



NXP Q2 2009 Financial Results

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Rick Clemmer, President & CEO
Karl-Henrik Sundström, 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.

Q2 2009 highlights

- ▶ Q2 sales at USD 857* M versus USD 1,200 M in Q2 2008 (excl. wireless activities) and USD 673** M in Q1 2009.
- ▶ Comparable QoQ sales increased by 26.2%. The increase in sales is largely attributable to supply chain replenishment and increased demand in China.
- ▶ Q2 adjusted EBITDA (excluding effects of Purchase Price Accounting and incidental items) was a profit of USD 89 M, compared to a profit of USD 114 M in Q2 2008 and a loss of USD 71 M in Q1 2009.
- ▶ Q2 Net income amounted to profit of USD 344 M compared to loss of USD 319 M in Q2 2008 and a loss in Q1 2009 of USD 568 M.
- ▶ Cash position of USD 1,373 M at the end of Q2 compared to USD 1,706 M at the end of Q1 2009.
- ▶ Factory loading of 53% in Q2 compared to 78% in Q2 2008 and 36% in Q1 2009.
- ▶ Book to bill ratio at 1.20 in Q2 2009 compared to 1.18 in Q1 2009.

*) Excluding USD 46 million wafer sales to ST-Ericsson in Q2 2009

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

NXP P&L (all amounts in USD millions)

Excl. PPA, incidental items and impairment charge	Q2 2008	Q2 2009	Q1 2009	Q2 2009
Sales	1,524	857	673	857
Wafer sales	0	46	29	46
Total group sales	1,524	903	702	903
% comparable growth	(1.9)	(29.0)	(29.4)	26.2*
Gross margin	556	277	113	277
Selling, general & administrative	(248)	(127)	(132)	(127)
Research & development	(339)	(174)	(179)	(174)
Other business income	(7)	-	1	-
Adjusted EBIT	(38)	(24)	(197)	(24)
Adjusted EBITA	(29)	(18)	(188)	(18)
Adjusted EBITDA	114	89	(71)	89

* Excluding wafer sales

Adjusted EBITA (all amounts in USD millions)

	Q2 2008	Q2 2009	Q1 2009	Q2 2009
Net Income	(319)	344	(568)	344
Financial expense	(174)	582	(309)	582
Income tax	146	(21)	13	(21)
Depreciation and amortization	(348)	(253)	(211)	(253)
EBITDA	57	36	(61)	36
Exit of product lines	(6)	(30)	-	(30)
Results relating to equity-accounted investees	(7)	-	75	-
Restructuring/other items	(44)	(23)	(65)	(23)
Adjusted EBITDA	114	89	(71)	89
Depreciation fixed assets	(170)	(161)*	(121)	(161)*
Effects of PPA	27	54	4	54
Adjusted EBITA	(29)	(18)	(188)	(18)

* Including USD 9 million depreciation property, plant and equipment arising from restructuring

Cash flow (all amounts in USD millions)

	Q2 2008	Q2 2009	Q1 2009	Q2 2009
EBITDA	57	36	(61)	36
Changes in Working Capital	(338)	(221)	(170)	(221)
Net cash provided/ (used) by operating activities	(281)	(349)	(368)	(349)
Net cash provided/ (used) for investing activities	(15)	2	105	2
Cash and cash equivalents at end of period	660	1,373	1,706	1,373

BU Automotive & Identification

Key figures

(millions of USD)	Q2 2008	Q2 2009	Q1 2009	Q2 2009
Sales	359	200	179	200
% nominal growth	(0.3)	(44.3)	(31.9)	11.7
% comparable growth	(0.5)	(40.9)	(30.9)	10.1
EBIT	2	(56)	(86)	(56)
Effects of PPA	(40)	(34)	(33)	(34)
Incidental items	(5)	(5)	(9)	(5)
Adjusted EBIT	47	(17)	(44)	(17)

Performance

- ▶ The increase in QoQ sales is mainly attributable to the supply chain replenishment and stimulus packages provided by some governments for the automotive industry
- ▶ The Adjusted EBIT loss of USD 17 million compared to profit of USD 47 million in second quarter 2008 results from the sales deterioration partly compensated by a reduced cost base

