



# **NXP Q1 2009 Financial Results**

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# 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

- ▶ Q1 sales USD 673\* M versus USD 1,519 M in Q1 2008 and USD 979\*\* M in Q4 2008
- ▶ Comparable QoQ sales decrease of 29.4%
- ▶ Q1 adjusted EBITDA (excluding effects of Purchase Price Accounting) was a loss of USD 71M, compared to a profit of USD 183M in Q1 2008 and a profit of USD 41M in Q4 2008
- ▶ Cash position of USD 1,706M\*\*\* at the end of Q1 compared to USD 1,796M at the end of Q4 2008
- ▶ Significant progress has been made in executing the Redesign Program. The program is now expected to achieve a higher level of savings than originally anticipated, and total restructuring costs are now expected to be no greater than USD 700 M
- ▶ Factory loading of 36% in Q1 compared to 87% in Q1 2008 and 56% in Q4 2008
- ▶ Book to bill ratio improved in Q1 2009 to 1.18 compared to 0.71 in Q4 2008. NXP believes the improved book to bill is primarily driven by supply chain replenishment as opposed to any fundamental improvement of the semiconductors market

\*) Excluding USD 29 million wafer sales to ST-Ericsson Wireless JV in Q1 2009

\*\*) Excluding USD 47 million wafer sales to ST-NXP Wireless JV in Q4 2008

\*\*\*) Including USD 200 million draw down during Q1 from NXP's revolving credit facility and USD 92 million from the divestiture of the remaining 20% of ST-NXP Wireless JV.



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

Excl. PPA, incidental items and impairment charge	Q1 2008	Q1 2009	Q4 2008	Q1 2009
Sales	1,519	673	979	673
Wireless business wafer sales		29	47	29
<b>Total group sales</b>	<b>1,519</b>	<b>702</b>	<b>1,026</b>	<b>702</b>
% comparable growth	0.8	(43.4)	(21.9)	(29.4)
Gross margin	590	113	211	113
Selling, general & administrative	(232)	(132)	(119)	(132)
Research & development	(342)	(179)	(176)	(179)
Other business income	16	1	(14)	1
<b>Adjusted EBIT</b>	<b>32</b>	<b>(197)</b>	<b>(98)</b>	<b>(197)</b>
<b>Adjusted EBITA</b>	<b>41</b>	<b>(188)</b>	<b>(84)</b>	<b>(188)</b>
<b>Adjusted EBITDA</b>	<b>183</b>	<b>(71)</b>	<b>41</b>	<b>(71)</b>

# Adjusted EBITA (all amounts in millions of USD)

	Q1 2008	Q1 2009	Q4 2008	Q1 2009
<b>Net Income</b>	<b>(66)</b>	<b>(568)</b>	<b>(649)</b>	<b>(568)</b>
Financial expense	59	(309)	(175)	(309)
Income tax	46	13	32	13
Depreciation and amortization	(345)	(211)	(239)	(211)
<b>EBITDA</b>	<b>174</b>	<b>(61)</b>	<b>(267)</b>	<b>(61)</b>
Exit of product lines	-	-	-	-
Results relating to equity-accounted investees	(4)	75	(248)	75
Restructuring/other items	(5)	(65)	(60)	(65)
<b>Adjusted EBITDA</b>	<b>183</b>	<b>(71)</b>	<b>41</b>	<b>(71)</b>
Depreciation fixed assets	(168)	(121)	(135)	(121)
Effects of PPA	26	4	10	4
<b>Adjusted EBITA</b>	<b>41</b>	<b>(188)</b>	<b>(84)</b>	<b>(188)</b>

# Cash flow (all amounts in millions of USD)

	Q1 2008	Q1 2009	Q4 2008	Q1 2009
<b>EBITDA</b>	<b>174</b>	<b>(61)</b>	<b>(267)</b>	<b>(61)</b>
Changes in Working Capital	(300)	(170)	(38)	(170)
<b>Net cash provided by operating activities</b>	<b>(268)</b>	<b>(368)</b>	<b>(180)</b>	<b>(368)</b>
Net cash used for investing activities	(198)	105	(71)	105
<b>Cash and cash equivalents at end of period</b>	<b>519</b>	<b>1,706</b>	<b>1,796</b>	<b>1,706</b>

# BU Automotive & Identification

## Key figures

(millions of USD)	Q1 2008	Q1 2009	Q4 2008	Q1 2009
<b>Sales</b>	<b>337</b>	<b>179</b>	<b>263</b>	<b>179</b>
% nominal growth	12.0	(46.9)	(19.3)	(31.9)
% comparable growth	(1.5)	(44.1)	(15.6)	(30.9)
EBIT	2	(86)	(30)	(86)
Effects of PPA	(38)	(33)	(35)	(33)
Incidental items	(4)	(9)	(11)	(9)
Adjusted EBIT	44	(44)	16	(44)

## Performance

- ▶ The world economic crisis has a severe effect on the Automotive & Identification markets. Our businesses fully faced the effects of end customer reduced sales and additional inventory effects in the production pipelines
- ▶ The EBIT of USD 86 million is explained by the sales deterioration. Costs are brought in line with the new reality while continuing investing in leading positions in the Automotive & Identification markets

## Highlights

- ▶ Moscow Metro world's first major transport system to operate fully contactless with NXP's MIFARE Technology
- ▶ Mobile pay TV design win at large European Smart Card supplier for China market
- ▶ Launch of world's first limited use MIFARE IC with Open Standard Cryptography
- ▶ Oberthur Technologies and NXP move ahead with NFC deployment Compatible with MIFARE™ infrastructures
- ▶ Design win for next generation Wheel Speed Sensor at major European Module Maker
- ▶ Design win for next generation Car Radio Tuner at leading Japanese Infotainment Manufacturer
- ▶ Major Design Win for complete Car Access System for large European car maker
- ▶ First pilot production orders for ATOP Telematics solution

