| <b>Effective Tax Rate</b>   | 579  | 19.2  | 680   | 19.1  |

\* The amount of the individual reconciling item during the year does not meet the 5% disaggregation threshold and is included in "Other foreign jurisdictions".

# Report of the Directors

We recorded an income tax expense of \$579 million in 2025, which reflects an effective tax rate of 19.2% compared to an income tax expense of \$680 million in 2024, which reflects an effective tax rate of 19.1%. The increase was primarily driven by a different mix of income tax expense across our operating jurisdictions, as well as lower U.S. and NL tax incentives in 2025 due to a decrease in qualifying income and R&D expenses. In addition, the One Big Beautiful Bill Act was enacted in the U.S., which reduced the amount of claimable R&D tax credits. Taiwan also had higher tax expense in 2025 due to less undistributed earnings being considered indefinitely reinvested due to changes in the supply chain. These increases were partially offset by tax benefits from settlements with tax authorities.

## **Results Relating to Equity-accounted Investees**

Results relating to equity-accounted investees amounted to a loss of \$70 million in 2025, whereas in 2024 results relating to equity-accounted investees amounted to a loss of \$12 million. For the year ended December 31, 2025, results relating to equity-accounted investees include the impairment of our equity method investment SigmaSense and the loss on the sale of our equity method investment Smart Growth Fund.

## **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 \$47 million for the year ended December 31, 2025, compared to a profit of \$32 million for the year ended December 31, 2024.

## **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, Commercial Paper Program, EIB facilities, 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, 2025, our cash balance was \$3,267 million, a decrease of \$25 million compared to our cash balance on December 31, 2024 (\$3,292 million), of which \$361 million (2024 \$261 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 2025 and 2024, no dividend was declared. During the first quarter of 2026, SSMC declared a dividend of \$150 million, of which \$75 million is scheduled for distribution in the first quarter, with 38.8% being paid to our joint venture partner.

### *Revolving Credit Facility*

As at December 31, 2025, our amended and restated Unsecured RCF provides for \$2,500 million of senior unsecured revolving credit commitments. We may borrow under this RCF in the future and use the proceeds for general corporate purposes and any other purpose not prohibited by the Amended and Restated Revolving Credit Agreement and related documentation. As of December 31, 2025, we do not have any borrowings under the RCF.

### *Commercial Paper Program*

Under our Commercial Paper Program, we may issue short-term, unsecured commercial paper notes in amounts up to a maximum aggregate face amount of \$2,000 million outstanding at any time, with maturities of up to 397 days from the date of issuance and at a discount from par or at par and bear interest at rates determined at the time of issuance. We may issue notes in the future and use the net proceeds for general corporate purposes. As of December 31, 2025, the Company had no commercial paper notes outstanding.

# Report of the Directors

## *EIB Facilities*

Our facility agreements with the European Investment Bank (EIB) provide for an aggregate €1,000 million in unsecured senior loan facilities, the proceeds from which are expected to fund the research, development and innovation of semiconductor devices, technologies and solutions in five European countries. Borrowings on these facilities may be denominated in Euro or U.S. Dollar. See Financing Activities further below. As of December 31, 2025, the Company had a principal amount of \$670 million outstanding under the EIB loan Facility A with a maturity of December 2030 and a fixed annual interest rate of 4.45% and a principal amount of \$370 million outstanding under the EIB loan Facility B with a maturity of February 2031 and a fixed annual interest rate of 4.709%.

## *Capital return*

The common stock repurchase activity was as follows:

| (\$ in millions, unless otherwise stated) | 2025      | 2024      |
|---|-----------|-----------|
| Shares repurchased                        | 4,357,898 | 5,726,770 |
| Cost of shares repurchased                | 899       | 1,373     |
| Average price per share                   | \$206.29  | \$239.74  |

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 at 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 2024 and 2025, the board of directors made use of the authorizations renewed by the AGM on May 24, 2023, May 29, 2024, and June 11, 2025, respectively. Our board of directors has approved the purchase of shares from participants in NXP's equity programs to satisfy participants' tax withholding obligations ("trade for tax") and this authorization will remain in effect until terminated by the board of directors. In January 2022, the board of directors approved the repurchase of additional shares up to a maximum of \$2 billion (the "2022 Share Repurchase Program") and in August 2024, the Board approved the repurchase of additional shares up to a maximum of \$2 billion (the "2024 Share Repurchase Program"). During the fiscal year ended December 31, 2024, NXP repurchased 5.7 million shares, for a total of approximately \$1.4 billion under the trade for tax and 2022 Share Repurchase Programs and during the fiscal year ended December 31, 2025, NXP repurchased 4.4 million shares, for a total of approximately \$0.9 billion under the trade for tax, 2022 and 2024 Share Repurchase Programs. 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 shareholders' 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 at our AGM every year to renew this authorization for a period of 18 months from the AGM. The board of directors did not make use of the authorization during the fiscal year ended December 31, 2025.

Under our Quarterly Dividend Program, interim dividends of \$1.014 per ordinary share were paid on April 9, 2025 (\$257 million), dividends of \$1.014 per ordinary share were paid on July 9, 2025 (\$256 million), dividends of \$1.014 per ordinary share were paid on October 8, 2025 (\$256 million) and dividends of \$1.014 per ordinary share were paid on January 7, 2026 (\$256 million).

| (\$ in millions, unless otherwise stated) | 2025  | 2024  |
|---|-------|-------|
| Dividend per share                        | 4.056 | 4.056 |
| Amount                                    | 1,025 | 1,035 |

# Report of the Directors

## *Debt*

Our total debt, inclusive of aggregate principal, unamortized discounts, premiums, debt issuance costs and fair value adjustments, amounted to \$12,222 million as of December 31, 2025, an increase of \$1,368 million compared to December 31, 2024 (\$10,854 million).

As of December 31, 2025, the Company had outstanding fixed-rate notes with varying maturities for an aggregate principal amount of \$11,250 million (collectively the “Notes”), with \$1,250 million payable within 12 months. Future interest payments associated with the Notes total \$2,874 million, with \$409 million payable within 12 months.

As of December 31, 2025, the Company had outstanding loans with the EIB under the EIB Facilities with maturities in 2030 and 2031 for a principal amount of \$1,040 million. Future interest payments associated with the EIB loans total \$241 million, with \$47 million payable within 12 months.

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.

## *Additional capital requirements*

We believe our current positions in cash and cash equivalents, together with 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, 2025, the Company had purchase commitments, other than commitments directly with our foundry joint ventures, of \$3,087 million, of which \$1,423 million is expected to be paid in the next 12 months. We expect operating cash outflows to remain elevated as we make payments under these purchase agreements.
- The Company has committed to invest €500 million, which translated to \$587 million, in the equity of the recently founded company ESMC. As per the end of the reporting date, NXP has invested \$183 million. The remaining \$404 million is expected to be invested over the coming four years, of which approximately \$65 million is expected to be paid in the next 12 months.
- The Company has committed to invest approximately \$1,600 million in equity of the recently founded company VSMC. As per the end of the reporting date, NXP has invested \$631 million. The remaining \$969 million is expected to be invested over the coming two years, of which approximately \$512 million is expected to be paid in the next 12 months. In addition, NXP has committed to contribute an additional \$1,200 million to support the long-term capacity infrastructure. As per the end of the reporting date, NXP has contributed \$855 million. The remaining \$345 million is expected to be contributed in the next 12 months. Furthermore, NXP has an agreed purchase commitment with VSMC that over the lifetime of the factory the minimal loading will be between 80% - 90%, resulting in a total purchase commitment of approximately \$14,096 million that is expected to be purchased over 37 years once wafer production starts.
- Amounts related to future lease payments for lease obligations at December 31, 2025 totaled \$352 million, with \$81 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 \$270 million as of December 31, 2025, of which \$135 million is expected to be paid in the next 12 months.
- Cash outflows for capital expenditures were \$397 million in 2025, compared to \$727 million in 2024. We expect to maintain similar levels of capital expenditures as a percentage of revenue in 2026, given our focus on external investments in foundry partners while still supporting current and future manufacturing and production capacity needs.
- Our research and development expenditures, excluding R&D related to purchase price accounting, were \$2,035 million in 2025 and \$1,892 million in 2024. Our capital expenditures on development

# Report of the Directors

assets capitalized under IFRS amounted to \$1,170 million (2024: \$1,279 million), and we expect to maintain similar levels of investment in research and development as a percentage of revenue in 2026

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, EIB Facility Agreements, Commercial Paper Program, or from other sources in an amount sufficient to enable us to repay our indebtedness, including outstanding commercial paper notes, and borrowings under the EIB Facilities and RCF Agreements, 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.

## **2025 Financing Activities**

On January 13, 2025, NXP B.V. entered into a facility agreement with the European Investment Bank, (“EIB Facility B”), which provides for a €360 million unsecured senior loan facility. The proceeds from borrowings under the EIB Facility B are expected to be used to fund the research, development and innovation of semiconductor devices, technologies and solutions in \$5.00 European countries.

On May 1, 2025, we repaid the \$500 million aggregate principal amount of outstanding 2.7% senior unsecured notes due 2025 at maturity using available cash.

On August 19, 2025, NXP B.V., together with NXP Funding LLC and NXP USA, Inc., issued \$500 million of 4.3% senior unsecured notes due August 19, 2028, \$300 million of 4.85% senior unsecured notes due August 19, 2032, and \$700 million of 5.25% senior unsecured notes due August 19, 2035.

### ***Subsequent events***

On January 5, 2026, we repaid the \$500 million aggregate principal amount of outstanding 5.35% senior unsecured notes due March 1, 2026, using available cash.

On February 6, 2026, NXP B.V., together with NXP Funding LLC and NXP USA, Inc., amended and restated its revolving credit agreement entered into on August 26, 2022. The second amended and restated revolving credit agreement provides for \$3 billion of senior unsecured revolving credit commitments and is scheduled to mature on February 6, 2031.

## **2024 Financing activities**

On November 21, 2024, NXP B.V., NXP Funding LLC and NXP USA Inc. entered into definitive documentation to establish an unsecured Commercial Paper Program under which, on a joint and several basis, short-term, unsecured commercial paper notes may be issued. Amounts available under the Commercial Paper Program may be borrowed, repaid, and re-borrowed from time to time, with the aggregate principal amount of commercial paper notes outstanding under the Commercial Paper Program at any time not to exceed \$2,000 million. The net proceeds of issuances of the commercial paper notes are expected to be used for general corporate purposes.

On November 22, 2024, NXP B.V. entered into a facility agreement with the European Investment Bank, (“EIB Facility A”), which provides for a €640 million unsecured senior loan facility. The proceeds from borrowings under the EIB Facility A are expected to be used to fund the research, development and innovation of semiconductor devices, technologies and solutions in five European countries.

# Report of the Directors

## **Cash flow from operating activities**

For the year ended December 31, 2025, our operating activities provided \$4,045 million in cash; compared to \$4,118 million generated during 2024. This was primarily the result of net income of \$2,367 million (2024: \$2,875 million), non-cash items primarily relating to depreciation, amortization and impairment of \$1,752 million (2024 \$1,811 million) and share-based payments \$459 million (2024: \$471 million), partially offset by the change in operating assets and liabilities. Changes in operating assets and liabilities were primarily driven by a \$308 million increase in inventories in order to align inventory on hand with expected demand, a \$212 million increase in other non-current assets due to cash payments to secure production supply with multiple vendors, and \$112 million increase in accounts payable and other liabilities as a result of timing related to payments, and \$140 million decrease in various provisions.

## **Cash flow from investing activities**

For the year ended December 31, 2025, net cash used for investing activities amounted to \$3,527 million (2024: \$1,965 million) and consisted primarily of purchase of interests in business (net of cash acquired) of \$1,175 million (mainly driven by the acquisitions of TTTech Auto for \$675 million, Kinara of \$283 million, Aviva Links of \$202 million), purchase of investments of \$649 million (2024: \$260 million), property, plant and equipment capital expenditures of \$397 million (2024: \$(727) million), capital expenditures on development assets for \$1,170 million (2024: \$1,279 million), \$140 million (2024: \$149 million) for the purchase of intangible assets and \$649 million (2024: \$260 million) investments in other entities.

## **Cash flow from financing activities**

Net cash used for financing activities was \$549 million for the year ended December 31, 2025 compared to \$2,719 million for the year ended December 31, 2024. This was primarily driven by the dividend payment to common stockholders of \$1,025 million (2024: \$1,038 million), purchase of treasury shares and restricted stock unit holdings of \$899 million (2024: \$1,373 million) and repurchase of debt of \$500 million (2024: \$(1,000) million); partially offset by the \$1,868 million 2024: (\$670 million) proceeds from the issuance of long-term debt and \$83 million (2024: \$82 million) proceeds from the issuance of common stock through stock plans. In addition, we issued commercial paper notes for \$2,426 million during the year, which were fully repaid by December 31, 2025.

## **Human Capital**

NXP's workforce is a critical enabler of the company's strategy and operating performance. We depend on a global employee base with the technical expertise, operational discipline, and leadership capability required to execute effectively in a fast-moving and highly competitive industry. Our approach to human capital management is focused on ensuring the organization has the skills, capacity, and accountability needed to support current and future business priorities.

We manage our team members through policies, practices, and programs designed to support effective execution, continuous improvement, and long-term capability building. These include efforts related to talent acquisition, leadership and functional development, engagement, inclusion, and competitive total rewards. Our team member priorities are reviewed and adjusted as needed to reflect business conditions, evolving workforce needs, and regulatory considerations.

NXP's workforce consists of both direct labor (DL) and indirect labor (IDL). Direct labor team members primarily support manufacturing operations, while indirect labor team members include individual contributors, managers and executives across functions such as research and development, and selling, general and administrative activities.

As of December 31, 2025 we had 31,842 full-time equivalent employees compared to 32,703 at December 31, 2024. The average 2025 full-time equivalent employees is 32,273; which is calculated by the sum of 31,842 and 32,703 divided by two.

# Report of the Directors

The following table indicates the % of full-time equivalent employees per geographic area:

|                           | % as of December 31, |              |
|---------------------------|----------------------|--------------|
|                           | 2025                 | 2024         |
| The Netherlands           | 7 %                  | 7 %          |
| Rest of Europe and Africa | 18 %                 | 15 %         |
| Americas                  | 14 %                 | 16 %         |
| Asia                      | 61 %                 | 62 %         |
| <b>Total :</b>            | <b>100 %</b>         | <b>100 %</b> |

Our team members are located across three geographic regions and in more than 30 countries.

Innovation is supported by a substantial portion of our workforce engaged in research and development activities. These 11,034 team members contribute to design, development, and advancement of our products and technology roadmap, supporting NXP's ability to meet customer and market conditions.

## Corporate Values, Team Member Engagement

NXP's values define expectations for how work is performed across the organization and support consistent execution, accountability, and collaboration. These values guide decision-making and leadership behaviors and are intended to reinforce a performance-oriented culture aligned with the company's strategic priorities.



Team member engagement is monitored through structured feedback mechanisms, including the Winning Culture Survey, which assesses factors such as engagement, ethics, and the work environment. In the 2025 Winning Culture Survey, 90% of all team members participated. Survey results are reviewed by leaders and are used to inform actions focused on organizational effectiveness, leadership capability, and ways of working.

Retention of critical talent remains an important consideration in workforce planning. NXP monitors voluntary attrition as one indicator of workforce stability and engagement. During 2025, the company's voluntary attrition rate was 5.1%. Retention efforts include targeted actions for strategic roles and high-performing talent, as well as broader programs applicable across the team member population.

## Inclusion

NXP views inclusion as an important element of workforce effectiveness and organizational performance. Our approach is intended to support an environment in which team members are able to contribute, collaborate, and perform at their best across regions, functions, and roles. Inclusion-related efforts are integrated into leadership expectations, talent processes, and workforce practices.

Employee Resource Groups (ERGs) support connection, engagement, and awareness across the organization. Participation in ERGs is open to all team members, and each ERG operates with defined objectives and

# Report of the Directors

leadership oversight. As of December 31, 2025, NXP maintained ten primary ERGs with representation across Asia, Europe and North America.

NXP's Global Inclusion Policy outlines our key belief that every team member should be treated with respect. In alignment with the NXP Code of Conduct, we do not tolerate discrimination based on race, national origin, social origin, color, gender, religion, age, pregnancy, sexual orientation, physical or mental disability, or political affiliation, among other things. Nor do we tolerate physical, verbal, sexual or psychological harassment, bullying, abuse or threats of any kind. We are committed to providing an inclusive working environment for our team members and we recruit, hire and promote based solely on suitability for the job and other objective and non-discriminatory criteria. By working to foster a diverse, equal and inclusive environment where everyone feels welcomed, valued and accepted as they are, we increase collaboration, advance innovation and enable our team members to unlock their full potential.

| Aspirations                           |  |   |                            |
|---------------------------------------|--|---|----------------------------|
| 40% Women in overall global workforce | 30% Women in global indirect labor workforce | 20% Women in executive positions              | 25% Women in R&D positions |
| 2025 Results                          |  |   |                            |
| 36% Women in overall global workforce | 26% Women in global IDL workforce            | 18% Women in executive positions <sup>1</sup> | 20% women in R&D positions |

While we present gender representation data by men and women, we acknowledge this is not fully encompassing of all gender identities.

We are committed to attracting, developing and retaining the best-available talent while strengthening representation and inclusion across our workforce. We actively track and monitor workforce demographics to assess progress.<sup>2</sup> Since our 2020 baseline, overall company-wide women representation has remained relatively consistent at 36% both in 2020 and in 2025. However, the average increase across gender representation aspirations was 3%, since 2020 with notable progress in critical talent segments.

Representation of women in R&D roles increased from 16% in 2020 to **20%** in 2025, reflecting a 4% increase in the number of women in these roles. Women in executive roles also increased from 13% to **18%** over the same period, representing a 5% increase in the number of women executives.

## Future Talent and Development

Developing future talent and strengthening workforce capabilities are important components of NXP's long-term strategy. NXP supports ongoing development through a continuous learning approach that emphasizes experiential learning, learning through others, and formal education. Training and development offerings are designed to build technical expertise, leadership capability, and functional effectiveness, and are aligned with evolving business priorities, operating requirements, and ways of working. These efforts are intended to enable team members and leaders to adapt, make informed decisions, and operate effectively in a dynamic business environment.

## Compensation and Benefits

NXP provides compensation and benefits programs designed to support attraction, retention, and motivation of employees while aligning with business performance and market practices. Total rewards include base salary, short-term and long-term incentive opportunities, and a comprehensive benefits package that supports the health and well-being of team members.

Compensation decisions are guided by multiple factors, including external market conditions, individual performance and contributions, role-related skills, and internal equity. NXP uses third-party market data to

<sup>1</sup> Executive positions are defined as individuals at the level of Vice President and above.

<sup>2</sup> We track gender representation globally and assess inclusion practices to seek continuous improvement in accordance with applicable laws.

# Report of the Directors

inform compensation practices and conducts periodic pay reviews as part of its governance processes. These reviews are intended to support fair, competitive, and consistent compensation outcomes. Leaders are encouraged to recognize individual and team contributions in ways that reinforce accountability, performance, and results, consistent with the company's overall rewards framework.

## **Employee Health and Safety**

NXP is committed to providing a safe and healthy work environment for our employees. The company manages occupational health and safety through a structured global management system designed to identify, assess, and mitigate workplace risks across its operations. NXP is certified to ISO 45001, the international standard for occupational health and safety management systems. Safety performance and risk indicators are monitored through established processes, including site-level programs, audits, and employee involvement mechanisms. Employee participation in safety efforts includes worker safety councils and routine workplace walkthroughs to identify potential risks and opportunities for continuous improvement.

## **Employee Representation**

A portion of our workforce is represented by labor unions, and in certain jurisdictions local laws require consultation with employee representatives on matters related to labor conditions. The company engages with employee representatives in accordance with applicable legal requirements and established practices.

NXP has not experienced any material labor disruptions. In addition, employee-led works councils operate in certain countries and provide input on topics relevant to employees, consistent with local regulations and governance frameworks.

## **Subsequent events**

The Company performed a review of events subsequent to the balance sheet date through the date the financial statements were authorized for issue by the board of directors and determined that there were no such events requiring recognition or disclosure in the financial statements, other than already disclosed in the respective notes.

# Report of the Directors

## Governance

### NXP's Leadership

#### Board of Directors

Our Board of Directors, including their ages and positions as of March 12, 2026 are as follows:

| Name                   | Age | Sex | Position   | Meeting attendance* |
|------------------------|-----|-----|--|---------------------|
| Rafael Sotomayor<br>** | 56  | M   | Executive Director, President and Chief Executive Officer  | 100%                |
| Annette Clayton        | 62  | F   | Non-Executive Director and Member of the Board's Audit Committee, and Member of the Board's Human Resources and Compensation Committee                                     | 100%                |
| Anthony Foxx           | 54  | M   | Non-Executive Director and Chair of the Board's Nominating, Governance and Sustainability Committee  | 100%                |
| Moshe Gavrielov        | 71  | M   | Non-Executive Director and Member of the Board's Human Resources and Compensation Committee, and Member of the Board's Nominating, Governance and Sustainability Committee | 100%                |
| Chunyuan Gu            | 67  | M   | Non-Executive Director and Member of the Board's Audit Committee   | 100%                |
| Lena Olving            | 69  | F   | Non-Executive Director and Member of the Board's Human Resources and Compensation Committee  | 100%                |
| Julie Southern         | 66  | F   | Non-Executive Director, Chair, and Member of the Board's Nominating, Governance and Sustainability Committee   | 100%                |
| Jasmin Staiblin        | 56  | F   | Non-Executive Director and Member of the Board's Audit Committee   | 100%                |
| Gregory L. Summe       | 69  | M   | Non-Executive Director and Chair of the Board's Human Resources and Compensation Committee, and Member of the Board's Nominating, Governance and Sustainability Committee  | 100%                |
| Karl-Henrik Sundström  | 65  | M   | Non-Executive Director, Chair of the Board's Audit Committee, and Member of the Board's Human Resources and Compensation Committee   | 100%                |

\*) Attendance is reflected for the 8 Board meetings/calls held in 2025. For those directors that are member of the Audit Committee, the Human Resources and Compensation Committee and the Nominating, Governance and Sustainability Committee attendance also reflects the 9 Audit Committee meetings/calls, the 7 Human Resources and Compensation Committee meetings / calls and the 4 Nominating, Governance and Sustainability Committee meetings / calls.

\*\*) The Board appointed Mr. Rafael Sotomayor President of the Company, effective April 28, 2025 and CEO and temporary executive director of the Company effective October 28, 2025, succeeding Mr. Kurt Sievers.

There are no family relationships among our directors or between any director and any of our executive officers.

- **Rafael Sotomayor (1969, United States).** Mr Sotomayor is executive director and chief executive officer since October 2025. He was appointed president of NXP in April 2025 after successfully leading the company's Secure Connected Edge business. Mr. Sotomayor joined NXP in 2014, holding a number of business line general manager roles across the company's Mobile, Industrial and IoT segments. He has been a member of the executive management team since 2020, where he was instrumental in defining and implementing NXP's strategy to be the leader in intelligent edge systems in automotive and Industrial & IoT. Mr. Sotomayor holds an MBA from Harvard Business School, an MSEE from Georgia Tech and a BSEE from Purdue University.
- **Annette Clayton (1964, American).** Ms. Clayton was appointed a non-executive director of our board of directors effective May 2021. Ms. Clayton is the former chairwoman, chief executive officer and president of Schneider Electric North America, a region of Schneider Electric, a multinational firm specializing in energy management and automation solutions. From 2016 through December 2023, Ms.

# Report of the Directors

Clayton was the chief executive officer of Schneider Electric North America. Through December 2019, Ms. Clayton also held the title of chief supply chain officer for Schneider Electric and led the \$13.4 billion global supply chain operation based in Hong Kong, including the oversight of Schneider Electric's customer satisfaction & quality, and safety, environment and real estate organizations. Prior to joining Schneider Electric in 2011, Ms. Clayton served in various executive roles at Dell, including vice president global operations based in Singapore. From 1983 to 2006, Ms. Clayton worked at General Motors Corporation in senior management roles, including president of Saturn Corporation. Ms. Clayton serves on the boards of Duke Energy Corporation and Oshkosh Corporation. She previously served as a director on the board of Nordson Corporation from 2024 until March 2026. Ms. Clayton graduated from Wright State University with a bachelor's degree in general engineering and obtained a master's degree in engineering management from the University of Dayton. She has also completed the London Business School executive development program and many of the National Association of Corporate Directors certification programs specifically for cybersecurity and artificial intelligence.

- **Anthony Foxx (1971, American).** Mr. Foxx was appointed a non-executive director of our board of directors effective May 2021. Since 2023, Mr. Foxx serves as the Emma Bloomberg Professor of the Practice of Public Leadership at the Harvard Kennedy School, and since July 1, 2024, as the Co-Director of the Harvard Kennedy School Center for Public Leadership. From October 2018 to January 2022, Mr. Foxx served as the chief policy officer and senior advisor to the president and chief executive officer of Lyft. Prior to joining Lyft Inc., he served as a managing partner of Related Infrastructure, the infrastructure development group of Related Companies, a real estate firm, from December 2017 to October 2018. From July 2013 to January 2017, Mr. Foxx served as the seventeenth United States Secretary of Transportation. He served as the mayor of Charlotte, North Carolina from 2009 to 2013 and as a Charlotte City council member at-large representative from 2005 to 2009. Mr. Foxx also has held a variety of legal positions in the public and private sectors. Mr. Foxx serves on the boards of directors of Martin Marietta Materials Inc. and CDW Corporation. He holds a Doctor of Law (J.D.) from New York University School of Law, and a Bachelor of Arts (B.A.), History, from Davidson College.
- **Moshe Gavrielov (1954, United States and Israel)** Mr. Gavrielov was appointed a non-executive director of our board of directors effective May 2023. Mr. Gavrielov served as president and CEO of Xilinx Inc. from January 2008 to January 2018, and as director of Xilinx Inc. from February 2008 to January 2018. Prior to that, he served at Cadence Design Systems Inc. as executive vice president and general manager of the verification division from April 2005 to November 2007, and CEO of Varsity Ltd. from March 1998 to April 2005. He also served at a variety of executive management positions in LSI Logic Corp. for nearly 10 years, and engineering management positions in National Semiconductor Corporation and Digital Equipment Corporation. Mr. Gavrielov serves on the boards of Taiwan Semiconductor Manufacturing Company Limited and Cadence Design Systems Inc. In addition, Mr. Gavrielov is the chair of the board of SiMa Technologies Inc. and Foretellix Ltd. Mr. Gavrielov holds a bachelor's degree in electrical engineering and a master's degree in computer science from Technion-Israel Institute of Technology.
- **Chunyuan Gu (1958, Swedish).** Mr. Gu was appointed a non-executive director of our board of directors effective June 2022. Mr. Gu has over 30 years of experience working at ABB Ltd., a global pioneering technology leader in electrification and automation serving customers in utility, industry, transportation and infrastructure. Mr. Gu began his career at ABB Corporate Research in Sweden in 1989, and has held various roles and functions in R&D, manufacturing operations and general management. Since 2020, Mr. Gu serves in an advisory capacity as chair of the board of ABB (China) Ltd. From 2017 to 2019, Mr. Gu was a member of the ABB group executive committee and president of the Asia, the Middle East and Africa region. From 2014 to 2017, Mr. Gu served as president and CEO of ABB China. Since 2020, Mr. Gu has served as a non-executive director of CLP Holdings Limited. From 2021 to 2025, he served as senior advisor at Blackstone Ltd. Mr. Gu holds a bachelor of engineering from Shanghai Jiao Tong University and a PhD, school of aeronautics from the Royal Institute of Technology, Stockholm. Mr. Gu is a fellow of IVA, the Royal Swedish Academy of Engineering Sciences.
- **Lena Olving (1956, Swedish).** Ms. Olving was appointed a non-executive director of our board of directors effective June 2019. Ms. Olving served as president and CEO of Myconic AB (listed on Nasdaq OMX Stockholm) from 2013 to 2019, a Swedish high-tech equipment company serving the electronics industry. Before that, Ms. Olving worked at Saab AB, a listed Defence and Security company, as deputy CEO and chief operating officer. Her earlier career also includes various managerial positions within Volvo Car Corporation, in total 25 years, of which 5 years in Asia Pacific

# Report of the Directors

and 7 years in the executive management team. Ms. Olving is a board member of Assa Abloy AB, Vestas Wind Systems A/S, Investment AB Latour, chair of the board of Nodica Group AB, and board member of Stena Metall AB. She is a fellow of IVA, the Royal Swedish Academy of Engineering Sciences. She holds a Master of Science in Mechanical Engineering from Chalmers in Gothenburg, Sweden. In January 2018, Ms. Olving was presented H.M. The King's Medal of the 12th size with blue ribbon for outstanding efforts within Swedish business sector. In October 2019, she was awarded IVA's Gold Medal for pioneering and outstanding leadership within the tech sector, and in 2023 she received the Gustaf Dalén Goldmedal for her contributions to the fields of engineering and technology.

- **Julie Southern (1959, British).** Ms. Southern was appointed a non-executive director of our board of directors effective October 2013 and chair of our board of directors effective May 2023. Ms. Southern was with Virgin Atlantic Limited (UK) from 2000 to May 2013. From 2010 to 2013, she was chief commercial officer and from 2000 to 2010 she was chief financial officer of Virgin Atlantic. Prior to joining Virgin Atlantic, Ms. Southern was group finance director at Porsche Cars Great Britain and finance and operations director at WH Smith - HJ Chapman & Co Ltd. Prior to that, she was a chartered accountant at Price Waterhouse Coopers. Ms. Southern currently holds a non-executive directorship at Ocado Group plc. and serves as chair of the remuneration committee and member of the audit and people committees. Previously, Ms. Southern held directorships at RWS Holdings plc (2022-2025), Gategroup (2015-2016), Stagecoach Group plc (2016-2018), DFS Furniture plc (2015-2019), Cineworld Group plc (2015-2019), easyJet plc (2018-2023), and Rentokil plc (2014-2023).
- **Jasmin Staiblin (1970, German and Swiss).** Ms. Staiblin was appointed a non-executive director of our board of directors effective June 2019. Ms. Staiblin served between 2013 and 2018 as chief executive officer of Alpiq, a leading Swiss energy services provider and power producer in Europe. She successfully led the company through a major transformation in a fundamentally changing energy market. She began her career in 1997 at the ABB Group, the Swedish-Swiss global technology company, starting in ABB's group research center. From 1999 to 2005, Ms. Staiblin served in various global functions and as a member of the management team for ABB's power technologies division. She held the position of chief executive officer of ABB Switzerland from 2006 to 2012. Ms. Staiblin is a board member of Zurich Insurance Group Ltd. and chair of the supervisory boards of Rolls-Royce Power Systems AG and Rolls-Royce Solutions GmbH. She formerly served on the board of Rolls-Royce plc and Georg Fischer AG. She studied Physics and Electrical Engineering at the Karlsruhe Institute of Technology, Germany and the Royal Institute of Technology in Stockholm, Sweden. Ms. Staiblin completed her studies with a Degree in Physics and has a Master of Science in electrical engineering.
- **Gregory L. Summe (1956, American).** Mr Summe was appointed a non-executive director of our board of directors effective December 2015. Mr. Summe is the managing partner of Glen Capital Partners, an investment fund. He is also the chair of Grail, Inc. and Avantor Inc. Previously, Mr. Summe was the managing director and vice chair of Global Buyout at The Carlyle Group, a leading global private equity firm, from 2009 to 2014. Prior to joining Carlyle, he was the chair and chief executive officer of PerkinElmer Inc., a global leader in Health Sciences, a company he led from 1998 to May 2009. He also served as a senior advisor to Goldman Sachs Capital Partners, from 2008 to 2009. Mr. Summe was a director of Freescale Semiconductor from 2010 until its merger with NXP in 2015 and served as chair of the Freescale board from 2014 to 2015. Prior to PerkinElmer, Mr. Summe was with AlliedSignal, now Honeywell International, serving as the president of General Aviation Avionics, president of the Aerospace Engines Group and president of the Automotive Products Group. Before joining AlliedSignal, he was the general manager of Commercial Motors at General Electric and was a partner with the consulting firm of McKinsey & Company Inc. Mr. Summe holds B.S. and M.S. degrees in electrical engineering from the University of Kentucky and the University of Cincinnati, and an M.B.A. with distinction from the Wharton School at the University of Pennsylvania. He is in the University of Kentucky's Hall of Distinction. Mr. Summe also serves as the chair of the board of directors of Grail Inc, and Avantor Corporation and on the board of directors of Wheels Up Experience Inc. He formerly served on the boards of directors of the State Street Corporation, NextGen Acquisition Corp. I, NextGen Acquisition Corp. II and Virgin Orbit Holdings Inc.
- **Karl-Henrik Sundström (1960, Swedish).** Mr. Sundström was appointed a non-executive director of our board of directors effective June 2019. Mr. Sundström served as CEO of Stora Enso from 2014 until his retirement in 2019. He joined Stora Enso in August 2012 as CFO and member of the group leadership team. In June 2013, he took on the role as executive vice president for division Paper and Wood Products. Prior to joining Stora Enso, Mr. Sundström held the role of CFO of NXP Semiconductors N.V. (2008–2012). Before that, he held several managerial positions in Ericsson, including CFO. Mr. Sundström is the chair of the board of Boliden AB, vice-chair of the board of Vestas Wind Systems A/S, chair of the boards of Mölnlycke AB and the Finnish-Swedish Chamber of Commerce, and member of the board of the Marcus Wallenberg Foundation. Mr. Sundström

# Report of the Directors

participated in an Advanced Management Program at Harvard Business School in 1997 and holds a degree in Business Administration, Finance and Accounting from the Uppsala University, Sweden.

Information on the remuneration of our board of directors is disclosed in Note 31 *Information on remuneration board of directors* of the consolidated financial statements.

## Information about our Executive Officers

The names, ages and positions as of March 12, 2026, of our executive officers (as determined under U.S. securities laws), including our chief executive officer, Mr. Sotomayor, are as follows:

| Name               | Age | Sex | Position  |
|--------------------|-----|-----|---|
| Rafael Sotomayor   | 56  | M   | Executive Director, President and Chief Executive Officer                                       |
| Bill Betz          | 48  | M   | Executive Vice President and Chief Financial Officer  |
| Christopher Jensen | 56  | M   | Executive Vice President and Chief People Officer   |
| Andrew Hardy       | 49  | M   | Executive Vice President and Chief Sales Officer  |
| Andrew Micallef    | 61  | M   | Executive Vice President and Chief Operations and Manufacturing Officer                         |
| Jennifer Wuamett   | 60  | F   | Executive Vice President, General Counsel, Corporate Secretary and Chief Sustainability Officer |

There are no family relationships among our executive officers or between any executive officer and any of our directors.

- **Bill Betz (1977, American).** Mr. Betz is executive vice president, chief financial officer and a member of the management team and has served in this role since October 2021. In this role, he is responsible for all aspects of the company's financial and accounting functions including treasury, investor relations, audit, tax and mergers and acquisitions. Mr. Betz has more than 25 years of finance experience in the semiconductor industry with a strong track record focused on results. Prior to joining NXP in 2013, he held several financial leadership positions with Fairchild Semiconductors, LSI Logic and Agere Systems. Prior to being named CFO in October 2021, Mr. Betz was senior vice president, business planning & analytics and finance business group controller for NXP's business lines and shared service centers, and led the corporate financial planning, analysis and business intelligence teams. Mr. Betz holds a Master of Business Administration from the University of Chicago Booth School of Business and a Bachelor of Science in Business Administration from West Virginia University.
- **Christopher Jensen (1969, American).** Mr. Jensen is executive vice president, chief people officer and a member of the management team and has served in this role since June 2020. In this role, he is responsible for all aspects of the Company's global human resources function, the Company's people strategy and fostering an inclusive culture to achieve NXP's business objectives. Mr. Jensen has been with NXP since the merger with Freescale in 2015 and was integral to the cultural integration of the two companies. He has extensive experience in leading the various functions across human resources, with strength in change management, compensation and benefits design, and mergers and acquisitions. Prior to Freescale, Mr. Jensen held executive human resources positions at Applied Materials and Tandem Computers. Mr. Jensen earned his bachelor of science in organization behavior from the University of San Francisco and graduated beta gamma sigma with his MBA from Baylor University.
- **Andrew Hardy (1977, American).** Mr. Hardy is executive vice president, chief sales officer and a member of the management team and has served in this role since February 2025. In this role, he is responsible for driving the company's top-line growth initiatives, enabling solutions in support of our customers and ensuring high customer satisfaction. Mr. Hardy has more than 25 years of experience in sales, marketing and business development and was most recently NXP's Americas regional vice president of sales, serving in this role from 2016-2025. Prior to joining NXP in 2014, Mr. Hardy served in multiple sales leadership roles at Texas Instruments. Mr. Hardy earned his Bachelor of Science in Electrical Engineering from North Carolina State University and holds a Master of Business Administration (MBA) from University of North Carolina-Chapel Hill.
- **Andrew Micallef (1965, American).** Mr. Micallef is executive vice president, chief operations and manufacturing officer and a member of the management team and has served in this role since he joined

# Report of the Directors

NXP in May 2021. He is responsible for creating and executing NXP's end-to-end manufacturing, quality and supply chain strategies. Mr. Micallef has more than 20 years of semiconductor industry experience, including senior operational roles overseeing manufacturing, procurement, supply chain management, logistics, quality, product and test engineering, information technology and facilities. Prior to NXP, Mr. Micallef was chief operations officer for Marvell. Prior to that, he held operations leadership roles at Intersil Corporation, Audience, LSI Corporation and Agere Systems.

- **Jennifer Wuamett (1965, American).** Ms. Wuamett is executive vice president, general counsel, corporate secretary and a member of the management team for NXP since 2018, and chief sustainability officer since 2022. In this role, she is responsible for worldwide legal, governance, compliance and intellectual property matters for NXP and for oversight of NXP's sustainability and risk programs. Previously, Ms. Wuamett served as senior vice president and deputy general counsel at NXP. Prior to that, she was Freescale's senior vice president, general counsel and secretary and served in various other positions at Freescale and Motorola beginning in 1997. Ms. Wuamett is also on the board of directors of Plexus Corp.

## Corporate Governance

### Introduction

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 and are a Dutch public company with limited liability (naamloze vennootschap). Our common shares are listed on the Nasdaq Global Select Market ("Nasdaq").

We are subject to various corporate governance requirements and best practice codes, the most relevant being those in the Netherlands and the United States. The Dutch Corporate Governance Code (the "DCGC"), dated March 17, 2025 applies to all Dutch companies listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere. The DCGC is based on a "comply or explain" principle. Accordingly, companies are required to disclose in their statutory annual reports filed in the Netherlands whether or not they comply with the various rules of the DCGC and if they do not comply with those provisions, to give the reasons therefore. The DCGC contains principles and best practice provisions for boards, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards.

The purpose of NXP is to bring together bright minds to create breakthrough technologies that make the connected world better, safer and more secure. Our strategy is to maximize value for all our key stakeholders, including customers, employees, and shareholders. We aim to deliver sustainable, profitable growth by bringing intelligent systems to the edge in the automotive and industrial & Internet of Things (IoT) end markets. We seek to build long-term strategic relationships with our customers and suppliers, while consistently meeting or exceeding their expectations. We are committed to driving sustainable innovation resulting in a better tomorrow for our customers, team members, communities, and society as a whole.

The Board is committed to maintaining a dialogue with shareholders to ensure that they understand our differentiated strategy and business model and have an opportunity to discuss and engage on a broad range of topics, including our strategy. The Board will review the implementation of our strategy at the annual general meeting of shareholders.

We conduct our operations in accordance with internationally accepted principles of good governance and best practice, while ensuring compliance with the corporate governance requirements applicable in the countries in which we operate:

- We have a transparent corporate structure, with approval rights of our general meeting of shareholders for any significant change in the identity or nature of our Company or business;
- Each share of our common stock confers the right to cast one vote at the general meeting of shareholders;
- Our directors are appointed for one year terms;
- We do not have a poison pill in place;
- We only have outstanding common stock, and no preference shares are issued, and such shares cannot be issued without majority shareholder approval;
- Our share capital consists only of common shares and preference shares, no priority or other shares with special voting rights are included in our share capital;
- Any issuance of common or preference shares, for any reason, is subject to the approval of the general meeting of shareholders; and

# Report of the Directors

- We allow special meetings of our shareholders to be called upon the written request of shareholders holding at least 10% of our outstanding voting stock.

