



NXP Q2 2008 Financial Results

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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.

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Q2 highlights

- ▶ Q2 sales USD 1,524M compared to USD 1,538M in Q2 2007 and USD 1,519M in Q1 2008
- ▶ Comparable YoY decrease of 1.9% and comparable QoQ sales decrease of 0.6%
- ▶ Book to bill ratio stable at 1.03 compared to 1.00 in Q1 2008
- ▶ Q2 adjusted EBITDA (excluding effects of Purchase Price Accounting) USD 114M, compared to USD 190M in Q2 2007 and USD 183M in Q1 2008
- ▶ Cash position USD 660M* at the end of Q2, compared to USD 519M at the end of Q1 and USD 691M at the end of Q2 2007
- ▶ The ST-NXP Wireless JV on track to close in Q3, resulting in a cash receipt of USD 1.55BN and 20% ownership in the JV
- ▶ Factory loading 78% in Q2 compared to 74% in Q2 2007 and 87% in Q1 2008

*Cash figure includes USD 450 million drawn under the revolving credit facility early May 2008

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

	Q2-2007	Q1-2008	Q2-2008
Total sales	1,538	1,519	1,524
% comparable growth (year over year)	(4.8)	0.8	(1.9)
Gross margin	393	582	534
Selling, general & administrative	(241)	(246)	(270)
Research & development	(314)	(346)	(345)
Other business income	6	37	(7)
EBIT	(156)	27	(88)
EBITA	(161)	20	(97)
EBITDA	20	162	46
Adjusted EBITA	9	41	(29)
Adjusted EBITDA	190	183	114

Note: PPA effects excluded



Adjusted EBITA (all amounts in millions of USD)

	Q2-2007	Q1-2008	Q2-2008
Net Income	(359)	(78)	(330)
Financial expense	103	(59)	174
Income tax	(94)	(46)	(146)
Depreciation and amortization	367	345	348
EBITDA	17	162	46
Exit of product lines	6	-	6
Minority interest and results of unconsolidated companies	11	16	18
Restructuring	130	5	19
Other items	23	-	25
Effects of PPA	3	-	-
Adjusted EBITDA	190	183	114
Depreciation fixed assets	(181)	(142)	(143)
Adjusted EBITA	9	41	(29)

Note: PPA effects excluded



Cash flow (all amounts in millions of USD)

	Q1-2008	Q2-2008
EBITDA	162	46
Changes in Working Capital	(300)	(338)
Net cash provided by operating activities	(268)	(281)
Net cash used for investing activities	(198)	(15)
Cash and cash equivalents at end of period	519	660

BU Mobile & Personal

Key figures

(millions of USD)	Q2 2007	Q2 2008
Sales	538	471
% nominal growth	11.9	(12.5)
% comparable growth	2.6	(3.3)
EBIT	(52)	(117)
Effects of PPA	(45)	(65)
Incidental items	(4)	(9)
Adjusted EBIT	(3)	(43)

Performance

- ▶ Sales in cellular and connected entertainment are affected by a softening market, whereas sales in sound solutions continue to be strong as a result of further market share growth
- ▶ NXP gains in cellular systems solutions market share were offset by decreases in the standalone RF market and the proliferation of connectivity and broadcast combos where NXP is not yet present
- ▶ Lower sales and higher operating expenses resulted in lower EBIT
- ▶ Additional costs were incurred amongst others for increased design in activities for 3G and creation of the ST-NXP Wireless Joint Venture

Highlights

- ▶ Progressing well to create the wireless JV with ST: name & Executive Management Team announced and authorization from the European Commission received
- ▶ Continued design-in traction in 3G, EDGE and Ultra Low Cost phones with Samsung
- ▶ Significant USB design wins at tier 1 customers
- ▶ Launched world's fastest cellular modem for LTE and HSPA+
- ▶ Enabled highest-efficiency LDMOS solutions for base station power transistors
- ▶ NXP and T3G deliver breakthrough in TD-SCDMA solution to Chinese market
- ▶ 1 Billion mark exceeded for unit shipments of Cellular RF transceivers & FM radio ICs

BU Home

Key figures

(millions of USD)	Q2 2007	Q2 2008
Sales	216	196
% nominal growth	(29.2)	(9.3)
% comparable growth	(27.3)	(8.6)
EBIT	(60)	(53)
Effects of PPA	(28)	(30)
Incidental items	(2)	(4)
Adjusted EBIT	(30)	(19)

Performance

- ▶ Weak market environment continued in Q2 for CRT and analog TV
- ▶ Higher sales in DTV & STB offset by the continuing decline in CRT TV
- ▶ Adjusted EBIT improved due to increased gross margins and lower operational expenses as a result of ongoing restructuring.