Highlights

- ▶ Won Automotive market share 4 years in a row*
- ▶ Expanded High Speed CAN Transceivers Portfolio
- ▶ Shipped over 1 Million FlexRay transceivers as market leader
- ▶ Launched successful field-test for intelligent traffic management with IBM in the Netherlands based on NXP's ATOP platform
- ▶ Significant design wins in Japan with remote/passive Keyless Entry/Go
- ▶ Very significant design-win at major Car OEM for Immobilizer and Keyless Entry/ Go platform for models 2012
- ▶ Launched Contactless Fast Pay Solution with Giesecke & Devrient
- ▶ Driven NFC with World's First Industry Standard Chip
- ▶ MIFARE DESFire EV1 Technology received trusted security stamp of approval from the German Federal Office of Information Security
- ▶ MIFARE Plus design win in Los Angeles Metro infrastructure for automatic fare collection
- ▶ SmartMX design win in MTCOS system for Egypt family card
- ▶ Mifare DESFire EV1 design win for guest ticketing and in-park purchases for theme park in South East Asia

* based on 2008 data by strategy analytics

BU MultiMarket Semiconductors

Key figures

(millions of USD)	Q2 2008	Q2 2009	Q1 2009	Q2 2009
Sales	566	418	315	418
% nominal growth	(6.5)	(26.1)	(25.7)	32.7
% comparable growth	(4.7)	(23.1)	(25.0)	31.4
EBIT	(8)	(9)	(101)	(9)
Effects of PPA	(52)	(40)	(39)	(40)
Incidental items	(2)	(2)	(2)	(2)
Adjusted EBIT	46	33	(60)	33

Performance

- ▶ Substantial market improvement compared to the first quarter 2009. However year on year the market is still down significantly
- ▶ QoQ sales increase is driven across all MMS businesses. Sales were particularly strong in Asia, and largely attributable to real demand increase in China and inventory replenishment following a soft first quarter of 2009
- ▶ EBIT improvement compared to first quarter of 2009 is due to higher sales, increased utilization of the fabs and a lower cost base

Highlights

- ▶ First step taken to convert the Hamburg wafer production for integrated discretes from 6" to 8"
- ▶ Demonstrated novel 3-way Doherty power amplifier reference design, setting path for more energy efficient RF base stations
- ▶ Claimed first-to-market leadership with high speed data converters compliant to new JEDEC interface standards
- ▶ Design-wins for GPS RF low noise amplifiers in QUBiC4X BiCMOS technology process at Japanese GPS module makers, leading Korean mobile phone manufacturer and Chinese satellite manufacturers
- ▶ Design-win for Cortex-M microcontroller at major white goods and e-metering customers
- ▶ Design-wins with MicroPak™ devices, diodes and integrated discretes at two leading Smartphone manufacturers
- ▶ Sound solution design-wins with mobile and computing customers

BU Home

Key figures

(millions of USD)	Q2 2008	Q2 2009	Q1 2009	Q2 2009
Sales	196	181	135	181
% nominal growth	(9.3)	(7.7)	(39.5)	34.1
% comparable growth	(8.6)	(25.5)	(37.5)	33.7
EBIT	(71)	(53)	(88)	(53)
Effects of PPA	(30)	1	(6)	1
Incidental items	(4)	(13)	(3)	(13)
Adjusted EBIT	(37)	(41)	(79)	(41)

Performance

- ▶ Market has improved compared to the first quarter 2009. However year on year the market is still down significantly
- ▶ QoQ sales increase across all businesses, but mainly driven by sales recovery in DTV after inventory corrections in the first quarter of 2009.
- ▶ EBIT improvement compared to first quarter of 2009 is mainly due to improved margins from higher sales and a lower cost base.