The Board, as well as the management team and the NXP Ethics Committee, promote openness and engagement through SpeakUp, a confidential reporting system described in more detail below. Furthermore, we maintain a Code of Conduct in order to promote a culture of good governance, excellence and consistency that applies to all of our directors, officers and employees and complies with the requirements of the Sarbanes-Oxley Act of 2002, and the rules thereunder, as well as applicable Nasdaq listing standards. A copy of the Code of Conduct is available on our Investor Relations website at <http://investors.nxp.com> under the “Corporate Governance” section. We will post any amendments to, or waivers from, our Code of Conduct (to the extent applicable to any director or any of our executive officers) on this website.

The Code of Conduct outlines our general commitment to be a responsible social partner and the way in which we attempt to interact with our stakeholders, including shareholders, suppliers, customers, employees and the market. The Code of Conduct expresses our commitment to an economically, socially and ethically sustainable way of working. It covers our policy on a diverse array of subjects, including corporate gifts, privacy, child labor, International Labor Organization conventions, trade compliance, working hours, sexual harassment, free-market competition, bribery and the integrity of financial reporting.

Our Code of Conduct communicates the values and expectations for everyone that works for or on behalf of NXP. It establishes a clear and comprehensive framework for ethical behavior. These values and expectations are regularly reinforced through communication, advice and mandatory training. Our reporting channels, including the Speak Up platform that allows for anonymous reporting, and our non-retaliation policy empower employees and stakeholders to raise concerns or potential breaches. This approach enables us to embed expected conduct throughout the organization, monitor adherence, and foster a culture of transparency and ethical responsibility.

The Code of Conduct is built around the campaign “Know Right, Do Right” and consists of a framework of a variety of controls, a strict non-retaliation policy, a training program for employees, the SpeakUp telephone line and online site where people can report potential issues in a confidential manner, a confidential investigation process, risk assessments, background checks and audits. Any reports related to the Code of Conduct are brought to the attention of our Ethics Committee to ensure that all reports are properly investigated and addressed. Each quarter the Ethics Committee communicates to the Audit Committee a summary of all reports and investigations.

In this report, we address our overall corporate governance structure and state to what extent we apply the provisions of the Dutch corporate governance code. This report also includes the information which the Company is required to disclose pursuant to the governmental decree on corporate governance. The board of directors, which is responsible for the corporate governance structure of the Company, is of the opinion that the principles and best practice provisions of the Dutch corporate governance code that are addressed to the board of directors, interpreted and implemented in line with the best practices followed by the Company, are being applied. Deviations from best practice provisions of the code, will be explained in this report. Substantial changes in the Company’s corporate governance structure and in the Company’s compliance with the Dutch corporate governance code will be submitted to the general meeting of shareholders for discussion under a separate agenda item.

Sustainable long-term value creation — objectives, stakeholder interests and outcomes

Our purpose is to bring together bright minds to create breakthrough technologies that make the connected world better, safer and more secure. In 2025 we continued to execute a strategy focused on durable, profitable growth in Automotive and Industrial & IoT, underpinned by disciplined R&D, an asset-light manufacturing model and robust risk management, with a focus to be a leader in bringing intelligent systems to the Edge. The Board regularly reviewed the strategy, principal risks and internal controls during the year.

We target sustainable long-term value creation through: (i) sustainable revenue and margin expansion through system solutions in our chosen end markets; (ii) carbon-neutral operations by 2035, with a 35% Scope 1+2 reduction by 2027; (iii) inclusion efforts integrated into leadership expectations, talent processes and workforce practices to support an environment in which team members are able to contribute, collaborate and perform at their best across regions, functions and roles; and (iv) continuous enhancement of product safety, cybersecurity and responsible sourcing.

In developing and monitoring our strategy, the Board considered impacts on customers (reliability, security and time-to-market), employees (safe, inclusive workplaces and career development), shareholders (disciplined

# Report of the Directors

capital allocation), suppliers (long-term partnerships and responsible sourcing) and society (environmental footprint and human rights). Our stakeholder engagement is described on our website and in the Corporate Sustainability Report.

Effects on people and the environment & actions taken: In 2025, we (a) increased renewable electricity usage and progressed toward carbon-neutrality; (b) maintained 100% conflict-free 3TG smelters and strengthened cobalt due diligence; (c) advanced water recycling across manufacturing sites; and (d) expanded training and audits under our Code of Conduct and human-rights standards.

Results and short-/long-term developments: Year-on-year we achieved improvements in energy sourcing and safety performance, while meeting engagement and retention goals. We did not meet interim aspirational target for women representation in indirect labor and R&D (see “Diversity & Inclusion” below). We experienced no cybersecurity incidents that materially affected our business in 2025. We expect continued opportunities in software-defined vehicles and intelligent edge systems to support our long-term value creation, while we remain vigilant on supply chain and geopolitical risks. For more information see our “Sustainability Statements” (p.62) and “Human Capital” (pp.24–26).

## **How our Board Governs and is Governed**

The Company has a one-tier board structure, consisting of one or more executive directors and independent non-executive directors. The Board currently consists of ten directors, each of whom is either an executive director or a non-executive director pursuant to applicable Dutch law. The number of executive and non-executive directors is determined by the Board.

As required by Dutch corporate governance standards (Article 2:166 BW and DCGC provision 2.1.6), NXP maintains a formal diversity policy for the Board of Directors. The main elements of this policy are to ensure that at least 30% of the seats on the Board are held by each gender, and to promote diversity in terms of gender, background, skills, and experience at both Board and senior management levels. As of December 31, 2025, 40% of the seats on our Board were held by women and 60% by men, exceeding the statutory minimum requirement.

Under our Articles of Association and Dutch corporate law, the directors are collectively responsible for the management, general and financial affairs and policy and strategy of our Company. Our executive director is responsible for the day-to-day management of the Company and for the preparation and execution of Board resolutions, to the extent these tasks are not delegated to a committee of the Board. Our Chief Executive Officer or all directors acting jointly may represent the Company with third parties.

Consistent with established Dutch law and our Articles of Association, the executive director and non-executive directors are appointed by the shareholders at a general meeting of shareholders from a binding nomination proposed by the Board.

The binding nominations by the Board are made in accordance with Section 14.4 of the Articles of Association. The shareholders at an annual general meeting may at all times overrule the binding nature of such a nomination by a resolution adopted by at least a two thirds majority of the votes cast, provided such majority represents more than half of our issued share capital. If the nomination is not overruled, the nominated member of the Board shall be appointed. If the nomination is overruled, the Board may then make a new nomination. If a nomination has not been made or has not been made in due time, this shall be stated in the notice and the general meeting of shareholders shall be free to appoint a member of the Board at its discretion. The latter resolution of the general meeting of shareholders must also be adopted by at least two thirds majority of the votes cast, provided such majority represents more than half of our issued share capital.

Our directors are appointed for one year and will be, if nominated by the Board, re-electable each year at a general meeting of shareholders. As directors are only appointed until the next general meeting of shareholders, and the Board maintains an orderly, robust process for Board refreshment and succession as explained in this report. The Board does not limit the number of times directors can be nominated for re-election as referred to in par. 2.2.2 of the DCGC. Our directors may be suspended or dismissed at any time by the shareholders at an annual general meeting of shareholders. A resolution to suspend or dismiss a director will have to be adopted by at least a two thirds majority of the votes cast, provided such majority represents more than half of our issued

# Report of the Directors

share capital unless the proposal to suspend or dismiss a director is made by the Board, in which case resolutions shall be adopted by a simple majority of votes cast. An executive director can also be suspended by the Board.

If appointed, each director's term begins at the annual general meeting at which he or she is appointed and, unless such director resigns or is suspended or dismissed at an earlier date, his or her term of office lapses immediately after the next annual general meeting held after his or her appointment.

The Board and the Nominating, Governance and Sustainability Committee have carefully considered the experience, structure, culture, diversity, operation, interactions, collaboration and performance of the current Board; the talents, expertise and contributions of individual directors; the growth and creation of shareholder and other stakeholder value under the Board's leadership; the continued evolution of the Company; the Board's critical role in continuing to develop and lead the strategic direction of the Company; the continued change and consolidation in the semiconductor industry; anticipated future challenges and opportunities facing the Company; and the Board's ongoing commitment to ensuring the long-term sustainability of the Company to the benefit of shareholders and other stakeholders.

## *Rules Governing the Board*

The Board has adopted written Rules Governing the Board (the "Rules of Procedure") governing its performance, its decision making, its composition, the tasks and working procedures of the committees and other matters relating to the Board, the Chief Executive Officer, the non-executive directors and the committees established by the Board. In accordance with our Rules of Procedure, resolutions of our Board will be adopted by a simple majority of votes cast in a meeting at which at least the majority of its members is present or represented. Each director has the right to cast one vote. In a tie vote, the proposal will be rejected.

In addition to the Rules of Procedure, the Board has adopted charters of its committees, to which the plenary Board, while retaining overall responsibility, has assigned certain tasks: the Audit Committee, the Nominating, Governance and Sustainability Committee, and the Human Resources and Compensation Committee. Each committee reports to the plenary Board. The Rules of Procedure are, together with the committee charters, posted on our Investor Relations website at <http://investors.nxp.com> under the "Corporate Governance" section. Copies of our corporate governance materials are also available to shareholders who request them. Requests must be in writing and sent to: NXP Semiconductors N.V., High Tech Campus 60, 5656 AG, Eindhoven, The Netherlands, Attention: Secretary.

The Board is assisted by the Secretary. The Secretary sees to it that correct procedures are followed and that the Board acts in accordance with its statutory obligations and its obligations under the Articles of Association. Furthermore, the Secretary assists the Chair of the Board (the "Chair") in the functioning of Board business (information, agenda, evaluation, introductory program). The Secretary, in this capacity, is appointed and dismissed by the Board. Shareholders or other interested parties who wish to communicate with the Board, including the Chair and the non-executive directors individually or as a group, may send correspondence in care of the Secretary at NXP's principal offices at High Tech Campus 60, 5656 AG, Eindhoven, The Netherlands. Our Secretary will receive all communications sent to this address, and will provide all substantive communications to the Chair, excluding simple administrative requests that are appropriately addressed by the Secretary.

Our non-executive directors oversee the general affairs of the Company and supervise and provide general advice to the executive director. Furthermore, the non-executive directors perform such acts that are delegated to them pursuant to our Articles of Association or by our board regulations. Ms. Julie Southern has been appointed Chair of the Board.

Under the Rules of Procedure, Board members must comply with any provisions on the maximum number of directorships and board memberships as decided by the Nominating, Governance and Sustainability Committee. Currently, the Nominating, Governance and Sustainability Committee has determined that members of the Board shall have no more than four board memberships in public companies in addition to service on the Board of NXP, and not more than two of such board memberships if they are an executive officer.

Each director owes a duty to us to properly perform the duties assigned to him or her and to act in the corporate interest of our Company. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as shareholders, creditors, employees, customers and suppliers.

# Report of the Directors

## *Board Leadership and Role in Risk Oversight*

Our Chair works closely with our Chief Executive Officer to set the agenda for Board meetings and to facilitate information flow between the Board and management. Ms. Julie Southern currently serves as the Chair. The Chair presides at the Board meetings, as well as regularly scheduled executive sessions of the non-executive directors.

Our independent directors regularly meet in executive session without executive directors or management present. Additionally, the Board and each committee have the power to hire, at the expense of the Company, independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

The Board has demonstrated expertise in developing strategies that have created a unique and sustainable global platform that serves the interests of shareholders and other stakeholders and possesses a deep understanding of the management team and the bench strength and culture within the Company. The Board also has a strong understanding of the challenges and opportunities facing the Company around the world, as well as the semiconductor industry in which we operate. This understanding has enabled the Board to guide the Company and our executive team in navigating ongoing, complex, and unpredictable developments that continue to have significant impacts on the semiconductor industry generally and us in particular.

The Board believes that its current structure continues to provide robust and highly effective oversight based on, among other factors:

- All nine current non-executive directors are independent; the sole board member not being independent is the executive director (the CEO);
- Robust Corporate Governance principles, which are reviewed annually;
- A Chair with deep experience in and knowledge of our business and industry with a demonstrated unique and successful strategic vision. Our Chair continues to be actively focused on its role of providing the overall strategic leadership for the Company, consistent with Dutch law and the Company's organizational documents - a role that the Board believes remains critically important as our industry continues to experience significant change and disruption at a rapid rate;
- The Audit, Human Resources and Compensation, and Nominating, Governance and Sustainability Committees all are composed entirely of independent directors (as defined in the applicable Nasdaq listing standards and within the meaning of the DCGC);
- Approval of any appointment of members to the Audit, Human Resources and Compensation, and Nominating, Governance and Sustainability Committees must include at least a majority of the independent directors;
- All Board committees operate pursuant to written charters and conduct annual self-assessments;
- The independent directors of the Board and its committees receive extensive information and input from multiple layers of management and external advisors, engage in detailed discussion and analysis regarding matters brought before them (including in executive session) and consistently and actively engage in the development and approval of significant corporate strategies;
- The Board and its committees have unrestricted access to management;
- The Board and its committees can retain, at Company expense, any advisors they deem necessary with respect to any matter brought before them; and
- In 2025, the Board held 4 executive sessions of non-management members.

## *Meetings of NXP's Board*

The Board met 6 times in 2025. In addition to these meetings, directors attended meetings of individual Board committees of which they were members. Each of the directors attended at least 75% of the aggregate of the Board meetings and meetings of committees of which they were a member during the periods for which they served in 2025. NXP does not have a formal policy regarding Board members' attendance at annual general meetings, but all of our Board members are invited to attend the Annual General Meeting. Ms. Julie Southern, Chair of the Board, Mr. Kurt Sievers, former Chief Executive Office and President, Mr. Rafael Sotomayor, Chief Executive Office and President, Ms. Annette Clayton, Mr. Moshe Gavriellov, Mr. Chunyuan Gu, Ms. Lena Olving, Ms. Jasmin Staiblin, Mr. Gregory Summe and Mr. Karl-Henrik Sundström attended the 2025 annual general meeting.

# Report of the Directors

The Rules of Procedure require the independent directors to meet in executive session from time to time, and at least twice annually, without any members of management present. During 2025, the independent directors of the Board met in executive session four times.

## *NXP's Board Committees*

The standing committees of the Board are the Audit Committee, the Human Resources and Compensation Committee, and the Nominating, Governance and Sustainability Committee. Each committee operates under a written charter, a current copy of which, along with our Articles of Association and the Rules of Procedure, is available on our Investor Relations website at <http://investors.nxp.com> under the "Corporate Governance" section.

Information about each of the standing committees is provided on the following pages provides an additional discussion of committee responsibilities in relation to risk oversight.

| <b>AUDIT COMMITTEE</b>   |  |
|--|--|
| <p><b>Members</b><br/>Mr. Sundström (Chair)<br/>Ms. Clayton<br/>Mr. Gu<br/>Ms. Staiblin</p> <p>Number of meetings during 2025: 9</p> | <p><b>KEY OVERSIGHT RESPONSIBILITIES INCLUDE, BUT ARE NOT LIMITED TO:</b></p> <ul style="list-style-type: none"> <li>• The integrity of the Company's financial statements and its accounting and financial reporting processes</li> <li>• The effectiveness of the Company's internal control over financial reporting</li> <li>• Compliance with applicable legal and regulatory requirements</li> <li>• Oversight of information technology risks, including cybersecurity</li> <li>• The qualifications, independence and performance of the independent registered public accounting firm for U.S. public reporting purposes and the Company's external auditor for purposes of Dutch law</li> <li>• The Internal Audit group</li> <li>• The Company's processes and procedures related to risk assessment and risk management</li> </ul> |

| <b>HUMAN RESOURCES AND COMPENSATION COMMITTEE</b>  |  |
|--|--|
| <p><b>Members</b><br/>Mr. Summe (Chair)<br/>Ms. Clayton<br/>Mr. Gavriellov<br/>Ms. Olving<br/>Mr. Sundström</p> <p>Number of meetings during 2025: 7</p> | <p><b>KEY OVERSIGHT RESPONSIBILITIES INCLUDE, BUT ARE NOT LIMITED TO:</b></p> <ul style="list-style-type: none"> <li>• CEO and senior management compensation, including the corporate goals and objectives relevant to such compensation and evaluating performance in light of those goals and objectives</li> <li>• Board and committee compensation</li> <li>• Relationship between the Company's compensation policies and practices and risk management</li> <li>• Management Team succession plans</li> <li>• Compensation and benefits-related disclosures and equity compensation plans in which executives participate</li> <li>• Various human capital management topics, including diversity, equality and inclusion, Workforce trends and surveys, as well as University Relations Program</li> </ul> |

# Report of the Directors

| NOMINATING, GOVERNANCE AND SUSTAINABILITY COMMITTEE   |   |
|---|---|
| <p><b>Members</b><br/>Mr. Foxx (Chair)<br/>Mr. Gavriellov<br/>Ms. Southern<br/>Mr. Summe</p> <p>Number of meetings during 2025: 4</p> | <p><b>KEY OVERSIGHT RESPONSIBILITIES INCLUDE, BUT ARE NOT LIMITED TO:</b></p> <ul style="list-style-type: none"> <li>• Corporate governance matters</li> <li>• Nomination or re-nomination of director candidates and approval of other shareholders meeting agenda items</li> <li>• The annual self-evaluation of the Board and its committees</li> <li>• Review NXP top identified risks and make proposals to the Board on oversight</li> <li>• Initiatives and reporting on Environment, Social and Governance</li> </ul> |

## *Setting and Overseeing Strategy*

The Board actively determines the Company's strategy and continues to focus on those strategies designed to ensure the continued durability and sustainability of the Company, while creating sustainable long-term value for our shareholders, and serving the interests of our other stakeholders. The Board and its committees regularly and extensively reviewed during their meetings throughout 2025 the Company's strategy, the Company's primary risks as well as the design and operation of the internal control systems to ensure it supports the long-term growth and sustainability of the Company and reflects, among other considerations, market challenges and opportunities, and the interests of shareholders and other stakeholders. This has substantially impacted the sustainable long-term value creation strategy as referred to in practice 1.1.1 of the DCGC and as further outlined in below Sustainability statements and the Annual Social Responsibility Report . In addition to quarterly updates on the business performance and detailed presentations by the various business managers, the Board reviewed and discussed the mid- to long-term strategy of the Company in its November meeting.

The Board is committed to maintaining a dialogue with shareholders to ensure that they understand our differentiated strategy and business model and have an opportunity to discuss and engage on a broad range of topics, including our strategy. The Board will also review the implementation of our strategy at our annual general meeting of shareholders, giving attendees the opportunity to discuss our annual Dutch board report and the accompanying financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). We also regularly discuss our strategy in shareholder engagement sessions.

## *Risk Oversight*

Our management is directly responsible for executing the Company's risk management processes. Reference is made to the section Enterprise Risk Management process and the various risk factors. Our Board is responsible for overseeing these risk management processes. In exercising its oversight, the Board and, as appropriate, the relevant Board committees, assesses the material risks facing the Company and evaluate management's plans for managing material risk exposures. The Company conducts a formal annual risk assessment to identify, analyze and report on enterprise risks. The results of this risk assessment are reported to and discussed with the Board.

Our Board performs this oversight function through periodic reports from management and Board committees. While our Board generally has ultimate oversight responsibility of the Company's risk management processes, it has delegated to its committees the responsibility to oversee risk management processes associated with their respective areas of responsibility and expertise. For example, the Audit Committee has oversight responsibility for the Company's internal audit function, compliance with the Code of Conduct, internal controls and financial reporting practices, information technology and cybersecurity risks, litigation, and compliance processes. The Human Resources and Compensation Committee has oversight responsibility for the Company's executive talent

# Report of the Directors

management and succession planning and risks related to the Company's compensation policies and practices, as described in more detail in the Compensation Practices and Risk section of the Compensation Discussion and Analysis. The Nominating, Governance and Sustainability Committee has oversight responsibility for the Company's compliance with its corporate governance principles, CEO succession planning, policies and practices relating to initiatives and reporting of environmental, social and governance and proposes recommendations to the Board for updates to risk oversight responsibilities of the committees and the Board. The Board receives regular reports from each committee chair regarding the committee's considerations and actions. The Board also receives regular updates from management on the Company's business operations, financial results and strategy and, as appropriate, discusses and provides feedback with respect to risks related to these topics. Annually, the Board holds strategic planning sessions with senior management to discuss strategies, key challenges, and risks and opportunities for our business.

NXP, similar to other semiconductor companies, operates in a complex and rapidly changing environment that involves many risks. In addition to general market, research and development, and economic risks, the Company faces potential risks related to its industry; information technology and cybersecurity; data privacy; financial controls and reporting; legal, regulatory and compliance; finances and taxation; global operations; environment and social responsibility; and product portfolio and commercialization, among others. As a company committed to operating ethically and with integrity, we proactively seek to manage and, where possible, mitigate risks to help ensure compliance with applicable rules and regulations, maintain integrity and continuity in our operations and business and protect our assets. Risk management is an enterprise-wide objective subject to oversight by the Board and its committees.

It is the responsibility of management and employees to implement and administer risk-management processes to identify material risks to our business. In addition, management must assess, manage and monitor those risks, all while maintaining flexibility in how we operate. To further embed risk management and compliance into our culture, we implement relevant policies and procedures and train employees on the specifics of such policies and procedures. All of our committees have regular access to management and the Board and committees also schedule sessions without members of management present.

The Board, in turn, directly or through its committees, oversees management's implementation of risk management. We have approved a robust Code of Conduct and other related policies, and the Board and its committees rigorously review with management actual and potential significant risks at least on a quarterly basis.

## *Board Education*

Individual members of the Board participate in director education seminars, conferences and other director education programs presented by external and internal resources, on matters that relate to, among other topics, compensation, governance, board processes, risk oversight, business, industry, audit and accounting, credit and financial, regulatory and other current issues.

## **How Our Directors Are Selected and Evaluated**

### *Consideration of Director Nominees*

For purposes of identifying individuals qualified to become members of the Board, the Nominating, Governance and Sustainability Committee considers the following general criteria, among others, in nominating director candidates. These criteria reflect the traits, abilities and experience that the Board looks for in determining candidates for election:

- Directors shall have relevant expertise and experience and be able to offer advice and guidance to the CEO based on that expertise and experience;
- Directors shall have the ability to exercise sound business judgment;
- Directors shall represent diverse viewpoints; the personal backgrounds and qualifications of the directors, considered as a group, should provide the Company with a significant composite mix of experience, knowledge and abilities; and
- Unless otherwise approved by the Board, directors shall not be a member of the board of directors or an officer or employee of a competitor (or an affiliate of a competitor) of the Company.

# Report of the Directors

In addition to the criteria set forth above, and any others the Nominating, Governance and Sustainability Committee or the Board may consider, a majority of the Board's members must be "independent," as that term may be defined from time to time by the applicable Nasdaq listing standards, the Rules of Procedure, as well as practice 2.1.8 of the DCGC, including that an independent director must be free of any relationships which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

As needed, the Nominating, Governance and Sustainability Committee may identify new potential director nominees by, among other means, requesting current directors and executive officers and external advisors to notify it if they become aware of persons meeting the criteria described above who would be suitable candidates for service on the Board. The committee also may, as needed, engage one or more firms that specialize in identifying director candidates.

As appropriate, the Nominating, Governance and Sustainability Committee will review publicly available information regarding a potential candidate, request information from the candidate, review the candidate's experience and qualifications, including in light of any other candidates the committee might be considering, and conduct, together with other members of the Board, one or more interviews with the candidate. Committee members or their designees also may contact one or more references provided by the candidate or may contact other members of the business community or persons who may have first-hand knowledge of the candidate's talents and experience.

## *Evaluation*

In accordance with the Rules of Procedure, once a year the Board, initiated by the Nominating, Governance and Sustainability Committee and supervised by the Chair, evaluates its performance, functioning and effectiveness. As part of this self-evaluation process, all Board members complete a relevant questionnaire, and the results of this are reviewed and discussed by the Board. In 2025, the questionnaire covered topics such as expertise and capabilities within the Board, diverse backgrounds and perspectives of the Board members, alignment and appropriate review of company strategy, interactions and relationships within the Board and between the Board and management, administration and logistics of Board meetings and communications, Board succession planning process, agility of the Board to respond and adapt to change, strategic and risk oversight, and the performance of the Board's committees. A report of the board effectiveness review is shared and discussed in private meetings of the Board. The report indicated that the Board continues to be a well-functioning board with strong leadership, appropriate expertise, diverse perspectives and positive and effective dynamic between members of the Board and with management.

## *Diversity*

In compliance with par. 2.1.5 of the DCGC and article 2:166 of the Dutch Civil Code, the Board is committed to supporting, valuing and leveraging diversity, including gender and ethnic/cultural diversity, in its composition, among other qualities that the Board believes serve the best interests of the Company and its stakeholders. As part of these efforts and in line with Dutch corporate law, the Board, while taking into account the overall profile and selection criteria for appointments of suitable candidates, has adopted a policy that at least 30% of the seats on our Board are to be taken by men and at least 30% of the seats by women. As at December 31, 2025, 40% (4) of the seats of our Board were taken by women and 60% (6) of the seats of our Board were taken by men. The Board aims to continue in its efforts to have a diverse gender and ethnic composition as it continues its board refreshment process as described below, which process also is part of the diversity policy as referred to in par. 2.1.5 of the DCGC.

We target increasing, developing, and promoting more women into technical and leadership positions within our organization to achieve a balanced ratio between the number of men and women in managerial positions throughout the organization in line with the requirements of article 2:166 of the Dutch Civil Code. To support this commitment and our general diversity, equality and inclusion approach and to demonstrate our commitment to transparency and accountability, we have established aspirational 2026 DE&I goals to improve our gender representation globally. One of the goals is to have 20% women in executive positions. To that end, we monitor gender statistics globally across all roles, and look for continuous improvements, which include an evaluation of the practices at the country level. Each country leadership team focuses on how to ensure we are making improvements, where needed.

# Report of the Directors

## *Board Refreshment*

The Board, with the support of the Nominating, Governance and Sustainability Committee, maintains an orderly, robust process for Board refreshment and succession that is aimed at maintaining an appropriate balance with respect to the expertise, experience and diversity on the Board. The Board and its Nominating, Governance and Sustainability Committee regularly evaluate the Board composition with respect to, among other matters, director independence, skills, experience, expertise, diversity and other factors to ensure the Board remains well-qualified to provide effective oversight of the Company and management. The Board and the Nominating, Governance and Sustainability Committee regularly consider the Company's strategy, performance, operations, relevant industry and market conditions, and current and anticipated needs in terms of particular areas of experience and expertise (e.g., risk oversight, industry, science), among many other factors, to inform these refreshment practices.

On April 23, 2025, Mr. Kurt Sievers, the CEO and President of NXP Semiconductors N.V. (the "Company"), provided notice that he would voluntarily retire as CEO and executive director of the Company on October 28, 2025. Following its CEO succession planning process, NXP's Board of Directors has unanimously appointed Rafael Sotomayor to succeed Mr. Sievers as President, effective April 28, 2025 and designated Mr. Sotomayor as CEO and temporary executive director of the Company effective as of October 28, 2025, the date of retirement of Mr. Sievers from his CEO and executive director role.

## *Director Independence*

NXP's Board has determined that all non-executive directors are independent directors under the applicable Nasdaq listing standards, the Rules of Procedure (as defined below), as well as practice 2.1.8 of the DCGC. In addition, the Chair of the Board, Ms. Julie Southern, is independent under 2.1.9 of the DCGC. The executive director, Mr. Sotomayor, has been appointed as our Chief Executive Officer, and is not an independent director under the above standards.

## **Certain Relationships and Related Transactions**

Under the Rules of Procedure, a conflict of interest must be reported to the Board and the Board shall determine the consequences of such conflict, if any. In case of a conflict of interest, the director concerned is not allowed to participate in discussions or vote on such matter. If all directors have a conflict of interest, the resolution concerned will be voted on by shareholders at the general meeting of shareholders.

Other than the compensation items described in the Group Financial Statements Note 31 *Information on remuneration board of directors* no decisions to enter into material transactions in which there were conflicts of interest with directors occurred during the financial year 2025.

## **How Our Directors Are Compensated**

The Human Resources and Compensation Committee has responsibility for reviewing and considering any revisions to compensation for our executive and non-executive directors. The compensation of our CEO, currently Mr. Sotomayor, is determined by the Human Resources and Compensation Committee under delegation of the Board, in accordance with the principles set forth in the remuneration policy for executive and non-executive directors previously approved by our general meeting of shareholders, as required under Dutch law. In determining the compensation of our CEO, specific actions are taken to ensure the direct connection of rewards to key performance outcomes aligning executive pay to short and long-term stakeholder interests. Overall, our programs are competitive in the marketplace and highly incentive-based, with a majority of compensation at-risk earned via our short- and long-term incentive programs based on overall Company and individual performance. In connection with Mr. Sotomayor's appointment as executive director and president/ chief executive officer in 2025, Mr. Sotomayor and the Company entered into a management agreement (the "Management Agreement") and NXP USA, Inc., a wholly owned indirect subsidiary of the Company, and Mr. Sotomayor entered into an employment agreement (the "Employment Agreement" and together with the Management Agreement, the "CEO Agreements"). Copies of these agreements can be found on the Current Report of the Company on Form 8-K filed by the Company on April 28, 2025.

The Board reviews the Human Resources and Compensation Committee's recommendations and makes the final recommendations to the shareholders meeting regarding compensation for non-executive directors. In

# Report of the Directors

accordance with Dutch law, the current remuneration of the non-executive directors of the Board's committees was approved at the annual general meeting in 2025. It is our policy to reimburse all directors for reasonable expenses incurred in performing their duties as a director.

Refer to Note 31 *Information on remuneration board of directors* of the group financial statements for Directors and remuneration detail.

## **General Meeting of Shareholders: Procedures, Admission and Voting Rights**

### *Introduction*

General meetings of shareholders will be held in the Netherlands in the municipalities of Amsterdam, Eindhoven, Haarlemmermeer, The Hague, Rotterdam or Utrecht. A general meeting of shareholders shall be held at least once per year within the period Dutch law requires us to convene a general meeting of shareholders, which is currently once per year, no later than six months after the end of our financial year. Our board of directors may decide whether electronic voting at the general meeting of shareholders is allowed and may subject electronic voting to certain conditions.

The agenda for the annual general meeting of shareholders shall contain, inter alia, items placed on the agenda in accordance with Dutch law and our articles of association, the consideration of the annual report, the adoption of our annual accounts, the proposal to pay a dividend (if applicable), proposals relating to the composition of the board of directors, including the filling of any vacancies in the board of directors, the proposals placed on the agenda by the board of directors, including, but not limited to, a proposal to grant discharge to the directors for their management during the financial year, together with proposals made by shareholders in accordance with provisions of Dutch law and our articles of association.

Public notice of a general meeting of shareholders or an extraordinary meeting of shareholders shall be given by the board of directors, upon a term of at least such number of days prior to the day of the meeting as required by law and in accordance with the regulations of the NASDAQ stock exchange. This term is currently 15 days. The record date for each general meeting of shareholders is twenty-eight days prior to the date of the meeting. Any matter, the consideration of which has been requested by one or more shareholders, representing solely or jointly at least such part of the issued share capital as required by Dutch law, which is, set at three percent of our issued and outstanding share capital, will be placed in the notice convening the annual general meeting of shareholders or the extraordinary meeting of shareholders, but only if we received the request to consider such matter no later than on the 60<sup>th</sup> day prior to the day of the meeting.

In accordance with the DCGC, a shareholder may exercise the right to request the inclusion of an item on the agenda only after he consulted the board of directors about this. If one or more shareholders intend to request that an item be put on the agenda that may result in a change in our strategy, for example through the dismissal of one or more of our directors, the board of directors will be given the opportunity to stipulate a reasonable period in which to respond (the "response time"). The period between the day the board of directors is informed by one or more shareholders of their intention and the day of the general meeting in which the proposal can be discussed may not exceed 180 days.

The DCGC further provides that the board of directors must use the response time for further deliberation and constructive consultation. The response time may be invoked only once for any given general meeting and may not apply to an item in respect of which the response time has been previously invoked. The response time also applies to requests of shareholders to convene an extraordinary general meeting.

Extraordinary general meetings of shareholders shall be held as frequently as they are called by the board of directors, or whenever one or more shareholders representing at least ten percent of our issued capital so request the board of directors in writing.

Without prejudice to the relevant provisions of law dealing with reduction of share capital and amendments to the articles of association, the public notice convening the meeting shall either mention the business on the agenda or state that the agenda is open to inspection by the shareholders at our offices.

# Report of the Directors

Notices convening a general meeting of shareholders will contain instructions for shareholders that wish attend the general meeting of shareholders or to give a proxy to have their shares voted at the general meeting of shareholders.

Directors are authorized to attend general meetings of shareholders. They have an advisory vote. The general meeting of shareholders shall be presided over by the chair of our board of directors. In the absence of the chair, one of the other non-executive directors, and in the absence of other non-executive directors any executive director shall preside over the meeting.

Each share of common stock will confer the right to cast one vote at the general meeting of shareholders. Each shareholder may cast as many votes as he holds shares. Blank votes and invalid votes shall be regarded as not having been cast. Resolutions proposed to the general meeting of shareholders by the board of directors shall be adopted by a simple majority of votes cast, unless another majority of votes or a quorum is required by virtue of Dutch law or our articles of association. All other resolutions shall be adopted by a two thirds majority of the votes cast, provided such majority represents at least half of the issued share capital. In addition, we have authorized two series of preferred stock, each share of preferred stock confers the right to cast one vote as well.

Meetings of holders of shares of a particular class or classes shall be held as frequently and whenever such meeting is required by virtue of any statutory regulation or any regulation in our articles of association. Such meeting may be convened by the board of directors or one or more holders of shares of the relevant class, who jointly represent at least one-tenth of the capital issued and outstanding in the shares of the class concerned.

## *Shareholder Vote on Certain Reorganizations*

Under Dutch law, the approval of our general meeting of shareholders is required for any significant change in the identity or nature of our company or business, including in the case of (i) a transfer of all or substantially all of our business to a third party, (ii) the entry into or termination by us or one of our subsidiaries of a significant long-term cooperation with another entity or (iii) the acquisition or divestment by us or one of our subsidiaries of a participating interest in the capital of a company having a value of at least one-third of the amount of our assets, as stated in our consolidated balance sheet in our latest adopted annual accounts.

## *Response Measures*

Dutch law permits us to adopt protective measures against hostile takeovers and shareholder activism. Although we have not and do not envisage adopting any specific response measures, our board of directors may be designated by the general meeting of shareholders to issue shares and grant rights to subscribe for shares in the form of preferred stock, up to the amount of our authorized share capital.

Preferred stock can be issued in case of (the threat of) an undesired acquisition of the majority of our shares by one party or several parties acting in concert, in case of (the threat of) an undesired concentration of NXP shares with one party or several parties acting in concert and/or to prevent any undesired disruption of independent management of NXP. This protective measure, when adopted by the general meeting of shareholders, is temporary in nature and would enable NXP to judge any (hostile) situation on its merits and/or to explore alternatives. As at December 31, 2025 no preferred stock was issued.

Our preferred stock forms a separate class of shares that have both a liquidation and dividend preference over our common stock and accrue cash dividends at a fixed rate.

## *Audit of the financial reporting and the position of the external auditor*

The annual financial statements are prepared by the board of directors upon the advice of its audit committee and taking into account the report of the external auditor. The accounts are signed by all directors and are published together with the final opinion of the external auditor. The board of directors is responsible for the quality and completeness of such publicly disclosed financial reports. The annual financial statements are presented for discussion and adoption to the annual general meeting of shareholders, to be convened subsequently. NXP, under U.S. securities regulations, separately files its annual U.S. GAAP report on Form 10K.

## *Going concern*

In accordance with the DCGC, our management hereby states that to the best of its knowledge and belief, based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis, and the Annual Report discloses all material risks and uncertainties that are relevant regarding the expectation as to

# Report of the Directors

the continuity of the Company for the twelve month period after the date of issue of this Annual Report, as required per IFRS for the going concern assessment. See also *Financial Condition, Liquidity and Capital Resources* (page 22) and *Risk management* (page 50) and the included risk factors.

## *Internal controls and disclosure policies*

Annually, our management, with the participation of our chief executive officer and chief financial officer, conducts an evaluation pursuant to Rule 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”) of the effectiveness of the design and operation of our disclosure controls and procedures. In addition, specific IFRS matters, including a review of the financial statements are subject to a process of internal review.

As part of these procedures, a disclosure committee (the ‘committee’) has been appointed by the board of directors to oversee the Company’s disclosure activities and to assist the board of directors in fulfilling its responsibilities in this respect. The committee’s purpose is to ensure that the Company implements and maintains internal procedures for the timely collection, evaluation and disclosure, as appropriate, of information potentially subject to public disclosure under the legal, regulatory and stock exchange requirements to which the Company is subject. Such procedures are designed to capture information that is relevant to an assessment of the need to disclose developments and risks that pertain to the Company’s various businesses, and their effectiveness for this purpose will be reviewed periodically.

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 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, 2025 based on the criteria established in “Internal Control - Integrated Framework (2013)” by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This has provided sufficient insight into the risks of the Company.

The Company’s independent registered public accounting firm, EY Accountants B.V., has issued an audit report on the effectiveness of the Company’s internal control over financial reporting as of December 31, 2025.

The Company’s internal risk management and control systems have been discussed with the audit committee and non-executive directors.

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.

## **Auditor information**

As required by Dutch law, the external auditor of the Company is appointed by the general meeting of shareholders. The audit committee and the board of directors will recommend an auditor to appoint to the general meeting of shareholders. Our shareholders in the general meeting of shareholders of June 11, 2025, upon the proposal of the board of directors and as recommended by the audit committee, appointed EY Accountants B.V. (“EY”) as the Company’s independent registered public accounting firm for the Company’s fiscal year ending

# Report of the Directors

December 31, 2025 under the requirements of Dutch law and as set forth in the Company's Articles of Association.

The external auditor shall attend the annual general meeting of shareholders. Questions may be put to EY at the meeting about its report. The Audit Committee of the board of directors shall report on their dealings with the external auditor to the board of directors on an annual basis, particularly with regard to the auditor's independence. The board of directors shall take this into account when deciding upon its nomination for the appointment of an external auditor.

The external auditor attends, in principle, all meetings of the audit committee. The findings of the external auditor, the audit approach and the risk analysis are also discussed at these meetings, as well as the report of the external auditor with respect to the audit of the annual accounts. In its audit report on the annual accounts to the board of directors, the external auditor refers to the financial reporting risks and issues that were identified during the audit, internal control matters, and any other matters, as appropriate, requiring communication under the auditing standards generally accepted in the Netherlands and the United States.

## **Audit committee pre-approval policies**

The Audit Committee has adopted rules for the pre-approval by the Audit Committee of all services to be provided by the external auditor. Proposed services may be pre-approved at the beginning of the year by the Audit Committee (annual pre-approval) or may be pre-approved during the year in respect of a particular engagement (specific pre-approval). The pre-approval is based on a detailed, itemized list of services to be provided, designed to ensure that there is no management discretion in determining whether a service has been approved and to ensure the Audit Committee is informed of each service it is pre-approving. Unless covered by the pre-approved services, each proposed service requires specific pre-approval during the year. Any pre-approved services where the fee for the engagement is expected to exceed pre-approved cost levels or budgeted amounts will also require specific pre-approval. During 2025, there were no services provided to the Company by the external auditors which were not pre-approved by the Audit Committee.

In 2025, the external auditor attended all formal meetings of the Audit Committee. The findings of the external auditor, the audit approach and the risk analysis are also discussed at these meetings. In its audit report on the annual accounts to the Board, the external auditor refers to the financial reporting risks and issues that were identified during the audit, internal control matters, and any other matters, as appropriate, requiring communication under the auditing standards generally accepted in The Netherlands and the United States.