# BU MultiMarket Semiconductors

## Key figures

(millions of USD)	Q1 2008	Q1 2009	Q4 2008	Q1 2009
<b>Sales</b>	<b>549</b>	<b>315</b>	<b>424</b>	<b>315</b>
% nominal growth	2.8	(42.6)	(40.1)	(25.7)
% comparable growth	3.2	(40.6)	(25.8)	(25.0)
EBIT	<b>33</b>	<b>(101)</b>	<b>(64)</b>	<b>(101)</b>
Effects of PPA	<b>(47)</b>	<b>(39)</b>	<b>(43)</b>	<b>(39)</b>
Incidental items	<b>(1)</b>	<b>(2)</b>	<b>26</b>	<b>(2)</b>
Adjusted EBIT	<b>81</b>	<b>(60)</b>	<b>(47)</b>	<b>(60)</b>

## Performance

- ▶ In comparison to Q1 2008, the crisis in the market has resulted in a decrease for MMS as well (-42.6% YoY and -25.7% sequentially)
- ▶ The continuing decrease of demand in Q1 resulted in substantially lower utilization. The high share of fixed costs in our fabs resulted in a strong decline of EBIT. SG&A and R&D savings are in line with our plans

## Highlights

- ▶ Improving orderbook for RF Power amplifiers and additional design-wins at leading base station manufacturers
- ▶ Design-win for diodes and integrated discretes at major mobile phone design house
- ▶ Design-win for Mega Schottky rectifier at international manufacturer of digital still cameras
- ▶ First design-ins with QUBiC4X (Silicon Germanium Carbon BiCMOS process) to produce RF and microwave products
- ▶ Good success in winning designs and first orders at white good manufacturers
- ▶ New business wins for Sound Solutions at leading mobile OEMs
- ▶ Extended technology partnership with ARM

# BU Home

## Key figures

(millions of USD)	Q1 2008	Q1 2009	Q4 2008	Q1 2009
<b>Sales</b>	<b>205</b>	<b>135</b>	<b>223</b>	<b>135</b>
% nominal growth	(10.5)	(34.1)	5.2	(39.5)
% comparable growth	(6.1)	(50.0)	(18.6)	(37.5)
EBIT	(66)	(88)	(83)	(88)
Effects of PPA	(28)	(6)	(13)	(6)
Incidental items	(4)	(3)	(21)	(3)
Impairment goodwill			(9)	
Adjusted EBIT	(34)	(79)	(40)	(79)

## Performance

- ▶ Both year on year and quarter on quarter EBIT margin was affected by lower sales and under loading in manufacturing. The consolidation effects of the Conexant acquisition were substantially offset by the redesign savings

## Highlights

- ▶ TV543 mass production starts with key European and Japanese OEMs. NXP based TVs are now shipping to retail channels
- ▶ Fully functional samples of the new 45nm digital TV platform, the TV550, have already resulted in a major design win and a significant engagement with tier 1 TV OEMs
- ▶ New video co-processor PNX5120 with integrated display backlight dimming technology attract strong customer interests. New design-in projects started with both TV OEMs and panel manufacturers
- ▶ Introduction of new global DVB-C solution, STB150. Design wins at leading cable operators in the US, Europe, China and Latin America
- ▶ More design wins at leading US and Europe satellite STB operators including Amstrad (BskyB)
- ▶ Silicon tuners continue to gain market share.
- ▶ Major HDMI design-wins with Japanese and Korean tier1 TV OEMs



# BU Operations

## Key figures

(millions of USD)	Q1 2008	Q1 2009	Q4 2008	Q1 2009
Sales*)	62	32	47	32
EBIT	(30)	(50)	(55)	(50)
Effects of PPA	(23)	(7)	(1)	(7)
Incidental items	-	(34)	(34)	(34)
Adjusted EBIT	(7)	(9)	(20)	(9)

\*) Excluding sales of wafers wireless JV

## Performance

- ▶ Utilization of 36% in the first quarter compared to 87% in the first quarter of 2008 and 56% in the fourth quarter of 2008
- ▶ The integral yield realized in Q1 was 84.4%. We realized a yield at the end of the quarter of 85.2%
- ▶ Adequate reaction to declining demand evidenced by total inventory reduction from USD 620 million to USD 592 million in Q1

## Highlights

NXP redesign measures in operations on track and acceleration of cost savings

- ▶ Fishkill plant will complete production on June 30th
- ▶ Headcount reduction is well ahead of schedule as a consequence of the acceleration efforts
- ▶ The preparation of the process and product transfer program to enable the implementation of the fab restructuring is fully on track

# Recent events

- ▶ Early April, NXP successfully completed debt exchange offers to reduce the company's overall indebtedness and related interest expense.
  - Bonds tendered and accepted USD 593 million
  - New super priority notes issued USD 128 million
  - Net debt reduction of USD 465 million
  - Interest payment reduction of USD 30 million on a yearly basis

# Outlook

- ▶ Outlook: Visibility of sales development going forward remains extremely limited. The very weak macro-economic conditions are still continuing. Although we recently experienced positive order book developments, we believe the improved book to bill is primarily driven by supply chain replenishment as opposed to any fundamental improvement of the semiconductors market
- ▶ Under these circumstances, a 10 to 25% sequential sales increase in the second quarter on a business and currency comparable basis could be achievable, which excludes wafer sales to the ST-Ericsson Wireless joint venture. It is still very unclear how the overall market sentiment in the remainder of the year will develop.