Highlights

- ▶ TV550 is perceived by customers as the leading integrated digital TV platform in the market. Two lead customers engaged on TV550 for 2010 model range, first mass production anticipated end 2009/early 2010. Many additional opportunities underway
- ▶ Multiple engagements with panel customers and TV OEM's on PNX5120 for cost effective Frame Rate Conversion and LED backlight dimming
- ▶ Significant recent design wins with key OEMs in STB Europe in terrestrial and satellite applications for major operators
- ▶ Ramp up of silicon tuners for STB with large OEM for major operator in the US
- ▶ Adobe's Digital Home Flash Platform integrated into NXP's STB Platforms enabling user friendly interface

BU Operations

Key figures

(millions of USD)	Q2 2008	Q2 2009	Q1 2009	Q2 2009
Sales*	61	45	32	45
EBIT	(32)	(78)	(50)	(78)
Effects of PPA	(24)	(58)	(7)	(58)
Incidental items	(9)	(25)	(34)	(25)
Adjusted EBIT	1	5	(9)	5

* Excluding wafer sales to ST-NXP wireless in Q1 2009 and to ST-Ericsson in Q2 2009

Performance

- ▶ Utilization of 53% in the second quarter compared to 78% in the second quarter of 2008 and 36% in the first quarter of 2009
- ▶ The integral yield realized in the second quarter of 2009 was 85.1%
- ▶ Decision to increase inventories slightly QoQ because of higher expected demand in Q3

Highlights

- ▶ NXP redesign measures in operations on track and acceleration of cost savings
- ▶ Caen fab was sold in the second quarter of 2009
- ▶ Fishkill fab stopped production early July
- ▶ Process and product transfer programs related to the redesign of the fabs in Hamburg and Nijmegen are on track
- ▶ Headcount reduction is well ahead of schedule as a consequence of the acceleration efforts

Update on exchange and cash offers to reduce overall debt level and related cash interest expense

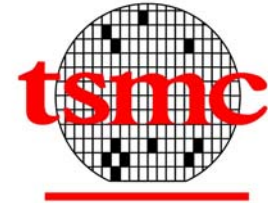
- ▶ Early April NXP successfully completed debt exchange offers
 - Bonds tendered and accepted USD 595 million
 - Fair value of New super priority notes issued USD 78 million
 - Net debt reduction of USD 517 million
 - Annual cash interest payment reduction of approximately USD 30 million
- ▶ Early July NXP successfully completed cash offer and private transaction
 - Bonds tendered and accepted USD 519 million
 - Debt reduction of USD 519 million
 - Cash used USD 218 million
 - Annual cash interest payment reduction of approximately USD 33 million
 - Results visible in Q3 2009
- ▶ July 20 NXP successfully completed private notes transaction
 - Bonds tendered and accepted USD 328 million
 - USD 54 million of secured notes have been bought back against cash
 - USD 274 million of the unsecured notes have been purchased against issuance of new super priority notes with a fair value of USD 103 million
 - Cash used USD 26 million
 - Net debt reduction of USD 225 million
 - Annual cash interest payment reduction of approximately USD 16 million
 - Results visible in Q3 2009
- ▶ In summary NXP has reduced bonds outstanding by over USD 1.2 billion while cash spent was USD 244 million

Update on NXP redesign

- ▶ The execution of the Redesign Program is on track
- ▶ The fab in Caen was sold during the second quarter in 2009
- ▶ The fab in Fishkill stopped production early July 2009
- ▶ The process and product transfer programs related to the redesign of fabs in Hamburg and Nijmegen are on track
- ▶ The Redesign program is forecast to have restructuring costs of no greater than USD 700 million and is expected to achieve higher annual savings than those initially projected (USD 550 million) by the end of 2010

Additional Q3 announcements

- ▶ NXP and TSMC Deliver Industry's First 45nm Single-Chip Digital TV Platform
- ▶ NXP Claims Breakthrough in MOSFET Performance with World's First Sub 1 MilliOhm MOSFET in a Power S08 Package
- ▶ NXP and Siemens Collaborate on Pharmaceutical RFID Innovation



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Outlook

- ▶ The weak macro-economic conditions are still continuing. Although we have recently experienced positive order book developments, we believe this may be driven mainly by supply chain replenishment and not by a fundamental improvement of the semiconductors market, apart from China where we have seen real demand increase and recent improvements in other Asian countries.
- ▶ Considering the current business development we expect a sequential sales increase between 10% and 20% in the third quarter on a business and currency comparable basis (excluding wafer sales to ST-Ericsson). However, visibility beyond the third quarter is still limited.



