# NXP Q3 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.

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# Q3 2009 highlights

- Q3 sales at USD 1,034* M versus USD 1,216* M in Q3 2008 (excl. wireless activities) and USD 857* M in Q2 2009
- Nominal QoQ sales (excluding wafer sales) increased by 20.7% and comparable QoQ sales increased by 19.2%. The increase in sales was visible across all business segments and regions
- Q3 adjusted EBITDA (excluding effects of Purchase Price Accounting and incidental items) was a profit of USD 147 M, compared to a profit of USD 147** M in Q3 2008 and USD 89 M in Q2 2009
- Q3 adjusted EBITA improved to a profit of USD 55 M compared to a profit of USD 15 M in Q3 2008 and a loss of USD 18 M in Q2 2009
- Q3 net income amounted to profit of USD 412 M compared to loss of USD 2,540 M in Q3 2008 and a profit in Q2 2009 of USD 344 M
- Cash position of USD 1,061 M at the end of Q3 compared to USD 1,373 M at the end of Q2 2009
- Factory loading of 69% in Q3 compared to 68% in Q3 2008 and 53% in Q2 2009
- Book to bill ratio at 1.11 in Q3 2009 compared to 1.20 in Q2 2009

*) Excluding USD 43 M in Q3 2009, USD 38 M in Q3 2008 and USD 46 M in Q2 2009 wafer sales to ST-E Wireless

**) Including a loss of USD 22 M Adjusted EBITDA related to the divested Wireless activities

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

| Excl. PPA, incidental items and impairment charge | Q3 2008 | Q3 2009 | Q2 2009 | Q3 2009 |
|---|---|---|---|---|
| Sales | 1,336 | 1,034 | 857 | 1,034 |
| Wafer sales | 38 | 43 | 46 | 43 |
| **Total group sales** | **1,374** | **1,077** | **903** | **1,077** |
| % comparable growth | (4.2) | (14.7) | 26.2* | 19.2* |
| **Gross margin** | **414** | **370** | **277** | **370** |
| **As % of sales (excl wafer sales)** | **31.0** | **35.8** | **32.3** | **35.8** |
| Selling, general & administrative | (200) | (153) | (127) | (153) |
| Research & development | (235) | (170) | (174) | (170) |
| Other business income | 28 | 2 | - | 2 |
| **Adjusted EBIT** | **7** | **49** | **(24)** | **49** |
| **Adjusted EBITA** | **15** | **55** | **(18)** | **55** |
| **Adjusted EBITDA** | **147** | **147** | **89** | **147** |
| **As % of sales (excl wafer sales)** | **11.0** | **14.2** | **10.4** | **14.2** |

* Excluding wafer sales to ST-E Wireless

# Adjusted EBITA (all amounts in USD millions)

| | Q3 2008 | Q3 2009 | Q2 2009 | Q3 2009 |
|---|---|---|---|---|
| **Net Income** | **(2,540)** | **412** | **344** | **412** |
| Financial income (expense) | (324) | 570 | 582 | 570 |
| Income tax | (270) | (27) | (21) | (27) |
| Depreciation and amortization | (371) | (204) | (253) | (204) |
| Impairment | (706) | - | - | - |
| **EBITDA** | **(869)** | **73** | **36** | **73** |
| Exit of product lines | (9) | (10) | (30) | (10) |
| Results of unconsolidated companies | (9) | - | - | - |
| Restructuring/Other items | (998) | (64) | (23) | (64) |
| **Adjusted EBITDA** | **147** | **147** | **89** | **147** |
| Depreciation fixed assets | (220) | (95)* | (161)* | (95)* |
| Effects of PPA | 88 | 3 | 54 | 3 |
| **Adjusted EBITA** | **15** | **55** | **(18)** | **55** |

* Including depreciation on property, plant and equipment arising from restructuring (9 million USD in Q2 2009 and 18 million USD in Q3 2009)

# **Cash flow** (all amounts in USD millions)

| | Q3 2008 | Q3 2009 | Q2 2009 | Q3 2009 |
|---|---|---|---|---|
| **EBITDA** | **(869)** | **73** | **36** | **73** |
| Changes in Working Capital | 534 | (28) | (221) | (28) |
| **Net cash provided/ (used) by operating activities** | **107** | **(51)** | **(349)** | **(51)** |
| Net cash provided/ (used) for investing activities | 1,299 | (9) | 2 | (9) |
| **Cash and cash equivalents at end of period** | **1,535** | **1,061** | **1,373** | **1,061** |