## **Compliance with the Dutch corporate governance code**

We are required to state in our annual report whether we comply or will comply with the Principles and best practice provisions of the Dutch corporate governance code and, if we don't comply, to explain the reasons for this. The text that follows sets out certain statements that the Dutch corporate governance code invites us to make to our shareholders that are not included elsewhere in this annual report as well as areas of non-compliance.

- Best practice provisions 1.4.2 and 1.4.3 of the DCGC state that companies are expected to provide disclosures on the effectiveness of internal risk management and control systems, including aspects related to the enhanced Risk Management Statement (VOR)'. We do not provide for the reporting provided in best practice provision 1.4.2, section II and III and also do not provide for the statements provided for by best practice provision 1.4.3, section III and IV. Our primary channel of communication with stakeholders is through our SEC filings and investor calls, which are aligned with U.S. regulatory requirements and investor expectations. The majority of our investor base is located in the United States and does not rely on the IFRS annual report for decision-making or risk management purposes. In our IFRS annual report we include risk management disclosures, including detailed information on governance, oversight, and internal controls. Sustainability-related disclosures are mainly communicated to our stakeholders through our dedicated Corporate Social Responsibility (CSR) report, which is publicly available and aligned with international standards. The IFRS annual report is prepared to meet Dutch compliance requirements. Incorporating the aforementioned best practices, the 'VOR' provisions would in our view not enhance transparency or stakeholder engagement for NXP in a meaningful way, given our current governance practices and communication strategy. NXP complies

# Report of the Directors

with the requirements of the US Sarbanes-Oxley Act (SOx), including internal control over financial reporting, and maintains a robust internal control framework. In addition, NXP holds various quality and security certifications, which reflect our commitment to operational excellence and risk management. These certifications are publicly available on our website. We believe our existing disclosures and practices sufficiently address the spirit of the Dutch corporate governance code while remaining consistent with international standards and expectations of our global investor base.

- Best practice provision 2.2.2. state that (non-executive) directors are appointed for a period of four years and may then be reappointed once for another four-year period, which ultimately may be extended twice for a period of two years. We follow a different approach, whereby (executive and non-executive) directors are only appointed for a period on one year until the next general meeting of shareholders. As the Board maintains an orderly, robust process for Board refreshment and succession as explained in this report, the Board does not limit the number of times (non-executive) directors can be nominated for re-election. As a result, we do not have a retirement schedule in place that we publish on our website as stated in best practice provision 2.2.4. We feel that with this, although not strictly following the recommendation of the DCGC, our practice is in the spirit of the DCGC. It also meets U.S. practices and policies adopted by U.S. investors, and provides the opportunity to have a balanced board composition on the basis of the following four tenure categories: 0 to 3 years (new directors), 4 to 7 years (medium-tenured directors), 8 to 11 years (experienced directors), and 12 years or more (long-tenured directors).
- Best practice provision 3.1.2, section vii of the DCGC state that stock options granted to members of our board shall, in any event, not be exercised in the first three years after the date of granting and shares granted to board members without financial consideration shall be retained for a period of at least five years or until at least the end of the employment, if this period is shorter. Under our equity incentive schemes, part of the stock awards granted to our chief executive officer are exercisable one year after the date of grant, and non-executive members of our board received stock awards that are exercisable within one year from the date of grant. Board members are not required to retain all shares granted in connection with stock awards for five years; however, members of our board are subject to share ownership guidelines. Under our share ownership guidelines, our chief executive officer must maintain share ownership six times his base annual salary and non-executive board members must maintain share ownership five times their annual cash retainer, in both cases subject to transition compliance window. Although a deviation from the DCGC, we hold the view that the combination of equity incentives typical in the market and necessary to attract and retain persons with the skills and expertise required on our board with the requirements of the share ownership guidelines enhance the goal of promoting long-term investments in the Company.
- Best practice provision 3.4.1., section iv of the Dutch corporate governance code states that information about the pay ratios within the Company and its affiliated enterprise should form part of the remuneration report. In order to comply with the Dutch corporate governance code, using the data that has been published in this annual report - which will be different than the U.S. GAAP information that will be described in the Proxy Statement - NXP reports that the ratio of total remuneration of the Chief Executive Officer (\$5,935,366 see also Note 31 *Information on remuneration board of directors*), pro rated for the full year \$6,214,517 versus the average of total employee remuneration (\$3,462 million (see also Note 5 *Operating income - Employee benefits*) over an average of 32,273 FTE employees) is approximately 58:1 (compared to 2024 183:1, 2023 190:1, 2022 180:1, 2021 179:1, and 2020 177:1). The decrease in the ratio starting from 2025 corresponds with the CEO transition in 2025.
- Best practice provision 3.2.3 states that the remuneration of a member of our board in the event of dismissal may not exceed one year's salary. Considering the relevant competitive market practices and the need to recruit and retain qualified candidates for the position of chief executive officer, our current chief executive is eligible for a severance payment of two times the gross annual base salary and a pro-rata payment of the annual cash bonus, depending on achievement of the pay-out conditions and the period in which the CEO has performed actual work for the Company. When determining the CEO's severance arrangement and other aspects of his compensation, the Human Resources and Compensation Committee receives market data input from an independent compensation consultant.
- Pursuant to best practice provision 3.3.2, no equity grants should be made to our non-executive directors. Granting equity incentives to non-executive directors is in compliance with international

# Report of the Directors

business practice in our industry, and we consider the granting of equity incentives as an important means to attract individuals with the required skills and expertise to serve on our board of directors, while maintaining their independence.

- Pursuant to best practice provision 3.4.1., the Human Resources and Compensation Committee should prepare a remuneration report which, in a transparent manner, describes the various remuneration topics related to the Executive and Non-Executive Members of the Board. In addition to the detailed and according to Dutch law required disclosure of individual remuneration of members of the Board referred to in Note 31 *Information on remuneration board of directors* of our Group Financial Statements, detailed information of the 2025 executive compensation program for the CEO, CFO and the three highest paid executive officers of the Company other than the CEO and CFO is described in the Proxy Statement pursuant to Section 14(a) of the Securities Exchange Act of 1934 published in view of the next Annual General Meeting, and posted on the Company's website <https://investors.nxp.com>.
- Pursuant to best practice provision 4.3.3, a general meeting of shareholders should be empowered to cancel binding nominations of candidates for appointment to the board, and to dismiss members of the board by a simple majority of votes of those in attendance, although the Company may require that such majority represents a minimum number of outstanding shares, which number may not exceed one third of the voting rights outstanding. If a majority of those in attendance vote in favor of the proposal, but this majority does not represent the minimum number of outstanding voting rights required, a second meeting may be convened and its vote will be binding, even without any minimum requirement. Our articles of association currently state that the general meeting of shareholders may at all times overrule a binding nomination by a resolution adopted by at least a two-thirds majority of the votes cast, if such majority represents more than half of the issued share capital. Although a deviation from provision 4.3.3 of the Dutch Corporate Governance Code, we hold the view that these provisions, in conjunction with the proposed appointment of the Board members for one year, will enhance the continuity of the Company's management and policies.
- Best practice provision 4.3.2 provides that our shareholders should be given the possibility to grant a power of attorney or voting instruction to an independent third-party. We do not appoint an independent third party for these purposes; however our shareholders are free to grant a power of attorney to any third-party. As all our shares are traded on the Nasdaq stock exchange, we aim to align our voting procedures with the practice in the United States, to the extent possible.
- Best practice provision 4.2.2 states that the Company shall formulate an outline policy on bilateral contacts with the shareholders and publish this policy on its website. We do not have a formal policy, however we are continually striving to improve relations with our shareholders. We elaborate on our financial results during (public) conference calls, which are broadly accessible. We publish informative annual and quarterly reports and press releases, and inform investors via our extensive website. We are strict in our compliance with applicable rules and regulations on fair and non-selective disclosure and equal treatment of shareholders. Furthermore, we engage in bilateral communications with investors. These communications either take place at our initiative or at the initiative of individual investors. During these communications we are generally represented by our VP Investor Relations, on a number of occasions accompanied by one or more members of the management team. The subject matter of the bilateral communications ranges from single queries from investors to more elaborate discussions on the back of disclosures that we have made such as our annual and quarterly reports. In addition, our regular shareholder engagement approach includes annual outreaches by the Chair of the Board and other non-executive directors to our top investors. We believe that regular engagement with our shareholders in order to understand and respond to their feedback, questions and concerns is important. Throughout this process, we seek to gain feedback and answer questions on our business strategy, compensation practices, governance topics, and other related issues. Also on our bilateral communications with investors, we are strict in our compliance with applicable rules and regulations on fair and non-selective disclosure and equal treatment of shareholders.

# Report of the Directors

## Risk management

The purpose of our enterprise risk management (“ERM”) has been to timely identify, evaluate, prioritize, respond to, and manage key risks impacting NXP Semiconductors’ strategic objectives.

The objectives of ERM have been to:

- Identify our key risks in a timely manner, based upon quantitative and qualitative factors
- Mitigate risk and keep risk impact at acceptable levels, particularly those risks that could result in a strategic impact event
- Ensure there is an effective risk-management framework in place which covers our key risks and is supported by risk-monitoring mechanisms
- Prioritize and align risk-management efforts, to use resources effectively
- Ensure risk-management governance, including quarterly monitoring, reporting and evaluation

Key ERM activities include:

- Assessment (identification and evaluation of risks)
- Response (building capabilities, mitigation)
- Management Assurance (effective management methods, clear accountabilities)
- Monitoring (audit, inquire, verify)
- Communication (internally and externally)
- Periodically evaluate effectiveness method

The procedures plan for reasonably coverage of the potential risks but, despite the thoroughness of the process, unforeseen events that impact the strategy may occur.

### *Risk management governance*

The Board of Directors oversees NXP's processes and procedures related to risk assessment and risk management, and reviews NXP's key risks.

The NXP Management Team oversees, identifies and manages the key risks NXP faces in executing its strategy, defines the risk appetite and manages risks accordingly.

The Enterprise Risk Management function enables management to make risk management more efficient and effective by providing and maintaining a risk management framework, as well as a risk-monitoring mechanism, and by facilitating execution of the ERM process. The framework includes a yearly risk assessment and quarterly reviews. All required to mitigate the risks to levels consistent with the risk appetite of NXP. We believe that our appetite for risk is consistent with that of our semiconductor peers and a reflection of the semiconductor industry as a whole. This risk appetite is different for the different identified risks and therefore the level of mitigation can be different. For mitigation of the operational, financial disclosure and compliance risk we merely rely on our framework of business controls, process, and authorizations.

The risk appetite for the main risk categories is shown underneath:

| Risk appetite          | Very Low | Low     | Medium   | High         | Very High |
|------------------------|----------|---------|----------|--------------|-----------|
| Behavior towards risks | Averse   | Prudent | Balanced | Considerable | Seeking   |
| Strategic              |          |         |          |              |           |
| Operational            |          |         |          |              |           |
| Financial disclosure   |          |         |          |              |           |
| Compliance             |          |         |          |              |           |

# Report of the Directors

Our risk appetite reflects the characteristics of the semiconductor industry and NXP's exposure to the automotive and industrial IoT markets. These markets often require high reliability, regulatory compliance, and long product life cycles, which justify a relatively lower appetite for operational, compliance, and financial reporting risks.

A risk owner performs an assessment and prioritizes the most likely and impactful risk elements and takes appropriate measures to mitigate the risk within the given appetite.

The Internal Audit function completes an annual audit plan approved by the Audit Committee of the Board of Directors. The audit plan is a component of NXP's risk management's framework.

A structured risk management process is put in place to identify and manage the key risks for NXP, taking into account both internal and external information sources. The ERM process is existing of the following elements:

- Yearly interviews with NXP MT members, starting from the strategy and seeking their insight in the most important risks for NXP
- Assessment of an extended risk list on both likelihood and impact by different layers in the organization
- Based on likelihood and impact, the top risk list is (re-)confirmed by the MT and reported to the Board of Directors
- Risk owners drive required mitigation actions to ensure the risk meets the risk specific appetite
- Corrective action are taken where necessary as a result of evaluation of the controls by internal audit and/or self-assessments
- Effectiveness of the controls are measured by specified risk indicators, updated on at least a quarterly basis
- On a quarterly basis the risk status and controls in place are discussed with the Board of Directors or with the selected Board committee.
- At least once per year, the risk process is reviewed with the Board of Directors on effectiveness and improved where needed.

The Board (with management's support) confirms that:

- i. the report provides sufficient insight into shortcomings in the functioning of the internal risk management and control systems
- ii. the aforementioned systems provide reasonable assurance that the financial reporting contains no material inaccuracies;
- iii. based on the current state of affairs, it is justified that the financial reporting has been prepared on a going concern basis; and
- iv. the report includes NXP's material risks and the uncertainties, insofar as they are relevant to the expectation of the continuity of the company for a period of twelve months after the report was prepared.

## *Cybersecurity*

NXP, similar to other semiconductor companies, operates in a complex and rapidly changing environment that involves many risks, including information and cybersecurity risks. As a leading technology company, we are committed to help strengthen internet security and to implementing measures designed to protect our company against illicit activities, including cyberattacks and malware.

Our management is directly responsible for executing the Company's risk management processes. Our Board, and appropriate Board committees, perform this oversight function through reports from management, which are delivered periodically or as needed. Additionally, the Company conducts a formal annual risk assessment to identify, analyze and report on enterprise risks, the results of which are reported to and discussed with the Board. The Board and, as appropriate, the relevant Board committees assess the material risks facing the Company and evaluate management's plans for managing material risk exposures.

While our Board generally has ultimate oversight responsibility of the Company's risk management processes, it has delegated to its committees the responsibility to oversee risk management processes associated with their respective areas of responsibility and expertise.

The Audit Committee has oversight responsibility for reviewing the effectiveness of NXP's governance and management of IT risks, including those relating to business continuity, cybersecurity, malware, regulatory

# Report of the Directors

compliance and data management. Management regularly briefs the Audit Committee on cybersecurity matters and briefs the full Board on these issues at least annually or as needed.

NXP's program for Information Technology (IT) Risk Management is a component of NXP's overall process for ERM.

NXP's CISO has over 20 years of relevant experience managing cybersecurity risks and is primarily responsible for managing the cybersecurity risks identified in the ERM process. This includes performing risk assessments, prioritizing the most likely and impactful risk elements, and recommending appropriate measures to mitigate the risk.

NXP's cybersecurity initiatives focus on strengthening our Core IT infrastructure and services against external threats, securing our manufacturing operations from compromise, limiting damage through processes and controls, and protecting our intellectual property. On a day-to-day basis, NXP identifies vulnerabilities, breach attempts, and possible criminal activity by external threat actors. Additionally, NXP has a supplier security framework that helps with monitoring and accessing the security of suppliers and third-party service providers. As part of the framework, we conduct due diligence which covers topics such as data protection, confidentiality, security, business continuity and incident management. From time to time, the company engages external cybersecurity assessor and advisors to support risk evaluation, control testing and program maturity benchmarking. These activities are covered by our process for cybersecurity risk management under our Enterprise Risk Management ("ERM").

NXP uses a multi-layer approach to identify and mitigate information security risks. On a tactical level, NXP maintains a 24x7 Security Operating Center (SOC) that actively monitors for and identifies cyber security threats and initiates appropriate mitigation processes. The SOC reports to the Chief Information Security Officer (CISO), who can in case of an incident establish a Computer Security Incident Response Team (CSIRT). When needed, a task force containing Security, IT, Communications, Legal and Business representatives is established. This task force leads mitigation activities where the potential threat or risk is elevated. In addition to SOC, the NXP IT Service Desk and NXP employees are trained to identify Cyber Security issues and to escalate them to correct owners. Furthermore, NXP has an Identify and Access Management System integrated with HR systems which helps manage employee life cycle processes, including both onboarding and offboarding NXP workers. These systems are audited by internal and external audit teams. On a strategic level, NXP's information technology risk management program is a component of the ERM process described below.

To date, we have experienced no cybersecurity incidents that have materially affected NXP, including our business strategy, results of operations or financial condition. We do not believe that cybersecurity threats resulting from any previous cybersecurity incidents of which we are aware are reasonably likely to materially affect NXP. For additional information on certain risks associated with cybersecurity, refer to the risk factors set forth under the caption "Risks related to cybersecurity and IT systems" in Part I, Item 1A. "Risk Factors."

## **Risk Factors**

We have a structured self-assessment and monitoring process in place to assess and monitor compliance related to the achievement of business objectives and critical business processes. The Company's risk factors can be summarized as follows:

### **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

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undersupplied. In addition, demand for semiconductors varies, which can exacerbate the effect of supply fluctuations. As a result of this cyclical nature, the semiconductor industry has in the past experienced significant downturns, 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 2008 and 2009, Europe, the United States and international markets experienced increased volatility and instability related to the global financial crisis. In the first half of 2020, demand in the automotive market steeply declined as a result of manufacturing shutdowns by automotive customers 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 across all end markets more quickly than anticipated and accelerated through the third quarter of 2022, resulting in our inability to fully satisfy customer demand. In the course of 2023, 2024 and 2025, our end markets experienced softening demand and uncertainty due to macroeconomic factors and geopolitical uncertainty. 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 subject to increase due to current and expected inflation and any reduction of our research and development budget could harm our competitiveness. Meeting evolving industry requirements, including the increasing use of AI and machine learning technologies (including the need to run complex AI-based applications on devices), 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.

In addition, AI and machine learning are still in relatively early stages, and the introduction and incorporation of AI technologies may result in unintended consequences or other new or expanded risks and liabilities. Such risks may include (i) adverse impacts from deficient, inaccurate, or biased AI recommendations, (ii) AI technologies the company develops and adopts may not meet market requirements or become obsolete earlier than planned, and there can be no assurance that the company will realize the desired or anticipated benefits, (iii) use of AI applications could increase the risk of cybersecurity incidents, such as security vulnerabilities, including unintended or inadvertent transmission of proprietary or sensitive information and unauthorized access, or (iv) there is uncertainty in the legal and regulatory landscape for AI, which is not fully developed, and any laws, regulations or industry standards adopted in response to the emergence of AI may be burdensome, could entail significant costs, and may restrict or impede our ability to successfully use AI technologies efficiently and effectively.

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

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

If this trend continues, in order to continue profitably supplying these products, we must reduce our production and procurement costs in line with the lower revenue we can expect to generate per unit. Usually, this must be accomplished through improvements in process technology, production efficiencies and efficient procurement pricing. If we cannot advance our process technologies or improve our efficiencies to a degree sufficient to maintain required margins, the profit we make from the sale of these products will decline. 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 reduced profitability, or even 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

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- imposition of new or increased tariffs on imports by the United States and China and other countries, enhanced export controls on certain products and sanctions on certain industry sectors and parties;
- social and political instability in a number of countries around the world, including continued hostilities in the Middle East and the armed conflict in Ukraine. The instability and any resulting sanctions, export controls or other penalties, may have a negative effect on our business, financial condition and operations via our customers and global supply chain and volatility in energy prices and the financial markets or negatively impact demand for our products;
  - potential terrorist attacks;
  - epidemics and pandemics, such as the coronavirus outbreak, which may adversely affect our workforce, as well as our suppliers and customers;
  - geopolitical tension and disputes, as well as resulting adverse changes in government policies, especially those affecting global trade and investment, including trade protection and national security policies or placing companies on restricted entity lists. Sustained geopolitical tensions, such as the current geopolitical tensions involving China and Taiwan, could lead to long-term changes in global trade and technology supply chains and decoupling of global trade networks;
  - volatility in foreign currency exchange rates, in particular with respect to the U.S. dollar, and transfer restrictions, in particular in mainland China; and
  - threats that our operations or property could be subject to nationalization and expropriation.

***Recently announced and future tariffs and other trade restrictions could materially and adversely affect our business, financial condition and results of operations.***

In 2025, the U.S. government announced a series of tariffs, including tariffs targeting a broad range of imports and targeted tariffs on goods from specific countries and industries. In response, many countries imposed reciprocal tariffs and other trade restrictions on the United States. Although many of these tariffs, countermeasures and other trade restrictions have since been eased or paused, their initial announcements triggered considerable volatility in global markets and heightened economic uncertainty, and the global trade situation, particularly between the United States and China, continues to be highly dynamic. Further, throughout 2025 the U.S. government has initiated numerous investigations into products and industries under Section 232 of the Trade Expansion Act of 1962. For example, in April 2025, the Department of Commerce launched an investigation into the national security impacts of imported semiconductors and semiconductor manufacturing equipment. While the results of this investigation remain unknown, it is expected to result in additional tariffs and trade restrictions that may adversely impact our business. Similar investigations on other industries or products, including automotive, copper, steel, aluminum, critical minerals and aircraft, may also adversely impact the semiconductor industry and our business. These changes have, and similar changes in the future may continue to, increase the cost or reduce the availability of raw materials and supplies we need to operate, cause customers to advance, delay, reduce, or cancel orders, shift buying patterns, impact demand in our end markets, complicate demand forecasting for us and our customers, increase supply chain complexity and contribute to volatility, a broader economic slowdown or recession. Any of these impacts or changes could materially and adversely affect our business, financial condition and results of operations.

***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. 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.

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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 make it difficult to manage inventory levels and require 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 which in many cases are enabled by software 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, releasing new software versions, 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 and the corresponding software we sell into numerous consumer products, which are then sold into the marketplace. We are exposed to product liability claims if our semiconductors or software, 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, semiconductor parts or software, 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.

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***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 Intellectual Property (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. Such difficulties may include rationing, or other forced disruption of utility supplies such as electricity, gas or water by governments or regulators which could lead to disruptions of our operation resulting in high costs and global supply chain disruptions. 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. In addition, the imposition of tariffs or other trade restrictions may significantly increase the costs, and otherwise adversely impact the availability of certain raw materials and supplies needed for our manufacturing operations. 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 due to

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current or expected inflation, trade restrictions or other reasons and we are not able to increase the price of our products.

***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. For example, as part of the industry-wide shortage of semiconductors during 2022 we could not obtain sufficient silicon wafers from our foundry partners to meet the demand for our products, causing us not to fully supply the demand for our products, and negatively affecting our results of operations. 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 or if we are not able to increase the price of our products to reflect the higher input costs. 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 like we experienced in 2022, they can increase significantly, which may negatively affect our gross profit if we are not able to increase the price of our products. 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 such event that we don't meet the subsidies grant conditions, 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, heavy precipitation, large earthquakes, volcanic eruptions or nuclear or other disasters, may negatively impact our business. Climate change may cause a rising number of natural disasters that could negatively affect our operations.***

Environmental and other disasters, such as flooding, heavy precipitation large earthquakes, volcanic eruptions or nuclear or other disasters, or a combination thereof may negatively impact our business. If flooding, heavy precipitation, 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. Such natural disasters pose physical risks to our manufacturing, 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 business disruption, such as the

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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. In addition, semiconductor manufacturing is a water-intensive process. Many of our manufacturing sites and those of our suppliers are located in semi-arid regions that may become increasingly vulnerable to prolonged droughts associated with evolving changes to the climate, which may lead to water scarcity. If we and our suppliers are not able to implement adequate water recycling and conservation measures or if the water scarcity in a particular region becomes acute and restricts the availability of water necessary for the operation of our manufacturing facilities or our suppliers' facilities, our business may be significantly negatively impacted.

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.

***We may engage in acquisitions and other strategic transactions or make investments, or be unable to consummate planned strategic acquisitions, which could adversely affect our results of operations.***

We engage in acquisitions and other strategic transactions, including joint ventures, and make investments which we believe are important to the future of our business. We routinely acquire businesses and other assets, including patents, technology and other intangible assets, enter into joint ventures or other strategic transactions, and purchase minority equity interests in or make loans to companies. Achieving the anticipated benefits of business acquisitions depends in part upon our ability to integrate the businesses in an efficient and effective manner and achieve anticipated synergies, and we may not be successful in these efforts. Such integration is complex and time-consuming and involves significant challenges, including, among others: retaining key employees; integration of new employees, technology, products, operations, sales and distribution channels, business models, facilities and business systems; retaining customers and suppliers of the businesses; consolidating research and development operations; and consolidating corporate and administrative infrastructures. If we do not achieve the anticipated benefits of business acquisitions or other strategic activities, or if we are unable to consummate acquisitions or strategic investments that we consider important to the future of our business, our business and results of operations may be adversely affected and our growth strategy may not be successful.

Additionally, our acquisitions and other strategic investments may require approval by government agencies in applicable jurisdictions in which we operate. Certain agencies in the past have, and may in the future, deny the transaction or fail to approve in a timely manner, resulting in delays in closing and us not realizing the anticipated benefits of the proposed transactions.

***We rely on joint ventures to meet our current and future manufacturing requirements. However, we often do not control these partnerships and joint ventures, and actions taken by any of our partners or the termination of these joint ventures could adversely affect our business.***

As part of our hybrid manufacturing strategy, we have entered into a number of long-term strategic partnerships with other leading industry participants and may do so again in the future. For example, we currently participate in a joint venture with Taiwan Semiconductor Manufacturing Company Limited ("TSMC") called Systems on Silicon Manufacturing Company Pte. Ltd. ("SSMC") and have recently formed a joint venture with Vanguard International Semiconductor Corporation called VisionPower Semiconductor Manufacturing Company Pte. Ltd. ("VSMC"), and a joint venture with TSMC, Robert Bosch GmbH and Infineon Technologies AG called European Semiconductor Manufacturing Company ("ESMC") to create capability for our future manufacturing requirements. If any of our strategic partners in alliances we currently engage with or may engage with in the future were to encounter financial difficulties or change their business strategies, they may no longer be able or willing to participate in these groups or alliances, which could have a material adverse effect on our business, financial condition and results of operations. Under the terms of current or future alliances, we may have certain obligations, including funding obligations or take or pay obligations. If we do not achieve the anticipated benefits of these joint ventures, or if newly established joint ventures are not able to begin production in the expected timing or achieve expected efficiency and quality, our business and results of operations may be adversely affected.

**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.***

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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, export controls and sanctions, AI technologies, cybersecurity, disclosure and reporting (including reporting of ESG-related data), 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, customs, 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 and sanctions imposed by the European Union (EU) and other jurisdictions, 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 the current and future changes in regulations, including as a result of executive orders or policy changes pursued by the new U.S. administration. For example, 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. In addition, governments are increasingly imposing restrictions on cross-border investments in semiconductor businesses and technology, such as the Dutch foreign investment control regime and U.S. outbound investment rules, that may limit our ability to execute strategic acquisitions, investments and alliances, any of which could have a material adverse effect on our business. Compliance with, or changes in the interpretation of, existing regulations, the adoption of new regulations, changes in the oversight of our activities by governments or standard bodies or rulings in court, regulatory, administrative or other proceedings relating to such regulations, among others, could have an adverse effect on our business and results of operations.

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

We and certain of our businesses are involved as plaintiffs or defendants in legal proceedings in various matters. For example, in the past we have been 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 in these or other legal proceedings 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

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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 adversely impact our business.***

We have, from time to time, experienced cyber-attacks attempting to obtain access to and misuse our computer systems and networks. Such incidents 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. We believe that we have a robust cybersecurity program that is aligned to international cybersecurity frameworks, and that we leverage industry best practices across people, processes and technologies in an attempt to mitigate cybersecurity threats. However, we cannot always anticipate, detect, repel or implement fully effective preventative measures against all cybersecurity threats, particularly because the techniques used are increasingly sophisticated and constantly evolving. For example, as AI continues to evolve, cyber attackers could also use AI to develop malicious code and increasingly sophisticated phishing attempts.

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, 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. We have identified instances of employee misappropriation or theft of certain proprietary technology by individuals who are no longer employed by NXP. In some cases, such misappropriation may result in the violation of applicable export control regulations, which we report to relevant authorities as appropriate. As of

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the date of this filing, we do not believe that any such misappropriation or theft known to us has resulted in a material adverse effect on our business or any material damage to us. However, there can be no assurance that these or other similar incidents will not have a material impact on our operations and financial results in the future. Accordingly, as these threats become increasingly sophisticated and continue to develop and grow, we are actively adapting our security measures and we continue to increase the amount we allocate to implement, maintain and/or update security systems to protect our infrastructure, intellectual property and data. 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. Finally, the intellectual property ownership and license rights, including copyrights and patents, surrounding AI technologies, which we are and may in the future continue to build into our products, have not been fully addressed by U.S. or foreign courts, laws or regulations, and the use of AI in the development of our products and services could result in our loss of, or failure to obtain, intellectual property rights, as well as subject us to risks related to intellectual property infringement or misappropriation.

***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.***

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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. Additionally, and in part due to ongoing uncertainties in the legal framework around AI, our use of AI technologies for productivity and in our products and services may expose us to copyright infringement or other intellectual property misappropriation claims. 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. 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 and officers 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

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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 or officers 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.

## **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, 2025, we had outstanding indebtedness with an aggregate principal amount of \$12,290 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 \$2,500 million revolving credit facility agreement (the “RCF Agreement”), which was restated to \$3,000 million as per February 6, 2026, because loans under the RCF Agreement may 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 of our debt instruments, including restrictive covenants and borrowing

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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, European Investment Bank (EIB) loan facilities 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**

, 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

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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 Cooperation and Development (OECD), 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 OECD'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. As part of the OECD framework to implement a minimum tax rate, the EU has adopted a directive on ensuring a global minimum level of taxation for multinational companies, also known as Pillar 2, which became effective in 2024. As from that year the Dutch government enacted legislation in response to and based on such EU directive. However, this legislation could be amended as the OECD is considering a change in the Pillar 2 rules as in June 2025 G7 countries issued a statement setting out the principles for a side-by-side safe harbor, adding that they would pursue parallel workstreams to simplify the pillar 2 compliance framework and consider the favorable treatment of substance-based nonrefundable tax credits under the GLOBE rules.

## ***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, changes 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 OECD guidelines. 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.

## **Sustainability Statements**

### *Overview*

Our sustainability strategy is aligned with and incorporated into the company's long-term business strategy. The CEO and the NXP Management Team, together with and under the supervision of NXP's Board of Directors, are responsible for implementing NXP's sustainability strategy, policies and aspirations. Our Board of Directors has ultimate oversight responsibility for sustainability matters. The full Board focuses on significant sustainability matters, with Board Committees undertaking oversight of sustainability issues relevant to their responsibilities.

Sustainability Program oversight is delegated to the Nominating, Governance and Sustainability Committee, which oversees integration of a broad set of sustainability considerations into business functions. Specific aspects of sustainability oversight are delegated to the Audit Committee and Human Resources Compensation

# Report of the Directors

Committee for sustainability matters within their core areas of expertise. The Nominating, Governance and Sustainability Committee receives quarterly updates from representatives of the Sustainability Management Board and, in turn, reports on these efforts in meetings of NXP's Board of Directors.

NXP's Sustainability Management Board, which is composed of Management Team members and other senior leaders, oversees the implementation of sustainability strategy and policy and ensures appropriate resourcing. The Sustainability Management Board is chaired by our general counsel and chief sustainability officer and supported by our chief financial officer, chief strategy officer, chief technology officer, chief people officer and chief operations and manufacturing officer. The Sustainability Management Board meets regularly to ensure our sustainability performance is in line with our strategy and aspirations.

Since 2022, we have connected our sustainability efforts to employee remuneration by adding sustainability measures to the nonfinancial scorecard component of our short-term Annual Incentive Plan (AIP). This scorecard contains multiple aspirations that support year-on-year progress toward our long-term environmental and people-related aspirations. The target weighting of the sustainability component is set at 20% of our AIP. The following list includes the 2025 nonfinancial scorecard goals.

- Retention — NXP aimed to retain global team members by focusing on managing voluntary attrition. This measure was chosen because stability and continuity of talent strengthen innovation, productivity, efficiency and reflects a positive work culture. By year-end, the retention rate of global team members aligned with the pre-established stretch goal and was below the benchmark.
  - Team member engagement — NXP's goal was to maintain an employee engagement index greater than the technology benchmark. This was selected because engagement is central to NXP's culture and creates long-term value and builds a stable, resilient and capable team. The 2025 IDL (indirect labor) engagement index ranked between the 70th and 75th percentile of the technology benchmark, which was below our target.
  - Women in the workforce — NXP sought to continue progress in improving women's representation over 2024 results. NXP believes an inclusive workplace where qualified women have opportunities to grow and deliver generates stronger outcomes for shareholders. By year-end 2025, the representation of women in the IDL workforce matched the prior year's results, which is considered a threshold level of performance.
  - Energy efficiency — NXP's goal was to reduce carbon emissions by end of 2025 corrected for loading, using a baseline factory utilization rate of 95% with 47% renewable electricity. This goal supports NXP's carbon-neutrality roadmap, which includes annual emission-reduction targets aligned with mid-term and long-term goals. As of year-end, we reduced carbon emissions in alignment with the established target.
  - Water efficiency — NXP aimed to recycle water in manufacturing, recognizing water as a critical production input and, at the same time, a crucial resource for the communities in which we operate. Conserving usage by withdrawing less is foundational to our goal, and led to an increased focus on improving the water recycling rate. At year-end, the company recycled water above the pre-established stretch goal and achieved our mid-term recycling rate commitment in advance of 2027.
  - Sustainability training — The measure was to educate the IDL population on the importance of the sustainability program. It was chosen to strengthen individual ownership of sustainability initiatives and reinforce progress toward NXP's sustainability goals. By year-end, the company achieved 96% compliance in completing the two mandatory sustainability training modules.

We will continue to adjust our sustainability strategy over time to improve our performance and create sustainable long-term value. NXP will regularly assess financial risks and opportunities related to sustainability, as well as the impact of NXP's actions on its stakeholders, communities and the environment. Furthermore, we are closely monitoring the developments on emerging sustainability requirements, which might trigger additional disclosures on sustainability.

# Report of the Directors

For more information about our sustainability governance, goals, impacts, relevant stakeholders, and other related information, please see our Corporate Sustainability Report<sup>3</sup>. The content in the remainder of this sustainability statement includes information on our sustainability programs and the actions we are taking to improve our practices and minimize our impact.

## *Sustainable Product Solutions*

Developing technologies that enable a more connected, safer and secure world is the core of our business. We drive innovation that supports the sustainable transformation of key industries and promotes energy-efficient solutions. Development of sustainable products is a strategic focus embedded in our long-term planning.

As part of the new era of edge artificial intelligence (AI) computing, our innovations can drive efficiency and reduce waste by leveraging edge computing, which requires less energy than cloud computing and provides a more energy-conscious approach to processing data closer to the source. Generative AI can also increase energy and water consumption. We adopt AI responsibly, prioritizing energy-efficient solutions and leveraging AI to accelerate sustainability progress.

We developed a manufacturing Product Carbon Footprint (PCF) methodology that covers emissions from manufacturing (Scope 1 and 2 emissions), as well as external supplier emissions (upstream Scope 3 emissions). This allows us to provide product-level data to customers and guide strategic decisions with transparency and scale.

We continue to work on assessing the sustainability of our portfolio. This helps inform our strategic direction and supports our ongoing efforts to reduce our climate impact and mitigate climate change by offering solutions to our customers that will also reduce their footprint.

## *Taxation*

### *Approach to Tax*

Our tax strategy — that is, the way we approach, manage and assess the risk of taxation — is grounded in the corporate objective to act as a socially responsible company; it encompasses all taxes and it applies worldwide to all NXP group members. The NXP Code of Conduct serves as an ethical framework and is effectively embedded within the tax strategy and across the tax organization. Hence, NXP's tax strategy also governs NXP's relationships with employees, customers and contractors.

We are committed to complying with all applicable tax regulations in the jurisdictions where we operate. We seek to declare profit in the jurisdiction where its economic substance arises, avoiding the artificial use of low tax jurisdictions solely to gain tax benefits. Our tax structure is based on global standards and frameworks supported by the OECD. We are fully committed to the OECD Base Erosion and Profit Shifting (BEPS) Action Plan. We believe that operating within this framework creates a constant contribution to the advancement of the UN SDGs. Additional details about our approach to tax can be found on our Taxation<sup>4</sup> web page. Once released, our 2025 country-by-country tax report will also be available on that web page.

### *Taxation oversight*

The Audit Committee of the Board of Directors receives regular updates from the chief financial officer and approves NXP's annual tax strategy. The NXP Tax Team ensures that this strategy and its derived goals remain current and aligned with NXP's overall business objectives.

Potential violations of NXP's Tax Policy can be reported confidentially through management, an ethics liaison, the NXP Ethics Committee or the SpeakUp line. A strict non-retaliation policy protects anyone who raises concerns.

### *Engaging with tax authorities and stakeholders*

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<sup>3</sup> Our Corporate Sustainability Report, along with all past reports can be found at <https://www.nxp.com/company/about-nxp/sustainability-and-esg/esg-documentation-archive:NXP-ESG-DOCUMENTATION>

<sup>4</sup> <https://www.nxp.com/company/about-nxp/sustainability/governance/taxation:TAXATION>

# Report of the Directors

We are committed to open and transparent relationships with tax authorities. For all requests of information or audits, we provide the required documentation in a timely manner. To foster and maintain long-term relationships with tax authorities, NXP seeks to participate in cooperative compliance programs available for large taxpayers.

Furthermore, NXP seeks to engage constructively in national and international dialogue with governments, tax authorities, international organizations, business groups and civil society to support the development of effective tax systems, legislation and administration. For instance, NXP is an active member of the European Business Tax Forum (EBTF), which is focused on raising the bar in the public tax debate and it has subscribed to the Dutch Tax Governance Code promoted by the VNO-NCW, a Dutch employers' federation. In all interactions, whether public or private, NXP consistently upholds the same position.

# Report of the Directors

## *Product Stewardship*

Minimizing the environmental and social impact of each product designed and produced.

- *Eliminating Hazardous Substances from Our Products*

We aim to eliminate hazardous substances from our products, and we go beyond what is required by local, regional and global laws in doing so. Included in our scope are directives and regulations such as the Restriction on Hazardous Substances in Electrical and Electronic Equipment (RoHS) directive, the Registration, Evaluation and Authorisation of Chemical substances (REACH) regulation, Waste from Electrical and Electronic Equipment (WEEE) directive and the End of Life Vehicle (ELV) directive. Changes in legislation, updates to the list of exemptions and the arrival of new chemical substances make compliance a moving target. We maintain a catalog of restricted substances and product compliance data that is made available to our customers upon request. We regularly participate in industry-wide reviews and discussions to assist in leading the development of industry standards. We report the most current information on our website<sup>5</sup>.

- *Responsible Mineral Sourcing*

Our policy is to ethically source minerals from responsible suppliers to ensure our supply chain does not contribute to human rights abuses. Our products may contain tin, tantalum, tungsten and/or gold (referred to collectively as the 3TG), because they are necessary to the functionality or production of our products. We have implemented due-diligence measures to conform to the Organization for Economic Cooperation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. We have established strong management systems for 3TG supply-chain due diligence, identified and assessed 3TG risks in our supply chain, designed and implemented strategies to respond to identified risks, and report on 3TG supply due-diligence activities annually. All smelters currently identified in our supply chain participate in a recognized third-party audit program and are conformant. In cases where a smelter loses conformant status, we actively engage to support remediation or remove it from our supply chain<sup>6</sup>. For the years 2017–2020 and 2022–2024, all smelters within our supply chain were certified conflict-free. In 2021, three active smelters were reported in our supply chain and were subsequently addressed through our due-diligence processes. We have extended the scope of our due-diligence procedures to include cobalt, and publicly report the list of cobalt smelters in our supply chain following the industry standard Cobalt Reporting Template (CRT) or Extended Mineral Reporting Template (EMRT).

## *Human Rights*

As part of our commitment to respect and protect human rights, we seek to uphold the highest standards in our labor practices and have made this a key corporate initiative throughout our own operations and across our supply chain. NXP adheres to all applicable local labor laws that are 1) consistent with both the United Nations Global Compact and the International Labor Organization (ILO) core labor principles and 2) conform to the NXP Auditable Standards, which are stricter than the Responsible Business Alliance (RBA) Code of Conduct. Our commitment to human rights includes clear declarations regarding labor and human rights, in which state we do not tolerate harassment in the workplace, involuntary labor, child labor, payment of fees, withholding of personal documentation or excessive working hours. We conduct annual risk assessments in our manufacturing sites to identify and mitigate labor and human-rights risks that may arise. In addition, we use third-party internal audits to ensure policies and practices are aligned with local legislation and the NXP Auditable Standards. We also look to foster open communication and provide employees access to the NXP Global Speak-Up hotline.

