



NXP Q2 2007 Financial Results

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Headlines for Q2

- ▶ Second quarter sales at EUR 1,141 million vs EUR 1,115 million in Q1
- ▶ Currency comparable sequential sales growth of 4.1% (nominal growth 2.3%), comparable year on year decrease of 4.8%
- ▶ Second quarter adjusted EBITDA, excluding effects of Purchase Price Accounting, at EUR 141 million
- ▶ Second quarter adjusted EBITA, excluding effects of Purchase Price Accounting, at EUR 7 million
- ▶ Cash position of EUR 514 million at end of second quarter
- ▶ Business Renewal II Programme on track and expected to exceed EUR 250 million of cost savings by the end of 2008 on a run rate basis

NXP P&L

all amounts in millions of EUR

| | Q2-2006 | Q1-2007 | Q2-2007 | H1-2006 | H1-2007 |
|---|--------------|--------------|--------------|--------------|--------------|
| Total sales | 1,238 | 1,115 | 1,141 | 2,488 | 2,256 |
| % comparable growth (year over year) | 16.4 | (2.7) | (4.8) | 16.6 | (3.8) |
| Gross margin | 485 | 366 | 291 | 935 | 657 |
| Selling, General & administrative | (193) | (177) | (180) | (394) | (357) |
| Research & development | (248) | (245) | (233) | (480) | (478) |
| Other business income | 8 | 5 | 5 | 12 | 10 |
| EBIT | 52 | (51) | (117) | 73 | (168) |
| EBITA | 40 | (51) | (120) | 55 | (171) |
| EBITDA | 187 | 85 | 14 | 360 | 99 |
| Adjusted EBITDA | 211 | 139 | 141 | 440 | 280 |

Note: - PPA effects excluded

Adjusted EBITA

all amounts in millions of EUR

| | Q2-2006 | Q1-2007 | Q2-2007 | H1-2006 | H1-2007 |
|---|------------|------------|------------|------------|------------|
| Net Income | (5) | (98) | (144) | (22) | (242) |
| Financial expense | 4 | 70 | 76 | 18 | 146 |
| Income tax | 38 | (28) | (57) | 44 | (85) |
| Depreciation and amortization | 150 | 141 | 139 | 320 | 280 |
| EBITDA | 187 | 85 | 14 | 360 | 99 |
| Exit of product lines | 12 | 0 | 5 | 23 | 5 |
| Minority Interest and results on unconsolidated companies | 15 | 5 | 8 | 33 | 13 |
| Restructuring | | 30 | 97 | 11 | 127 |
| Other items | (3) | 19 | 17 | 13 | 36 |
| Adjusted EBITDA | 211 | 139 | 141 | 440 | 280 |
| Depreciation fixed assets | (147) | (136) | (134) | (305) | (270) |
| Adjusted EBITA | 64 | 3 | 7 | 135 | 10 |

Note: - PPA effects excluded

Cash flow

all amounts in millions of EUR

| | Q2-2006 | Q1-2007 | Q2-2007 | H1-2006 | H1-2007 |
|---|------------|-------------|------------|------------|------------|
| EBITDA | 187 | 85 | 14 | 360 | 99 |
| Changes in Working Capital | (25) | (9) | 155 | 56 | 146 |
| Net cash provided by operating activities | 147 | (12) | 85 | 415 | 73 |
| Net cash used for investing activities | (157) | (291) | (179) | (281) | (470) |
| Cash and cash equivalents at end of period | 182 | 620 | 514 | 279 | 514 |

Note: - PPA effects excluded

- Q1 2007 investing activities include EUR 214 million SiLabs wireless acquisition

- Q2 2007 investing activities include EUR 85 million for the final settlement with Philips

BU Mobile & Personal

Key figures

| (millions of EUR) | Q2 2006 | Q2 2007 | Q2 2007 Excl. PPA |
|---------------------|------------|-------------|----------------------|
| Sales | 381 | 400 | 400 |
| % nominal growth | (0.5) | 5.0 | 5.0 |
| % comparable growth | (0.9) | 2.6 | 2.6 |
| EBIT | 5 | (38) | (4) |
| EBITA | 5 | (9) | (5) |