Highlights

- ▶ DTV production ramp-ups with Philips and another major CE brand
- ▶ Announced acquisition of STB business of Conexant creating a leadership position
- ▶ Final agreement to create JV for Can tuner business with Thomson
- ▶ Loewe AG has chosen PN5100 for full-HD picture quality for latest 40-inch LCD TV line-up
- ▶ Announced Hauppauge win for PCTV and silicon tuner solution
- ▶ Design in of IP-STB225 and HDMI transmitter in Roku STB for Netflix, world's largest online movie rental service

BU Automotive & Identification

Key figures

(millions of USD)	Q2 2007	Q2 2008
Sales	360	359
% nominal growth	24.1	(0.3)
% comparable growth	3.4	(0.5)
EBIT	45	33
Effects of PPA	(39)	(40)
Incidental items	(1)	(5)
Adjusted EBIT	85	78

Performance

- ▶ Automotive sales continued to outgrow the market and market share in Identification declined slightly
- ▶ Identification showed lower sales in an overall soft market compared to Q2 of 2007 but sales were higher than Q1 2008
- ▶ Nominal sales in Q2 2007 were positively impacted by the reclassification of the sensor operations from BU MultiMarket Semiconductors
- ▶ Higher sales & margin invested in higher R&D and go-to-market activities

Highlights

- ▶ Strategy Analytics report shows that NXP Automotive outgrew competition in 2005-2007 and ranks NXP #1 in Car Infotainment
- ▶ NXP and Siemens develop GPS/GSM-based toll system for private vehicles
- ▶ Car radio design-wins with major Japanese customers
- ▶ ABI Research ranks NXP top in their Contactless Vendor Matrix
- ▶ Le Coq Sportif launches RFID and NFC application for fashion in their stores based on NXP ICs
- ▶ Positive response to MIFARE Plus launch for contactless transport ticketing

BU MultiMarket Semiconductors

Key figures

(millions of USD)	Q2 2007	Q2 2008
Sales	358	416
% nominal growth	(12.9)	16.2
% comparable growth	(2.7)	3.9
EBIT	27	25
Effects of PPA	(40)	(37)
Incidental items	-	(1)
Adjusted EBIT	67	63

Performance

- ▶ Maintained market share in an overall soft market
- ▶ Sales increased across all businesses
- ▶ EBIT was lower than 2007 as a result of increasing price pressure and increased investment in the Analog Mixed Signal Business
- ▶ Nominal sales in Q2 2007 were negatively impacted by the reclassification of the sensor operations towards BU Automotive & Identification

Highlights

- ▶ Business Line General Applications received 'Best Supplier Award' from WPI for 2007
- ▶ Analog Mixed Signal and general purpose power MOS design with Japanese consumer and Taiwanese computing customers
- ▶ Increasing share of general purpose power MOS Business in networking
- ▶ Released BIC Ultra low power RTC
- ▶ Strong logic order book supported by smartphone business
- ▶ Sales growth in Korea and Japan gaining traction especially with general applications products
- ▶ Production 400 millionth greenchip : technology saves enough energy to power 16.5 million light bulbs

Manufacturing Operations

Key figures

(millions of USD)	Q2 2007	Q2 2008
Sales	46	61
EBIT	(123)	(88)
Effects of PPA	(31)	(24)
Incidental items	(101)	(9)
Adjusted EBIT	9	(55)

Performance

- ▶ Utilization of 78% in the second quarter compared to 74% in the second quarter of 2007 and 87% in the first quarter of 2008
- ▶ Year to date MOOI improvement of 4.9% in Front-End and 4.4 % in Back-End
- ▶ Integral yield decreased to 83.1% from 86.2% in Q2 2007 due to some yield excursions in Fishkill and Nijmegen
- ▶ Realized cost savings of USD 26 million corrected for the lower loading
- ▶ Negative effect on EBIT of weaker dollar was USD 44 million compared to Q2 2007

Highlights

- ▶ Tight control of capex
- ▶ Cost savings program getting momentum
- ▶ Continued reduction of cost of non-quality

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
- ▶ NXP appoints Karl-Henrik Sundström as Chief Financial Officer

ongoing
done

Lower our cost base and make effective use of assets

- ▶ Operational closure of Boeblingen
- ▶ Receipt final payment 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

done
done

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

- ▶ STB design win Netflix, DTV production ramp-ups with Philips another major CE brand , Le Coq Sportif launches RFID and NFC application, car radio design wins with major Japanese customers

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 can tuner modules operations with Thomson in a joint venture
- ▶ NXP and STMicroelectronics merge wireless businesses creating a solid #3 player
- ▶ Announcement acquisition Conexant's Set-top Box Operations

ongoing

Q3 2008

Q3 2008

Q3 2008

Q3 announcements

- ▶ Loewe, a leading European TV manufacturer has chosen the flagship video postprocessor from NXP Semiconductors, PNX5100 to deliver full-HD picture quality on its latest 37-inch and 40-inch LCD TV line-up



Outlook

- ▶ Outlook: Due to the overall market sentiment we continue to see a relatively flat market
- ▶ The company expects a year-on-year comparable mid single digit sales decrease, translating into close to flat sequential sales