NXP has a standalone Human Rights Policy<sup>7</sup> and a Human Rights Due Diligence Management System. The management system helps ensure NXP implements a human-rights and environmental due-diligence program that will continually identify and address the salient human-rights risks of NXP's business and operations, as well as the risks of our value chain. In 2025, NXP completed its second living wage gap analysis for all employees of NXP.

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<sup>5</sup> [www.nxp.com/company/about-nxp/sustainability/environmental-compliance-organization:ECO-PRODUCTS](https://www.nxp.com/company/about-nxp/sustainability/environmental-compliance-organization:ECO-PRODUCTS)

<sup>6</sup> As of date of publication. Smelters/Refiners are continuously being evaluated, added, and removed.

<sup>7</sup> <https://www.nxp.com/docs/en/supporting-information/Labor-and-Human-Rights-Commitment.pdf>

# Report of the Directors

- *Human Rights and our Supply chain*

To ensure integrity throughout our supply chain, we require key, high-risk suppliers, as well as select indirect suppliers, to undergo the NXP audit process for suppliers.

After a decade of auditing our supply chain, and finding thousands of nonconformances, we are able to identify those nonconformance categories, such as Freely Chosen Employment, with the highest rates of recurrence.

## *Protecting our Environment*

We recognize the need to conserve the earth's natural resources and reduce emissions. In support of this, we intend to be conscious of our use of resources, minimize waste and continuously improve. See Corporate Governance for information on potential global environmental risks that may adversely affect our business operations, such as climate change or natural disasters.

We drive continuous improvement of our processes to protect the environment by designing, implementing and maintaining management systems and programs to reduce our environmental footprint. All of our manufacturing facilities are certified to the ISO 14001 Environmental Management System.

- Emissions – We measure our carbon emissions as follows: Scope 1 emissions are all direct emissions, Scope 2 emissions are indirect emissions from electricity purchased and consumed by NXP and Scope 3 emissions are other indirect emissions.
- Energy – The utility grid is the primary source of energy for our manufacturing, testing and office locations. We purchase renewable energy in jurisdictions where it's available and continue to focus on increasing our renewable-energy consumption.
- Water – Semiconductor manufacturing, especially wafer fabrication, is a water-intensive process. Our sites research and manage ways to reduce consumption and increase our water recycling.

Additional information about our environmental strategy, targets and metrics is included in our Corporate Sustainability Report, and can be found on our website<sup>8</sup>.

## *Compliance with the Dutch Corporate Governance Code*

In accordance with the governmental Decree of August 30, 2023, the Company fully complies with the Dutch Corporate Governance Code and applies all its principles and best practice provisions that are addressed to the board of directors, and where needed explaining its deviations from the Code in this report. The full text of the Dutch Corporate Governance Code can be found at the website of the Monitoring Commission Corporate Governance Code ([www.commissiecorporategovernance.nl](http://www.commissiecorporategovernance.nl)).

## **Audit Committee Report**

### *Audit Committee*

All members of the Audit Committee are independent directors, as defined in the applicable Nasdaq listing standards, applicable SEC rules and the DCGC. Our Audit Committee is a separately-designated standing committee established in accordance with Section 3(a)(58)(A) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and currently (as of December 31, 2025) consists of Mr. Sundström (Chair), Ms. Clayton, Mr. Gu, and Ms. Staiblin, each of whom are independent for purposes of the Nasdaq listing standards, our Rules of Procedure and Rule 10A-3 of the Exchange Act.

Subject to the requirement under Dutch law that independent auditors be appointed by the shareholders at a general meeting of shareholders, the Audit Committee has ultimate authority and direct responsibility to appoint, compensate, retain, oversee, evaluate and, where appropriate, replace the independent auditors. In addition, the

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<sup>8</sup> The contents of our website, our Corporate Sustainability Report, and our Sustainability Policy are referenced for general information only and are not incorporated by reference in this IFRS annual report.

# Report of the Directors

Audit Committee reviews the performance and independence of the independent auditors and also oversees internal audit activities, compliance with the Code of Conduct and legal matters, including intellectual property litigation.

Our Audit Committee reviews our annual audited financial statements and quarterly unaudited financial statements and certain other public disclosures prior to publication. The Audit Committee also meets periodically with senior management to discuss risk assessment and risk management policies.

The Board has determined that all Audit Committee members are able to read and understand fundamental financial statements in accordance with Nasdaq listing standards and that all Audit Committee members meet the SEC's definition of "audit committee financial expert" as that term is defined in Item 407(d) of Regulation S-K. As noted above, all Audit Committee members are independent for purposes of Nasdaq listing standards, our Rules of Procedure, and Rule 10A-3 of the Exchange Act. For a description of the education and experience of each of the members of the Board's Audit Committee please refer to the "Nominees for Director" section above.

The Audit Committee meets at least quarterly, and as often as it deems necessary to fulfill its responsibilities.

Number of meetings in 2025: 9.

This committee operates under a written charter adopted by our Board. The charter complies with SEC regulations and Nasdaq listing standards. The charter is reviewed and reassessed regularly to ensure continued compliance with these requirements. The charter is available for public viewing on our website at <http://investors.nxp.com>, under the "Corporate Governance" section.

The Audit Committee has reviewed and discussed the audited financial statements with NXP's management and its independent auditor, EY. The Audit Committee has also discussed with EY the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") and the U.S. Securities and Exchange Commission (SEC). In addition, EY provided the Audit Committee with the written disclosures and the letter required by applicable requirements of the PCAOB regarding the independent accountant's communications with the audit committee concerning independence, and the Audit Committee discussed with EY its independence from NXP and its management. The Audit Committee has also considered whether the provision of other non-audit services by EY to NXP is compatible with the auditors' independence and has concluded that it is.

## **Human Resources and Compensation Committee Report**

### *Human Resources and Compensation Committee*

Members of the Human Resources and Compensation Committee are independent directors, as defined in the applicable Nasdaq listing standards, applicable SEC rules and the DCGC. Our Human Resources and Compensation Committee as of December 31, 2025 consists of Mr. Summe (Chair), Ms. Clayton, Mr. Gavriellov, Ms. Olving and Mr. Sundström. Our Board has determined that all of the members of the Human Resources and Compensation Committee are independent for purposes of Nasdaq listing standards, our Rules of Procedure and Rule 10C-1 of the Exchange Act. Pursuant to its charter and the authority delegated to it by our Board, the Human Resources and Compensation Committee is responsible for overseeing our compensation and employee benefit plans and practices, including formulating, evaluating and approving the compensation of our executive officers, including the compensation of our Chief Executive Officer, and for overseeing all compensation programs involving the issuance of our equity securities. Refer to Note 31 *Information on remuneration board of directors* of our Group Financial Statements for Directors and Executives remuneration detail. In determining the compensation for our Board members and executive officers, the Human Resources and Compensation Committee, advised by an independent compensation consultant, carried out and considered scenario analyses in relation to the offered incentive schemes as referred to in 3.1.2.ii of the DCGC.

In addition to the detailed and according to Dutch law required disclosure of individual remuneration of members of the Board of Directors of NXP Semiconductors N.V., refer to Note 31 *Information on remuneration board of directors* of our Group Financial Statements, the Human Resources and Compensation Committee of the Board of Directors of NXP Semiconductors N.V., review and discuss the Compensation Discussion & Analysis (CD&A) with management of the Company. The CD&A provides detailed information of the 2023

# Report of the Directors

executive compensation program for the CEO, CFO and three highest paid executive officers of the Company other than the CEO and CFO and will be included in the proxy statement pursuant to Section 14(a) of the Securities Exchange Act of 1934 to be published in view of the next Annual General Meeting.

The Human Resources and Compensation Committee meets as often as it deems necessary, but not less than four times a year.

Number of meetings in 2025: 7

This committee operates under a written charter adopted by our Board. The charter complies with SEC regulations and Nasdaq listing standards. The charter is reviewed and reassessed regularly to ensure continued compliance with these requirements. The charter is available for public viewing on our website at <http://investors.nxp.com>, under the “Corporate Governance” section.

## **Nominating, Governance and Sustainability Committee Report**

### *Nominating, Governance and Sustainability Committee*

Members of the Nominating, Governance and Sustainability Committee are independent directors, as defined in the applicable Nasdaq listing standards, applicable SEC rules and the DCGC. Our Nominating, Governance and Sustainability Committee as of December 31, 2025 consists of Mr. Fox (Chair), Mr. Gavriellov, Ms. Southern and Mr. Summe. Our Board has determined that all of the members of the Nominating, Governance and Sustainability Committee are independent for purposes of Nasdaq listing standards and our Rules of Procedure. Pursuant to its charter and the authority delegated to it by our Board, the Nominating, Governance and Sustainability Committee is responsible for determining selection criteria and appointment procedures for members of our Board, periodically assessing the scope and composition of our Board and evaluating the performance of its individual members.

In identifying and evaluating candidates, the Nominating, Governance and Sustainability Committee may take into account all of the factors it considers appropriate, which may include: (i) whether the candidate is independent in accordance with any applicable independence requirements of Nasdaq and our Rules of Procedure; (ii) the structure and membership of the Board; (iii) specific qualifications, expertise or experiences that would complement the existing Board members including education, financial expertise, and industry experience; (iv) a candidate’s personal traits such as mature judgment, diverse background, age, professional relationships, strength of character, level of integrity, ethical standards and other intangibles that would make the candidate a positive addition to the Board and its committees; and (v) special skills, expertise, and background that add to and complement the range of skills, expertise, and background of the existing members of the Board. When the committee considers diversity, it will consider diversity of experience, skills, viewpoints, race and gender, as it deems appropriate. While the committee has not established any specific minimum qualifications for director nominees, the committee believes that demonstrated leadership, as well as significant years of service, in an area of endeavor such as business, law, public service, related industry or academia is a desirable qualification for service as a director of NXP.

The Nominating, Governance and Sustainability Committee will consider timely written proposals for nomination from shareholders and will evaluate a shareholder’s prospective board nominee in the same manner that it evaluates other nominees, but only if it receives the request to consider such matter no later than on the 60<sup>th</sup> day prior to the day of the Annual General Meeting. The Nominating, Governance and Sustainability Committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees. A shareholder who wishes to recommend a prospective Board nominee for the committee’s consideration may write to us at NXP Semiconductors N.V., High Tech Campus 60, 5656 AG, Eindhoven, The Netherlands, Attention: Secretary.

The Nominating, Governance and Sustainability Committee meets as often as it deems necessary to fulfill its responsibilities, but not less than four times a year.

Number of meetings in 2025: 4.

# Report of the Directors

This committee operates under a written charter adopted by our Board. The charter complies with SEC regulations and Nasdaq listing standards. The charter is reviewed and reassessed regularly to ensure continued compliance with these requirements. The charter is available for public viewing on our website at <http://investors.nxp.com>, under the “Corporate Governance” section.

## **Audited financial statements**

The consolidated financial statements of the Company for the year ended December 31, 2025 included in this Annual Report, as presented by the board of directors, have been audited by EY Accountants B.V., an independent registered public accounting firm. The report of the independent registered public accounting firm appears at the end of this Annual Report under *Other information*. The board of directors has approved these financial statements.

Eindhoven, March 12, 2026

Board of directors

# Group Financial Statements

## Consolidated statement of operations of NXP Semiconductors N.V. for the years ended December 31,

| \$ in millions, unless otherwise stated |   | 2025         | 2024         |
|---|---|--------------|--------------|
| Note                                    |   |              |              |
| 5                                       | Revenue   | 12,269       | 12,614       |
|   | Cost of revenue   | (5,548)      | (5,494)      |
|   | <b>Gross profit</b>   | <b>6,721</b> | <b>7,120</b> |
|   | Selling, general and administrative expenses:   | (1,226)      | (1,204)      |
|   | a. Amortization of acquisition related intangible assets  | (37)         | (45)         |
|   | b. Other SG&A   | (1,189)      | (1,159)      |
|   | Research and development expenses:  | (2,103)      | (1,983)      |
|   | a. Amortization of acquisition related intangible assets  | (68)         | (91)         |
|   | b. Other R&D  | (2,035)      | (1,892)      |
|   | Other income  | 44           | 15           |
|   | Other expense   | (31)         | (70)         |
| 5,6                                     | <b>Operating income</b>   | <b>3,405</b> | <b>3,878</b> |
| 7                                       | Financial income  | 145          | 160          |
| 7                                       | Financial expense   | (533)        | (471)        |
|   | <b>Income before income taxes</b>   | <b>3,017</b> | <b>3,567</b> |
| 8                                       | Income tax (expense) benefit  | (579)        | (680)        |
|   | <b>Income after income taxes</b>  | <b>2,438</b> | <b>2,887</b> |
| 9                                       | Results relating to equity-accounted investees  | (71)         | (12)         |
|   | <b>Net income</b>   | <b>2,367</b> | <b>2,875</b> |
|   | <b>Attribution of net income:</b>   |              |              |
|   | Net income attributable to shareholders of NXP  | 2,320        | 2,843        |
| 10                                      | Net income attributable to non-controlling interests  | 47           | 32           |
|   | <b>Net income</b>   | <b>2,367</b> | <b>2,875</b> |
| 11                                      | <b>Earnings per share data:</b>   |              |              |
|   | <i>Net income (loss) per common share attributable to shareholders of NXP<br/>in \$:</i>        |              |              |
|   | - Basic   | 9.18         | 11.14        |
|   | - Diluted   | 9.09         | 11.00        |
|   | Weighted average number of shares of common stock outstanding during the<br>year (in thousands) |              |              |
|   | • Basic   | 252,703      | 255,208      |
|   | • Diluted   | 255,131      | 258,518      |

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

# Group Financial Statements

## Consolidated statement of comprehensive income of NXP Semiconductors N.V. for the years ended December 31,

| \$ in millions, unless otherwise stated   |   | 2025         | 2024         |
|---|---|--------------|--------------|
| Note  | <b>Net income</b>   | 2,367        | 2,875        |
| <b>Other comprehensive income items that will not be reclassified to profit or loss:</b>    |   |              |              |
|   | — Remeasurements defined benefits                                       | 53           | 13           |
|   | — Related income taxes  | (16)         | (4)          |
|   | <b>Total of items that will not be reclassified to profit of loss</b>   | <b>37</b>    | <b>9</b>     |
| <b>Other comprehensive income items that are or may be reclassified to profit or loss :</b> |   |              |              |
|   | — Currency translation adjustments (“CTA”)                              | 185          | (111)        |
|   | — Cash flow hedging   | 11           | (18)         |
|   | — Cash flow hedging - income tax  | (2)          | 2            |
|   | — Cash flow hedging reclassified to profit or loss                      | (2)          | 10           |
|   | <b>Total of items that are or may be reclassified to profit of loss</b> | <b>192</b>   | <b>(117)</b> |
|   | <b>Other comprehensive income (loss)</b>                                | <b>229</b>   | <b>(108)</b> |
|   | <b>Total comprehensive income</b>                                       | <b>2,596</b> | <b>2,767</b> |
| <b>Attributable to:</b>   |   |              |              |
|   | Shareholders of NXP   | 2,549        | 2,735        |
| 10  | Non-controlling interests   | 47           | 32           |
|   | <b>Total comprehensive income</b>                                       | <b>2,596</b> | <b>2,767</b> |

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

# Group Financial Statements

## Consolidated Balance Sheet of NXP Semiconductors N.V.

### Assets

| \$ in millions, unless otherwise stated |                               | December 31,  |               |
|---|-------------------------------|---------------|---------------|
|   |                               | 2025          | 2024          |
| Note                                    | <b>Non-current assets</b>     |               |               |
| 12                                      | Property, plant and equipment | 3,235         | 3,534         |
| 13                                      | Goodwill                      | 10,336        | 9,967         |
| 14                                      | Intangible assets             | 6,402         | 5,474         |
| 9                                       | Equity-accounted investees    | 826           | 300           |
| 8                                       | Deferred tax assets           | 590           | 665           |
| 15                                      | Financial assets              | 195           | 413           |
| 15                                      | Other non-current assets      | 1,307         | 819           |
|   | Total non-current assets      | 22,891        | 21,172        |
|   | <b>Current assets</b>         |               |               |
| 16                                      | Inventories                   | 2,577         | 2,356         |
| 17                                      | Other current assets          | 545           | 473           |
| 4                                       | Assets held for sale          | 460           | —             |
| 8                                       | Income tax receivables        | 30            | 59            |
| 18                                      | Trade and other receivables   | 1,128         | 1,106         |
| 19                                      | Cash and cash equivalents     | 3,267         | 3,292         |
|   | Total current assets          | 8,007         | 7,286         |
|   | <b>Total assets</b>           | <b>30,898</b> | <b>28,458</b> |

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

# Group Financial Statements

## Equity and liabilities

| \$ in millions, unless otherwise stated |  | December 31,  |               |
|---|--|---------------|---------------|
|   |  | 2025          | 2024          |
| Note                                    | <b>Equity</b>  |               |               |
| 20                                      | Shareholders' equity:  |               |               |
|   | Share capital  |               |               |
|   | <i>Preferred stock, par value €0.20 per share:</i>                   |               |               |
|   | Authorized: shares 645,754,500 (2024: 645,754,500)                   |               |               |
|   | Issued: none   |               |               |
|   | <i>Common stock, par value €0.20 per share:</i>                      |               |               |
|   | Authorized: 430,503,000 shares (2024: 430,503,000)                   |               |               |
|   | Issued and fully paid: 274,519,638 shares (2024: 274,519,638 shares) | 56            | 56            |
|   | Capital in excess of par value                                       | 16,658        | 16,198        |
|   | Treasury shares  | (4,283)       | (4,004)       |
|   | Accumulated surplus (deficit)  | 2,603         | 1,844         |
|   | Other comprehensive income (loss)                                    | (887)         | (1,116)       |
|   | Total shareholders' equity   | 14,147        | 12,978        |
| 10                                      | Non-controlling interests  | 399           | 352           |
|   | Total equity   | 14,546        | 13,330        |
|   | <b>Non-current liabilities</b>                                       |               |               |
| 21                                      | Long-term debt   | 10,972        | 10,354        |
| 23                                      | Post-employment benefits   | 353           | 357           |
| 22                                      | Long-term provisions   | 114           | 375           |
| 8                                       | Deferred tax liabilities   | 479           | 417           |
| 24                                      | Other non-current liabilities  | 632           | 620           |
|   | Total non-current liabilities  | 12,550        | 12,123        |
|   | <b>Current liabilities</b>   |               |               |
| 21                                      | Short-term debt  | 1,250         | 500           |
|   | Accounts payable   | 997           | 1,017         |
| 25                                      | Accrued liabilities  | 689           | 751           |
| 22,28                                   | Short-term provisions  | 188           | 69            |
| 8                                       | Income tax liabilities   | 91            | 127           |
| 23                                      | Post-employment benefits   | 15            | 12            |
| 26                                      | Other current liabilities  | 572           | 529           |
|   | Total current liabilities  | 3,802         | 3,005         |
|   | <b>Total equity and liabilities</b>                                  | <b>30,898</b> | <b>28,458</b> |

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

# Group Financial Statements

## Consolidated statement of cash flows of NXP Semiconductors N.V. for the years ended December 31,

| \$ in millions, unless otherwise stated  | 2025           | 2024           |
|--|----------------|----------------|
| <i>Cash flows from operating activities:</i>                                       |                |                |
| <b>Net income</b>  | <b>2,367</b>   | <b>2,875</b>   |
| Adjustments to reconcile net income to net cash generated by operating activities: |                |                |
| Depreciation and amortization  | 1,752          | 1,811          |
| Share-based payments   | 459            | 471            |
| (Gain) loss on sale of assets  | (29)           | (3)            |
| Results relating to equity-accounted investees                                     | 71             | 12             |
| (Gain) loss on equity securities, net  | 2              | 18             |
| Net interest expense   | 333            | 248            |
| Income tax expense/(benefit)   | 579            | 680            |
| Changes in operating assets and liabilities:                                       |                |                |
| (Increase) decrease in receivables and other current assets                        | (40)           | (203)          |
| (Increase) decrease in inventories   | (308)          | (222)          |
| Increase (decrease) in accounts payable and accrued liabilities                    | 112            | (381)          |
| Decrease (increase) in other non-current assets                                    | (212)          | (306)          |
| Increase (decrease) in provisions  | (140)          | 232            |
| Exchange differences   | 24             | 14             |
| Other items  | 1              | (3)            |
| <b>Net cash generated by operations</b>  | <b>4,971</b>   | <b>5,243</b>   |
| Interest paid  | (490)          | (418)          |
| Interest received  | 145            | 160            |
| Income taxes paid  | (581)          | (867)          |
| <b>Net cash provided by operating activities</b>                                   | <b>4,045</b>   | <b>4,118</b>   |
| <i>Cash flows from investing activities:</i>                                       |                |                |
| Purchase of intangible assets  | (140)          | (149)          |
| Capital expenditures on development assets   | (1,170)        | (1,279)        |
| Capital expenditures on property, plant and equipment                              | (397)          | (727)          |
| Proceeds from disposals of property, plant and equipment                           | 2              | 4              |
| Advance payment from sale of property, plant and equipment                         | —              | 30             |
| Insurance recoveries received for equipment damage                                 | —              | 2              |
| Purchase of interests in businesses, net of cash acquired                          | (1,175)        | —              |
| Investment in short-term deposits  | (500)          | —              |
| Purchase of investments  | (649)          | (260)          |
| Proceeds from short-term deposits  | 500            | 409            |
| Proceeds from the sale of investments  | 2              | 5              |
| <b>Net cash used for investing activities</b>                                      | <b>(3,527)</b> | <b>(1,965)</b> |
| <i>Cash flows from financing activities:</i>                                       |                |                |
| Repurchase of long-term debt   | (500)          | (1,000)        |
| Proceeds from the issuance of long-term debt                                       | 1,868          | 670            |
| Cash paid for debt issuance costs  | (8)            | (1)            |
| Proceeds from issuance of commercial paper notes                                   | 2,426          | —              |
| Repayment of commercial paper notes  | (2,426)        | —              |
| Payments of lease liabilities  | (55)           | (57)           |
| Dividends paid to common shareholders  | (1,025)        | (1,038)        |
| Proceeds from issuance of common stock through stock plans                         | 83             | 82             |
| Purchase of treasury shares and restricted stock unit withholdings                 | (899)          | (1,373)        |
| Other, net   | (13)           | (2)            |

# Group Financial Statements

## Consolidated statement of cash flows of NXP Semiconductors N.V. for the years ended December 31,

| \$ in millions, unless otherwise stated                     | 2025         | 2024           |
|---|--------------|----------------|
| <b>Net cash provided by (used for) financing activities</b> | <b>(549)</b> | <b>(2,719)</b> |
| Effect of changes in exchange rates on cash positions       | 6            | (4)            |
| Increase (decrease) in cash and cash equivalents            | (25)         | (570)          |
| Cash and cash equivalents at beginning of period            | 3,292        | 3,862          |
| <b>Cash and cash equivalents as reported</b>                | <b>3,267</b> | <b>3,292</b>   |

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

# Group Financial Statements

## Consolidated statement of changes in equity of NXP Semiconductors N.V. as of December 31, 2025

\$ in millions, unless otherwise stated

|  | Outstanding number of shares (in thousands) | Share capital | Capital in excess of par value | Treasury shares reserve | Other comprehensive income (loss) |                               |                           |                                 |   | Total shareholders' equity | Non-controlling interests | Total equity  |
|--|---|---------------|--------------------------------|-------------------------|-----------------------------------|-------------------------------|---------------------------|---------------------------------|---|----------------------------|---------------------------|---------------|
|  |   |               |                                |                         | Accumulated deficit               | Currency translation reserve* | Cash flow hedging reserve | Remeasurements defined benefits | Total other comprehensive income (loss) |                            |                           |               |
| Balance as of December 31, 2023  | 257,190                                     | 56            | 15,715                         | (3,210)                 | 532                               | (922)                         | 1                         | (87)                            | (1,008)                                 | 12,085                     | 320                       | 12,405        |
| Net income   |   |               |                                |                         | 2,843                             |                               |                           |                                 |   | 2,843                      | 32                        | 2,875         |
| Other comprehensive income (loss):                                     |   |               |                                |                         |                                   |                               |                           |                                 |   |                            |                           |               |
| - Current period change  |   |               |                                |                         |                                   | (111)                         | (18)                      | 13                              | (116)                                   | (116)                      |                           | (116)         |
| - Reclassification to income (loss)                                    |   |               |                                |                         |                                   |                               | 10                        |                                 | 10                                      | 10                         |                           | 10            |
| - Income tax on current period changes                                 |   |               |                                |                         |                                   |                               | 2                         | (4)                             | (2)                                     | (2)                        |                           | (2)           |
| Total comprehensive income (loss)                                      |   |               |                                |                         | 2,843                             | (111)                         | (6)                       | 9                               | (108)                                   | 2,735                      | 32                        | 2,767         |
| Share-based compensation plans   |   |               | 471                            |                         |                                   |                               |                           |                                 |   | 471                        |                           | 471           |
| Excess tax benefits from SBC plans                                     |   |               | 12                             |                         |                                   |                               |                           |                                 |   | 12                         |                           | 12            |
| Dividends common stock   |   |               |                                |                         | (1,034)                           |                               |                           |                                 |   | (1,034)                    |                           | (1,034)       |
| Transactions with owners of the Company recognized directly in equity: |   |               |                                |                         |                                   |                               |                           |                                 |   |                            |                           |               |
| - Purchase of treasury shares  | (5,727)                                     |               |                                | (1,373)                 |                                   |                               |                           |                                 |   | (1,373)                    |                           | (1,373)       |
| - Re-issuance of treasury shares                                       | 2,861                                       |               |                                | 579                     | (497)                             |                               |                           |                                 |   | 82                         |                           | 82            |
| <b>Balance as of December 31, 2024</b>                                 | <b>254,324</b>                              | <b>56</b>     | <b>16,198</b>                  | <b>(4,004)</b>          | <b>1,844</b>                      | <b>(1,033)</b>                | <b>(5)</b>                | <b>(78)</b>                     | <b>(1,116)</b>                          | <b>12,978</b>              | <b>352</b>                | <b>13,330</b> |
| Net income   |   |               |                                |                         | 2,320                             |                               |                           |                                 |   | 2,320                      | 47                        | 2,367         |
| Other comprehensive income (loss):                                     |   |               |                                |                         |                                   |                               |                           |                                 |   |                            |                           |               |
| - Current period change  |   |               |                                |                         |                                   | 185                           | 11                        | 53                              | 249                                     | 249                        |                           | 249           |
| - Reclassification to income (loss)                                    |   |               |                                |                         |                                   |                               | (2)                       |                                 | (2)                                     | (2)                        |                           | (2)           |
| - Income tax on current period changes                                 |   |               |                                |                         |                                   |                               | (2)                       | (16)                            | (18)                                    | (18)                       |                           | (18)          |
| Total comprehensive income (loss)                                      |   |               |                                |                         | 2,320                             | 185                           | 7                         | 37                              | 229                                     | 2,549                      | 47                        | 2,596         |
| Share-based compensation plans   |   |               | 459                            |                         |                                   |                               |                           |                                 |   | 459                        |                           | 459           |
| Excess tax benefits from SBC plans                                     |   |               | 1                              |                         |                                   |                               |                           |                                 |   | 1                          |                           | 1             |
| Dividends common stock   |   |               |                                |                         | (1,025)                           |                               |                           |                                 |   | (1,025)                    |                           | (1,025)       |
| Transactions with owners of the Company recognized directly in equity: |   |               |                                |                         |                                   |                               |                           |                                 |   |                            |                           |               |
| - Purchase of treasury shares  | (4,358)                                     |               |                                | (899)                   |                                   |                               |                           |                                 |   | (899)                      |                           | (899)         |
| - Re-issuance of treasury shares                                       | 2,888                                       |               |                                | 620                     | (536)                             |                               |                           |                                 |   | 84                         |                           | 84            |
| <b>Balance as of December 31, 2025</b>                                 | <b>252,854</b>                              | <b>56</b>     | <b>16,658</b>                  | <b>(4,283)</b>          | <b>2,603</b>                      | <b>(848)</b>                  | <b>2</b>                  | <b>(41)</b>                     | <b>(887)</b>                            | <b>14,147</b>              | <b>399</b>                | <b>14,546</b> |

\* Currency translation reserve includes \$(513) million related to a dedesignated hedge relationship of a net investment hedge in a foreign operation.

# Group Financial Statements

## Notes to the consolidated financial statements of NXP Semiconductors N.V.

All amounts in millions of \$ unless otherwise stated

### 1. Company overview

NXP Semiconductors N.V. is a global semiconductor company and a long-standing supplier in the industry, with over 70 years of innovation and operating history. For the year ended December 31, 2025, we generated revenue of \$12,269, compared to \$12,614 for the year ended December 31, 2024.

We provide leading solutions that leverage our combined portfolio of intellectual property, deep application knowledge, process technology and manufacturing expertise in the domains of embedded processing, mixed-signal analog-digital (mixed A/D), power management, digital signal processing, cryptography-security, high-speed interface, radio frequency (RF), 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 companies 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 and are a Dutch public company with limited liability (naamloze vennootschap).

We are a holding company (the “Holding Company”) whose only material assets are the direct ownership of 100% of the shares of NXP B.V., a Dutch private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid). Unless otherwise required, all references herein to “we”, “our”, “us”, “NXP” and the “Company” are to NXP Semiconductors N.V. and its consolidated subsidiaries.

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. We are registered at the office of the Commercial Register in Eindhoven, Netherlands (file no. 34253298).

### 2. Material accounting policies and new accounting standards to be adopted after 2025

#### Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. NXP did not apply any European carve-outs from IFRS meaning that our financials fully comply with IFRS. The Company has not applied early any new IFRS requirements that are not yet effective in 2025. The financial statements were authorized for issue by the board of directors on March 12, 2026.

Throughout the notes to the consolidated financial statements, reference to "statement of operations" means the consolidated statement of operations.

The statement of operations of the separate financial statements of NXP Semiconductors N.V. (refer to Company Financial Statements of this report) has been prepared in accordance with Section 402 Part 9 of Book 2 of the Netherlands Civil Code which allows a simplified statement of operations in the event that a comprehensive statement of operations is included in the consolidated group financial statements.

#### Basis of measurement

Historical cost is used as the measurement basis unless otherwise indicated. The material accounting policies are set out below.

#### Basis of consolidation

The consolidated financial statements include the accounts of NXP Semiconductors N.V. (NXP N.V. or the Company) and all subsidiaries that are controlled by the Company. The Company controls an entity when it is

# Group Financial Statements

exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All intercompany balances and transactions have been eliminated in the consolidated financial statements. The non-controlling interests are disclosed separately in the consolidated statement of operations and statement of comprehensive income as part of profit allocation and in the consolidated balance sheet as a separate component of equity.

## Segment reporting

For internal and external reporting purposes, NXP follows accounting principles generally accepted in the United States of America (“U.S. GAAP”), U.S. GAAP is NXP’s primary accounting standard for the Company’s setting of financial and operational performance targets. Consequently, the reportable segment information is presented on a U.S. GAAP basis, with a reconciling item to the IFRS basis.

NXP has multiple business lines that each contain different product groups. In accordance with the IFRS 8 *Operating Segments* criteria, it was assessed that the multiple business lines represent one operating segment since they have similar economic characteristics that start from the same base product, an integrated circuit, for which the underlying intellectual property, technology, manufacturing and sales resources are managed centrally, and shared across the business lines.

The strategy of the Company is best understood by investors in the format of end-markets, which are essentially the way in how the world looks at the use of the semiconductor chips that we sell. As such, we disclose revenue by end-market (Automotive, Industrial and the Internet of Things, Mobile and Communications Infrastructure & Other). The end-market information is only constructed and reviewed at the level of revenue within the Company and therefore do not represent operating nor reportable segments.

## Revenue recognition

The Company recognizes revenue under the core principle to depict the transfer of control to customers in an amount reflecting the consideration to which 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 and direct 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 typically 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.

# Group Financial Statements

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 small percentage of the sales of this type to distributors is actually returned. Repurchase agreements with direct customers 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 amount method based on rolling historical experience rates, as well as 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. Short-term deposits representing cash equivalents with original maturity beyond three months are reported as current assets in the line "Short-term deposits" of the consolidated balance sheets.

## **Receivables**

Receivables are held under the business model hold to collect. The cash flows exist solely of payments of principal and interest. 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. Receivables are offset and the net amount reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

## **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.

# Group Financial Statements

## **Government assistance**

Government grants, other than those relating to purchases of assets, are recognized as a reduction of expenditure as qualified expenditures are made.

## **Property, plant and equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Government investment grants are deducted from the cost of the related asset. 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. The useful lives and residual values are evaluated every year to determine whether events and circumstances warrant a revision of the remaining useful lives or the residual values. Gains and losses on the sale of property, plant and equipment are included in the respective line items Other income and Other expense.

## **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

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 IFRS 16, 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. RoU assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset while the related interest expense is included in financial expense.

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-accounted investees**

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 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' on a one-quarter lag.

# Group Financial Statements

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 recoverable amount and the carrying value.

## Financial assets

All marketable and non-marketable equity investments, other than equity-method investments, in unconsolidated entities are measured at fair value through profit or loss in the statement of operations on a recurring basis. Gains and losses on these investments, realized and unrealized, are presented under *Financial income (expense)*.

## 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 revenue, inventory, property, plant and equipment, pre-existing liabilities or legal claims 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

The Company initially measures the amount of goodwill as the excess of the considerations transferred to acquire an entity over the fair value of the identifiable assets and liabilities assumed at the acquisition date. Goodwill is not amortized but tested for impairment annually in the fourth quarter or more frequently if events and circumstances indicate that goodwill may be impaired. Reflecting the way in which our chief operating decision maker executes operating decisions, allocates resources, manages the growth and profitability of the Company and our Board monitors goodwill, the cash flows at the entity level as a whole are considered substantially independent. Consequently, the entity as a whole is a cash generating unit for goodwill impairment testing. A goodwill impairment loss is recognized in the statement of operations whenever and to the extent the carrying amount of a cash generating unit exceeds the recoverable amount of that unit. The recoverable amount is the higher of value in use and fair value less costs of disposal. The recoverable amount of the cash generating unit of the Company is determined on the basis of fair value. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. An impairment loss in respect of goodwill is not reversed.

## Intangible assets

Intangible assets are amortized over their useful lives using the straight-line method. Amortization begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Remaining useful lives are evaluated every year to determine whether events and circumstances warrant a revision to the remaining period of amortization. There are currently no intangible assets with indefinite lives. Software and intangible development assets are generally amortized over a period of 3-13 years. Patents,

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trademarks and other intangible assets acquired from third parties are capitalized and amortized over their remaining useful lives.

Expenditures on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized as an internally developed intangible asset (referred to as *product development assets*) if development costs can be measured reliably, if the product or process is technically and commercially feasible, future economic benefits are probable, the Group has sufficient resources and the intention to complete development and to use or sell the asset. The development expenditure capitalized includes the cost of materials, direct labor and an appropriate proportion of overheads. Other development expenditure and expenditure on research activities are recognized in the statement of operations as an expense as incurred. Capitalized development expenditure is stated at costs less accumulated amortization and impairment losses. Amortization of capitalized development expenditure is charged to the statement of operations on a straight-line basis over the estimated useful lives of the intangible assets. Product development assets that are not yet in use are tested for impairment at least annually or more frequently if events and circumstances indicate that the related product development asset may be impaired.

Costs relating to the development and purchase of software for internal use are capitalized and subsequently amortized over the estimated useful life of the software.

## **Impairment or disposal of intangible assets and property, plant and equipment**

Intangible assets and property, plant and equipment (including right-of-use assets) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is assessed by a comparison of the carrying amount of an asset with the greater of its value in use and its fair value less cost of disposal. Value in use is measured as the present value of future cash flows expected to be generated by the asset. Fair value is measured based on externally acquired or available information. If the carrying amount of an asset is not recoverable, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the recoverable amount. The review for impairment is carried out at the level of the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The evaluation of intangible assets and property, plant and equipment for impairment is carried out at a Corporate level as the majority of our assets are used jointly or managed at Corporate level. Assets held for sale are reported at the lower of the carrying amount or fair value less costs of disposal.

An impairment loss related to intangible assets or property, plant and equipment is reversed if and to the extent there has been a change in the estimates used to determine the recoverable amount. The loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in the statement of operations.

## **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.

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## 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 shareholders' 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 from euros applicable for translation of NXP's financial statements for the periods specified.

|                              | \$ per € 1 |                        |        |        |
|------------------------------|------------|------------------------|--------|--------|
|                              | period end | average <sup>(1)</sup> | high   | low    |
| Year-ended December 31, 2025 | 1.1738     | 1.1242                 | 1.0400 | 1.1745 |
| Year-ended December 31, 2024 | 1.0404     | 1.0811                 | 1.0551 | 1.1144 |

(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 shareholders' 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

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hedge is effective, and are presented as a separate component of accumulated other comprehensive income (loss) within shareholders' equity.

To the extent that a hedge is ineffective, the ineffective portion of the fair value change is recognized in the 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 balance sheet 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 balance sheet and recognizes any changes in its fair value in earnings.

## **Dividends to shareholders**

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

## **Share repurchases and retirement**

For each repurchase of common shares, the number of shares and the acquisition price for those shares is added to the existing treasury shares 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 equity captions *Capital in excess of par value* and *Accumulated deficit*. The portion allocated to *Capital in excess of par value* 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 value* as of the retirement date.

## **Research and development**

Costs of research and development (R&D) are expensed in the period in which they are incurred, except when they meet the requirements to be capitalized and subsequently amortized as intangible assets (refer to section *intangible assets* above).

## **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.

## **Provisions and accruals**

Provisions are recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions of a long-term nature are measured at present value when the amount and timing of related cash payments are fixed or reliably determinable using a pre-tax discount rate. Short-term provisions are stated at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

The Group accrues for losses associated with environmental obligations when such losses are probable and reliably estimable. Measurement of liabilities is based on current legal requirements and existing technology.

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Liabilities and virtually certain insurance recoveries, if any, are recorded separately. The carrying amount of liabilities is regularly reviewed and adjusted for new facts or changes in law or technology. Insurance recoveries are recognized when they have been received or when receipt is virtually certain.

## **Restructuring**

The provision for restructuring relates to the estimated costs of initiated reorganizations that have been approved by the management team and which involve the realignment of certain parts of the industrial and commercial organization. When such reorganizations require discontinuance and/or closure of lines of activities, the anticipated costs of closure or discontinuance are included in restructuring provisions. A provision is recognized for those costs only when the Group has a detailed formal plan for the restructuring and has raised a valid expectation with those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## **Other income and other expenses**

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 tax comprises current and deferred tax and are accounted for under the asset and liability method. Income tax is recognized in the statement of operations except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantially enacted at the period end date, and any adjustment to tax payable in respect of previous years. Deferred tax assets and liabilities are recognized, using the balance sheet liability method, for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is not recognized for temporary differences arising from the initial recognition of goodwill or the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Measurement of deferred tax assets and liabilities is based upon the enacted or substantially 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 assets, including assets arising from loss carry forwards, are recognized if it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit or a portion thereof will be realized. Deferred tax assets and liabilities are not discounted.

Deferred tax liabilities for withholding taxes are recognized for subsidiaries in situations where the income is to be paid out as dividends in the foreseeable future, and for undistributed earnings of equity-accounted investees to the extent that these withholding taxes are not expected to be refundable or deductible.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on

# Group Financial Statements

different taxable entities, which intend either to settle current tax liabilities and assets on a net basis or realize the tax assets and settle the liabilities simultaneously.

Changes in tax rates are reflected in the period when the change has been enacted or substantively enacted by the period end date.

In determining the amount of current and deferred taxes, NXP takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

## **Employee benefits**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the statement of operations in the periods during which services are rendered by employees. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Group employees participate in pension and other post-employment benefit plans in many countries. The costs of pension and other post-employment benefits and related assets and liabilities with respect to the Group employees participating in defined benefit plans have been recognized in the financial statements based upon actuarial valuations.

Some of the Group'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 Group has committed itself.

The net pension liability or asset recognized in the balance sheet in respect of defined benefit pension plans is the present value of the projected defined benefit obligation less the fair value of plan assets at the period end date. Most of our plans result in a pension provision (in case the plan is unfunded) or a net pension liability (for funded plans). The projected defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

For the Group'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.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in Other Comprehensive Income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans, including service costs net of employee contributions, are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs. In certain countries, the Group also provides post-employment benefits other than pensions. The cost relating to such plans consists primarily of the present value of the benefits attributed on an equal basis to each year of service and interest cost on the accumulated post-employment benefit obligation, which is a discounted amount.

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## 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. NXP's grants through the incentive plan are equity settled. 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.

The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the service periods in our statements of operations. For stock options, PSUs and RSUs, the grant-date value, less estimated pre-vest forfeitures, is expensed based on a graded vesting schedule. 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 shareholders is calculated by dividing net income or loss attributable to shareholders 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.

## Use of estimates and judgments

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect amounts reported in the consolidated financial statements in order to conform to IFRS. 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 estimates under different assumptions or conditions. If actual results differ significantly from management's estimates, there could be a material effect on reported amounts of revenue and expenses during the reporting period, the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements.

Estimates significantly impact goodwill (see also Note 13 *Goodwill*) and intangible assets acquired and related impairments (see also Note 14 *Intangible assets* and Note 4 *Acquisitions, divestments and Assets held for sale*), valuation of inventories (see also Note 16 *Inventories*), liabilities from employee benefit plans (see also Note 23 *Post-employment benefits*), other provisions (see also Note 22 *Provisions*), recoverability of capitalized development costs (see also Note 14 *Intangible assets*), fair value of derivatives (see also Note 32 *Fair value of financial instruments*), useful lives of property, plant and equipment (see also Note 12 *Property, plant and equipment*), income taxes (see also Note 8 *Income taxes*) and other contingencies (see also Note 28 *Contingencies*). The fair values of acquired identifiable intangibles are based on an assessment of future discounted cash flows. Impairment analysis of goodwill is performed annually and whenever a triggering event has occurred to determine whether the carrying value exceeds the recoverable amount. These analyses are based on estimates of future cash flows.

## Accounting standards adopted in 2025

No new accounting standards or amendments were adopted during 2025 that had a material impact on the financial statements.

# Group Financial Statements

## New accounting standards after 2025

### IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued *IFRS 18 Presentation and Disclosure in Financial Statements*, which replaces *IAS 1 Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of operations, including specified totals and subtotals. It also includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements and the notes. IFRS 18 and all consequential amendments are effective for reporting periods beginning on or after 1 January 2027. NXP is in the process of assessing the impact of IFRS 18 on its financial statements.

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.

## 3. Segments and geographical information

Our revenue is primarily the sum of our direct sales plus our sales to distributors. Avnet accounted for 23% of our revenue in 2025 and 22% in 2024. No other distributor accounted for greater than 10% of our revenue. No direct customer accounted for more than 10% of our revenue in 2025 or 2024.

For internal and external reporting purposes, NXP follows accounting principles generally accepted in the United States of America (“U.S. GAAP”). U.S. GAAP is NXP’s primary accounting standard for the Company’s setting of financial and operational performance targets. Consequently, the segment and geographical information is presented on a U.S. GAAP basis, with a reconciling item to the IFRS basis.

Revenue attributed to geographic areas is based on the location where the sale originated.<sup>1)</sup>

|                     | Revenue       |               |
|---------------------|---------------|---------------|
|                     | 2025          | 2024          |
| United States       | 3,221         | 3,309         |
| Germany             | 2,369         | 2,435         |
| China <sup>2)</sup> | 2,036         | 1,921         |
| Japan               | 1,059         | 1,229         |
| South Korea         | 889           | 925           |
| Taiwan              | 874           | 833           |
| Singapore           | 714           | 758           |
| Netherlands         | 83            | 52            |
| Other countries     | 1,024         | 1,152         |
|                     | <b>12,269</b> | <b>12,614</b> |

<sup>1)</sup> As of December 31, 2025, and applied retrospectively for all the periods presented, the Company revised its methodology for attributing revenue to geographic areas to reflect the location where sales originate, which represents where critical commercial decisions are made. This may differ from the customer's shipped-to location. The change in reporting basis was made to more appropriately reflect how we manage our business. For 2025, the largest impacts from the change were to the United States, Germany, and China, which reflected changes of approximately 174.4%, 135.7%, and (57.0)%, respectively.

<sup>2)</sup> China includes Mainland China and Hong Kong

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The geographical information with regard to Property, plant and equipment relates to the physical location of the assets as of the end of each year.

|                                  | Property, plant and equipment |       |
|----------------------------------|-------------------------------|-------|
|                                  | 2025                          | 2024  |
| United States                    | 981                           | 1,058 |
| Singapore <sup>1)</sup>          | 595                           | 583   |
| China <sup>2)</sup>              | 214                           | 296   |
| Netherlands                      | 321                           | 371   |
| Malaysia                         | 296                           | 328   |
| Thailand                         | 178                           | 225   |
| Taiwan                           | 206                           | 235   |
| Other countries                  | 186                           | 171   |
| Subtotal                         | 2,977                         | 3,267 |
| Adjustments to reconcile to IFRS | 258                           | 267   |
| Total                            | 3,235                         | 3,534 |

<sup>1)</sup> Mainly consists of property and equipment of SSMC, our consolidated joint venture with TSMC

<sup>2)</sup> China includes Mainland China and Hong Kong

The adjustments to reconcile to IFRS with regard to *Property, plant and equipment* relate to lease accounting since under U.S. GAAP operating leases are not classified under *Property, plant and equipment* but rather under *Other non-current assets*.

Total non-current assets, excluding financial assets and deferred taxes amount to \$21,280 million (2024: \$19,793 million). These are located primarily in the Netherlands, amounting to \$3,548 million (2024: \$3,697 million) and in the United States, amounting to \$13,250 million (2024: \$12,638 million).

## 4. Acquisitions, divestments and Assets held for sale

### 2025

#### *TTTech Auto acquisition*

On June 17, 2025, NXP announced the closing of the acquisition of 100% of TTTech Auto for \$766 million in cash (\$675 million net of cash acquired). TTTech Auto is a leader in innovating unique safety-critical systems and middleware for software-defined vehicles (SDVs). The TTTech Auto acquisition complements and expands NXP's system and software offerings in the Automotive and Industrial & IoT end markets.

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

|                              |      |
|------------------------------|------|
| Cash                         | 91   |
| Other assets                 | 74   |
| Other liabilities            | (52) |
| Identified intangible assets | 347  |
| Goodwill                     | 306  |
| Net assets acquired          | 766  |

The purchase price allocation contains valuations related to certain assets and liabilities as some of the estimates and assumptions are subject to change within the measurement period as additional information becomes available.

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Goodwill arising from the TTTech Auto acquisition is attributed to the anticipated growth from new product sales, sales to new customers, the assembled workforce, and synergies expected from the combination. The goodwill recognized is non-deductible for income tax purposes.

The identified intangible assets assumed were recognized as follows:

|   | Fair value | Weighted<br>Average<br>Estimated<br>Useful Life (in<br>Years) |
|---|------------|---|
| Software                                  | 267        | 11.5  |
| Technology                                | 25         | 11.5  |
| Customer relationships                    | 50         | 8.5   |
| Order backlog                             | 5          | 3.5   |
| <b>Total identified intangible assets</b> | <b>347</b> | <b>10.9</b>   |

The income approach was applied to estimate the fair values of the intangible assets acquired. Software, technology, customer relationships, and order backlog were valued using the excess earnings method, which reflects the present values of the projected cash flows that are expected to be generated by the software, technology, customer relationships, and order backlog less charges representing the contribution of other assets to those cash flows.

## *Aviva Links acquisition*

On October 24, 2025, NXP closed the previously announced acquisition of 100% of Aviva Links for \$222 million in cash (\$202 million net of cash acquired) and \$26 million through the settlement of previously held investments in Aviva Links. Aviva Links is a provider of Automotive SerDes Alliance (ASA) compliant in-vehicle connectivity solutions. The Aviva Links acquisition complements and expands NXP's automotive networking solutions in the Automotive and Industrial & IoT end markets.

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

|                            |            |
|----------------------------|------------|
| Other assets               | 20         |
| Other liabilities          | (64)       |
| IPR&D                      | 197        |
| Goodwill                   | 95         |
| <b>Net assets acquired</b> | <b>248</b> |

The purchase price allocation contains valuations related to certain assets and liabilities as some of the estimates and assumptions are subject to change within the measurement period as additional information becomes available.

Goodwill arising from the Aviva Links acquisition is attributed to the value related to new technological innovations from future product sales, sales to new customers, the assembled workforce, and synergies expected from the combination. The goodwill recognized is non-deductible for income tax purposes.

Acquired 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.

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The excess earnings method, a variant of the income approach, was applied to estimate the fair value of the IPR&D acquired. The fair value represents the present value of the projected cash flows that are expected to be generated by the IPR&D, adjusted for contributory asset charges related to other acquired assets.

## *Kinara, Inc. acquisition*

On October 27, 2025, NXP closed the previously announced acquisition of 100% of Kinara, Inc. for \$284 million in cash (\$283 million net of cash acquired). Kinara is an industry leader in high performance, energy-efficient and programmable discrete neural processing units (NPU). The Kinara acquisition complements and expands NXP's solutions for AI-powered edge systems in the Industrial & IoT and Automotive end markets.

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

|                              |            |
|------------------------------|------------|
| Other assets                 | 6          |
| Other liabilities            | (59)       |
| Identified intangible assets | 254        |
| Goodwill                     | 83         |
| Net assets acquired          | <u>284</u> |

The purchase price allocation contains valuations related to certain assets and liabilities as some of the estimates and assumptions are subject to change within the measurement period as additional information becomes available.

Goodwill arising from the Kinara acquisition is attributed to the value related to new technological innovations from future product sales, sales to new customers, the assembled workforce, and synergies expected from the combination. The goodwill recognized is non-deductible for income tax purposes.

The identified intangible assets assumed were recognized as follows:

|   | Fair value        | Weighted<br>Average<br>Estimated<br>Useful Life (in<br>Years) |
|---|-------------------|---|
| Existing Technology                       | 191               | 9.2   |
| IPR&D <sup>1</sup>                        | 56                | N/A   |
| Customer relationships                    | 7                 | 8.2   |
| <b>Total identified intangible assets</b> | <b><u>254</u></b> | <b><u>9.2</u></b>   |

<sup>1</sup> 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.

The excess earnings method, a variant of the income approach, was applied to estimate the fair values of the technology and IPR&D. The fair values represent the present values of the projected cash flows that are expected to be generated by the technology or IPR&D, adjusted for contributory asset charges related to other acquired assets. In addition, the existing customer relationships are valued using the distributor method, a variant of the income approach, in which a market-based distributor profit margin is used to allocate profits to this intangible asset.

## *Divestments*

There were no material divestments during 2025.

# Group Financial Statements

## *Assets held for sale*

In the second quarter of 2025, NXP management, in reviewing its portfolio, concluded that certain activities related to our MEMS sensors business line no longer fit the NXP strategic portfolio and took actions that resulted in the business line meeting the criteria to be classified as held for sale. On July 24, 2025, NXP reached a definitive agreement with STMicroelectronics International N.V., under which NXP will sell the business for an amount up to \$950 million in cash, including \$900 million at closing and up to an additional \$50 million subject to the achievement of technical milestones. The carrying value of these assets held for sale as of December 31, 2025, are comprised of current assets of \$91 million and non-current assets of \$207 million, which consists primarily of goodwill of \$170 million. On February 2, 2026, NXP completed the sale of the Company's MEMS sensors business line under the aforementioned conditions.

During the fourth quarter of 2025, NXP management committed to selling the buildings and land at our Oak Hill site in Austin, Texas. The carrying amount of the site of \$74 million has been classified as held for sale and is presented within current assets. The asset is available for immediate sale, is being actively marketed and management expects the sale to be completed within the next twelve months.

## **2024**

There were no material acquisitions, divestments or assets held for sale during 2024.

## **5. Operating income**

### *Disaggregation of revenue*

Revenue by end-market was as follows:

|                                      | <u>2025</u>   | <u>2024</u>   |
|--------------------------------------|---------------|---------------|
| Automotive                           | 7,116         | 7,151         |
| Industrial & IoT                     | 2,273         | 2,269         |
| Mobile                               | 1,584         | 1,497         |
| Communication Infrastructure & Other | 1,296         | 1,697         |
|                                      | <u>12,269</u> | <u>12,614</u> |

Revenue by sales channel was as follows:

|              | <u>2025</u>   | <u>2024</u>   |
|--------------|---------------|---------------|
| Distributors | 7,051         | 7,203         |
| Direct       | 5,084         | 5,291         |
| Other        | 134           | 120           |
|              | <u>12,269</u> | <u>12,614</u> |

For information related to revenue on a geographical basis, see Note 3 *Segments and geographical information*.

### *Employee benefits*

|   | <u>2025</u>  | <u>2024</u>  |
|---|--------------|--------------|
| Salaries and wages (including share-based compensation) | 2,941        | 2,975        |
| Pension and other post-employment costs                 | 117          | 126          |
| Social security and similar charges                     | 404          | 384          |
|   | <u>3,462</u> | <u>3,485</u> |

Salaries and wages in 2025 include \$211 million (2024: \$100 million) relating to restructuring charges - see also Note 6 *Restructuring*. Pension and other post-employment costs include the costs of pension benefits, and other post-employment benefits. Part of salaries and wages were capitalized as product development assets.

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As of December 31, 2025 we had 31,842 full-time equivalent employees compared to 32,703 at December 31, 2024. The following table indicates the % of full-time equivalent employees per geographic area:

|                           | % as of December 31, |              |
|---------------------------|----------------------|--------------|
|                           | 2025                 | 2024         |
| The Netherlands           | 7 %                  | 7 %          |
| Rest of Europe and Africa | 18 %                 | 15 %         |
| Americas                  | 14 %                 | 16 %         |
| Asia                      | 61 %                 | 62 %         |
| <b>Total :</b>            | <b>100 %</b>         | <b>100 %</b> |

See Note 23 *Post-employment benefits* for further information regarding pension and other post-employment benefits and Notes 30 *Share-based compensation* and 31 *Information on remuneration board of directors* for further information about remuneration and share-based payments to executives and non-executives.

## *Government assistance*

The Company primarily benefits from country specific R&D tax credits ("RTC") (for the period ending December 31, 2025: \$83 million; 2024: \$82 million) as well as direct grants in different jurisdictions (for the period ending December 31, 2025: \$102 million; 2024: \$100 million).

The government assistance recorded in operating income are included in the following line items in the statement of operations:

|                                     | 2025       | 2024 |
|-------------------------------------|------------|------|
| Cost of Revenue                     | 7          | 4    |
| Research & Development              | 175        | 175  |
| Selling, General and Administrative | 3          | 3    |
|                                     | <b>185</b> | 182  |

The classification of the grants' related assets and liabilities in the balance sheet is as follows:

|                           | 2025 | 2024 |
|---------------------------|------|------|
| Other current assets      | 132  | 94   |
| Other non-current assets  | 74   | 69   |
| Accrued liabilities       | 14   | 9    |
| Other current liabilities | 4    | 5    |
| Long-term provisions      | 15   | 8    |

The duration of our RTC is indefinite while subject to future policy changes in the respective countries. RTC amounts received are subject to regular audits by the relevant governments. RTC receivables are, depending on their jurisdiction, settled against income or payroll taxes, or paid in cash within a maximum period of three years.

Our direct grants include those awarded under the European 2nd Important Project of Common European Interest on Microelectronics and Communication Technologies ("IPCEI ME/CT") in multiple EU member states, the duration of which is planned to run until the end of 2029. The conditions to receive the IPCEI ME/CT government assistance include restrictions on eligible expenditures, employment retention, annual budget appropriations by the member states, compliance with member states' regulations and project objectives and results, as well as repayment conditions.

# Group Financial Statements

## Depreciation, amortization and impairment

Depreciation, amortization and impairment charges can be detailed as follows:

|  | 2025         | 2024         |
|--|--------------|--------------|
| Depreciation of property, plant and equipment - owned  | 539          | 580          |
| Depreciation of property, plant and equipment - leased | 63           | 63           |
| Amortization of product development assets             | 821          | 706          |
| Amortization of other intangible assets                | 272          | 295          |
| Impairment intangible assets                           | 45           | 122          |
| Impairment property, plant and equipment               | 19           | 46           |
| Other  | (7)          | (1)          |
|  | <b>1,752</b> | <b>1,811</b> |

Depreciation of property, plant and equipment is primarily included in *Cost of revenue*. Amortization of intangible assets is primarily reported under *Research and development expenses*.

## Impairments

During the year, impairment events for intangible assets resulted in a total impairment charge of \$45 million, which is included under *Research and development expenses* (2024: \$122 million) – see also Note 14 *Intangible assets*. Impairment events for property, plant and equipment resulted in a total impairment charge of \$19 million, which is mainly included under cost of revenue (2024: \$46 million) – see also Note 12 *Property, Plant and Equipment - 'Movements in exchange rates & other'*.

## Research and development expenses

The 2025 research and development expenses, excluding amortization of acquisition related intangible assets, amounted to \$2,035 million (2024: \$1,892 million).

## 6. Restructuring

At each reporting date, we evaluate our restructuring liabilities, which consist primarily of termination benefits, to ensure that our accruals are still appropriate.

The following table presents the changes in the position of restructuring liabilities in 2025:

| \$ in millions            | Balance<br>January 1,<br>2025 | Additions | Utilized | Released | Other<br>changes | Balance<br>December<br>31, 2025 |
|---------------------------|-------------------------------|-----------|----------|----------|------------------|---------------------------------|
| Restructuring Liabilities | 53                            | 216       | (153)    | (5)      | 1                | 112                             |

The total restructuring liability as of December 31, 2025 amounts to \$112 million, of which \$101 million is classified in the balance sheet under short-term provisions and \$11 million under long-term provisions. During 2025, we have initiated and executed restructuring initiatives to streamline manufacturing capacity, reduce costs and align resources with our strategic priorities. The plans include workforce reductions, facility consolidations, and other cost-saving measures. The restructuring additions for 2025 were \$216 million, related to the following programs:

- Involuntary restructuring programs: \$181 million
- Other: \$35 million

The above charges were offset by a \$5 million release for an earlier program. The utilization of the restructuring liabilities mainly reflects the execution of ongoing restructuring programs the Company initiated in earlier years.

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The following table presents the changes in the provision and accrued liabilities for restructuring in 2024:

| \$ in millions            | Balance<br>January 1,<br>2024 | Additions | Utilized | Released | Other<br>changes | Balance<br>December<br>31, 2024 |
|---------------------------|-------------------------------|-----------|----------|----------|------------------|---------------------------------|
| Restructuring Liabilities | 22                            | 104       | (68)     | (4)      | (1)              | 53                              |

The total restructuring liability as of December 31, 2024 of \$53 million is classified in the balance sheet under short-term provisions. The utilization of the restructuring liabilities mainly reflects the execution of ongoing restructuring programs.

The components of restructuring charges less releases recorded in the liabilities in 2025 and 2024 are as follows:

|                                | 2025 | 2024 |
|--------------------------------|------|------|
| Personnel lay-off costs        | 216  | 103  |
| Other exit costs               | —    | 1    |
| Release of provisions/accruals | (5)  | (4)  |
| Net restructuring charges      | 211  | 100  |

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

|  | 2025 | 2024 |
|--|------|------|
| Cost of revenue                              | 74   | 23   |
| Selling, general and administrative expenses | 61   | 31   |
| Research and development expenses            | 76   | 46   |
| Net restructuring charges                    | 211  | 100  |

## 7. Financial income (expense)

|                                  | 2025  | 2024  |
|----------------------------------|-------|-------|
| Interest income                  | 145   | 160   |
| Total financial income           | 145   | 160   |
| Interest expense                 | (478) | (408) |
| Other financial expense          | (55)  | (63)  |
| Total financial expense          | (533) | (471) |
| Total financial income (expense) | (388) | (311) |

Financial income (expense) was an expense of \$388 million in 2025, compared to an expense of \$311 million in 2024. The change in financial income (expense) is attributable to an increase in interest expense of \$70 million as a result of the issuance of new bonds, EIB loans and commercial paper notes. Interest income decreased by \$15 million as a result of lower cash levels in 2025. Other financial expenses decreased due to adjustments in our investments as well as lower interest related to prior tax positions. The 2025 foreign exchange rate results include a currency hedging gain of \$114 million (2024: loss of \$90 million). Note 21 *Long-term debt* contains detailed information on our outstanding debt and related interest rates.

# Group Financial Statements

## 8. Income taxes

The tax expense on the income before income taxes recognized in the consolidated statement of operations amounted to \$579 million (2024: \$680 million). The components of income tax (expense) benefit are as follows:

|                              | 2025  | 2024  |
|------------------------------|-------|-------|
| Current taxes                |       |       |
| Netherlands:                 | (232) | (316) |
| Foreign:                     | (311) | (520) |
|                              | (543) | (836) |
| Deferred taxes               |       |       |
| Netherlands:                 | (39)  | (23)  |
| Foreign:                     | 3     | 179   |
|                              | (36)  | 156   |
| Income tax (expense) benefit | (579) | (680) |

The Company's operations are subject to income taxes in various jurisdictions. Excluding certain tax incentives, the statutory income tax rates vary from 9% to 34%.

The current tax expense consists of the following items:

|                             | 2025  | 2024  |
|-----------------------------|-------|-------|
| Current year                | (535) | (775) |
| Pillar 2 taxes              | (25)  | (22)  |
| Adjustments for prior years | 17    | (39)  |
|                             | (543) | (836) |

The deferred tax (expense) benefit of 2025 and 2024 recognized in the statement of operations consists of the following items:

|   | 2025 | 2024 |
|---|------|------|
| Origination and reversal of temporary differences | 21   | 141  |
| Changes in recognition of deferred tax assets     | (12) | 4    |
| Tax rate and law change                           | (3)  | 1    |
| Prior year adjustments and other                  | (42) | 10   |
|   | (36) | 156  |

The tax expense relating to continued and discontinued operations is as follows:

|   | 2025  | 2024  |
|---|-------|-------|
| Income tax (expense) benefit from continuing operations   | (579) | (680) |
| Income tax (expense) benefit from discontinued operations | —     | —     |

# Group Financial Statements

The reconciliation of the statutory income tax rate in the Netherlands with the effective income tax rate can be summarized as follows:

|  | 2025          |               | 2024          |               |
|--|---------------|---------------|---------------|---------------|
|  | \$            | %             | \$            | %             |
| <b>Statutory income tax rate in the Netherlands</b>  | <b>778</b>    | <b>25.8 %</b> | 921           | 25.8 %        |
| <b>Foreign tax effects</b>   |               |               |               |               |
| United States  |               |               |               |               |
| Statutory tax rate difference between United States and the Netherlands                          | \$ (44)       | (1.5)%        | \$ (68)       | (1.9)%        |
| R&D tax credits  | \$ (47)       | (1.6)%        | \$ (59)       | (1.7)%        |
| Foreign-derived intangible income  | \$ (68)       | (2.1)%        | \$ (127)      | (3.5)%        |
| Other  | \$ 29         | 1.0 %         | \$ 27         | 0.8 %         |
| Taiwan   | \$ 18         | 0.6 %         | *             | *             |
| Other foreign jurisdictions  | \$ (12)       | (0.4)%        | \$ 45         | 1.3 %         |
| <b>Effect of Cross-border Tax Laws</b>   | <b>\$ 16</b>  | <b>0.5 %</b>  | <b>\$ 23</b>  | <b>0.6 %</b>  |
| <b>Tax Credits</b>   | <b>\$ (8)</b> | <b>(0.3)%</b> | <b>\$ (8)</b> | <b>(0.2)%</b> |
| <b>Loss carry forwards for which deferred tax assets were not recognized in the year of loss</b> | <b>\$ 1</b>   | <b>— %</b>    | <b>\$ (2)</b> | <b>(0.1)%</b> |
| <b>Nontaxable or Nondeductible Items</b>   |               |               |               |               |
| Netherlands tax incentive  | \$ (98)       | (3.2)%        | \$ (116)      | (3.3)%        |
| Other  | \$ 13         | 0.4 %         | \$ 17         | 0.5 %         |
| <b>Changes in Unrecognized Tax Benefits</b>  | <b>\$ 7</b>   | <b>0.2 %</b>  | <b>\$ 28</b>  | <b>0.8 %</b>  |
| <b>Other Adjustments</b>   | <b>\$ (6)</b> | <b>(0.2)%</b> | <b>\$ (1)</b> | <b>— %</b>    |
| <b>Effective Tax Rate</b>  | <b>\$ 579</b> | <b>19.2 %</b> | <b>\$ 680</b> | <b>19.1 %</b> |

\* The amount of the individual reconciling item during the year does not meet the 5% disaggregation threshold and is included in "Other foreign jurisdictions".

We recorded an income tax expense of \$579 million in 2025, which reflects an effective tax rate of 19.2% compared to an income tax expense of \$680 million in 2024, which reflects an effective tax rate of 19.1%. The increase was primarily driven by a different mix of income tax expense across our operating jurisdictions, as well as lower U.S. and NL tax incentives in 2025 due to a decrease in qualifying income and R&D expenses. In addition, the One Big Beautiful Bill Act was enacted in the U.S., which reduced the amount of claimable R&D tax credits. Taiwan also had higher tax expense in 2025 due to less undistributed earnings being considered indefinitely reinvested due to changes in the supply chain. These increases were partially offset by tax benefits from settlements with tax authorities.

The net income tax payable as of December 31, 2025 amounted to \$267 million (2024: payable \$289 million). It includes amounts directly payable to or receivable from tax authorities, the effect of unrecognized tax benefits on income taxes payable to tax authorities and non-current income tax receivable - see also Note 24 *Other non-current liabilities*.

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 liability for uncertain tax positions excluding interest and penalties as per December 31, 2025 amounted to \$193 million (2024: \$203 million) - see also note 24 *Other non-current liabilities*.

# Group Financial Statements

## Deferred tax assets and liabilities

Deferred tax assets and liabilities for 2025 and 2024 relate to the following balance sheet captions:

|  | Balance<br>January 1,<br>2025 | Recognized<br>in income | Acquisitions/<br>disposals | Other <sup>1)</sup> | Balance<br>December<br>31, 2025 |
|--|-------------------------------|-------------------------|----------------------------|---------------------|---------------------------------|
| Intangible assets  | (300)                         | 62                      | (167)                      | (2)                 | (407)                           |
| Property, plant and equipment                                | (61)                          | 26                      |                            | 1                   | (34)                            |
| Inventories  | 29                            | 11                      | 6                          | —                   | 46                              |
| Receivables  | 90                            | (20)                    | —                          | —                   | 70                              |
| Other assets   | —                             |                         |                            |                     | —                               |
| Post-employment benefits                                     | 53                            | 1                       | —                          | (16)                | 38                              |
| Provisions:  |                               |                         |                            |                     |                                 |
| – Restructuring  | 5                             | 11                      | —                          | —                   | 16                              |
| – Disallowed interest and tax incentive carryforwards        | 37                            | (37)                    | —                          | 5                   | 5                               |
| – Other  | 1                             | (3)                     | 4                          | 1                   | 3                               |
| Long-term debt   |                               |                         |                            |                     | 0                               |
| Other liabilities  | 281                           | (54)                    | —                          | —                   | 227                             |
| Share-based payments   | 38                            | —                       | (2)                        | (5)                 | 31                              |
| Undistributed earnings subsidiaries                          | (35)                          | (16)                    | —                          | —                   | (51)                            |
| Tax loss carry forward (including tax credit carry forwards) | 110                           | (17)                    | 63                         | 11                  | 167                             |
| Net deferred tax assets (liabilities)                        | 248                           | (36)                    | (96)                       | (5)                 | 111                             |

1) Other includes the effect of currency translation differences and the deferred taxes recorded directly in equity.

|  | Balance<br>January 1,<br>2024 | Recognized<br>in income | Acquisitions/<br>disposals | Other <sup>1)</sup> | Balance<br>December<br>31, 2024 |
|--|-------------------------------|-------------------------|----------------------------|---------------------|---------------------------------|
| Intangible assets  | (376)                         | 74                      |                            | 2                   | (300)                           |
| Property, plant and equipment                                | (56)                          | (4)                     |                            | (1)                 | (61)                            |
| Inventories  | 42                            | (13)                    |                            |                     | 29                              |
| Receivables  | 118                           | (18)                    |                            | (10)                | 90                              |
| Other assets   | 0                             |                         |                            |                     | —                               |
| Post-employment benefits                                     | 63                            | (5)                     |                            | (5)                 | 53                              |
| Provisions:  |                               |                         |                            |                     |                                 |
| – Restructuring  | 5                             |                         |                            |                     | 5                               |
| – Disallowed interest and tax incentive carryforwards        | 31                            | 5                       |                            | 1                   | 37                              |
| – Other  | (11)                          | 11                      |                            | 1                   | 1                               |
| Long-term debt   |                               |                         |                            |                     | 0                               |
| Other liabilities  | 164                           | 117                     |                            |                     | 281                             |
| Share-based payments   | 40                            | 2                       |                            | (4)                 | 38                              |
| Undistributed earnings subsidiaries                          | (36)                          |                         |                            | 1                   | (35)                            |
| Tax loss carry forward (including tax credit carry forwards) | 130                           | (13)                    |                            | (7)                 | 110                             |
| Net deferred tax assets (liabilities)                        | 114                           | 156                     | —                          | (22)                | 248                             |

1) Other includes the effect of currency translation differences and the deferred taxes recorded directly in equity.

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The gross amounts of deferred tax assets and liabilities are attributable to the following:

|  | Assets |      | Liabilities |       | Net   |       |
|--|--------|------|-------------|-------|-------|-------|
|  | 2025   | 2024 | 2025        | 2024  | 2025  | 2024  |
| Intangible assets  |        |      | (407)       | (300) | (407) | (300) |
| Property, plant and equipment                                |        |      | (34)        | (61)  | (34)  | (61)  |
| Inventories  | 46     | 29   |             |       | 46    | 29    |
| Receivables  | 70     | 90   |             |       | 70    | 90    |
| Other assets   |        |      |             |       |       |       |
| Post-employment benefits                                     | 38     | 53   |             |       | 38    | 53    |
| Provisions:  |        |      |             |       |       |       |
| – Restructuring  | 16     | 5    |             |       | 16    | 5     |
| – Disallowed interest and tax incentive carryforwards        | 5      | 37   |             |       | 5     | 37    |
| – Other  | 3      | 1    |             |       | 3     | 1     |
| Long-term debt   |        |      |             |       |       |       |
| Other liabilities  | 227    | 281  |             |       | 227   | 281   |
| Share-based payments   | 31     | 38   |             |       | 31    | 38    |
| Undistributed earnings subsidiaries                          |        |      | (51)        | (35)  | (51)  | (35)  |
| Tax loss carry forward (including tax credit carry forwards) | 167    | 110  |             |       | 167   | 110   |
| Deferred taxes   | 603    | 644  | (492)       | (396) | 111   | 248   |
| Offsetting between assets and liabilities                    | (13)   | 21   | 13          | (21)  |       |       |
| Net deferred taxes recognized                                | 590    | 665  | (479)       | (417) | 111   | 248   |

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 in future periods. 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 following possible sources of taxable income have been considered when assessing the realization of our deferred tax assets:

- Future reversals of existing taxable temporary differences;
- Future taxable income exclusive of reversing temporary differences and carryforwards;
- Taxable income in prior carryback years; and
- Tax-planning strategies.

In assessing the Company's ability to realize deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax strategies in making this assessment. In order to fully realize the deferred tax asset, the Company will need to generate future taxable income in the countries where the net operating losses were incurred (mainly Austria, Germany and USA). Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is probable that the Company will partially realize aforementioned benefits.

At December 31, 2025 the amounts of deductible temporary differences, unused tax losses and tax credits for which no deferred tax asset is recognized are as follows:

|                                  | 2025 | 2024 |
|----------------------------------|------|------|
| Deductible temporary differences | —    | —    |
| Tax losses                       | 193  | 52   |
| Tax credits                      | 174  | 160  |

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Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits there from.

The unused tax losses for which no deferred tax asset is recognized expire as follows:

| Total | 2026 | 2027 | 2028 | 2029 | 2030 | 2031-2035 | later | unlimited |
|-------|------|------|------|------|------|-----------|-------|-----------|
| 193   | 1    | 4    | —    | —    | 11   | 6         | 51    | 120       |

The unused tax credits for which no deferred tax asset is recognized expire as follows:

| Total | 2026 | 2027 | 2028 | 2029 | 2030 | 2031-2035 | later | unlimited |
|-------|------|------|------|------|------|-----------|-------|-----------|
| 174   | 16   | 5    | 5    | 6    | 7    | 37        | 32    | 66        |

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 \$51 million at December 31, 2025 (2024: \$35 million) for the additional income taxes and withholding taxes payable upon the future remittances of these earnings of foreign subsidiaries. No deferred tax liability has been recorded by the Company for the undistributed earnings which are considered to be indefinitely reinvested although the timing of the reversal can be controlled. Upon repatriation of those earnings, the Company would be subject to tax of \$73 million, which is not recognized as deferred tax liability at December 31, 2025.

The Company files income tax returns in the Netherlands, the USA 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 (2021-2024), Germany (2017-2024), United States (2005-2024), China (2015-2024), Taiwan (2020-2024), Thailand (2020-2024), Malaysia (2018-2024) and India (2004, 2006-2024).

## 9. Equity-accounted investees

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

|  | 2025           |            | 2024           |            |
|--|----------------|------------|----------------|------------|
|  | Shareholding % | Amount     | Shareholding % | Amount     |
| VisionPower Semiconductor Manufacturing Company Pte. Ltd. (VSMC)       | 40.00 %        | 623        | 40.00 %        | 134        |
| European Semiconductor Manufacturing Company (ESMC) GmbH <sup>1)</sup> | 10.00 %        | 180        | 10.00 %        | 77         |
| SMART Growth Fund, L.P.  | — %            | —          | 8.41 %         | 39         |
| SigmaSense, LLC  | 9.40 %         | —          | 10.64 %        | 28         |
| Others   | —              | 23         | —              | 22         |
|  |                | <b>826</b> |                | <b>300</b> |

<sup>1)</sup> NXP accounts for its investment in ESCM under the equity method due to our ability to exercise significant influence over ESCM's operations, primarily through representation on ESCM's board of directors and other operational arrangements.

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

|                                  | 2025        | 2024        |
|----------------------------------|-------------|-------------|
| Company's share in income (loss) | (8)         | (13)        |
| Other results <sup>1</sup>       | (62)        | 1           |
|                                  | <b>(70)</b> | <b>(12)</b> |

<sup>1</sup> For the year ended December 31, 2025, other results includes the impairment of our equity method investment SigmaSense and the loss on the sale of our equity method investment Smart Growth Fund.

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The changes in the carrying value of equity-accounted investees are as follows:

|                            | 2025 | 2024 |
|----------------------------|------|------|
| Balance as of January 1,   | 300  | 101  |
| Changes:                   |      |      |
| Investments                | 584  | 221  |
| Share in income (loss)     | (8)  | (12) |
| Other                      | (50) | (10) |
| Balance as of December 31, | 826  | 300  |

## 10. Subsidiaries and non-controlling interests

NXP Semiconductors N.V.'s material wholly owned (unless indicated differently) subsidiaries as of December 31, 2025:

| Country of incorporation | Legal entity name                                 |
|--------------------------|---|
| Austria                  | NXP Semiconductors Austria GmbH                   |
| Austria                  | NXP Semiconductors Austria GmbH & Co. KG          |
| Belgium                  | NXP Semiconductors Belgium N.V.                   |
| Bosnia and Herzegovina   | TTTech Auto d.o.o. Banja Luka                     |
| Brazil                   | NXP Semicondutores Brasil Ltda.                   |
| Canada                   | NXP Canada Inc.                                   |
| China                    | NXP (China) Management Ltd.                       |
| China                    | NXP (Chongqing) Semiconductors Co. Ltd.           |
| China                    | NXP Qiangxin (Tianjin) IC Design Co. Ltd. (51.0%) |
| China                    | NXP Semiconductors (Shanghai) Co. Ltd.            |
| China                    | NXP Semiconductors (Tianjin) Ltd.                 |
| China                    | TTTech Auto China Co. Ltd.                        |
| Croatia                  | TTTech auto d.o.o.                                |
| Czech Republic           | NXP Semiconductors Czech Republic s.r.o           |
| Denmark                  | NXP Semiconductors Denmark ApS                    |
| France                   | NXP Semiconductors France SAS                     |
| Germany                  | NXP Semiconductors Germany GmbH                   |
| Germany                  | SMST Unterstützungskasse GmbH                     |
| Germany                  | TTTech Auto GmbH                                  |
| Germany                  | TTTech Auto Germany GmbH                          |
| Germany                  | port industrial automation GmbH                   |
| Hong Kong                | NXP Semiconductors Asia Hong Kong Ltd.            |
| Hungary                  | NXP Semiconductors Hungary Ltd.                   |
| India                    | Intoto Software India Private Limited             |
| India                    | NXP India Pvt. Ltd.                               |
| India                    | Kinara AI Private Limited                         |
| India                    | Avivalinks Semiconductor Pvt Ltd                  |
| Israel                   | NXP Israel Ltd.                                   |
| Japan                    | NXP Japan Ltd.                                    |
| Korea                    | NXP Semiconductors Korea Ltd.                     |
| Malaysia                 | NXP Malaysia Sdn. Bhd.                            |
| Mexico                   | NXP Semiconductors Mexico, 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                    |
| Serbia                   | TTTech Auto DOO Novi Sad                          |

# Group Financial Statements

| <b>Country of incorporation</b> | <b>Legal entity name</b>                                   |
|---------------------------------|--|
| Singapore                       | NXP Semiconductors Singapore Pte. Ltd.                     |
| Singapore                       | Systems on Silicon Manufacturing Company Pte. Ltd. (61.2%) |
| Spain                           | NXP Semiconductors Spain S.L.U.                            |
| Spain                           | TTTech Auto Spain S.L.U.                                   |
| Sweden                          | NXP Semiconductors Nordic AB                               |
| Switzerland                     | NXP Semiconductors Switzerland SA                          |
| Taiwan                          | NXP Semiconductors Taiwan Ltd.                             |
| Thailand                        | NXP Manufacturing (Thailand) Ltd.                          |
| Turkey                          | NXP Semiconductors Elektronik Ticaret A.S.                 |
| Turkey                          | TTTech Auto Turkey Yazilim A.S.                            |
| United Kingdom                  | NXP Laboratories UK Ltd.                                   |
| US                              | Freescale Semiconductor Holding LLC                        |
| US                              | Freescale Semiconductor Holdings V, Inc.                   |
| US                              | Intoto LLC   |
| US                              | NXP Funding LLC  |
| US                              | NXP USA, Inc.  |
| US                              | Omniphy, Inc.  |
| Vietnam                         | NXP Semiconductors Vietnam Co., Ltd.                       |

# Group Financial Statements

The consolidated financial statements include the financial statements of our 61.2% owned subsidiary *Systems on Silicon Manufacturing Company Pte. Ltd.* (“SSMC”); incorporated in Singapore.