# BU Automotive & Identification

## Key figures

| (millions of USD) | Q3 2008 | Q3 2009 | Q2 2009 | Q3 2009 |
|---|---|---|---|---|
| **Sales** | **326** | **269** | **200** | **269** |
| % nominal growth | | **(17.5)** | | **34.5** |
| % comparable growth | | **(14.8)** | | **31.5** |
| EBIT | **5** | **(7)** | **(56)** | **(7)** |
| Effects of PPA | **(39)** | **(36)** | **(34)** | **(36)** |
| Incidental items | **(8)** | **(5)** | **(5)** | **(5)** |
| Adjusted EBIT | **52** | **34** | **(17)** | **34** |

## Performance

- Automotive and Identification markets recovering from the significant dip in the first half of the year. However, markets are still significantly below Q3 last year. Recovery is mainly driven by inventory replenishment and governmental automotive stimulus programs as well as some increase in Identification
- Sales followed the market recovery leading to a QoQ growth of 34%, however YoY still 18% below Q3 2008
- Higher sales had a positive effect on the factory loading, leading to a significant improvement of the bottom line. Costs are well under control

## Highlights

- Design wins for Car Access and In Vehicle Networking with main Russian OEM
- Breakthrough design win of Immobilizer at the #2 motorcycle maker in India
- NXP well underway for Dutch and Belgium road pricing projects
- Major Car Digital Signal Processor (DSP) and Tuner design win in Japan
- Car Access design win with major Car OEM across all global platforms, starting Model Year 2013
- NXP and Siemens collaborate on pharmaceutical RFID innovation
- Indian Railways to use NXP's contactless MIFARE DESFire enabled smart ticketing
- Globally 75% of all electronic tickets in public transport use NXP MIFARE technology
- First low-cost smart card reader with NDS Group Ltd. certification, TDA8034, for growing pay-TV Market!
- NXP and Trusted Logic partner to drive NFC middleware integration

# BU MultiMarket Semiconductors

## Key figures

| (millions of USD) | Q3 2008 | Q3 2009 | Q2 2009 | Q3 2009 |
|---|---|---|---|---|
| **Sales** | **590** | **486** | **418** | **486** |
| % nominal growth | | **(17.6)** | | **16.3** |
| % comparable growth | | **(15.8)** | | **14.7** |
| EBIT | **51** | **4** | **(9)** | **4** |
| Effects of PPA | **(21)** | **(42)** | **(40)** | **(42)** |
| Incidental items | **(57)** | **(10)** | **(2)** | **(10)** |
| Adjusted EBIT | **129** | **56** | **33** | **56** |

## Performance

- Sales across the entire product portfolio were lower than the same quarter last year, except for sales of radio base station components
- On a sequential basis, sales increased across all regions
- The decrease in adjusted EBIT from the same quarter last year was largely due to lower sales volumes and the related lower factory utilization, resulting in lower gross margin. This was partly offset by lower operating expenses
- Sequentially, the increase in adjusted EBIT was mainly due to higher sales volumes and the increased factory utilization

## Highlights

- RF Power momentum in base stations continues with design wins with major base station customers
- Broad product penetration in computing segment with Green Chip and Vcore design wins
- Lighting successes with new dimmable Compact Fluorescent Light (CFL) driver ASIC with leading lighting manufacturer and Chinese mass market supplier
- Expanding MCU, Bipolar and Dataconverter footprint in industrial and consumer segments
- ARM M3 Microcontroller embedded development tool launched with integral hardware and software support
- NXP claims breakthrough in MOSFET performance with world's first Sub 1 MilliOhm MOSFET in a Power S08 Package
- NXP Sound Solutions is recognized for its customer-centric approach to business by the European Foundation for Quality Management (EFQM)

# BU Home

## Key figures

| (millions of USD) | Q3 2008 | Q3 2009 | Q2 2009 | Q3 2009 |
|---|---|---|---|---|
| **Sales** | **212** | **217** | **181** | **217** |
| % nominal growth | | **2.4** | | **19.9** |
| % comparable growth | | **(2.9)** | | **19.5** |
| EBIT | **(713)** | **(20)** | **(53)** | **(20)** |
| Effects of PPA | **(39)** | **(4)** | **1** | **(4)** |
| Incidental items | **5** | **(3)** | **(13)** | **(3)** |
| Impairment goodwill | **(656)** | **-** | **-** | **-** |
| Adjusted EBIT | **(23)** | **(13)** | **(41)** | **(13)** |