Performance

- ▶ The strong sequential increase in sales was driven by cellular system solutions to our key Asian customers, our Sound Solutions Sales and the good leverage of our new AERO cellular products
- ▶ The successful integration of the recently acquired Silicon Labs Wireless Operations. Increased focus of the product portfolio has been well received.
- ▶ We announced the sale of our Cordless & VOIP Terminals operations

Highlights

- ▶ Marc Cetto new Executive Vice President and General Manager of Mobile & Personal Business
- ▶ Strengthened product roadmaps. The BU has been reorganized accordingly.
- ▶ Integration of Silabs product portfolio: the ULC One Chip Solution is sampling in Q2
- ▶ Lenovo Mobile selects NXP for EDGE mobile handsets in China
- ▶ Sound Solution project design wins with Nokia, Kyocera, Lenovo and more
- ▶ Large TV out design wins from one of the top three handset manufacturers
- ▶ First 3G TD-SCDMA/GSM automatic handover achieved by T3G and NXP
- ▶ Expansion of global Wireless USB technology base in Singapore

BU Home

Key figures

| (millions of EUR) | Q2 2006 | Q2 2007 | Q2 2007 Excl. PPA |
|---------------------|------------|---------------|----------------------|
| Sales | 242 | 160 | 160 |
| % nominal growth | 5.7 | (33.9) | (33.9) |
| % comparable growth | 18.7 | (27.3) | (27.3) |
| EBIT | (14) | (44) | (24) |
| EBITA | (14) | (25) | (24) |

Performance

- ▶ The Home business continued to face challenging market conditions. The continued decline in analog CRT TV had a negative impact on sales which we were unable to compensate with digital products.
- ▶ We took several actions including management changes, acceleration of the product roadmaps execution and cost reduction.

Highlights

- ▶ Start mass production of TV520/82- HD natural motion system for a top-3 Digital TV setmaker and started design-in with another
- ▶ Launch industry first USB-PCTV reference design for analogue, DVB-T as well as DVB-H
- ▶ Introduction new range of leading IPTV Set-Top Box solutions
- ▶ Launch 802.11n module for wireless HD streaming in the home
- ▶ First volume orders for PCTV shipments to Japanese customers
- ▶ Introduction new reference designs for portable TV based on Silicon Tuners
- ▶ Expected announcement of a new general manager at the end of the third quarter

BU Automotive & Identification

Key figures

| (millions of EUR) | Q2 2006 | Q2 2007 | Q2 2007 Excl. PPA |
|---------------------|------------|------------|----------------------|
| Sales | 230 | 267 | 267 |
| % nominal growth | 27.8 | 16.1 | 16.1 |
| % comparable growth | 26.5 | 3.4 | 3.4 |
| EBIT | 55 | 34 | 62 |
| EBITA | 55 | 62 | 62 |

Performance

- ▶ This quarter Automotive outgrew the market and showed solid sales. We experienced a slower than expected growth for the Identification market as shown by the latest market forecasts.
- ▶ Both Automotive & Identification continue to maintain many leadership positions, both in market share and innovation.

Highlights

- ▶ SIRIUS selects NXP chip for backseat satellite TV in Chrysler cars
- ▶ NXP unveils future car key concepts, developed with BMW Research
- ▶ Car Entertainment design-ins in China with global players and key local companies
- ▶ Partnering with Kestrel Wireless to eliminate theft of DVDs in retail
- ▶ Shipping of first commercially available handset with NFC chip: Nokia 6131
- ▶ NFC trials for Beijing, Memphis, Jackson, Taipei and with Wells Fargo in USA, and O2 Wireless Festival in UK
- ▶ Indian national ID card and further Asian ID projects
- ▶ Most popular Smartcard chip supplier by China Information Industry Trade Association and China Software Industry Association

BU MultiMarket Semiconductors

Key figures

| (millions of EUR) | Q2 2006 | Q2 2007 | Q2 2007 Excl. PPA |
|---------------------|------------|------------|----------------------|
| Sales | 325 | 265 | 265 |
| % nominal growth | 9.4 | (18.5) | (18.5) |
| % comparable growth | 28.1 | (2.7) | (2.7) |
| EBIT | 66 | 20 | 49 |
| EBITA | 66 | 46 | 49 |

Performance

- ▶ In a soft market environment, sales of the BU MultiMarket Semiconductors continued to outpace the market resulting in increased market share.
- ▶ Control on costs helped to deliver a stable financial performance.
- ▶ In Q2 the sensor activities have been moved to the Business Unit Automotive & Identification.