The financial information for SSMC, prepared in accordance with IFRS, including fair value adjustments on acquisition and before inter-company eliminations, can be summarized as follows:

|  | <u>2025</u>  | <u>2024</u>  |
|--|--------------|--------------|
| Revenue  | 537          | 495          |
| Net income                                     | 74           | 50           |
| Net income attributable to NCI                 | 47           | 32           |
| Total comprehensive income                     | 74           | 50           |
| Total comprehensive income attributable to NCI | 47           | 32           |
| Non-current assets                             | 631          | 618          |
| Current assets                                 | 548          | 435          |
|  | <u>1,179</u> | <u>1,053</u> |
| Non-current liabilities                        | (49)         | (42)         |
| Current liabilities                            | (96)         | (99)         |
|  | <u>(145)</u> | <u>(141)</u> |
| Net assets                                     | 1,034        | 912          |
| Net assets attributable to NCI                 | 393          | 346          |
| Cash flows from operating activities           | 180          | 139          |
| Cash flows from investing activities           | (79)         | (90)         |
| Cash flows from financing activities           | (2)          | (2)          |
| Net increase in cash and cash equivalents      | <u>99</u>    | <u>47</u>    |

The share of non-controlling interests in the results of the Company amounted to a profit of \$47 million in 2025 which relates predominantly to SSMC (2024: profit of \$32 million which relates predominantly to SSMC). As of December 31, 2025, non-controlling interests in equity totaled \$399 million of which \$393 million relates to SSMC (2024: \$352 million of which \$346 million relates to SSMC).

# Group Financial Statements

## 11. Earnings per share

|   | 2025    | 2024    |
|---|---------|---------|
| Net income  | 2,367   | 2,875   |
| Less: Net income attributable to non-controlling interests                            | 47      | 32      |
| Income attributable to shareholders of NXP  | 2,320   | 2,843   |
| Weighted average number of shares outstanding (in thousands)                          | 252,703 | 255,208 |
| Plus incremental shares from assumed conversion of:                                   |         |         |
| Options <sup>1)</sup>   | 69      | 140     |
| Restrictive Share Units, Performance Share Units and Equity Rights <sup>2)</sup>      | 2,359   | 3,170   |
| Dilutive potential common shares  | 2,428   | 3,310   |
| Adjusted weighted average number of shares outstanding during the year (in thousands) | 255,131 | 258,518 |
| <i>EPS attributable to shareholders of NXP in \$:</i>                                 |         |         |
| Basic net income  | 9.18    | 11.14   |
| Diluted net income <sup>1)</sup>  | 9.09    | 11.00   |

1) There were no stock options to purchase shares of NXP's common stock that were outstanding in 2025 (2024: none;) that 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) There were 0.3 million unvested RSUs, PSUs and equity rights that were outstanding in 2025 (2024: none and one tenth) that 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 RSUs, PSUs and equity rights or the performance goal has not been met.

# Group Financial Statements

## 12. Property, plant and equipment

Property, plant and equipment comprises owned and leased assets as follows:

|  | December 31, |       |
|--|--------------|-------|
|  | 2025         | 2024  |
| Property, plant and equipment owned                        | 2,912        | 3,208 |
| Property, plant and equipment leased (right-of-use assets) | 323          | 326   |
| Total :  | 3,235        | 3,534 |

The changes in owned property, plant and equipment in 2025 and 2024 can be summarized as follows:

|  | Total   | Land and buildings | Machinery and installations | Other equipment | Prepayments and construction in progress |
|--|---------|--------------------|-----------------------------|-----------------|--|
| Balance as of January 1, 2025:           |         |                    |                             |                 |  |
| Cost                                     | 9,330   | 2,024              | 5,545                       | 1,028           | 733                                      |
| Accumulated depreciation and impairments | (6,122) | (1,151)            | (4,284)                     | (687)           | —  |
| Book value                               | 3,208   | 873                | 1,261                       | 341             | 733                                      |
| Changes in book value:                   |         |                    |                             |                 |  |
| Acquisitions/additions                   | 347     | —                  | —                           | —               | 347                                      |
| Transfer assets put into use             | —       | 100                | 217                         | 108             | (425)                                    |
| Depreciation                             | (539)   | (62)               | (383)                       | (94)            | —  |
| Transfer to/from assets held for sale    | (101)   | (72)               | (26)                        | (3)             | —  |
| Movements in exchange rates & other      | (3)     | 6                  | —                           | 9               | (18)                                     |
| Total changes                            | (296)   | (28)               | (192)                       | 20              | (96)                                     |
| Balance as of December 31, 2025:         |         |                    |                             |                 |  |
| Cost                                     | 9,254   | 1,883              | 5,627                       | 1,107           | 637                                      |
| Accumulated depreciation and impairments | (6,342) | (1,038)            | (4,558)                     | (746)           | —  |
| Book value                               | 2,912   | 845                | 1,069                       | 361             | 637                                      |

# Group Financial Statements

|  | Total   | Land and buildings | Machinery and installations | Other equipment | Prepayments and construction in progress |
|--|---------|--------------------|-----------------------------|-----------------|--|
| <b>Balance as of January 1, 2024:</b>    |         |                    |                             |                 |  |
| Cost                                     | 8,900   | 1,886              | 5,271                       | 985             | 758                                      |
| Accumulated depreciation and impairments | (5,638) | (1,085)            | (3,919)                     | (634)           | —  |
| Book value                               | 3,262   | 801                | 1,352                       | 351             | 758                                      |
| <b>Changes in book value:</b>            |         |                    |                             |                 |  |
| Acquisitions/additions                   | 585     | —                  | —                           | —               | 585                                      |
| Transfer assets put into use             | —       | 145                | 319                         | 99              | (563)                                    |
| Depreciation                             | (580)   | (76)               | (408)                       | (96)            | —  |
| Movements in exchange rates & other      | (59)    | 3                  | (2)                         | (13)            | (47)                                     |
| Total changes                            | (54)    | 72                 | (91)                        | (10)            | (25)                                     |
| <b>Balance as of December 31, 2024:</b>  |         |                    |                             |                 |  |
| Cost                                     | 9,330   | 2,024              | 5,545                       | 1,028           | 733                                      |
| Accumulated depreciation and impairments | (6,122) | (1,151)            | (4,284)                     | (687)           | —  |
| Book value                               | 3,208   | 873                | 1,261                       | 341             | 733                                      |

The useful lives of property, plant and equipment as of December 31, 2025 are as follows:

|                             | Useful Life (in years) |
|-----------------------------|------------------------|
| Buildings                   | 9 to 50                |
| Machinery and installations | 2 to 10                |
| Other Equipment             | 1 to 5                 |

## *Property, plant and equipment leased*

Right-of-use assets relate to buildings (corporate offices, research and development and manufacturing facilities), land, machinery and installations and other equipment (vehicles and certain office equipment). These leases, except land leases, have remaining lease terms of 1 to 16 years (land leases 3 to 73 years), some of which may include options to extend the leases for up to 6 years, and some of which may include options to terminate the leases within 1 year.

# Group Financial Statements

The changes in property, plant and equipment leased by the Company (right-of-use assets) were as follows :

|  | Total | Land and<br>buildings | Machinery<br>and<br>installations | Other<br>equipment |
|--|-------|-----------------------|-----------------------------------|--------------------|
| Balance as of January 1, 2025:           |       |                       |                                   |                    |
| Cost                                     | 625   | 480                   | 132                               | 13                 |
| Accumulated depreciation and impairments | (299) | (220)                 | (77)                              | (2)                |
| Book value                               | 326   | 260                   | 55                                | 11                 |
| Changes in book value:                   |       |                       |                                   |                    |
| Acquisitions/additions                   | 48    | 43                    | 1                                 | 4                  |
| Depreciation                             | (63)  | (47)                  | (13)                              | (3)                |
| Movements in exchange rates & other      | 12    | 11                    | —                                 | 1                  |
| Total changes                            | (3)   | 7                     | (12)                              | 2                  |
| Balance as of December 31, 2025:         |       |                       |                                   |                    |
| Cost                                     | 652   | 511                   | 125                               | 16                 |
| Accumulated depreciation and impairments | (329) | (244)                 | (82)                              | (3)                |
| Book value                               | 323   | 267                   | 43                                | 13                 |

|  | Total | Land and<br>buildings | Machinery and<br>installations | Other<br>equipment |
|--|-------|-----------------------|--------------------------------|--------------------|
| Balance as of January 1, 2024:           |       |                       |                                |                    |
| Cost                                     | 590   | 443                   | 135                            | 12                 |
| Accumulated depreciation and impairments | (280) | (208)                 | (69)                           | (3)                |
| Book value                               | 310   | 235                   | 66                             | 9                  |
| Changes in book value:                   |       |                       |                                |                    |
| Acquisitions/additions                   | 86    | 80                    | 2                              | 4                  |
| Depreciation                             | (63)  | (48)                  | (13)                           | (2)                |
| Movements in exchange rates & other      | (7)   | (7)                   | —                              | —                  |
| Total changes                            | 16    | 25                    | (11)                           | 2                  |
| Balance as of December 31, 2024:         |       |                       |                                |                    |
| Cost                                     | 625   | 480                   | 132                            | 13                 |
| Accumulated depreciation and impairments | (299) | (220)                 | (77)                           | (2)                |
| Book value                               | 326   | 260                   | 55                             | 11                 |

Information on the related lease liabilities is reported in Note 24 *Other non-current liabilities*.

# Group Financial Statements

## 13. Goodwill

The changes in goodwill during 2025 and 2024 were as follows:

|                                       | 2025   | 2024   |
|---------------------------------------|--------|--------|
| Balance as of January 1, 2025         |        |        |
| Cost                                  | 10,203 | 10,229 |
| Accumulated impairment                | (236)  | (236)  |
| Book value                            | 9,967  | 9,993  |
| Changes in book value:                |        |        |
| Acquisitions                          | 488    | —      |
| Transfers to assets held for sale     | (170)  | —      |
| Effect of movements in exchange rates | 51     | (26)   |
| Total changes                         | 369    | (26)   |
| Balance as of December 31, 2025       |        |        |
| Cost                                  | 10,572 | 10,203 |
| Accumulated impairment                | (236)  | (236)  |
| Book value                            | 10,336 | 9,967  |

At December 31, 2025 the goodwill mainly relates to the acquisition of Freescale in 2015 (\$7,503 million) and the 2019 Marvell acquisition (\$1,149 million). For movements related to acquisitions and transfers to assets held for sale, refer to Note 4. *Acquisitions, divestments and Assets held for sale.*

No goodwill impairment was identified in 2025 or 2024 and the recoverable amounts substantially exceeded the carrying amount of the cash generating unit.

Based on analysis of the 2025 events and circumstances, NXP assessed at the end of 2025 that the likelihood that the recoverable amount determination would be less than the current carrying amount of the cash-generating unit was remote. As the assets and liabilities making up the cash-generating unit have not changed significantly since the most recent recoverable amount calculations, and those calculations resulted in an amount that exceeded the carrying amount of the unit by a substantial margin, these calculations were used in the 2025 goodwill impairment testing.

The key assumptions used in the calculation included: a) cash flows based on financial projections based on a 3% growth rate, (b) terminal values based on terminal growth rates of 3.0% and (c) a pre-tax discount rate of 10.0%.

The determination of the recoverable amount of the cash-generating unit requires us to make significant judgments and estimates, including projections of future cash flows from the business. We base our estimates on assumptions we believe to be reasonable; based on past experience or, if appropriate, consistent with external sources of information, but they are unpredictable and inherently uncertain.

# Group Financial Statements

## 14. Intangible assets

The changes in intangible assets during 2025 and 2024 can be summarized as follows:

|  | <b>Total</b> | <b>Other<br/>intangible<br/>assets</b> | <b>Product<br/>development<br/>assets</b> | <b>Product<br/>development<br/>assets</b> |
|--|--------------|--|---|---|
|  |              |  | <i>In use</i>                             | <i>Under<br/>development</i>              |
| Balance as of January 1, 2025:                   |              |  |   |   |
| Cost   | 8,285        | 1,873                                  | 3,838                                     | 2,574                                     |
| Accumulated amortization and impairments         | (2,811)      | (1,037)                                | (1,774)                                   | —   |
| Book value                                       | 5,474        | 836                                    | 2,064                                     | 2,574                                     |
| Changes in book value:                           |              |  |   |   |
| Additions from internal development              | 1,170        | —                                      | —   | 1,170                                     |
| Transfer assets put in use                       | —            | —                                      | 1,646                                     | (1,646)                                   |
| Additions from separate acquisitions             | 182          | 182                                    | —   | —   |
| Acquisitions through business combinations       | 798          | 329                                    | 216                                       | 253                                       |
| Amortization                                     | (1,093)      | (272)                                  | (821)                                     | —   |
| Impairment                                       | (45)         | —                                      | (11)                                      | (34)                                      |
| Divestments and transfer to assets held for sale | (95)         | (8)                                    | (62)                                      | (25)                                      |
| Movements in exchange rates and other            | 11           | 11                                     | —   | —   |
| Total changes                                    | 928          | 242                                    | 968                                       | (282)                                     |
| Balance as of December 31, 2025:                 |              |  |   |   |
| Cost   | 9,239        | 1,898                                  | 5,049                                     | 2,292                                     |
| Accumulated amortization and impairments         | (2,837)      | (820)                                  | (2,017)                                   | —   |
| Book value                                       | 6,402        | 1,078                                  | 3,032                                     | 2,292                                     |

# Group Financial Statements

|  | Total   | Other intangible assets | Product development assets | Product development assets |
|--|---------|-------------------------|----------------------------|----------------------------|
|  |         |                         | In use                     | Under development          |
| Balance as of January 1, 2024:           |         |                         |                            |                            |
| Cost                                     | 8,192   | 2,264                   | 3,736                      | 2,192                      |
| Accumulated amortization and impairments | (3,083) | (1,342)                 | (1,738)                    | (3)                        |
| Book value                               | 5,109   | 922                     | 1,998                      | 2,189                      |
| Changes in book value:                   |         |                         |                            |                            |
| Additions from internal development      | 1,279   | —                       | —                          | 1,279                      |
| Transfer assets put in use               | —       | —                       | 772                        | (772)                      |
| Additions from separate acquisitions     | 210     | 210                     | —                          | —                          |
| Amortization                             | (1,001) | (295)                   | (706)                      | —                          |
| Impairment                               | (122)   | —                       | —                          | (122)                      |
| Movements in exchange rates and other    | (1)     | (1)                     | —                          | —                          |
| Total changes                            | 365     | (86)                    | 66                         | 385                        |
| Balance as of December 31, 2024:         |         |                         |                            |                            |
| Cost                                     | 8,285   | 1,873                   | 3,838                      | 2,574                      |
| Accumulated amortization and impairments | (2,811) | (1,037)                 | (1,774)                    | —                          |
| Book value                               | 5,474   | 836                     | 2,064                      | 2,574                      |

Intangible assets as of December 31 consist of:

|                  | 2025  |                          | 2024  |                          |
|------------------|-------|--------------------------|-------|--------------------------|
|                  | Gross | Accumulated amortization | Gross | Accumulated amortization |
| IPR&D            | 276   | —                        | 24    | —                        |
| Customer-related | 835   | (428)                    | 790   | (400)                    |
| Technology-based | 8,128 | (2,409)                  | 7,471 | (2,411)                  |
|                  | 9,239 | (2,837)                  | 8,285 | (2,811)                  |

Amortization expenses are primarily presented under *Research and development expenses* in the statement of operations.

During 2025 there were impairments totaling \$45 million (2024: \$122 million). These charges are typically triggered by our annual fundamental review of our business portfolio and our related new product and technology development opportunities; accordingly triggering changes in the allocation of our research and development resources.

The useful lives of other intangible assets and the internally generated product development assets ranges respectively from 1 to 11 years and 5 to 6 years as of December 31, 2025.

# Group Financial Statements

## 15. Financial and other non-current assets

### Financial assets

Financial assets consist of the following :

|  | 2025       | 2024       |
|--|------------|------------|
| Marketable equity investments at fair value through profit or loss     | 1          | 1          |
| Non-marketable equity investments at fair value through profit or loss | 118        | 71         |
| Long-term deposits   | 64         | 66         |
| Other financial assets   | 12         | 275        |
|  | <b>195</b> | <b>413</b> |

In 2024 other financial assets mainly relates to insurance reimbursement, see also Note 28 *Contingencies - litigation*.

### Other non-current assets

Other non-current assets consist of the following :

|                                     | 2025         | 2024       |
|-------------------------------------|--------------|------------|
| Prepaid expenses and accrued income | 1,123        | 698        |
| Government grants to collect        | 74           | 69         |
| Non-current income tax receivable   | 50           | 5          |
| Other                               | 60           | 48         |
|                                     | <b>1,307</b> | <b>819</b> |

Prepaid expenses and accrued income is primarily related to prepayments to secure long-term production supply with multiple vendors. *Other* includes \$25 million (2024: \$8 million) pension plan assets, see also Note 23 *Post-employment benefits*.

## 16. Inventories

Inventories are summarized as follows:

|                 | 2025         | 2024         |
|-----------------|--------------|--------------|
| Raw materials   | 92           | 109          |
| Work in process | 1,778        | 1,576        |
| Finished goods  | 707          | 671          |
|                 | <b>2,577</b> | <b>2,356</b> |

The amounts recorded above are net of an allowance for obsolescence of \$152 million as of December 31, 2025 (2024 : \$150 million).

The portion of finished goods stored at customer locations under consignment amounted to \$18 million as of December 31, 2025 (2024: \$20 million).

The changes in the allowance for obsolescence inventories are as follows:

|                             | 2025       | 2024       |
|-----------------------------|------------|------------|
| Balance as of January 1     | 150        | 189        |
| Additions charged to income | 54         | 29         |
| Deductions from allowance   | (52)       | (68)       |
| Balance as of December 31   | <b>152</b> | <b>150</b> |

# Group Financial Statements

## 17. Other current assets

Other current assets consist of the following :

|                                     | 2025       | 2024       |
|-------------------------------------|------------|------------|
| Prepaid expenses and accrued income | 294        | 291        |
| Government grants to collect        | 132        | 94         |
| Contract assets                     | 48         | 33         |
| Other current assets                | 71         | 55         |
|                                     | <b>545</b> | <b>473</b> |

## 18. Trade and other receivables

Receivables can be summarized as follows:

|  | 2025         | 2024         |
|--|--------------|--------------|
| Accounts receivable from third parties | 1,055        | 1,032        |
| Less: allowance for credit losses      | —            | —            |
| Other receivables                      | 73           | 74           |
|  | <b>1,128</b> | <b>1,106</b> |

The aging of accounts receivable from third parties that were not impaired at the reporting date was as follows:

|                            | 2025         | 2024         |
|----------------------------|--------------|--------------|
| Not past due               | 1,052        | 1,022        |
| 1-15 days past due         | 3            | 10           |
| more than 16 days past due | —            | —            |
|                            | <b>1,055</b> | <b>1,032</b> |

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

|              | 2025         | 2024         |
|--------------|--------------|--------------|
| Distributors | 276          | 119          |
| Direct       | 753          | 894          |
| Other        | 26           | 19           |
|              | <b>1,055</b> | <b>1,032</b> |

The following table shows the amounts recognized and offset related to our trade and other receivables and accrued liabilities, which are subject to offsetting arrangements. For the relative balances NXP has a legal right to set off the balances and intends to settle on a net basis.

|   | 2025           | 2024           |
|---|----------------|----------------|
| Gross amounts of recognized trade and other receivables | 2,455          | 2,389          |
| Gross amounts of recognized accrued liabilities set off | <b>(1,327)</b> | <b>(1,283)</b> |
| Net amounts of trade and other receivables              | <b>1,128</b>   | <b>1,106</b>   |
| Gross amounts of recognized accrued liabilities         | 2,016          | 2,034          |
| Gross amounts of recognized accrued liabilities set off | <b>(1,327)</b> | <b>(1,283)</b> |
| Net amounts of accrued liabilities                      | <b>689</b>     | <b>751</b>     |

# Group Financial Statements

## 19. Cash and cash equivalents

At December 31, 2025 and December 31, 2024, our cash balance was \$3,267 million and \$3,292 million, respectively, of which \$361 and \$261 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 2025 and 2024, no dividend was paid by SSMC. During the first quarter of 2026, SSMC declared a dividend of \$150 million, of which \$75 million is scheduled for distribution in the first quarter, with 38.8% being paid to our joint venture partner.

## 20. Shareholders' equity

The share capital of the Company as of December 31, 2025 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.

For repurchases of shares in 2023, 2024 and 2025, the board of directors of NXP ("the Board") made use of the authorizations renewed by the annual general meeting of shareholders on June 1, 2022, May 24, 2023, May 29, 2024, and June 11, 2025, respectively. The Board has approved the purchase of shares from participants in NXP's equity programs to satisfy participants' tax withholding obligations 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"). In August 2024, the Board approved the repurchase of shares up to a maximum of \$2 billion (the "2024 Share Repurchase Program").

During the fiscal year ended December 31, 2025, NXP repurchased 4.4 million shares, for a total of approximately \$0.9 billion, and during the year ended December 31, 2024, NXP repurchased 5.7 million shares, for a total of approximately \$1.4 billion. The number of issued NXP shares December 31, 2025 is 274,519,638 as per December 31, 2024, and 274,519,638 as per December 31, 2025, with each share of common stock having a par value of €0.20 or a nominal stock capital of €55 million (2024: €55 million).

### *Cash dividends*

The following dividends were declared in 2025 and 2024 under NXP's quarterly dividend program 2018:

|                                  | 2025  | 2024  |
|----------------------------------|-------|-------|
| Dividends declared (in millions) | 1,025 | 1,035 |
| Dividends declared (per share)   | 4.056 | 4.056 |

### *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 also Note 30 *Share-based compensation*).

### *Treasury shares*

From time to time, last on June 11, 2025, 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 shareholders' 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.

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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:

|   | 2025       | 2024       |
|---|------------|------------|
| Total shares in treasury at beginning of year | 20,195,011 | 17,329,585 |
| Total cost                                    | 4,004      | 3,210      |
| Shares acquired under repurchase program      | 4,357,898  | 5,726,770  |
| Average price in \$ per share                 | 206.29     | 239.74     |
| Total cost of repurchases                     | 899        | 1,373      |
| Shares delivered                              | 2,887,975  | 2,861,344  |
| Average price in \$ per share                 | 214.63     | 202.22     |
| Amount received                               | 83         | 82         |
| Shares retired                                | —          | —          |
| Total shares in treasury at end of year       | 21,664,934 | 20,195,011 |
| Total cost                                    | 4,283      | 4,004      |

## *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 shareholders' equity.

# Group Financial Statements

## 21. Long-term debt

### Commercial Paper

We have a \$2 billion Commercial Paper Program to support general corporate purposes. As of December 31, 2025, we had no commercial paper notes outstanding.

The following table summarizes the outstanding long-term debt as of December 31, 2025 and 2024:

|  | Maturities | 2025          |               | 2024          |               |
|--|------------|---------------|---------------|---------------|---------------|
|  |            | Amount        | Interest rate | Amount        | Interest rate |
| Fixed-rate 2.7% senior unsecured notes   | May, 2025  | —             | 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 4.40% senior unsecured notes  | Jun, 2027  | 500           | 4.400         | 500           | 4.400         |
| Fixed-rate 4.30% senior unsecured notes  | Aug, 2028  | 500           | 4.300         | —             | —             |
| 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         | 1,000         | 2.500         |
| Fixed-rate 2.65% senior unsecured notes  | Feb, 2032  | 1,000         | 2.650         | 1,000         | 2.650         |
| Fixed-rate 4.85% senior unsecured notes  | Aug, 2032  | 300           | 4.850         | —             | —             |
| Fixed-rate 5.0% senior unsecured notes   | Jan, 2033  | 1,000         | 5.000         | 1,000         | 5.000         |
| Fixed-rate 5.25% senior unsecured notes  | Aug, 2035  | 700           | 5.250         | —             | —             |
| Fixed-rate 3.25% senior unsecured notes  | May, 2041  | 1,000         | 3.250         | 1,000         | 3.250         |
| Fixed-rate 3.125% senior unsecured notes   | Feb, 2042  | 500           | 3.125         | 500           | 3.125         |
| Fixed-rate 3.25% senior unsecured notes  | Nov, 2051  | 500           | 3.250         | 500           | 3.250         |
| Floating-rate revolving credit facility (RCF)  | Aug, 2027  | —             | —             | —             | —             |
| Fixed-rate 4.45% EIB Facility A Loan   | Dec, 2030  | 670           | 4.450         | 670           | 4.450         |
| Fixed-rate 4.709% EIB Facility B Loan  | Feb, 2031  | 370           | 4.709         | —             | —             |
| <b>Total principal</b>   |            | <b>12,290</b> |               | <b>10,920</b> |               |
| Unamortized discounts, premiums and debt issuance costs  |            | (68)          |               | (66)          |               |
| <b>Total debt, including unamortized discounts, premiums, debt issuance costs and fair value adjustments</b> |            | <b>12,222</b> |               | <b>10,854</b> |               |
| Current portion of long-term debt  |            | (1,250)       |               | (500)         |               |
| <b>Long-term debt</b>  |            | <b>10,972</b> |               | <b>10,354</b> |               |

|   | Range of interest rates | Average rate of interest | Principal amount outstanding 2025 | Due in 2026 | Due after 2026 | Due after 2030 | Average remaining term (in years) | Principal amount outstanding 2024 |
|---|-------------------------|--------------------------|-----------------------------------|-------------|----------------|----------------|-----------------------------------|-----------------------------------|
| USD notes                                     | 2.50%-5.55%             | 3.9 %                    | 11,250                            | 1,250       | 10,000         | 6,000          | 6.80                              | 10,250                            |
| Revolving Credit Facility (RCF) <sup>1)</sup> | — %                     | — %                      | —                                 | —           | —              | —              | —                                 | —                                 |
| Bank borrowings                               |                         | 4.5 %                    | 1,040                             | —           | 1,040          | 370            | 5.00                              | 670                               |
|   |                         |                          | 12,290                            | 1,250       | 11,040         | 6,370          | 6.60                              | 10,920                            |

<sup>1)</sup> We do not have any borrowings under the \$2,500 million RCF as of December 31, 2025.

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As of December 31, 2025, the following principal amounts of long-term debt are due in the next 5 years:

|                   |        |
|-------------------|--------|
| 2026              | 1,250  |
| 2027              | 1,000  |
| 2028              | 1,000  |
| 2029              | 1,000  |
| 2030              | 1,670  |
| Due after 5 years | 6,370  |
|                   | 12,290 |

As of December 31, 2025, the book value of our outstanding long-term debt was 12,290 less debt issuance costs of \$40 million and original issuance/debt discount of \$28 million.

As of December 31, 2025, we had no aggregate principal amount of variable interest rate indebtedness under our loan agreements. The remaining tenor of unsecured debt is on average 6.6 years.

Accrued interest as of December 31, 2025 is \$102 million (December 31, 2024: \$76 million).

## 2025 Financing Activities

On January 13, 2025, NXP B.V. entered into a facility agreement with the European Investment Bank, (“EIB Facility B”), which provides for a €360 million unsecured senior loan facility. The proceeds from borrowings under the EIB Facility B are expected to be used to fund the research, development and innovation of semiconductor devices, technologies and solutions in 5.00 European countries.

On May 1, 2025, we repaid the \$500 million aggregate principal amount of outstanding 2.7% senior unsecured notes due 2025 at maturity using available cash.

On August 19, 2025, NXP B.V., together with NXP Funding LLC and NXP USA, Inc., issued \$500 million of 4.3% senior unsecured notes due August 19, 2028, \$300 million of 4.85% senior unsecured notes due August 19, 2032, and \$700 million of 5.25% senior unsecured notes due August 19, 2035.

## Subsequent events

On January 5, 2026, we repaid the \$500 million aggregate principal amount of outstanding 5.35% senior unsecured notes due March 1, 2026, using available cash.

On February 6, 2026, NXP B.V., together with NXP Funding LLC and NXP USA, Inc., amended and restated its revolving credit agreement entered into on August 26, 2022. The second amended and restated revolving credit agreement provides for \$3 billion of senior unsecured revolving credit commitments and is scheduled to mature on February 6, 2031.

## 2024 Financing activities

On November 21, 2024, NXP B.V., NXP Funding LLC and NXP USA Inc. entered into definitive documentation to establish an unsecured Commercial Paper Program under which, on a joint and several basis, short-term, unsecured commercial paper notes may be issued. Amounts available under the Commercial Paper Program may be borrowed, repaid, and re-borrowed from time to time, with the aggregate principal amount of commercial paper notes outstanding under the Commercial Paper Program at any time not to exceed \$2,000 million. The net proceeds of issuances of the commercial paper notes are expected to be used for general corporate purposes.

On November 22, 2024, NXP B.V. entered into a facility agreement with the European Investment Bank, (“EIB Facility A”), which provides for a €640 million unsecured senior loan facility. The proceeds from borrowings under the EIB Facility A are expected to be used €360 million to fund the research, development and innovation of semiconductor devices, technologies and solutions in five European countries.

Certain terms and Covenants

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

The indentures governing the notes and facilities 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, 2025 and December 31, 2024 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, 2025.

## 22. Provisions

Provisions can be summarized as follows:

|                                    | 2025      |            | 2024      |            |
|------------------------------------|-----------|------------|-----------|------------|
|                                    | Long-term | Short-term | Long-term | Short-term |
| Restructuring                      | 11        | 101        | —         | 53         |
| Environmental and other provisions | 103       | 87         | 375       | 16         |
| Total                              | 114       | 188        | 375       | 69         |

### *Restructuring*

The restructuring provision covers the following:

- benefits provided to former or inactive employees after employment but before retirement, including salary continuation, supplemental unemployment benefits and disability-related benefits;
- the Company's commitment to pay employees a lump sum upon the employee's dismissal or resignation. In the event that a former employee has passed away, in certain circumstances the Company pays a lump sum to the deceased employee's relatives.

Further details with regard to restructuring liabilities are disclosed in Note 6 *Restructuring*.

### *Environmental and other provisions*

The environmental and other provisions as of December 31, 2025 include primarily provisions for environmental remediation costs of \$95 million (2024: \$95 million) as well as litigation costs totaling \$75 million (2024: \$281 million) – see also Note 28 *Contingencies*.

The changes in environmental and other provisions are as follows:

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|   | 2025  | 2024 |
|---|-------|------|
| Balance as of January 1,                        | 391   | 215  |
| Changes:  |       |      |
| Additions                                       | 30    | 202  |
| Utilizations                                    | (231) | (22) |
| Releases  | —     | (5)  |
| Effect of movements in exchange rates and other | —     | 1    |
| Balance as of December 31,                      | 190   | 391  |

Utilizations mainly relate to Motorola Personal Injury Lawsuits. See also Note 28 *Contingencies*.

## 23. Post-employment benefits

Amounts recognized in the balance sheet with regard to post-employment benefits can be summarized as follows:

|  | 2025      |            | 2024      |            |
|--|-----------|------------|-----------|------------|
|  | Long-term | Short-term | Long-term | Short-term |
| 1. Unfunded defined benefit pension plans  | (230)     | (15)       | (222)     | (11)       |
| 2. Unfunded other post-employment benefits | (1)       | —          | (1)       | —          |
| 3. Accrued pension costs-underfunded plans | (122)     | —          | (134)     | (1)        |
| Post-employment benefits - liabilities :   | (353)     | (15)       | (357)     | (12)       |
| 4. Overfunded pension plans - assets *)    | 25        | —          | 8         | —          |
| Net balance :                              | (328)     | (15)       | (350)     | (12)       |

\*) Included in prepaid pension costs as part of the other non-current assets see Note 15 *Other non-current assets*.

The sum of items 1, 3 and 4 represents our net defined benefit pension liability of \$342 million at December 31, 2025 (2024: \$360 million) for which a reconciliation from the opening balance to the closing balance is provided below.

### 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 1,566 companies and 629,500 participants 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.

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The contribution rate for the mandatory scheme will remain 27.98% in 2026; the same as in 2025.

| <b>PME multi-employer plan</b>   | <b>2025</b>  | 2024  |
|--|--------------|-------|
| NXP's contributions to the plan  | <b>40</b>    | 38    |
| (including employees' contributions)   | <b>8</b>     | 7     |
| Average number of NXP's active employees participating in the plan   | <b>2,323</b> | 2,351 |
| 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) | <b>No</b>    | No    |

The amounts included in the statement of operations for all post-employment pension plans are as follows:

|   | <b>2025</b> | 2024 |
|---|-------------|------|
| Defined benefit plans                                     | <b>23</b>   | 27   |
| Defined contribution plans excluding multi-employer plans | <b>61</b>   | 67   |
| Multi-employer plans                                      | <b>32</b>   | 31   |
|   | <b>116</b>  | 125  |

## *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.

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The following table shows a reconciliation from the opening balance to the closing balance of our net defined benefit pension liability and its components.

|   | <i>Defined benefit obligation</i> |           | <i>Fair value of plan assets</i> |             | <i>Net defined benefit liability</i> |          |
|---|-----------------------------------|-----------|----------------------------------|-------------|--------------------------------------|----------|
|   | <b>2025</b>                       | 2024      | <b>2025</b>                      | 2024        | <b>2025</b>                          | 2024     |
| Balance at January 1                          | <b>(561)</b>                      | (605)     | <b>201</b>                       | 213         | <b>(360)</b>                         | (392)    |
| <b>Included in profit or loss</b>             |                                   |           |                                  |             |                                      |          |
| Current service cost                          | <b>(10)</b>                       | (14)      |                                  |             | <b>(10)</b>                          | (14)     |
| Interest (cost) income                        | <b>(19)</b>                       | (18)      | <b>6</b>                         | 6           | <b>(13)</b>                          | (12)     |
|   | <b>(29)</b>                       | (32)      | <b>6</b>                         | 6           | <b>(23)</b>                          | (26)     |
| <b>Included in OCI</b>                        |                                   |           |                                  |             |                                      |          |
| Remeasurement (loss) gain:                    |                                   |           |                                  |             |                                      |          |
| – Actuarial (loss) gain arising from:         |                                   |           |                                  |             |                                      |          |
| - financial assumptions                       | <b>44</b>                         | 17        |                                  |             | <b>44</b>                            | 17       |
| - experience adjustment                       | <b>2</b>                          | (6)       |                                  |             | <b>2</b>                             | (6)      |
| - Return on plan assets excl. interest income |                                   |           | <b>7</b>                         | —           | <b>7</b>                             | —        |
| Effect of movements in exchange rates         | <b>(55)</b>                       | 35        | <b>17</b>                        | (15)        | <b>(38)</b>                          | 20       |
|   | <b>(9)</b>                        | 46        | <b>24</b>                        | (15)        | <b>15</b>                            | 31       |
| <b>Other</b>                                  |                                   |           |                                  |             |                                      |          |
| Contributions paid by the Company             |                                   |           | <b>26</b>                        | 26          | <b>26</b>                            | 26       |
| Benefits paid                                 | <b>26</b>                         | <b>30</b> | <b>(26)</b>                      | <b>(29)</b> | <b>—</b>                             | <b>1</b> |
| Settlement payments                           | <b>1</b>                          |           | <b>(1)</b>                       |             | <b>—</b>                             | <b>—</b> |
|   | <b>27</b>                         | 30        | <b>(1)</b>                       | (3)         | <b>26</b>                            | 27       |
| Balance at December 31,                       | <b>(572)</b>                      | (561)     | <b>230</b>                       | 201         | <b>(342)</b>                         | (360)    |

The expense of post-employment pension plans is recognized in the following line items of the consolidated statement of operations:

|  | <b>2025</b> | 2024 |
|--|-------------|------|
| Cost of revenue                              | <b>5</b>    | 6    |
| Selling, general and administrative expenses | <b>8</b>    | 8    |
| Research and development expenses            | <b>10</b>   | 13   |
| Net periodic pension cost                    | <b>23</b>   | 27   |

The weighted average assumptions used to calculate the projected benefit obligations as of December 31, were as follows:

|                                  | <b>2025</b>  | 2024  |
|----------------------------------|--------------|-------|
| Discount rate                    | <b>3.9 %</b> | 3.3 % |
| Expected rate of salary increase | <b>2.2 %</b> | 2.2 % |

At December 31, 2025 the weighted-average duration of the defined benefit obligation was 12 years (2024: 12 years).

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

The mortality tables used in the actuarial valuations of the Company's most significant plans are:

- Germany: Richttafelen 2018 G by K. Heubeck;
- Taiwan: Taiwan Standard Ordinary Mortality Table of 2021;
- Thailand: Thailand TMO 17 table; and
- Japan: Japan MHLW 2025 table.

A sensitivity analysis shows that if the discount rate increases by 1% from the level of December 31, 2025, with all other variables held constant, the defined benefit obligation would decrease by \$60 million. If the discount rate decreases by 1% from the level of December 31, 2025, with all other variables held constant, the defined benefit obligation would increase by \$73 million.

A sensitivity analysis shows that if the assumption of salary increases by 1% from the level of December 31, 2025, with all other variables held constant, the defined benefit obligation would increase by \$12 million. If the assumption of salary increase decreases by 1% from the level of December 31, 2025, with all other variables held constant, the defined benefit obligation would decrease by \$12 million.

Calculations show that in case the assumed rates of mortality decrease with 12% (equivalent to improvement of life expectancy by about 1 year) from the level of December 31, 2025, with all other variables held constant, the defined benefit obligation for our German plans would increase by \$13 million.

## *Estimated future pension benefit payments*

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

|                 |            |
|-----------------|------------|
| 2026            | <b>30</b>  |
| 2027            | <b>30</b>  |
| 2028            | <b>32</b>  |
| 2029            | <b>35</b>  |
| 2030            | <b>37</b>  |
| Years 2031-2035 | <b>203</b> |

## *Plan assets*

The actual post-employment plan asset allocation at December 31, 2025 and 2024 is as follows:

|                     | 2025       | 2024 |
|---------------------|------------|------|
| Asset Category:     |            |      |
| Equity securities   | <b>68</b>  | 55   |
| Debt securities     | <b>79</b>  | 70   |
| Insurance contracts | <b>15</b>  | 13   |
| Other               | <b>68</b>  | 63   |
|                     | <b>230</b> | 201  |

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 \$230 million include \$182 million related to the German and Japanese pension funds.

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The following table summarizes the classification of these assets.

|                     | 2025    |          |           | 2024    |          |           |
|---------------------|---------|----------|-----------|---------|----------|-----------|
|                     | Level I | Level II | Level III | Level I | Level II | Level III |
| Equity securities   | —       | 56       | —         | —       | 48       | —         |
| Debt securities     | 16      | 34       | —         | 11      | 33       | —         |
| Insurance contracts | —       | 15       | —         | —       | 13       | —         |
| Other               | 6       | 28       | 27        | 7       | 26       | 23        |
|                     | 22      | 133      | 27        | 18      | 120      | 23        |

## Cash flow 2026

The Company currently expects to make \$8 million of employer contributions to defined benefit pension plans and \$13 million of expected cash payments in relation to unfunded pension plans in 2026.

## 24. Other non-current liabilities

Other non-current liabilities are summarized as follows:

|                   | 2025 | 2024 |
|-------------------|------|------|
| Accrued expenses  | 29   | 35   |
| Income tax        | 256  | 226  |
| Lease liabilities | 238  | 248  |
| Licenses payable  | 99   | 103  |
| Other             | 10   | 9    |
|                   | 632  | 620  |

In determining the amounts of current income tax positions the Company takes into account the impact of uncertain tax positions (both current and non-current) and whether additional taxes and interest may be due - see also Note 8 *Income taxes*.

Lease liabilities are split between current and non-current as follows:

|                               | December 31, |      |
|-------------------------------|--------------|------|
|                               | 2025         | 2024 |
| Other current liabilities     | 70           | 53   |
| Other non-current liabilities | 238          | 248  |
| Total :                       | 308          | 301  |

The maturity profile of our lease liabilities as of December 31, 2025 is as follows:

|                             | Leases |
|-----------------------------|--------|
| 2026                        | 81     |
| 2027                        | 63     |
| 2028                        | 56     |
| 2029                        | 42     |
| 2030                        | 33     |
| Thereafter                  | 77     |
| Total future lease payments | 352    |
| Less imputed interest       | 44     |
| Total lease liabilities     | 308    |

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Rent expense amounted to \$15 million in 2025 (containing only services related to leased assets as well as short-term leases) compared to \$12 million in 2024.

The related Right-of-use assets are disclosed in Note 12 *Property, plant and equipment*. Payments of lease liabilities amounted to \$55 million (2024: \$57 million) - see also *Consolidated statement of cash flows*.

## 25. Accrued liabilities

Accrued liabilities can be summarized as follows:

|   | 2025       | 2024       |
|---|------------|------------|
| Personnel - Salaries and wages            | 167        | 172        |
| Personnel - Accrued vacation entitlements | 93         | 82         |
| Personnel - Other personnel               | 76         | 67         |
| Customer programs                         | 57         | 131        |
| Sales & Distribution                      | 44         | 40         |
| Purchases                                 | 13         | 31         |
| Communication & IT                        | 22         | 7          |
| Utilities, rent and other                 | 34         | 41         |
| Interest accruals                         | 102        | 88         |
| Other accrued liabilities*                | 81         | 92         |
|   | <u>689</u> | <u>751</u> |

\* Other accrued liabilities consist of various smaller items.

Certain accrued liabilities related to our distributors are offset with receivable balances from these distributors. Refer to Note 18 *Trade and other receivables*.

## 26. Other current liabilities

Other current liabilities are summarized as follows:

|                                      | 2025       | 2024       |
|--------------------------------------|------------|------------|
| Dividends payable                    | 257        | 258        |
| Lease liabilities <sup>1)</sup>      | 70         | 53         |
| Licenses payable                     | 120        | 79         |
| Social security contribution payable | 56         | 49         |
| Other short-term liabilities         | 69         | 90         |
|                                      | <u>572</u> | <u>529</u> |

1) See also Note 24 *Other non-current liabilities*

## 27. Contractual obligations

### *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, 2025, other than commitments directly with our foundry joint ventures, the Company had purchase commitments of \$3,087 million (2024: \$3,046 million), which are due through 2044.

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## *Foundry Joint Venture Commitments*

Driven by our investment in VSMC, NXP has committed to invest an additional \$969 million in equity through 2027. NXP has committed to contribute an additional \$345 million to support the long-term capacity infrastructure that is expected to be paid through 2026. In addition, NXP has an agreed purchase commitment with VSMC that over the lifetime of the factory the minimal loading will be between 80% - 90%, resulting in a total purchase commitment of approximately \$14,096 million that is expected to be purchased over 37 years once wafer production starts.

Related to our investment in ESMC, NXP has committed to invest an additional \$404 million in equity through 2029.

## **28. Contingencies**

### *Legal Proceedings*

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. The Company does not record a gain contingency until the period in which all contingencies are resolved, and the gain is realized or realizable. Legal fees are expensed when incurred.

### *Impinj Patent Litigation*

On March 13, 2024, the Company and Impinj, Inc. (“Impinj”) entered into a settlement agreement with the Company paying Impinj an immaterial cash consideration, resolving all outstanding litigation and other proceedings between the parties, with all previously pending litigation and administrative proceedings being dismissed. In addition, each party agreed to release the other party from any claims to damages or monetary relief for alleged acts of patent infringement across the various patent infringement litigations and not to file any additional action for legal or equitable relief. Prior to the settlement, Impinj had initiated a number of lawsuits alleging infringement of their IP rights by certain of our products and we initiated a lawsuit and countersuit alleging infringement of our IP rights by certain products of Impinj.

### *Motorola Personal Injury Lawsuits*

The Company has assisted Motorola in the defense of personal injury lawsuits pursuant to indemnity obligations under the agreement that separated Freescale from Motorola in 2004. At the beginning of 2025, there were lawsuits pending in the Circuit Court of Cook County, Illinois, alleging a connection between work in semiconductor manufacturing clean room facilities and birth defects in 21 individuals, with alleged exposures occurring between 1980 and 2005. During the year ended December 31, 2025, and subsequent to year end prior to the date of this report, the Company reached agreements to resolve all previously disclosed clean room cases, and there are no pending lawsuits related to these matters. Accordingly, the Company does not anticipate any further financial impact arising from these claims once settled. A portion of any indemnity due to Motorola will be reimbursed to NXP if Motorola receives an indemnification payment from its insurance coverage.

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## *Legal Proceedings Related Accruals and Insurance Coverage*

The Company 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 most current information available to it and based on its best estimate. Based on the procedures described above, the Company has an aggregate amount of \$75 million accrued for potential and current legal proceedings pending as of December 31, 2025, compared to \$281 million accrued at December 31, 2024 (without reduction for any related insurance reimbursements). The accruals are included in “Other current liabilities.” As of December 31, 2025, the Company’s balance related to insurance reimbursements was \$56 million (December 31, 2024: \$259 million) and is included in “Other 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. Given that the known pending legal proceedings with a potentially material aggregate exposure of possible losses were either settled during the year ended December 31, 2025, or subsequent to year end prior to the date of this report, the Company does not reasonably anticipate any additional potential aggregate exposure of possible loss in excess of the amount accrued.

## *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 legacy 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. Some specific 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 a contributor or responsible party for environmental contamination.

Soil and groundwater contamination has been identified at our property near Phoenix, Arizona, United States. The remediation processes at this location are expected to continue for many years. As of December 31, 2025, we have recorded \$95 million (2024: \$95 million) for environmental remediation costs, which are primarily included in *Long-term provisions* in the accompanying consolidated balance sheet. This amount was determined as the higher of the amount that would be recognized in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the fair value amount recognized at the acquisition date; with regard to the 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.

## *Other*

The fully consolidated subsidiary TTTech Auto Germany GmbH made use of the exemption under section 264(3) of the German Commercial Code and therefore did not have its statutory financial statements for 2025 audited or published.

## **29. Related-party transactions**

The Company’s related parties are the members of the board of directors of NXP Semiconductors N.V., the members of the management team of NXP Semiconductors N.V., equity-accounted investees and post-employment benefit plans.

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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:

|                                | 2025 | 2024 |
|--------------------------------|------|------|
| Revenue and other income       | 3    | 4    |
| Purchase of goods and services | 2    | 4    |

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

|             | 2025 | 2024 |
|-------------|------|------|
| Receivables | 1    | 1    |
| Payables    | 3    | 3    |

Driven by our investment in VSMC, NXP has committed to contribute \$1,200 million to support the long-term capacity infrastructure, and in exchange NXP secures a capacity commitment over the lifetime of the factory. As of December 31, 2025, NXP has contributed \$855 million (December 31, 2024: \$275 million), which is recorded in other non-current assets.

Refer to Note 9- Equity accounted investees for information on the total carrying value of investments in equity-accounted investees, and to Note 27 - Commitments and Contingencies for NXP's related party commitments.

For transactions with post-employment benefit plans we refer to Note 23 *Post-employment benefits*. For disclosures of transactions with key management personnel we refer to Note 31 *Information on remuneration board of directors*.

### 30. Share-based compensation

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

|                                     | 2025       | 2024       |
|-------------------------------------|------------|------------|
| Cost of revenue                     | 59         | 60         |
| Research and development            | 235        | 237        |
| Selling, general and administrative | 165        | 173        |
|                                     | <b>459</b> | <b>471</b> |

#### *Long Term Incentive Plan (LTIP)*

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. 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, 2025 was 14.4 million.

A charge of \$447 million was recorded in 2025 for the LTIP (2024: \$458 million). A summary of the activity for our LTIP’s during 2025 and 2024 is presented below.

# Group Financial Statements

## Stock options

|                             | 2025          |  | 2024          |  |
|-----------------------------|---------------|--|---------------|--|
|                             | Stock options | Weighted average exercise price in USD | Stock options | Weighted average exercise price in USD |
| Outstanding at January 1,   | 143,867       | 74.01                                  | 255,579       | 70.71                                  |
| Granted                     | —             |  | —             |  |
| Exercised                   | 126,121       | 73.74                                  | 111,712       | 66.46                                  |
| Forfeited                   | 2,370         | 73.00                                  | —             |  |
| Outstanding at December 31, | 15,376        | 76.31                                  | 143,867       | 74.01                                  |
| Exercisable at December 31, | 15,376        | 76.31                                  | 143,867       | 74.01                                  |

No options were granted in 2025 and 2024. The intrinsic value of the exercised options was \$18 million (2024: \$21 million), whereas the amount received by NXP was \$9 million (2024: \$7 million).

The weighted average share price at the date of exercise for share options exercised in 2025 was \$218.51 (2024: \$250.67). For stock options outstanding at the end of the reporting period the range of the exercise prices was USD 73.00 to USD 86.25. The weighted average contractual life is 0.1 years.

At December 31, 2025, there were no (2024: none) unrecognized compensation cost related to non-vested stock options.

## Performance share units - Market performance conditions

The Company grants PSU awards to certain executives of the Company with a performance measure of Relative Total Shareholder Return (“Relative TSR”). Each PSU, which generally 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 fair value of the PSUs is calculated using a Monte Carlo valuation model, utilizing assumptions underlying the Black-Scholes methodology:

| PSU grant assumptions      | 2025   | 2024   |
|----------------------------|--------|--------|
| Expected life (years)      | 3      | 3      |
| Risk-free interest rate    | 3.47%  | 4.07%  |
| Dividend yield             | 1.9%   | 1.8%   |
| NXP share price volatility | 39%    | 39%    |
| Initial TSR                | (3.5)% | (5.7)% |

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|  | 2025      |   | 2024     |   |
|--|-----------|---|----------|---|
|  | Shares    | Weighted average grant date fair value in USD | Shares   | Weighted average grant date fair value in USD |
| Outstanding at January 1,                  | 970,348   | 218.85  | 900,168  | 214.60  |
| Granted                                    | 255,721   | 236.69  | 300,108  | 258.20  |
| Performance based adjustment <sup>1)</sup> | (167,034) | 188.49  | (50,788) | 256.79  |
| Vested                                     | 166,929   | 188.64  | 214,458  | 256.79  |
| Forfeited                                  | 158,068   | 234.25  | 66,258   | 245.72  |
| Outstanding at December 31,                | 734,038   | 235.53  | 970,348  | 218.85  |

1) The amount shown represents performance adjustments for performance-based awards granted on November 1, 2022. These units vested at 50.00% during 2025 based on the achievement of Relative TSR performance conditions.

In 2025 The fair value of the performance share units at the time of vesting was \$34 million (2024: \$38 million). At December 31, 2025, there was a total of \$97 million (2024: \$118 million) of unrecognized compensation cost related to non-vested performance share units based on market conditions. This cost is expected to be recognized over a weighted-average period of 2.2 years (2024: 1.8 years).

## Restricted share units

|                             | 2025      |   | 2024      |   |
|-----------------------------|-----------|---|-----------|---|
|                             | Shares    | Weighted average grant date fair value in USD | Shares    | Weighted average grant date fair value in USD |
| Outstanding at January 1,   | 4,411,640 | 190.76  | 4,861,516 | 169.36  |
| Granted                     | 1,982,993 | 205.23  | 2,013,506 | 218.60  |
| Vested                      | 2,226,724 | 178.97  | 2,240,497 | 171.38  |
| Forfeited                   | 309,920   | 195.23  | 222,885   | 170.31  |
| Outstanding at December 31, | 3,857,989 | 204.64  | 4,411,640 | 190.76  |

The weighted average grant date fair value of restricted share units granted in 2025 was \$205.23 (2024: \$218.60). The fair value of the restricted share units at the time of vesting was \$461 million (2024: \$526 million).

At December 31, 2025, there was a total of \$488 million (2024: \$513 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 1.7 years (2024: 1.4 years).

## 31. Information on remuneration board of directors

In accordance with Dutch law, our shareholders have adopted a compensation policy for the board of directors. The remuneration of our non-executive directors is determined at the general meeting of shareholders and the remuneration of our executive directors is resolved upon by our board of directors, with due observance of our compensation policy. Our chief executive officer is our only executive director. The executive director does not participate in the discussions of our board of directors on his compensation, nor does the chief executive officer vote on such a matter. To the extent the stockholders at a future shareholders meeting do not adopt the proposal

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of the board, the board must prepare a new proposal. After adoption of a proposal, only subsequent amendments will require shareholders approval.

## *Compensation Policy and Objectives*

We operate globally and our executives are located in multiple countries. As a result, our pay philosophy considers both the overall importance of consistency across the world and specific competitive pay practices in the local country where our executive talent resides. Our overarching pay strategy is to: pay for performance-delivering highly competitive overall pay for market leading performance.

Our executive compensation program is designed to:

- Reward short and long-term strategic goal delivery which aligns to stakeholder interests, including those of our shareholders, customers, team members, suppliers, as well as local and international communities where we operate
- Enable NXP to attract, retain, motivate and grow highly qualified talent with competitive and comprehensive programs
- Reward both collective and individual performance
- Ensure fiscally sound practices while maximizing the value of the various compensation programs to individuals and NXP
- Align to and reward demonstration of our values in support of our strong culture
- Focus our innovations and rewards on our leading business strategy

Overall, our compensation programs are competitive in the marketplace and highly incentive-based, with a majority of compensation at-risk which can be earned via our short and long term incentive programs based on overall Company performance.

Our executive compensation package therefore includes a significant variable part, consisting of an annual cash incentive, restricted stock units and performance-based restricted stock units. Performance targets are determined at the beginning of the performance period, and assessed once the financial performance of the performance period is known by, respectively, our Human Resources and Compensation Committee, our executive director or the other members of our management team. The compensation package for our board of directors, including our chief executive officer, the other members of our management team and our key employees is benchmarked on a regular basis against other companies in the high-tech and semiconductors industry.

## *Shareowner Engagement and Results of 2025 Advisory Vote on Executive Compensation*

At our annual general meeting of shareholders held on June 11, 2025 (2025 AGM), we received approximately 94% of the votes in favor of the proposal to approve the compensation of our named executive officers ("NEOs"), on a non-binding, advisory basis. We recognize the importance of engaging with our shareholders to ensure that we understand their perspectives about our compensation philosophy and program design in maintaining our high shareholder support. Our investor outreach efforts were aimed at supporting two major goals. First, we maintained a consistent, proactive and timely engagement with current and potential shareholders to present our long-term strategy, the tangible proof points and measurement of our execution and our resulting financial performance. These engagements are undertaken throughout the year by a combination of our CEO, CFO and other executives. Second, we facilitated on-going dialogue with the governance and stewardship groups of our major shareholders. These discussions focused on our executive leadership changes, company management oversight, corporate governance, human capital management and sustainability topics.

## *Base Salary*

Base salary represents annual fixed compensation and is a foundational element of our executive compensation program necessary to attract and retain talent. The Human Resources and Compensation Committee ("HRCC") reviews and approves our executive director's and other NEOs base salary after assessing the following:

- An individual's role, performance and contributions, experience, leadership abilities and internal equity considerations relative to other executives with similar level roles and responsibilities;
- The competitive landscape, including the compensation practices of the companies in our Peer Group, and where appropriate, survey data from a broader index of comparable public companies; and
- Our business strategy and compensation philosophy.

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After thoughtful consideration of these factors, the HRCC approved base salary increases of Management Team member Rafael Sotomayor from \$570,000 to \$800,000 in connection with his appointment as President on April 28, 2025, and subsequently approved an increase to \$1,050,000 upon his appointment as President and Chief Executive Officer on October 28, 2025.

During 2025, we paid the chair of our board of directors an annual fixed fee of €275,000 and the other members of our Board of Directors an annual fixed fee of \$100,000. Members of the Audit Committee received an additional annual fixed fee of \$25,000, members of the HRCC received an additional annual fixed fee of \$20,000, and members of the Nominating, Governance & Sustainability Committee received an additional annual fixed fee of \$15,000. The Chair of each committee received an additional annual fixed fee of \$15,000.

Detailed information on the 2025 compensation for Messrs. Sotomayor, Betz and the additional three most highly compensated executive officers of the Company will be described in the proxy statement pursuant to Section 14(a) of the U.S. Securities Exchange Act of 1934 in advance of the next Annual General Meeting.

## *Annual Incentive*

Our chief executive officer, the other NEO's and members of our management team and our other key employees can qualify to earn a variable cash incentive under the Annual Incentive Plan ("AIP"), subject to whether certain specific and challenging performance targets have been met. The AIP focuses on the financial performance metrics revenue and adjusted gross margin targets, which are critical to NXP's success. These are measured on a six-month performance period. Starting in 2022 a nonfinancial performance component was added which is focused on nonfinancial people and sustainability goals and measured on an annual basis. The nonfinancial component is in the form of a scorecard which contains multiple metrics and targets that support measurable year-on-year progress towards our long-term environmental, people, and innovation related aspirations. The financial metrics and goals and their associated performance ranges are established by the HRCC near the start of each six-month performance period. The nonfinancial goals and associated performance ranges are approved by the HRCC near the start of the annual performance period. The HRCC also reviews and approves the AIP program and targets taking into consideration:

- Each executive officer's role, experience and expected contributions
- The competitive market for determining targets as a percentage of base salary
- The measures that best reflect the Company's short-term strategy and performance expectations in the fiscal year and their alignment to stakeholder interests

For Mr. Sotomayor, the 2025 AIP target was set at 170% of his base salary as approved by the HRCC as part of the President and CEO total compensation package. The maximum annual incentive opportunity is equal to 200% of the at target incentive opportunity. For our NEOs including our CEO, 2025 AIP cash incentive cash payouts will be made in the second quarter 2026 after the HRCC certifies the results of the 2H 2025 Performance Period against the pre-established metrics and approves the AIP payments in relation to agreed targets. Results of the 1H 2025 Performance Period were previously approved in July.

For 2025, Mr. Sotomayor's annual AIP realization is comprised of five equally weighted components and is the average of the following measure realizations: 1H revenue at 0%; 1H adjusted gross margin at 0%, 2H revenue at 87%; 2H adjusted gross margin at 66.9%; and the nonfinancial scorecard performance at 0%; making the annual AIP 2025 payout factor 30.8%. The HRCC determines Mr. Sotomayor's annual cash payment by multiplying the annual AIP 2025 payout factor by his base salary as of December 31, 2025 and his individual AIP target. The amount they have approved is \$549,780 and thus this amount has been accrued as an annual incentive cash payment for our chief executive officer for our performance in 2025. For 2024, based on our performance in previous years for former CEO Kurt Sievers, an annual bonus of €1,266,188 (\$1,368,876) was earned in 2024.

## *Share Based Compensation Plans*

The purpose of our share based compensation plans is to align the interests of directors and management with those of our shareholders by providing additional incentives to improve our medium and long term performance, by offering the participants an opportunity to share in the success of NXP.

Since 2010, we have maintained annual Long Term Incentive Plans, under which performance stock, restricted stock and/or stock options were granted to the members of our board of directors, NEOs, management team, our other executives, selected other key employees/talents of NXP and selected new hires. Under these Long Term

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Incentive Plans, equity incentives may be granted on, or the first full Nasdaq trading day after NXP publishes its quarterly financials.

Performance stock units and restricted stock units vest over a period of one to three years, subject to relevant performance criteria being met in the case of performance stock units, and stock options vest over four years. Since 2016, no stock options have been granted anymore. In the annual general meeting of shareholders held in June 2019, our shareholders approved the 2019 Omnibus Incentive Plan which provides for parameters of cash and equity-based incentive awards for employees including our chief executive officer, the other members of the board of directors and our management team.

Since this 2019 Omnibus Incentive Plan, restrictive stock units granted to the non-executive directors in our board vest on the earlier of the first anniversary of the Date of Grant or the date of the next annual general meeting. As of July 26, 2018, we granted performance stock units (“PSU’s”) awards to our executive director and other executives 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 final number of PSUs earned will be capped at 100% of target if NXP’s total shareholder return for the performance period is negative, regardless of the Company’s relative performance compared to the peer group. 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 of resulting from a significant reduction in either the nature or scope of duties and responsibilities, a reduction in compensation or a required relocation.

As of December 31, 2025, under the above equity plans, a total amount of 15,376 stock options, 734,038 performance stock units and 3,857,989 restricted stock units were outstanding, in total representing 4,607,403 shares of common stock.

Shares to be delivered under any equity program may be newly issued, for up to 10% of our share capital, or they may come out of treasury stock or be purchased from time to time upon the decision of our board of directors.

As of December 31, 2025, the following stock options, restricted stock, performance stock and shares of common stock were outstanding with members of our board of directors:

## Rafael Sotomayor, CEO

As of December 31, 2025, our chief executive officer held 10,551 shares of common stock and had been granted the following unvested stock options, restricted stock units and performance stock units, which were outstanding:

| Series       | Number of Restricted Stock Units | Number of Restricted Stock Units per vesting schedule |          |          |
|--------------|----------------------------------|---|----------|----------|
|              |                                  | 10/28/26  | 10/28/27 | 10/28/28 |
| 2025/October | 14,792                           | 4,930   | 4,930    | 4,932    |

| Series     | Number of Restricted Stock Units | Number of Restricted Stock Units per vesting schedule |          |          |
|------------|----------------------------------|---|----------|----------|
|            |                                  | 04/29/26  | 04/29/27 | 04/29/28 |
| 2025/April | 3,286                            | 1,095   | 1,095    | 1,096    |

| Series        | Number of Restricted Stock Units | Number of Restricted Stock Units per vesting schedule |          |
|---------------|----------------------------------|---|----------|
|               |                                  | 11/05/26  | 11/05/27 |
| 2024/November | 3,116                            | 1,558   | 1,558    |

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| Series        | Number of Restricted Stock Units | 11/07/26 |
|---------------|----------------------------------|----------|
| 2023/November | 1,616                            | 1,616    |

| Series        | Number of Performance Stock Units | Number of Performance Stock Units per vesting schedule<br>Maximum 200% pay-out<br>10/25/2028 |
|---------------|-----------------------------------|--|
| 2025/November | 34,514                            | 69,028   |

| Series        | Number of Performance Stock Units | Number of Performance Stock Units per vesting schedule<br>Maximum 200% pay-out<br>11/5/2027 |
|---------------|-----------------------------------|---|
| 2024/November | 18,573                            | 37,146  |

| Series        | Number of Performance Stock Units | Number of Performance Stock Units per vesting schedule<br>Maximum 200% pay-out<br>11/7/2026 |
|---------------|-----------------------------------|---|
| 2023/November | 11,303                            | 22,606  |

## Other members of our board of directors

As of December 31, 2025, the other members of our board of directors held the following number of shares of common stock:

- Ms. Clayton: 3,008 from vested stock units
- Mr. Foxx: 3,008 from vested stock units
- Mr. Gavriellov 1,199 from vested stock units
- Mr. Gu: 2,296 from vested stock units
- Mrs. Olving: 3,965 from vested stock units
- Ms. Southern: 11,937 from vested stock units and acquisitions in the open market
- Mrs. Staiblin: 6,509 from vested stock units and acquisitions in the open market
- Mr. Summe: 8,123 from vested stock units and acquisitions in the open market
- Mr. Sundström: 3,970 from vested stock units

To each of the non-executive members of our board of directors, the following restricted stock units had been granted and were outstanding as of December 31, 2025:

| Series     | Number of Restricted Stock Units | Number of Stock Units per vesting schedule<br>2026 AGM |
|------------|----------------------------------|--|
| 2025 /June | 1,035                            | 1,035  |

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## *Additional Arrangements*

In connection with Mr. Sotomayor's appointment as President effective April 28, 2025, Mr. Sotomayor and the Company entered into a management agreement (the "Sotomayor Management Agreement") and NXP USA, Inc., a wholly owned indirect subsidiary of the Company, and Mr. Sotomayor entered into an employment agreement (the "Sotomayor Employment Agreement" and together with the Management Agreement, are the "Sotomayor CEO Agreements"). Copies of these agreements can be found on Form 8-K filed by the Company on April 28, 2025.

The Sotomayor Management Agreement provides for the appointment of Mr. Sotomayor as President effective April 28, 2025, and as CEO and temporary executive director of the Company as of the retirement of Mr. Sievers on October 28, 2025. Under the Sotomayor Management Agreement, Mr. Sotomayor receives an annual gross fixed cash fee for his service as executive director (including his service as temporary executive director) according to such amounts as may be determined by the HRCC. The Sotomayor Employment Agreement outlines the terms and conditions of Mr. Sotomayor's employment including his base salary, annual incentive target and participation in certain benefits plans, policies and programs applicable to other NXP executives and officers. Considering Mr. Sotomayor's tenure—he has been employed at NXP since 2014—and other relevant competitive market practice, the HRCC determined to provide in the Sotomayor Employment Agreement that in the event that Mr. Sotomayor's employment is terminated at the initiative of the Company and other than for cause, Mr. Sotomayor will be entitled to a severance amount of two times the gross annual base salary and a pro-rata payment of the annual cash bonus, depending on achievement of the pay-out conditions and the period in which Mr. Sotomayor has performed actual work for the Company. Mr. Sotomayor is subject to non-competition provisions that remain in effect for a period of one year following the termination of the Employment Agreement. Mr. Sotomayor is also subject to the change in control policy, which states that in the event Mr. Sievers' employment is terminated within twelve months following a change of control or if Mr. Sotomayor resigns for "good reason" within twelve months following a change of control, in either case not under certain conditions involving misconduct, then Mr. Sotomayor is entitled to the change of control arrangements approved from time to time by the Company's HRCC. The main elements of any new employment contract that we will enter into with a member of the board of directors will be made public no later than the date of the public notice convening the general meeting of stockholders at which the appointment of such member of the board of directors will be proposed. Non-executive directors of our board do not have a contract of employment.

In addition to the main conditions of employment, a number of additional arrangements apply to our chief executive officer; these arrangements do not apply to the non-executive members of our board of directors. These additional arrangements, such as medical insurance, accident insurance, company car arrangements, are broadly in line with those for the NXP executives globally. In the event of disablement, our chief executive officer is entitled to benefits in line with those for other NXP executives. In the event of our chief executive officer's death while in the service of NXP, any unvested equity awards (including any performance stock units and restricted stock units) will vest. In line with regulatory requirements, the Company's policy forbids personal loans, guarantees or similar arrangements to members of our board, and consequently no loans, guarantees or similar arrangements were granted to such members since 2010, nor were any such loans outstanding as of December 31, 2025.

In connection with Mr. Sievers' notice of his voluntary retirement as CEO and executive director, Mr. Sievers, the Company and NXP Semiconductors Germany GmbH entered into a retirement agreement (the "Retirement Agreement") to amend the Sievers CEO Agreements and his existing employment agreement. Under the Retirement Agreement, upon Mr. Sievers' retirement from the role of CEO and executive director on October 28, 2025, he served as strategic advisor to the Company's Chief Executive Officer until December 31, 2025. Mr. Sievers' then current salary and benefits continued through December 31, 2025. His outstanding equity awards continued vesting through December 31, 2025, and he is fully eligible for the 2025 annual incentive program bonus payment (to be paid in 2026), subject to the achievement of applicable performance metrics. No other payments or compensation are due by the Company to Mr. Sievers. A copy of the Retirement Agreement can be found on the Current Report of the Company on Form 8-K filed by the Company on April 28, 2025.

Unless the law provides otherwise, the members of our board of directors are expected to be reimbursed by us for various costs and expenses, such as reasonable costs of defending claims, as formalized in the articles of association. Under certain circumstances, described in the articles of association, such as an act or failure to act by a member of our board of directors that can be characterized as intentional (*opzettelijk*), intentionally reckless

# Group Financial Statements

(*bewust roekeloos*) or seriously culpable (*ernstig verwijtbaar*), there will be no entitlement to this reimbursement.

## *Pensions*

Mr. Sotomayor does not participate in any company-sponsored pension plan.

## *Summary Compensation Table – key management remuneration*

The following table summarizes the total compensation paid to our chief executive officer and to each member of our board of directors, in each of the years presented. Any amounts that are paid to individuals in Euros are presented in U.S. dollars, where the average exchange rate for the year was used for conversion. In connection with the disclosure requirements of IAS 24 *Related Party Disclosures*, we consider the board of directors as our key management personnel.

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| Name and Principal Position   | Year    | Salary    | Non-equity Incentive Plan Compensation | Performance and Restricted Share Units | Stock Options | Cost of Share and Option Awards | Other Compensation, Pension Costs, Pension Allowances | Total Costs |
|---|---------|-----------|--|--|---------------|---------------------------------|---|-------------|
|   |         | (\$)      | (\$ 1)                                 | (# 2)                                  | (# 3)         | (\$ 4)                          | (\$ 5)  | (\$ 4)      |
| <b>Rafael Sotomayor</b><br>Executive director,<br>President and CEO           | 2025 6) | 770,795   | 549,780                                | 60,259                                 | —             | 4,582,833                       | 31,958  | 5,935,366   |
| <b>Kurt Sievers</b><br>former executive director,<br>President and CEO        | 2025 7) | 1,363,718 | 714,043                                | —                                      | —             | 908,887                         | 1,263,952   | 4,250,600   |
|   | 2024 7) | 1,262,863 | 1,368,876                              | 73,003                                 | —             | 16,454,812                      | 112,549   | 19,199,100  |
|   | 2023 7) | 1,192,923 | 2,535,040                              | 82,886                                 | —             | 15,194,852                      | 543,239   | 19,466,054  |
| <b>Sir Peter Bonfield</b><br>former non-executive<br>director and board chair | 2025    | —         | —                                      | —                                      | —             | —                               | —   | —           |
|   | 2024    | —         | —                                      | —                                      | —             | —                               | —   | —           |
|   | 2023 8) | 130,414   | —                                      | —                                      | —             | 156,209                         | —   | 286,623     |
| <b>Annette Clayton</b><br>Non-executive director                              | 2025    | 130,000   | —                                      | 1,035                                  | —             | 214,644                         | —   | 344,644     |
|   | 2024    | 123,871   | —                                      | 822                                    | —             | 288,509                         | —   | 412,380     |
|   | 2023    | 107,875   | —                                      | 1,211                                  | —             | 212,097                         | —   | 319,972     |
| <b>Anthony Foxx</b><br>Non-executive director                                 | 2025    | 130,000   | —                                      | 1,035                                  | —             | 214,644                         | —   | 344,644     |
|   | 2024    | 123,871   | —                                      | 822                                    | —             | 288,509                         | —   | 412,380     |
|   | 2023    | 107,875   | —                                      | 1,211                                  | —             | 212,097                         | —   | 319,972     |
| <b>Moshe Gavrielov</b><br>Non-executive director                              | 2025    | 130,000   | —                                      | 1,035                                  | —             | 214,644                         | —   | 344,644     |
|   | 2024    | 123,871   | —                                      | 822                                    | —             | 288,509                         | —   | 412,380     |
|   | 2023 9) | 67,161    | —                                      | 1,211                                  | —             | 55,887                          | 1,003   | 124,051     |
| <b>Chunyuan Gu</b><br>Non-executive director                                  | 2025    | 115,000   | —                                      | 1,035                                  | —             | 214,644                         | —   | 329,644     |
|   | 2024    | 108,871   | —                                      | 822                                    | —             | 288,509                         | —   | 397,380     |
|   | 2023    | 100,000   | —                                      | 1,211                                  | —             | 212,097                         | —   | 312,097     |
| <b>Lena Olving</b><br>Non-executive director                                  | 2025    | 115,000   | —                                      | 1,035                                  | —             | 214,644                         | —   | 329,644     |
|   | 2024    | 108,871   | —                                      | 822                                    | —             | 288,509                         | —   | 397,380     |
|   | 2023    | 100,000   | —                                      | 1,211                                  | —             | 212,097                         | —   | 312,097     |
| <b>Julie Southern</b><br>Non-executive director<br>and board chair            | 2025    | 324,155   | —                                      | 1,035                                  | —             | 214,644                         | —   | 538,799     |
|   | 2024    | 312,303   | —                                      | 822                                    | —             | 288,509                         | —   | 600,812     |
|   | 2023    | 235,833   | —                                      | 1,211                                  | —             | 212,097                         | —   | 447,930     |
| <b>Jasmin Staiblin</b><br>Non-executive director                              | 2025    | 115,000   | —                                      | 1,035                                  | —             | 214,644                         | —   | 329,644     |
|   | 2024    | 108,871   | —                                      | 822                                    | —             | 288,509                         | —   | 397,380     |
|   | 2023    | 100,000   | —                                      | 1,211                                  | —             | 212,097                         | —   | 312,097     |
| <b>Gregory L. Summe</b><br>Non-executive director                             | 2025    | 150,000   | —                                      | 1,035                                  | —             | 214,644                         | —   | 364,644     |
|   | 2024    | 141,828   | —                                      | 822                                    | —             | 288,509                         | —   | 430,337     |
|   | 2023    | 122,875   | —                                      | 1,211                                  | —             | 212,097                         | —   | 334,972     |
| <b>Karl-Henrik Sundström</b><br>Non-executive director                        | 2025    | 155,000   | —                                      | 1,035                                  | —             | 214,644                         | —   | 369,644     |
|   | 2024    | 144,785   | —                                      | 822                                    | —             | 288,509                         | —   | 433,294     |
|   | 2023    | 130,000   | —                                      | 1,211                                  | —             | 212,097                         | —   | 342,097     |
| <b>Total</b>  | 2025    | 3,498,668 | 1,263,823                              | —                                      | —             | 7,423,518                       | 1,295,910   | 13,481,919  |
|   | 2024    | 2,560,005 | 1,368,876                              | —                                      | —             | 19,051,394                      | 112,549   | 23,092,824  |
|   | 2023    | 2,394,956 | 2,535,040                              | —                                      | —             | 17,103,721                      | 544,242   | 22,577,959  |

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- 1) The annual incentive amount is related to the performance in the year reported, which is then paid to the individual in the subsequent year. The amounts reported are the amounts that have been accrued as annual incentive bonus for our chief executive officer for our performance in the respective years.
- 2) Represents the number of Performance and Restricted share units granted to the individual in the year reported. See also Note 30 Share-based Compensation for additional information regarding our long-term incentive plans.
- 3) Represents the number of Stock Options granted to the individual in the year reported. See also Note 30 Share-based Compensation for additional information regarding our long-term incentive plans.
- 4) Amounts reflect the costs of Performance and Restricted share units and Stock Options in accordance with IFRS 2 *Share-based Payment*. These amounts do not represent the actual amounts paid to or realized by the individuals in the year reported, but represent amounts charged to the income of the year.
- 5) The amounts for Mr. Sotomayor consists of the value of other benefits received. The amounts for Mr. Sievers consist of the year over year change of pension value (2025: \$1,006,223, 2024: 0, 2023: \$420,849) and the value of other benefits that Mr. Sievers receives (2025: \$257,729, 2024: \$112,549, 2023: \$122,390).
- 6) In 2025, Mr. Sotomayor received no performance share units that had financial performance conditions, 42,181 performance share units that had market performance conditions and 18,078 restricted share units.
- 7) Certain amounts payable to Mr. Sievers were paid in euros, including his annual salary. The exchange rate used for the purpose of the table above is the average monthly rates for the full year: (i) 1.1242 for 2025, (ii) 1.0811 for 2024, and (iii) 1.0829 for 2023.
- 8) The term of director expired at the annual meeting of shareholders on May 24, 2023 for Sir Peter Bonfield. He did not stand for re-election to the board of directors and resigned as chair.
- 9) Mr. Gavriellov was appointed as non-executive director effective May 24, 2023.

The tables below give an overview of the vesting of performance shares, restricted shares and stock options held by the members of the board of directors.

## *Performance shares (holdings) in number of shares and US\$ - 2025*

|                  | 1-Jan-25 | Awarded 2025 | Grant Date Share Price | Vested in 2025 | Vesting dates in 2025 | Vesting Date Share price | Vesting in 2026 or later |
|------------------|----------|--------------|------------------------|----------------|-----------------------|--------------------------|--------------------------|
| Rafael Sotomayor | 11,064   |              |                        | 5,532          | Nov 10, 2025          | 204.56                   |                          |
|                  | 11,303   |              |                        |                |                       |                          | 11,303                   |
|                  | 10,906   |              |                        |                |                       |                          | 10,906                   |
|                  |          | 7,667        | 182.62                 |                |                       |                          | 7,667                    |
|                  |          | 34,514       | 212.96                 |                |                       |                          | 34,514                   |

\*The amount shown represents performance adjustments for the performance-based award granted on November 1, 2022. These units vested at 50.00% during 2025 based on the achievement of relative TSR performance conditions.

## *Performance shares (holdings) in number of shares and US\$ - 2024*

The below table reflects the performance shares as per the end of financial year 2024.

|              | 1-Jan-24 | Awarded 2024 | Grant Date Share Price | Vested in 2024 | Vesting dates in 2024 | Vesting Date Share price | Vesting in 2025 or later |
|--------------|----------|--------------|------------------------|----------------|-----------------------|--------------------------|--------------------------|
| Kurt Sievers | 47,444   |              |                        | 36,209*        | Nov 11, 2024          | 233.89                   |                          |
|              | 68,226   |              |                        |                |                       |                          | 68,226                   |
|              | 58,020   |              |                        |                |                       |                          | 58,020                   |
|              |          | 51,102       | 224.65                 |                |                       |                          | 51,102                   |

\*The amount shown represents performance adjustments for the performance-based award granted on November 2, 2021. These units vested at 76.32% during 2024 based on the achievement of relative TSR performance conditions.

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*Restricted shares (holdings) in number of shares and US\$ - 2025*

|                       | 1-Jan-25 | Awarded 2025 | Grant Date Share Price | Vested in 2025 | Vesting Date Share Price | Vesting date | Vesting in 2026 or later |
|-----------------------|----------|--------------|------------------------|----------------|--------------------------|--------------|--------------------------|
| Rafael Sotomayor      | 1,582    |              |                        | 1,582          | 209.12                   | Nov 1, 2025  |                          |
|                       | 3,230    |              |                        | 1,614          | 206.45                   | Nov 7, 2025  | 1,616                    |
|                       | 4,674    |              |                        | 1,558          | 204.42                   | Nov 5, 2025  | 3,116                    |
|                       |          | 3,286        | 182.62                 |                |                          |              | 3,286                    |
|                       |          | 14,792       | 212.96                 |                |                          |              | 14,792                   |
| Annette Clayton       | 822      |              |                        | 822            | 196.21                   | May 29, 2025 |                          |
|                       |          | 1,035        | 217.41                 |                |                          |              | 1,035                    |
| Anthony Foxx          | 822      |              |                        | 822            | 196.21                   | May 29, 2025 |                          |
|                       |          | 1,035        | 217.41                 |                |                          |              | 1,035                    |
| Moshe Gavriellov      | 822      |              |                        | 822            | 196.21                   | May 29, 2025 |                          |
|                       |          | 1,035        | 217.41                 |                |                          |              | 1,035                    |
| Chunyuan Gu           | 822      |              |                        | 822            | 196.21                   | May 29, 2025 |                          |
|                       |          | 1,035        | 217.41                 |                |                          |              | 1,035                    |
| Lena Olving           | 822      |              |                        | 822            | 196.21                   | May 29, 2025 |                          |
|                       |          | 1,035        | 217.41                 |                |                          |              | 1,035                    |
| Julie Southern        | 822      |              |                        | 822            | 196.21                   | May 29, 2025 |                          |
|                       |          | 1,035        | 217.41                 |                |                          |              | 1,035                    |
| Jasmin Staiblin       | 822      |              |                        | 822            | 196.21                   | May 29, 2025 |                          |
|                       |          | 1,035        | 217.41                 |                |                          |              | 1,035                    |
| Gregory Summe         | 822      |              |                        | 822            | 196.21                   | May 29, 2025 |                          |
|                       |          | 1,035        | 217.41                 |                |                          |              | 1,035                    |
| Karl-Henrik Sundström | 822      |              |                        | 822            | 196.21                   | May 29, 2025 |                          |
|                       |          | 1,035        | 217.41                 |                |                          |              | 1,035                    |

*Restricted shares (holdings) in number of shares and US\$ - 2024*

The below table reflects the restricted shares as per the end of financial year 2024

|                       | 1-Jan-24 | Awarded 2024 | Grant Date Share Price | Vested in 2024 | Vesting Date Share Price | Vesting date | Vesting in 2025 or later |
|-----------------------|----------|--------------|------------------------|----------------|--------------------------|--------------|--------------------------|
| Kurt Sievers          | 6,778    |              |                        | 6,778          | 238.59                   | Nov 2, 2024  |                          |
|                       | 19,494   |              |                        | 9,746          | 234.50                   | Nov 1, 2024  | 9,748                    |
|                       | 24,866   |              |                        | 8,288          | 231.38                   | Nov 7, 2024  | 16,578                   |
|                       |          | 21,901       | 224.65                 |                |                          |              | 21,901                   |
| Annette Clayton       | 1,211    |              |                        | 1,211          | 279.63                   | May 29, 2024 |                          |
|                       |          | 822          | 273.83                 |                |                          |              | 822                      |
| Anthony Foxx          | 1,211    |              |                        | 1,211          | 279.63                   | May 29, 2024 |                          |
|                       |          | 822          | 273.83                 |                |                          |              | 822                      |
| Moshe Gavriellov      | 1,211    |              |                        | 1,211          | 279.63                   | May 29, 2024 |                          |
|                       |          | 822          | 273.83                 |                |                          |              | 822                      |
| Chunyuan Gu           | 1,211    |              |                        | 1,211          | 279.63                   | May 29, 2024 |                          |
|                       |          | 822          | 273.83                 |                |                          |              | 822                      |
| Lena Olving           | 1,211    |              |                        | 1,211          | 279.63                   | May 29, 2024 |                          |
|                       |          | 822          | 273.83                 |                |                          |              | 822                      |
| Julie Southern        | 1,211    |              |                        | 1,211          | 279.63                   | May 29, 2024 |                          |
|                       |          | 822          | 273.83                 |                |                          |              | 822                      |
| Jasmin Staiblin       | 1,211    |              |                        | 1,211          | 279.63                   | May 29, 2024 |                          |
|                       |          | 822          | 273.83                 |                |                          |              | 822                      |
| Gregory Summe         | 1,211    |              |                        | 1,211          | 279.63                   | May 29, 2024 |                          |
|                       |          | 822          | 273.83                 |                |                          |              | 822                      |
| Karl-Henrik Sundström | 1,211    |              |                        | 1,211          | 279.63                   | May 29, 2024 |                          |
|                       |          | 822          | 273.83                 |                |                          |              | 822                      |

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## 32. Fair value of financial instruments

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, 2025    | December 31, 2024 |
| Assets:                            |                      |                      |                   |
| Money market funds                 | 1                    | 1,757                | 2,398             |
| Marketable equity securities       | 1                    | 1                    | 2                 |
| Derivative instruments-assets      | 2                    | 9                    | 2                 |
| Liabilities:                       |                      |                      |                   |
| Derivative instruments-liabilities | 2                    | (11)                 | (10)              |

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 financial assets) have fair value measurements which are all based on quoted prices in active markets for identical assets or liabilities. For non-marketable equity securities, the fair value is estimated based on recent transactions, net asset value information or in the absence of reliable observable information, at cost. 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 equity method investments and non-financial assets, such as intangible assets and property, plant and equipment, at the recoverable amount when an impairment charge is required. The recoverable amount is the higher of value in use and fair value less costs of disposal.

