



## **Bank of America Conference**

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February 21, 2007

# Forward looking statements

This presentation includes forward-looking statements. When used in this presentation, the words “anticipate,” “believe,” “estimate,” “forecast,” “expect,” “intend,” “plan” and “project,” and similar expressions, as they relate to us, our management or third parties, identify forward-looking statements. Forward-looking statements 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. These statements reflect beliefs of our management as well as assumptions made by our management and information currently available to us. Although we believe that these beliefs and assumptions are reasonable, the 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 expressly qualify all subsequent oral and written forward-looking statements attributable to us or persons acting on our behalf and 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.

We do not have any intention or obligation to update forward-looking statements after we distribute this presentation. In addition, this presentation 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, including through the market research and industry reports referred to in this document. Although we believe that this information is reliable, we have not independently verified and cannot guarantee its accuracy or completeness. 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.

# Creating the Next Experience

- ▶ Company Introduction
- ▶ A look at the Semiconductor Industry
- ▶ NXP well positioned

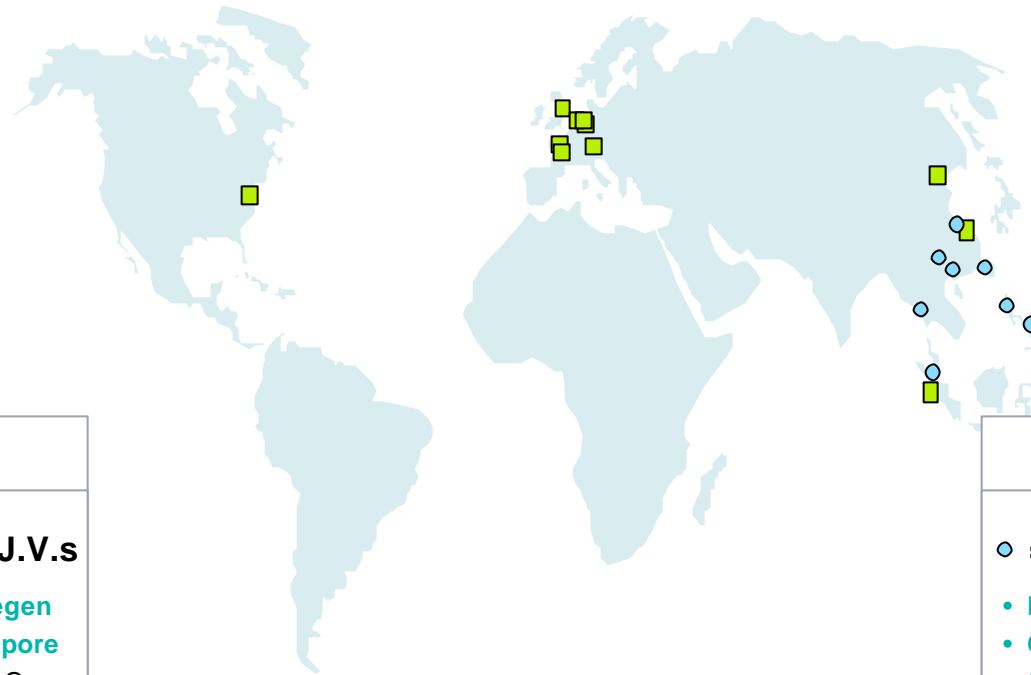


# NXP Semiconductors – Reborn and Renewed

- ▶ Spin-out of Royal Philips Electronics' Semiconductor Division
- ▶ #2 in Europe, Top-10 global supplier
- ▶ Sales of € 4.8 Billion in 2005
- ▶ 37,000 employees
- ▶ Investing € 1 billion in R&D annually
- ▶ 25,000 patents
- ▶ Innovation Centers in Austria, France, Germany, