



NXP Q1 2008 Financial Results

May 6, 2008

Frans van Houten, President & CEO

Peter van Bommel, CFO



Forward looking statements

This document includes forward-looking statements which include statements regarding our business strategy, financial condition, results of operations, and market data, as well as any other statements which are not historical facts. By their nature, forward- looking statements are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. These factors, risks and uncertainties include the following: market demand and semiconductor industry conditions, our ability to successfully introduce new technologies and products, the demand for the goods into which our products are incorporated, our ability to generate sufficient cash or raise sufficient capital to meet both our debt service and research and development and capital investment requirements, our ability to accurately estimate demand and match our production capacity accordingly or obtain supplies from third-party producers, our access to production from third-party outsourcing partners, and any events that might affect their business or our relationship with them, our ability to secure adequate and timely supply of equipment and materials from suppliers, our ability to avoid operational problems and product defects and, if such issues were to arise, to rectify them quickly, our ability to form strategic partnerships and joint ventures and successfully cooperate with our alliance partners, our ability to win competitive bid selection processes to develop products for use in our customers' equipment and products, our ability to successfully establish a brand identity, our ability to successfully hire and retain key management and senior product architects and, our ability to maintain good relationships with our suppliers.

Except for any ongoing obligation to disclose material information as required by the United States federal securities laws, we do not have any intention or obligation to update forward-looking statements after we distribute this document. In addition, this document contains information concerning the semiconductor industry, our market segments and business units generally, which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which the semiconductor industry, our market segments and product areas will develop. We have based these assumptions on information currently available to us, if any one or more of these assumptions turn out to be incorrect, actual market results may differ from those predicted. While we do not know what impact any such differences may have on our business, if there are such differences, our future results of operations and financial condition, and the market price of the notes, could be materially adversely affected.

Q1 highlights

- ▶ First quarter sales at USD 1,519 million compared to USD 1,461 million in Q1 2007 and USD 1,678 million in Q4 2007
- ▶ Comparable year-on-year increase of 0.8% and a comparable sequential sales decline of 7.5%
- ▶ First quarter adjusted EBITDA (excluding effects of Purchase Price Accounting) at USD 183 million, the same level as Q1 2007. Q4 2007 Adjusted EBITDA was USD 349 million
- ▶ First quarter adjusted EBITA (excluding effects of Purchase Price Accounting) at USD 41 million compared to USD 4 million for Q1 2007 and compared to USD 148 million for Q4 2007
- ▶ Cash position at USD 519 million at end of the first quarter, compared to USD 1,041 million at the end of the fourth quarter of 2007
- ▶ Book to bill ratio improved to 1.0 in the first quarter of 2008 from 0.9 in the fourth quarter of 2007
- ▶ Factory loading of 87% in the first quarter compared to 69% in the first quarter of 2007 and 84% in the fourth quarter of 2007
- ▶ On track to realize the USD 375 million savings on a run rate basis by the end of 2008

NXP P&L (all amounts in millions of USD)

	Q1-2007	Q1-2008
Total sales	1,461	1,519
% comparable growth (year over year)	(2.7)	0.8
Gross margin	480	582
Selling, General & Administrative	(233)	(246)
Research & Development	(321)	(346)
Other business income	7	37
EBIT	(67)	27
EBITA	(66)	20
EBITDA	112	162
Adjusted EBITA	4	41
Adjusted EBITDA	182	183

Note: PPA effects excluded



Adjusted EBITA (all amounts in millions of USD)

	Q1-2007	Q1-2008
Net Income	(128)	69
Financial expense	92	(59)
Income tax	(37)	1
Depreciation and amortization	185	151
EBITDA	112	162
Exit of product lines	-	-
Minority interest and results on equity-accounted investees	6	16
Restructuring	39	5
Other items	25	-
Adjusted EBITDA	182	183
Depreciation fixed assets	(178)	(142)
Adjusted EBITA	4	41

Note: PPA effects excluded

Cash flow (all amounts in millions of USD)

	Q1-2007	Q1-2008
EBITDA	112	162
Changes in Working Capital	(89)	(300)
Net cash provided by operating activities	(16)	(268)
Net cash used for investing activities	(381)	(198)
Cash and cash equivalents at end of period	826	519

Note: - PPA effects excluded

- Q1 2007 investing activities include SiLabs wireless acquisition

BU Mobile & Personal

Key figures

(millions of USD)	Q1 2007	Q1 2008
Sales	451	488
% nominal growth	(1.3)	8.2
% comparable growth	(1.1)	7.8
EBIT	(117)	(72)
Effects of PPA	(92)	(68)
Incidental items	(4)	11
Adjusted EBIT	(21)	(15)