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

Financial instruments not recorded at fair value on a recurring basis include equity method investments that have not been remeasured or impaired in the current period and debt. As of December 31, 2025, the estimated fair value of current and non-current debt was \$11.6 (\$9.8 as of December 31, 2024). 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.

## 33. Financial risk management and concentration of 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 sheet at fair value which fluctuates based on changing market conditions. The Company does not purchase or hold financial derivative instruments for trading purposes.

The aim of the capital management strategy of NXP is to secure the Company's continued business operations, to enhance its enterprise value and to create solid capital resources for financing its profitable growth. When analyzing NXP's capital structure the Company uses the same debt/equity classifications as applied in the IFRS reporting.

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In managing capital we seek to:

- maintain sufficient financial strength to support our business growth as well as satisfy the requirements of our regulators and other stakeholders, giving both our customers and shareholders assurance of our financial stability;
- optimize our overall debt to equity structure to enhance our returns to shareholders, subject to our capital risk appetite and balancing the requirements of the range of stakeholders;
- retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.

## *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 \$2,500 million borrowing capacity with a floating rate interest. As there are currently no borrowings under this facility, a hypothetical increase in 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 21 *Long-term debt*.

## *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 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 no longer needed 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.

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In the below table we have summarized how the quarterly change in the EUR/USD exchange rate during 2025 impacted the foreign exchange result in the statement of operations as well as the currency translation reserve in equity:

| Volatility (\$ in millions) | EUR/USD opening-closing rate | change in % | Statement of operations      | Statement of changes in equity   |
|-----------------------------|------------------------------|-------------|------------------------------|----------------------------------|
|                             |                              |             | foreign exchange gain/(loss) | currency translation gain/(loss) |
| Q1 2025                     | 1.0404 - 1.0782              | 4 %         | (6)                          | 44                               |
| Q2 2025                     | 1.0782 - 1.1725              | 9 %         | (16)                         | 140                              |
| Q3 2025                     | 1.1725 - 1.1745              | — %         | (7)                          | —                                |
| Q4 2025                     | 1.1745 - 1.1738              | — %         | (3)                          | 2                                |

The gross notional amounts of the Company's foreign currency derivatives by currency for the years ended December 31, 2025 and December 31, 2024 were as follows:

|                   | 2025  | 2024 |
|-------------------|-------|------|
| Euro              | 1,052 | 922  |
| Chinese renminbi  | 222   | 221  |
| Indian rupee      | 7     | 53   |
| Japanese yen      | 42    | 40   |
| Malaysian ringgit | 59    | 90   |
| Romanian leu      | 55    | 31   |
| Swiss franc       | 36    | 33   |
| Taiwan dollar     | 172   | 170  |
| Thai baht         | 113   | 110  |
| Other             | 50    | 62   |

See also Note 7 *Financial income (expense)* as well as Note 32 *Fair value of financial instruments* for the effect that hedge accounting has had on our statement of operations and balance sheet.

## Liquidity risk

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, EIB Facility Agreements, Commercial Paper Program, or from other sources in an amount sufficient to enable us to repay our indebtedness, including outstanding commercial paper notes, and borrowings under the EIB Facilities and RCF Agreements, 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.

## 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 deposits, short-term investments, long-term investments, accounts receivable and forward contracts.

We sell our products to direct customers and to distributors in various markets, who resell these products to direct customers or to their subcontract manufacturers. One of our distributors accounted for 23% of our revenue

# Group Financial Statements

in 2025 and 22% in 2024. No other distributor accounted for greater than 10% of our revenue for 2025 or 2024. No direct customers accounted for more than 10% of our revenue for 2025 or 2024.

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.

The Company's risk factors are summarized in the Report of the Directors under the *Governance* chapter.

## **34. Subsequent events**

The Company performed a review of events subsequent to the balance sheet date through the date the financial statements were authorized for issue by the board of directors and determined that there were no such events requiring recognition or disclosure in the financial statements, other than already disclosed in the respective notes.

# Company Financial Statements

## Balance sheet of NXP Semiconductors N.V.

The balance sheet is presented after appropriation of profit.

| \$ in millions, unless otherwise stated                              | December 31,  |               |
|--|---------------|---------------|
|  | 2025          | 2024          |
| <b>Assets</b>  |               |               |
| 2 Equity -accounted investees  | 12,388        | 11,672        |
| <b>Non-current assets</b>  | <b>12,388</b> | <b>11,672</b> |
| 3 Loan receivable from subsidiary                                    | 2,058         | 1,586         |
| <b>Current assets</b>  | <b>2,058</b>  | <b>1,586</b>  |
| <b>Total assets</b>  | <b>14,446</b> | <b>13,258</b> |
| <b>Liabilities and shareholders' equity</b>                          |               |               |
| Dividend payable   | 257           | 258           |
| <b>Current liabilities</b>   | <b>257</b>    | <b>258</b>    |
| <b>Current assets less current liabilities</b>                       | <b>1,801</b>  | <b>1,328</b>  |
| <b>Total assets less current liabilities</b>                         | <b>14,189</b> | <b>13,000</b> |
| <b>Non-current liabilities</b>                                       | <b>42</b>     | <b>22</b>     |
| <b>4 Shareholders' equity:</b>                                       |               |               |
| Share capital  |               |               |
| <i>Preferred stock, par value €0.20 per share:</i>                   |               |               |
| Authorized: 645,754,500 shares (2024: 645,754,500 shares)            |               |               |
| Issued: none   |               |               |
| <i>Common stock, par value €0.20 per share:</i>                      |               |               |
| Authorized: 430,503,000 shares (2024: 430,503,000 shares)            |               |               |
| Issued and fully paid: 274,519,638 shares (2024: 274,519,638 shares) | 65            | 58            |
| Capital in excess of par value                                       | 16,658        | 16,198        |
| Legal reserves: currency translation differences                     | (848)         | (1,033)       |
| Legal reserves: hedging  | 2             | (5)           |
| Legal reserves: participating interests                              | 2,313         | 2,167         |
| Retained earnings: treasury shares                                   | (4,283)       | (4,004)       |
| Retained earnings: accumulated surplus (deficit)                     | 240           | (403)         |
|  | <b>14,147</b> | <b>12,978</b> |
| <b>Total equity and liabilities</b>                                  | <b>14,446</b> | <b>13,258</b> |

Shareholders' equity corresponds with the shareholders' equity of NXP as disclosed in the consolidated balance sheet.

# Company Financial Statements

## Statement of operations of NXP Semiconductors N.V.

| \$ in millions, unless otherwise stated | 2025  | 2024  |
|---|-------|-------|
| Income from equity accounted investees  | 2,300 | 2,830 |
| Other income (expense)                  | 20    | 13    |
| Net income                              | 2,320 | 2,843 |

Other income (expense) includes \$36 million interest income (2024: \$36 million interest income), offset by \$16 million income tax expenses related to Pillar 2 taxation (2024:\$22 million).

The net income corresponds with the net income attributable to shareholders of NXP as disclosed in the consolidated statements of operations.

## Notes to the Company financial statements for the year ended December 31, 2025

\$ in millions, unless otherwise stated

### 1. Basis of preparation and summary of material accounting policies

NXP Semiconductors N.V.'s company financial statements in this section have been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code on a going concern basis. In accordance with subsection 8 of section 362, Book 2 of the Netherlands Civil Code, the recognition and measurement principles applied in the Company financial statements are since 2011 the same as those applied in the consolidated financial statements. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. Dutch law allows companies that apply IFRS as endorsed by the European Union in their consolidated financial statements to use the same accounting principles in the parent company financial statements. Company financial statements that are based on this provision qualify as financial statements under Dutch law.

The accounting principles are explained in Note 2 *Material accounting policies and new accounting standards to be adopted after 2025* of the consolidated financial statements of this Annual report.

The loan receivable from subsidiary is carried at amortized cost using the effective interest method.

The Company is 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. With the members of the Dutch fiscal unity it was agreed to fully allocate the corporate income tax expenses to NXP Semiconductors Netherlands BV which also pays the corporate income tax liabilities of the Dutch fiscal unity. Hence, NXP Semiconductors N.V. has not recognized a corporate income tax expense regarding the other income (expense) which amounts to \$9 million (2024: an income of \$9 million). Although the Company has recognized a Pillar 2 tax expense of \$16 million (2024: an expense of \$22 million) due to new legislation applicable since 2024. Next to that, NXP Semiconductors Netherlands BV has a corporate income tax payable of \$18 million (2024: corporate income tax payable of \$24 million). For more information on income taxes, see Note 8 *Income taxes* of the consolidated financial statements.

The legal reserve for participating interests pertains to participating interests that are measured using the equity method. The reserve is equal to the share in the results and direct changes in equity (both calculated on the basis of the Company's accounting policies) of the participating interests since the first measurement using the equity method, less the distributions that the Company has been entitled to since the first measurement using the equity method, and less distributions that the Company may effect without restrictions. As to the latter share, this takes into account any profits that may not be distributable by participating interests that are Dutch limited companies based on the distribution tests to be performed by the management of those companies. The legal reserve is determined on an individual basis.

The legal reserve for hedging pertains to cash flow hedge accounting, measured in accordance with IFRS. The legal reserve for currency translation is determined in accordance with the IFRS requirements for currency translation reserve.

Income from equity accounted investees relates to the share of the Company in the results of its participating interests.

# Company Financial Statements

## *Presentation of Company financial statements*

The statement of operations has been prepared in accordance with Section 402 Part 9 of Book 2 of the Netherlands Civil Code which allows a simplified statement of operations in the event that a comprehensive statement of operations is included in the consolidated group financial statements. The Company financial statements only contain an abbreviated statement of operations.

## **2. Equity-accounted investees**

Equity-accounted investees (including goodwill) are measured using the equity method in accordance with the IFRS accounting policies used in the consolidated financial statements.

Movements in the book value of the equity-accounted investees are as follows:

|   | <u>2025</u>   | <u>2024</u>   |
|---|---------------|---------------|
| Balance as of January 1,                              | 11,672        | 10,767        |
| Changes in book value:                                |               |               |
| Share-based payments                                  | 445           | 468           |
| Net income  | 2,300         | 2,830         |
| Currency translation differences                      | 185           | (111)         |
| Hedge accounting                                      | 7             | (6)           |
| Treasury shares used by NXP B.V. and its subsidiaries | (504)         | (483)         |
| Net actuarial gains/(losses)                          | 37            | 9             |
| Dividend paid   | (1,750)       | (1,800)       |
| Other   | (4)           | (2)           |
| Balance as of December 31,                            | <u>12,388</u> | <u>11,672</u> |

A list of subsidiaries and affiliated companies, prepared in accordance with the relevant legal requirements (Netherlands Civil Code, Book 2, Sections 379 and 414), is deposited at the office of the Commercial Register in Eindhoven, Netherlands.

## **3. Loan receivable from subsidiary**

The loan receivable from NXP B.V. increased during the year from \$1,586 million at December 31, 2024 to \$2,058 million at December 31, 2025. The increase is primarily explained by the 2025 financing of NXP B.V. with regard to treasury shares used by NXP B.V. and its subsidiaries for a total amount of \$504 million and the dividend paid by NXP B.V. of \$1,750 million; partially offset by the financing by NXP B.V. of the Company's purchase of treasury shares (including taxes) of \$815 million and dividends paid of \$1,025 million. Furthermore, the loan receivable consists of the settlement of assets and liabilities between NXP Semiconductors N.V. and NXP B.V. related to the ordinary course of business. The applicable interest rate is SFOR plus a margin equal to the credit spread for the NXP B.V.'s Revolving Credit Facility.

# Company Financial Statements

## 4. Shareholders' equity

|  | Legal reserves |                                |                                  |            |                          |                 |                     | Retained earnings           |  |
|--|----------------|--------------------------------|----------------------------------|------------|--------------------------|-----------------|---------------------|-----------------------------|--|
|  | Share capital  | Capital in excess of par value | Currency translation differences | Hedging    | Participating interests* | Treasury shares | Accumulated deficit | Total Share-holders' equity |  |
| Balance as of December 31, 2023        | 61             | 15,715                         | (922)                            | 1          | 2,024                    | (3,210)         | (1,584)             | 12,085                      |  |
| Net income (loss)                      |                |                                |                                  |            |                          |                 | 2,843               | 2,843                       |  |
| Allocation to legal reserve            |                |                                |                                  |            |                          |                 | (143)               | (143)                       |  |
| Current period change                  |                |                                | (111)                            | (16)       | 143                      |                 |                     | 16                          |  |
| Reclassifications to income            |                |                                |                                  | 10         |                          |                 |                     | 10                          |  |
| Share-based compensation plans         |                | 483                            |                                  |            |                          |                 |                     | 483                         |  |
| Retirement treasury shares             |                |                                |                                  |            |                          |                 |                     | —                           |  |
| Remeasurements defined benefits        |                |                                |                                  |            |                          |                 | 9                   | 9                           |  |
| Treasury shares transactions           |                |                                |                                  |            |                          | (794)           | (497)               | (1,291)                     |  |
| Dividends common stock                 |                |                                |                                  |            |                          |                 | (1,034)             | (1,034)                     |  |
| Revaluation share capital**            | (3)            |                                |                                  |            |                          |                 | 3                   | —                           |  |
| <b>Balance as of December 31, 2024</b> | <b>58</b>      | <b>16,198</b>                  | <b>(1,033)</b>                   | <b>(5)</b> | <b>2,167</b>             | <b>(4,004)</b>  | <b>(403)</b>        | <b>12,978</b>               |  |
| Net income (loss)                      |                |                                |                                  |            |                          |                 | 2,320               | 2,320                       |  |
| Allocation to legal reserves           |                |                                |                                  |            |                          |                 | (146)               | (146)                       |  |
| Current period change                  |                |                                | 185                              | 9          | 146                      |                 |                     | 340                         |  |
| Reclassifications to income            |                |                                |                                  | (2)        |                          |                 |                     | (2)                         |  |
| Share-based compensation plans         |                | 460                            |                                  |            |                          |                 |                     | 460                         |  |
| Remeasurements defined benefits        |                |                                |                                  |            |                          |                 | 37                  | 37                          |  |
| Treasury shares transactions           |                |                                |                                  |            |                          | (279)           | (536)               | (815)                       |  |
| Dividends common stock                 |                |                                |                                  |            |                          |                 | (1,025)             | (1,025)                     |  |
| Revaluation share capital**            | 7              |                                |                                  |            |                          |                 | (7)                 | —                           |  |
| <b>Balance as of December 31, 2025</b> | <b>65</b>      | <b>16,658</b>                  | <b>(848)</b>                     | <b>2</b>   | <b>2,313</b>             | <b>(4,283)</b>  | <b>240</b>          | <b>14,147</b>               |  |

\* The Participating interests reserve includes the legal reserve related to capitalized development expenses of the Dutch principal.

\*\* Revaluation of share capital has taken place against year-end closing rates (\$ per 1 € of 2025: 1.1738 2024: 1.0404)

The net income for the year 2025 of \$2,320 million has been appropriated to the accumulated deficit in accordance with Article 34.5 of the Company's articles of association.

Under our Quarterly Dividend Program, interim dividends of \$1.014 per ordinary share were paid on April 9, 2025 (\$257 million), dividends of \$1.014 per ordinary share were paid on July 9, 2025 (\$256 million), dividends of \$1.014 per ordinary share were paid on October 8, 2025 (\$256 million) and dividends of \$1.014 per ordinary share were paid on January 7, 2026 (\$256 million).

We also refer to the consolidated statements of changes in equity of the consolidated financial statements.

## 5. Employees

The number of persons having a contract with the Company at the year-end 2025 was 2 (2024: 1). This relates to Mr. Sievers who had a management services contract in both 2025 and 2024 and Mr. Sotomayor who had a management services contract in 2025.

Detailed information of the 2025 executive compensation program for the CEO, CFO and three highest paid officers of the Company other than the CEO and CFO will be described in the Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 to be published in view of the next Annual General Meeting.

# Company Financial Statements

## 6. Contingent liabilities

General guarantees as referred to in Section 403, Book 2, of the Dutch Civil Code, have been given by the Company for to the following group companies in the Netherlands:

- NXP B.V.
- NXP Semiconductors Netherlands B.V.

A general guarantee as referred to in §264 (3) of the German Commercial Code, has been given by the Company for to the following group company in Germany:

- TTTech Auto Germany GmbH

All 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 Funding LLC, (together, the “Subsidiary Obligor” and together with NXP Semiconductors N.V., the “Obligor Group”). Other than the Subsidiary Obligor, none of the Company’s subsidiaries (together the “Non-Guarantor Subsidiaries”) guarantee the Notes. The Company consolidates the Subsidiary Obligor in its consolidated financial statements and each of the Subsidiary Obligor 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.

## 7. Audit fees

| \$ in millions                    | EY Accountants B.V. |      | Other EY network |      | Total |      |
|-----------------------------------|---------------------|------|------------------|------|-------|------|
|                                   | 2025                | 2024 | 2025             | 2024 | 2025  | 2024 |
| Audit of the financial statements | 5.8                 | 5.5* | 0.6              | 0.6  | 6.4   | 6.1* |
| Other audit engagements           | 0.3                 | —    | —                | —    | 0.3   | —    |
| Total                             | 6.1                 | 5.5* | 0.6              | 0.6  | 6.7   | 6.1* |

\* The amounts reported under audit of the financial statements and total in 2024 are \$0.6M higher than previously reported due to a resolved discussion on additional billing related to financial year 2024 audit fees.

Audit fees consist of fees for the examination of both the consolidated and statutory financial statements. Other audit engagements also include fees that only our independent auditor can reasonably provide such as comfort letters and review of documents filed with the SEC. The above mentioned fees exclude out of pocket expenses of \$0.4 million (2024: \$0.4 million).

The fees mentioned in the table for the audit of the financial statements relate to the total fees for the audit of the financial statements 2025 (2024), irrespective of whether the activities have been performed during the financial year 2025 (2024).

## 8. Related parties

Reference is made to Note 29 *Related-party transactions* of the consolidated financial statements. The Company maintains a General Service Agreement contract with NXP B.V. that stipulates that certain third party consultancy costs and other services, which are due by the Company (including salary costs of the Executive Officers), are paid by NXP B.V.

## 9. Subsequent events

For the subsequent events, we refer to Note 34 *Subsequent events* of the consolidated financial statements.

March 12, 2026

Board of directors

# Other Information

## Independent auditor's report

To: The shareholders and the board of directors of NXP Semiconductors N.V.

## Report on the audit of the financial statements 2025 included in the annual report

### Our opinion

We have audited the accompanying financial statements 2025 of NXP Semiconductors N.V. based in Eindhoven, the Netherlands. The financial statements comprise the group financial statements and the company financial statements.

In our opinion:

- The group financial statements give a true and fair view of the financial position of NXP Semiconductors N.V. as at December 31, 2025, and of its result and its cash flows for 2025 in accordance with International Financial Reporting Standards as adopted in the European Union (EU-IFRSs) and with Part 9 of Book 2 of the Dutch Civil Code
- The company financial statements give a true and fair view of the financial position of NXP Semiconductors N.V. as at December 31, 2025, and of its result for 2025 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The group financial statements comprise:

- The consolidated balance sheet as at December 31, 2025
- The following statements for the year ended December 31, 2025: the consolidated statements of operations, comprehensive income, changes in equity and cash flows
- The notes comprising material accounting policy information and other explanatory information

The company financial statements comprise:

- The balance sheet as at December 31, 2025
- The statement of operations for 2025
- The notes comprising a summary of the accounting policies and other explanatory information

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of NXP Semiconductors N.V. in accordance with the “Wet toezicht accountantsorganisaties” (Wta, Audit firms supervision act), the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands, as applicable to audits of financial statements of publicly traded entities. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA, Dutch Code of Ethics for Professional Accountants).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Other Information

## Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

### Our understanding of the business

NXP Semiconductors N.V. (“the company”, and, together with its consolidated subsidiaries, “the group”) is a global semiconductor manufacturer operating in a broad range of markets. In 2025 the company completed the acquisitions of TTTech Auto, Aviva Links and Kinara. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

### Materiality

|                   |   |
|-------------------|---|
| Materiality       | USD 140 million (2024: USD 150 million )  |
| Benchmark applied | Approximately 5% of income before income taxes for 2025 (2024: 4% of pre-tax income)  |
| Explanation       | We selected income before income taxes to benchmark materiality as in our professional judgement, users of the financial statements of listed, mature and profit-orientated companies primarily focus on earnings-based measures. We initially planned our audit with a materiality based on 5% of the anticipated income before income taxes for 2025 and did not revise the materiality amount (USD 140 million) as our audit progressed. |

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the audit committee of the board of directors that misstatements in excess of USD 7 million, which are identified during the audit, would be reported to the board of directors, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Scope of the group audit

NXP Semiconductors N.V. is at the head of a group of entities. The financial information of this group is included in the financial statements.

We are responsible for planning and performing the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the financial statements. We are also responsible for the direction, supervision, review and evaluation of the audit work performed for purposes of the group audit. We bear the full responsibility for the auditor’s report.

Based on our understanding of the group and its environment, the applicable financial framework and the group’s system of internal control, we identified and assessed risks of material misstatement of the financial statements and the significant accounts and disclosures. Based on this risk assessment, we determined the nature, timing and extent of audit work performed, including the entities or business units within the group (components) at which to perform audit work. For this determination we considered the nature of the relevant events and conditions underlying the identified risks of material misstatements for the financial statements, the association of these risks to components and the materiality or financial size of the components relative to the group.

We communicated the audit work to be performed and identified risks through instructions for component auditors as well as requesting component auditors to communicate matters related to the financial information of the component that is relevant to identifying and assessing risks.

We performed audit work ourselves on accounting areas managed centrally, such as the key audit matters related to revenue recognition, and business combinations, and we performed the majority of the audit work on the US and Dutch components. We used the audit work of component auditors from EY Global member firms working

# Other Information

under our supervision for components in China, Malaysia, Singapore and Taiwan; and we performed specific audit procedures at other components ourselves.

This resulted in a coverage of approximately 99% of revenue, 97% of income before income taxes and 99% of total assets. For other components, we performed analytical procedures to corroborate that our risk assessment and scoping remained appropriate throughout the audit.

We performed site visits to meet with local management and component teams, observe the component operations, discuss the group risk assessment and the risks of material misstatements for the components in China, Malaysia, Singapore and Taiwan. We reviewed and evaluated the adequacy of the deliverables from component auditors and reviewed key working papers for selected components to address the risks of material misstatement. We held planning meetings, key meetings required based on circumstances and we attended closing meetings with local management and component teams. During these meetings and calls, amongst others, the planning, procedures performed based on risk assessments, findings and observations were discussed and any further work deemed necessary by the primary or component team was then performed.

By performing the audit work mentioned above at the entities or business units within the group, together with additional work at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the financial statements.

## **Teaming and use of specialists**

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the semiconductor industry. We included specialists in the areas of valuation, IT audit, forensics, share based payments, income tax, and transfer pricing and have made use of our own actuaries.

## **Our focus on climate-related risks and the energy transition**

Climate change and the energy transition are high on the public agenda. Issues such as CO2 reduction impact financial reporting, as these issues entail risks for the business operation, the valuation of assets and provisions or the sustainability of the business model and access to financial markets of companies with a larger CO2 footprint.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the effects of the energy transition are taken into account in estimates and significant assumptions. Furthermore, we read the Report of the Directors and considered whether there is any material inconsistency between the non-financial information and the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, estimates or significant assumptions as at December 31, 2025.

## **Our focus on fraud and non-compliance with laws and regulations**

### **Our responsibility**

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

### **Our audit response related to fraud risks**

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the board of directors' process for responding to the risks of fraud and monitoring the system of internal control and how the audit committee of the board of directors exercises oversight, as well as the outcomes.

We refer to Section 'Risk Management' of the Report of Directors for the board of directors' risk assessment after consideration of potential fraud risks.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the

# Other Information

design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We addressed the risks related to management override of controls, as this risk is present in all organizations. For these risks we have, among other things, performed procedures to evaluate whether the selection and application of accounting policies by the company, particularly those relating to subjective measurements and complex transactions, as disclosed in Note 2 to the consolidated financial statements under 'Use of estimates and judgments, may be indicative to fraudulent financial reporting. We have also used data analysis to identify and address high-risk journal entries and other adjustments made in the financial reporting process. We evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties.

The following fraud risk identified required significant attention during our audit.

| Presumed risks of fraud in revenue recognition |   |
|--|---|
| Fraud risk                                     | We presumed that there are risks of fraud in revenue recognition. We evaluated that inappropriate top-side journal entries and manual adjustments recorded by management affecting revenues or management's estimate of the variable consideration under the distributor incentive program in particular give rise to such risks. |
| Our audit approach                             | We describe the audit procedures responsive to the presumed risk of fraud in revenue recognition in the description of our audit approach for the key audit matter 'Revenue recognition'.   |

We considered available information and made enquiries of relevant executives, directors, internal audit, legal, compliance, human resources and regional directors and the audit committee of the board of directors.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

## **Our audit response related to risks of non-compliance with laws and regulations**

The group operates globally and, as a result, is subject to environmental, data privacy, export and sanctions, labor and health and safety laws and regulations in jurisdictions around the world.

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of directors, reading minutes, inspection of internal audit and compliance reports, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

## **Our audit response related to going concern**

As stated in section 'Going Concern' of the Report of the Directors and disclosed in section 'Basis of preparation and summary of material accounting policies' in Note 1 to the company financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the board of directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the next twelve months.

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We discussed and evaluated the specific assessment with the board of directors exercising professional judgment and maintaining professional skepticism.

We considered whether the board of directors' going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern or the board of directors' use of the going concern basis of accounting. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

## Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the audit committee of the board of directors. The key audit matters are not a comprehensive reflection of all matters discussed.

In comparison with previous year, we changed our key audit matters. We no longer consider income taxes to be a key audit matter for the current year. This change reflects our assessment of the audit risks and the evolving circumstances surrounding the entity. We further identified one new key audit matter, the valuation of certain intangible assets acquired in business combinations as a result of the acquisitions made by the company in 2025. The nature of the revenue recognition key audit matter did not change.

| Revenue recognition |   |
|---------------------|---|
| Risk                | <p>As discussed in Note 5 to the consolidated financial statements, net revenues for the year ended December 31, 2025, amounted to USD 12,269 million.</p> <p>Management focuses on revenue as a key performance measure. This could create an incentive for improper revenue recognition due to the pressure management may feel to achieve desired targets. The risks of fraud in revenue recognition are a factor in determining revenue recognition as a key audit matter.</p> <p>As described in Note 2 to the consolidated financial statements under 'Revenue recognition', revenue is recorded for customers based on the amount reflecting the consideration to which the company expects to be entitled, which considers whether the transaction price is subject to a refund or adjustment. This variable consideration is estimated and reflects the impact of distributor incentive programs. The company's policy is to estimate such variable consideration using the most likely amount method, which takes into account the contractual terms, historical experience of rebate rates, and pricing for distributors who participate in a distributor incentive program.</p> <p>Auditing management's estimate of variable consideration under the distributor incentive programs is complex, due to the uncertainty inherent to the estimate, the application of management judgment, and the significant assumptions as noted above utilized in estimating the variable consideration.</p> |

# Other Information

|  |   |
|--|---|
| <p>Our audit approach</p>  | <p>As part of our audit procedures, we evaluated the appropriateness of the company’s revenue recognition accounting policies in accordance with IFRS 15 ‘Revenue from Contracts with Customers’. We obtained an understanding, evaluated the control design and tested the operating effectiveness of the company’s controls relating to revenues. This included the testing of controls related to manual journal entries and the distributor incentive accrual. For example, we tested controls over management’s review of the assumptions used, results of calculations and assessment of the underlying data. We also performed procedures to evaluate the design and operating effectiveness of IT processes, including testing of application controls and the data and reports used in the execution of key controls.</p> <p>We used data-analytics to audit key risk areas and identify exceptional or unusual revenue activity and patterns, with specific focus on manual journal entries impacting revenue.</p> <p>To test management’s estimate of the variable consideration of the distributor incentive programs, our audit procedures included, among others, evaluating the estimation methodology used, the significant assumptions described above, and the underlying data used by the company. We evaluated the estimation methodology used by management against the requirements of IFRS 15. To evaluate the significant assumptions used by management, we compared them to the historical results and practices of the company. Our audit procedures to test the completeness and accuracy of data inputs used by the company included vouching distributor inventory on hand, rebate rates used and amounts of unclaimed distributor resales to contractual agreements, external confirmations and historical price and claim data, as appropriate. We also assessed the accuracy of management’s estimates by testing a sample of actual claimed allowances subsequent to year-end, against the period-end estimate.</p> <p>In addition, we evaluated the adequacy of the company’s revenue related disclosures.</p> |
| <p>Key observations</p>  | <p>We consider the company’s accounting policies related to revenues appropriate. Furthermore, we did not identify any material misstatement in the revenues reported within the financial statements.</p>  |
| <p><b>Valuation of certain intangible assets acquired in business combinations</b></p> |   |
| <p>Risk</p>  | <p>As described in Notes 2 and 4 to the consolidated financial statements, during 2025, the company completed the acquisitions of TTTech Auto, Aviva Links and Kinara, Inc., for net considerations of USD 766 million, USD 248 million and USD 284 million, respectively. The fair value of identified intangible assets acquired, totaled USD 798 million and principally consisted of software, existing technology and in-process research and development (collectively, the “intangible assets”). The company used the excess earnings method to estimate the fair values of the intangible assets acquired. The significant assumption management used to estimate the fair values of the intangible assets was the revenue growth rate for each acquired business.</p> <p>Auditing the company’s valuation of the intangible assets was complex and required a high degree of auditor judgment, due to the significant estimation uncertainty inherent in assessing the revenue growth rates used by management, particularly because of the relatively limited market data about software-defined vehicle and AI-powered edge systems, on which to base the revenue growth rates.</p>  |

## Other Information

|                    |  |
|--------------------|--|
| Our audit approach | <p>As part of our audit procedures, we evaluated the appropriateness of the company's accounting policies, in particular relating to purchase price allocation, in accordance with IFRS 3 'Business Combinations' and whether the determination of fair value of identifiable assets acquired and liabilities assumed are consistent with the requirements of IFRS 13 'Fair Value Measurement' and industry practice. We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over the company's accounting for business combination transactions. We further tested controls over the identification of intangible assets and the determination of the revenue growth rates.</p> <p>To audit the company's valuation of the intangible assets acquired, among other procedures, we read the purchase agreements and involved our valuation specialists to assist with our evaluation of whether the valuation methodology used by the company was consistent with common valuation practice.</p> <p>Other procedures we performed, included assessing the reasonableness of the revenue growth rates by comparison to relevant third-party industry reports and, where possible, to historical revenues of the acquired business and anticipated and confirmed design-in and contract wins.</p> |
| Key observations   | <p>We did not identify any material misstatement in the valuation of intangible assets acquired in business combinations reported within the financial statements.</p>   |

### **Compliance with SBR Regulatory Technical Standard, including XBRL mark-ups, unaudited**

We did not examine the compliance with the requirements of the Regulatory Technical Standard of the SBR domain Trade Register (including the applied eXtensible Business Reporting Language (XBRL) mark-ups) and, accordingly, do not express an opinion thereon.

### **Report on other information included in the annual report**

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

### **Description of responsibilities regarding the financial statements**

#### **Responsibilities of the board of directors for the financial statements**

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRSs and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

# Other Information

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The audit committee of the board of directors is the board of director's principal agent in fulfilling its oversight responsibilities for the integrity of the company's financial statements and its accounting and financial reporting processes.

## **Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material misstatements, whether due to fraud or error during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Information in support of our opinion section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

## **Communication**

We communicate with the audit committee of the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the audit committee of the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the board of directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

## **Report on other legal and regulatory requirements**

# Other Information

## **Engagement**

We were engaged by the general meeting of shareholders as auditor of NXP Semiconductors N.V. on May 27, 2020, as of the audit for the year 2020 and have operated as statutory auditor ever since that date.

Amsterdam, March 12, 2026

EY Accountants B.V.

signed by S.D.J. Overbeek-Goesseije

# Other Information

## Statutory rules concerning appropriation of profit

### Distributions.

#### Article 34.

- 34.1. The Board will keep a separate share premium account for each class of shares to which only the holders of the class of shares in question are entitled.  
The amount or the value of the share premium paid on a specific class of shares issued by the Company will be booked separately on the share premium account in question.
- 34.2. The Company may make distributions on shares only to the extent that its shareholders' equity exceeds the sum of the paid-up and called-up part of the capital and the reserves which must be maintained by law.
- 34.3. Distributions of profit, meaning the net earnings after taxes shown by the adopted annual accounts, shall be made after the determining of the annual accounts from which it appears that they are justified, entirely without prejudice to any of the other provisions of the Articles of Association.
- 34.4. a. A dividend shall be paid out of the profit, if available for distribution, first of all on the preferred shares series PA in accordance with this paragraph. Subsequently, a dividend shall be paid out of the profit, if possible, on the preferred shares series PB in accordance with this paragraph.
- b. The dividend paid on the preferred shares shall be based on the percentage, mentioned immediately below, of the amount called up and paid-up on those shares. The percentage referred to in the previous sentence shall be equal to the average of the EURIBOR interest charged for cash loans with a term of twelve months as set by the European Central Bank - weighted by the number of days to which this interest was applicable - during the financial year for which this distribution is made, increased by a maximum margin of three hundred (300) basis points to be fixed upon issue by the Board; EURIBOR shall mean the euro Interbank Offered Rate, which margin may vary per with each individual series.
- c. If in the financial year over which the aforesaid dividend is paid the amount called up and paid-up on the preferred shares has been reduced or, pursuant to a resolution to make a further call on said shares, has been increased, the dividend shall be reduced or, if possible, increased by an amount equal to the aforesaid percentage of the amount of such reduction or increase, as the case may be, calculated from the date of the reduction or, as the case may be, from the date when the further call on the shares was made.
- d. If and to the extent that the profit is not sufficient to pay in full the dividend referred to under a of this paragraph, the deficit shall be paid to the debit of the reserves, provided that doing so shall not be in violation of paragraph 2 of this article.  
If and to the extent that the dividend referred to under a of this paragraph cannot be paid to the debit of the reserves either, the profits earned in subsequent years shall be applied first towards making to the holders of preferred shares such payment as will fully clear the deficit, before the provisions of the following paragraphs of this article can be applied. No further dividends on the preferred shares shall be paid than as stipulated in this article, in article 35 and in article 37. Interim dividends paid over any financial year in accordance with article 35 shall be deducted from the dividend paid by virtue of this paragraph 4.
- e. If the profit earned in any financial year has been determined and in that financial year one (1) or more preferred shares have been cancelled against repayment, the persons who were the holders of those shares shall have an inalienable right to payment of dividend as described below. The amount of profit, if available for distribution, to be distributed to the aforesaid persons shall be equal to the amount of the dividend to which by virtue of the provision under a of this paragraph they would be entitled if on the date of determination of the profit they had still been the holders of the aforesaid preferred shares, calculated on the basis of the period during which in the financial year concerned said persons were holders of said shares, this dividend to be reduced by the amount of any interim dividend paid in accordance with article 35.
- f. If in the course of any financial year preferred shares have been issued, with respect to that financial year the dividend to be paid on the shares concerned shall be reduced pro rata to the day of issue of said shares.
- g. If the dividend percentage has been adjusted in the course of a financial year, then for the purposes of calculating the dividend over that financial year the applicable rate until the date of adjustment

## Other Information

- shall be the percentage in force prior to that adjustment and the applicable rate after the date of adjustment shall be the altered percentage.
- 34.5. Any amount remaining out of the profit, after application of paragraph 4, shall be carried to reserve as the Board may deem necessary.
- 34.6. The profit remaining after application of paragraphs 4 and 5 shall be at the disposal of the General Meeting, which may resolve to carry it to reserve or to distribute it among the holders of common shares.
- 34.7. On a proposal of the Board, the General Meeting may resolve to distribute to the holders of common shares a dividend in the form of common shares in the capital of the Company.
- 34.8. Subject to the other provisions of this article the General Meeting may, on a proposal made by the Board, resolve to make distributions to the holders of common shares to the debit of one (1) or several reserves which the Company is not prohibited from distributing by virtue of the law.
- 34.9. No dividends shall be paid to the Company on shares held by the Company or where the Company holds the depositary receipts issued for such shares, unless such shares or depositary receipts are encumbered with a right of usufruct or pledge.
- 34.10. Any change to an addition as referred to in paragraph 4 under b and g in relation to an addition previously determined by the Board shall require the approval of the meeting of holders of preferred shares of the series concerned. If the approval is withheld the previously determined addition shall remain in force.

### **Special statutory voting rights**

There are no special statutory voting rights.

### **List of branches**

At December 31, 2025 the Company had the following branches:

NXP (China) Management Ltd., various branches in China  
NXP Semiconductors (Shanghai) Co., Ltd., various branches in China  
NXP Semiconductors Hungary Ltd., Swiss branch  
NXP Semiconductors Netherlands B.V., Finland branch  
NXP Semiconductors Netherlands B.V., Italy branch  
NXP Semiconductors Singapore Pte. Ltd., Australia branch  
TTTech Auto GmbH, Korean branch

# Investor Information

## **Corporate seat and head office**

We were incorporated in the Netherlands in 2006 and are a Dutch public company with limited liability (naamloze vennootschap). Our corporate seat is in Eindhoven, The Netherlands, and the statutory list of all subsidiaries and affiliated companies, prepared in accordance with the relevant legal requirements (Netherlands Civil Code, Part 9 of Book 2, Sections 379 and 414), forms part of the notes to the consolidated financial statements and is deposited at the office of the Commercial Register in Eindhoven, Netherlands (file no. 34253298).

Our registered office is:  
NXP Semiconductors N.V.  
High Tech Campus 60,  
5656 AG Eindhoven  
The Netherlands  
Switchboard telephone: +31 40 2729999