## Performance

- Home market reduced 13% from Q3 last year, but grew 15.5% on a sequential basis, mainly driven by seasonal uptake of TV
- Sales grew 19.9% from Q2, leading to a slight market share increase. Main drivers versus Q3 2008 are the continued decline of analog CRT (-40%), offset by growth in STB from exploring the Conexant acquisition and market share growth in DTV
- Adjusted EBIT improved with USD 28M sequentially, mainly due to higher sales, better margin and lower OPEX resulting from further steps in the NXP Redesign program

## Highlights

- Samsung Electronics LCD 240Hz LCD panel in production based on PNX5120
- Ramp up TV543 at a another major OEM in Europe
- Demonstrated the cost-effective 3DTV technology at IFA based on the video post processor
- Launched the industry's first 45nm STB System on Chip (SoC) platform, featuring low power consumption and 3D graphic processing unit
- Several mass productions started for Spain, India and South America satellite STB customers with major operators
- Integrated middleware from partner NDS in NXP's STB System on Chip targeting fast growing pay TV market
- 1st design-win of new HDMI 1.4 compatible tuner at major TV OEM
- High volume production rate achieved on low cost DVB-T STB Silicon Tuner for Chinese ODMs

# BU Operations

## Key figures

| (millions of USD) | Q3 2008 | Q3 2009 | Q2 2009 | Q3 2009 |
|---|---|---|---|---|
| **Sales*)** | **69** | **52** | **45** | **52** |
| EBIT | **(427)** | **(54)** | **(78)** | **(54)** |
| Effects of PPA | **(86)** | **(6)** | **(58)** | **(6)** |
| Incidental items | **(324)** | **(57)** | **(25)** | **(57)** |
| Adjusted EBIT | **(17)** | **9** | **5** | **9** |

* Excluding wafer sales to ST-Ericsson

## Performance

- Utilization of 69% in the third quarter compared to 68% in the third quarter of 2008 and 53% in the second quarter of 2009
- Utilization was positively impacted by increased sales, but partly offset by some supplies being taken out of bridging inventories (which was agreed upon with our customers in relation to fab closures)
- Total inventory came down from USD 729M in Q3 2008 and USD 614M in Q2 2009 to USD 599M in Q3 2009

## Highlights

- Execution of redesign actions in Manufacturing, Supply Chain and Purchasing delivered accelerated cost savings
  - Fishkill fab stopped production midway through July, three months ahead of schedule
  - Process and product transfer programs related to the redesign of the fabs in Hamburg and Nijmegen are ahead of schedule
  - Headcount and cost reductions are ahead of schedule

# Update on debt restructuring transactions 2009

| | Bonds Exchanged (par) | | New bonds issued (par) | | Cash amount paid | |
|---|---|---|---|---|---|---|
| | **USD** | **EUR** | **USD** | **EUR** | **USD** | **EUR** |
| **2nd quarter 2009** | 420 | 131 | 90 | 29 | | |
| **3rd quarter 2009** | 557 | 254 | 131 | | 191 | 67 |
| | **977** | **385** | **221** | **29** | **191** | **67** |

1. All amounts in millions
2. Cash amounts paid exclude accrued interest
3. New bonds issued are shown at nominal values, in the books they are recorded at a discount

- Total debt reduced by USD 1,331M
- Cash spent USD 286M

# Trident and NXP to combine Digital TV and Set-Top Box business to create Industry Leader in the Digital Home Market

- Transaction creates Global Leader in Digital Home
- This is all about gaining Scale, Leadership, Innovation, and Cost Competitiveness
- It combines industry-leading consumer semiconductor IP, patents, and technology from NXP with Trident's innovations in picture quality, cost effective R&D and engineering

# Additional Q4 announcements

- Audi drives forward in-car entertainment with NXP HD radio technology
- NXP and Virage Logic Strategic Alliance accelerates NXP's move to High Performance Mixed Signal Leadership and further establishes Virage Logic as an IP Power House
- Cochlear Ltd and NXP Semiconductors collaborate to enable Cochlear's next generation Hearing Implant products
- NXP Wins Supply Contract for Chinese ePassport chips
- NXP Strengthens Management Team

# Outlook

- Although we have recently experienced improvements across all business segments and all regions we are yet to see signs that this represents a fundamental and sustainable improvement of the global semiconductor industry
- Considering the current business development and the unusual characteristics of this fourth quarter, we expect a flat to mid single digit sequential sales increase in the fourth quarter of 2009 on a business and currency comparable basis (excluding wafer sales to ST-Ericsson)


- Visibility beyond the fourth quarter is still limited