Highlights

- ▶ Acquisition of Sharp BlueStreak 32 bit ARM based microcontroller product line strengthens sector lead and provides access to Japanese customers
- ▶ Major design wins in the mobile telecom industry for Integrated Discretes
- ▶ Continued investments in ultra thin leadless packaging for logic (UTLP) and discretes (MCD)
- ▶ Launch industry's first fully integrated, silicon-based IC solution for satellite LNB
- ▶ Successful release of latest Trench 4 Power MOS products expanding NXP's current capability
- ▶ Solid State Lighting business management transferred from Emerging Business unit to MMS (Financial consolidation as from 2008)

IC Manufacturing Operations

Key figures

| (millions of EUR) | Q2 2006 | Q2 2007 | Q2 2007 Excl. PPA |
|---------------------|------------|------------|----------------------|
| Sales | 47 | 34 | 34 |
| % nominal growth | 56.7 | (27.7) | (27.7) |
| % comparable growth | 57.6 | (23.0) | (23.0) |
| EBIT | 22 | (92) | (68) |
| EBITA | 22 | (87) | (67) |

Performance

- ▶ The IC Manufacturing Operations improved the utilization rate of the fabs in Q2 from 69% in Q1 to 74% in Q2.
- ▶ In our MOOI program we realized a 5% increased productivity of our Assembly & Test asset base.
- ▶ Integral yield (value based) improved in Q2 with 1.7% compared to Q12007 and with 3.2% compared to Q4 2006.

Highlights

- ▶ Improved utilization from 69% to 74%
- ▶ On track with closure of Crolles and Boeblingen (incl. transfer of loading) and restructuring in Nijmegen and the Philippines
- ▶ Boeblingen social plan agreed
- ▶ Cost reduction and manufacturing efficiencies on target
- ▶ JV with ASE will be operational in the course of Q3

Management Agenda 2007 defined with Business Renewal II roadmap 2007-2010



Action plan

Roadmap

High performance organization with inspired talented workforce

Lower break even point

Achieve Operational Excellence

Performance measures

- ▶ Strengthened the Executive Management Team with the hiring of TI's Marc Cetto to lead the Mobile & Personal business
- ▶ We expect to announce a new general manager in the third quarter for BU Home

Cost reduction of € 250 mln

- ▶ EUR 100 million of total savings
- ▶ On track with closure of Crolles and Boeblingen and restructuring in Nijmegen and the Philippines
- ▶ IT savings as a result of the disentanglement are expected to overachieve targets set for 2007. We expect this will have continued impact in 2008.

- ▶ Yield improvement: Integral yield (value based) improved in Q2 with 1.7% compared to Q1 2007 and with 3.2% compared to Q4 2006.
- ▶ Time-to-Market program to speed up product introductions
- ▶ Zero Defect Program

completion

done

Q3
2007

Run rate
end 2008

Run rate
end 2007

2007

ongoing

ongoing
ongoing

Action plan

Roadmap

Effective use of assets in organization

Performance measures

MOOI: (More Out Of Installed base). Assembly & Test reached already the target improvement for the whole year of 5%.

Improved utilization

Increase outsourcing to 30% - 40%

Lower break-even point, less vulnerability to cycles

completion

done

ongoing

2010

ongoing

Outperform market growth

Active portfolio management and focus on our six growth segments:

- ▶ NXP acquires Sharp BlueStreak microcontroller productline
- ▶ DSP Group and NXP Semiconductors announce combination of Cordless & Voice over IP Terminals operations

Resulting in scale growth / market share gain

done

Q3

2007

Ongoing

Leadership through innovation and M&A

Outlook

- ▶ The market remains soft
- ▶ Given our book-to-bill ratio of 1.02 in the second quarter, we expect low to mid single digit sequential sales growth for the third quarter 2007 on a currency comparable basis