Performance

- ▶ Market showed signs of a slow down (China and selected OEM's)
- ▶ Higher sales in cellular systems and Portable Sound Solutions, partly offset by lower sales in Connected Entertainment
- ▶ Adjusted EBIT improved due to higher sales and better gross margins
- ▶ Incidental items consist of the gain from the RF MEMS divestment and process transfer cost

Highlights

- ▶ Closed the acquisition of GloNav and achieved already several GPS design wins with PND and mobile customers
- ▶ System solution design win for Samsung's 3G handsets
- ▶ Demonstrated ultra-small, single-chip HSxPA multimedia solution based on 65nm
- ▶ Demonstrated world's first software programmable LTE modem
- ▶ Multiple RF wins with top tier mobile handset manufacturers
- ▶ Significant design wins with multimedia portfolio at the top tier handset OEMs
- ▶ Several NXP based TD-SCDMA phones in production: several other TD-SCDMA customers have passed tests for type approval

BU Home

Key figures

(millions of USD)	Q1 2007	Q1 2008
Sales	229	205
% nominal growth	(21.3)	(10.5)
% comparable growth	(20.6)	(6.1)
EBIT	(52)	(51)
Effects of PPA	(27)	(28)
Incidental items	(1)	(4)
Adjusted EBIT	(24)	(19)

Performance

- ▶ Weak market environment in particular in CRT-TV and analog LCD
- ▶ Sales decline mainly due to lower sales in CRT partly compensated by higher sales in RF solutions
- ▶ Adjusted EBIT improved due to strong gross margins and lower cost base as a result of restructuring being on track

Highlights

- ▶ Announced JV with Thomson to achieve leadership position in can tuner modules
- ▶ Achieved first design wins with TV543 at top tier TV brands
- ▶ HDTV picture improvement processor PNX5100 in production at top tier TV brands
- ▶ ChangHong selects NXP to launch AVS-enabled IP Set-Top Box
- ▶ HD-IP STB design win with top tier system integrator
- ▶ Launched the world's first ultra-low power terrestrial and satellite multi-band silicon tuner for portable TV

BU Automotive & Identification

Key figures

(millions of USD)

	Q1 2007	Q1 2008
Sales	301	337
% nominal growth	14.9	12.0
% comparable growth	10.1	(1.5)
EBIT	33	24
Effects of PPA	(36)	(38)
Incidental items	-	(4)
Adjusted EBIT	69	66

Performance

- ▶ Automotive continued to outgrow the market
- ▶ Identification in an overall weak market showed lower sales compared to the 1st quarter of 2007, caused by e-government
- ▶ Nominal sales were positively impacted by the reclassification of the sensor operations from BU MMS
- ▶ Adjusted EBIT positively impacted by higher sales and improved gross margins, more than offset by increased R&D investments

Highlights

- ▶ Visteon selects multimedia processor for the development of several new automotive infotainment innovations
- ▶ JVC supplier award : Best Development Support in 2007
- ▶ Shipped two billionth automotive transceiver to Bosch
- ▶ Metro chooses UCODE-G2X chips for its RFID-enabled supply chain
- ▶ Introduced MIFARE Plus smart card IC that offers a breakthrough in security and performance
- ▶ Ranked at the top of the latest Vendor Matrix from ABI Research of worldwide RFID transponder IC vendors

BU MultiMarket Semiconductors

Key figures

(millions of USD)	Q1 2007	Q1 2008
Sales	418	406
% nominal growth	0.7	(2.9)
% comparable growth	2.2	(1.4)
EBIT	46	29
Effects of PPA	(38)	(37)
Incidental items	-	-
Adjusted EBIT	84	66

Performance

- ▶ Maintained market share in difficult market
- ▶ Nominal sales were negatively impacted by the reclassification of the sensor operations to the Automotive & Identification business
- ▶ Continued growth in Q1 in Application Specific Standard Products, in particular strong microcontrollers sales
- ▶ Q1 strongest ever quarter for Power MOS, with the new products using T4 and T6 showing traction in sales and design wins respectively
- ▶ Adjusted EBIT impacted by increased R&D investments and lower utilization of manufacturing facilities

Highlights

- ▶ Significant win at large mobile phone customer with interface chip
- ▶ Logic IC win at Kyocera
- ▶ Design wins for DisplayPort activity for laptop and desktop PCs
- ▶ ARM7 MCU design-win at major MP3 player maker
- ▶ Announced world's smallest high-performance MOSFET
- ▶ Introduced four new 32-bit ARM9 microcontrollers with LCD, Ethernet and USB on-the-go
- ▶ Expanded ARM strategic relationship with major licensing agreement, that includes ARM Cortex-M3 processor-core

Manufacturing Operations

Key figures

(millions of USD)	Q1 2007	Q1 2008
Sales	42	62
EBIT	(97)	(75)
Effects of PPA	(31)	(23)
Incidental items	(25)	-
Adjusted EBIT	(41)	(52)

Performance

- ▶ Utilization rate at 87% in Q1 compared to 84% in Q4, and 69% in Q1 2007(excl. Boeblingen and Crolles)
- ▶ Dollar exchange rate deterioration had a significant effect on EBIT (USD 11 million)
- ▶ Cost savings reached a level of USD 27 million which is above plan
- ▶ Realized capacity increase with our “More Out Of Installed Base “ (MOOI) program in Q1 2008 of 2.9% in Waferfabs and 3.3% in Assembly & Test

Highlights

- ▶ Boeblingen has been operationally closed in the meantime and the disentanglement of the site has been started.
- ▶ Solid interest to buy the Boeblingen equipment
- ▶ Achieved cost reduction and efficiency targets for the quarter

Business Renewal 2008



TRANSFORMATIONAL MOVES

- ▶ Preparedness for M&A transactions that strengthen the businesses



PROFITABLE GROWTH

- ▶ Beat the competition by executing the Roadmapping for Leadership products
- ▶ Grow sales and market share by engaging with leading customers
- ▶ Improve gross margin by realizing better sales value and achieving world class cost levels

STRENGTHENING THE OPERATIONS

- ▶ Raise the high performance culture and talent base
- ▶ Lower our cost base and make effective use of assets
- ▶ Drive Operational Excellence in all core processes

Action plan and status

Roadmap

Strengthening operations

Performance measures

completion

Raise the high performance culture and talent base

- ▶ Continue to upgrade talent base and core competencies
- ▶ Christopher P. Belden, Senior VP, to Head Manufacturing Operations
- ▶ Peter Geiselhart appointed as Senior Vice President and General Manager, Car Entertainment Solutions

ongoing
done
done

Lower our cost base and make effective use of assets

- ▶ Cost reduction of USD 375 mln
- ▶ Operational closure of Boeblingen
- ▶ Receipt second tranche regarding the sale of our equipment at the Crolles facility
- ▶ MOOI (More Out of Installed base) program
- ▶ Reduce exposure to Euro/ Dollar
- ▶ Effective utilization
- ▶ Increase outsourcing to 30% - 40%
- ▶ Lower break-even point, less vulnerability to cycles

end of 2008 on
run rate basis
done
Q3

ongoing
ongoing
ongoing
2010
ongoing

Drive Operational Excellence in all core processes

- ▶ Time-to-Market and first time right program to speed up product introductions
- ▶ Zero Defect Program

ongoing
ongoing

Action plan and status

Roadmap

Profitable growth

Performance measures

Execute the roadmapping for leadership products and introduce value added products to gain share of wallet with key customers

- ▶ 3G win with Samsung, DTV win with 3 A brands, design wins with TV534, Car infotainment win with Visteon

Improve gross margins of our products

- ▶ Leverage improved time-to-market and value propositions to better price realization
- ▶ Cost price reduction measures.

Grow sales and market share

completion

done

ongoing

ongoing

ongoing

Transformational moves

- ▶ Strengthen leadership positions
- ▶ Combination of NXP car tuner modules operations with Thomson in a joint venture
- ▶ NXP and STMicroelectronics merge wireless businesses creating a solid #3 player
- ▶ NXP to Acquire Conexant's Set-top Box Operations

ongoing

2008

Q3 2008

Q3 2008

Q2 announcements

- ▶ NXP and ST announced a major transformational JV achieving market leadership and scale in the consolidating wireless communications market
 - \$ 3.0 billion in revenue in 2007
 - global top 3 player with 14% market share in 2007 and ambitions to grow
 - Scale to successfully compete for market leadership
 - Able to gain leading financial performance
- ▶ NXP to acquire Conexant's Set-top Box operations
 - NXP's fourth acquisition creates a market leading IC provider for STB and digital television applications



Outlook

- ▶ We expect a year on year mid single digit sales decrease on a comparable basis. This translates into a low single digit sequential sales decrease in the second quarter of 2008 on a comparable basis



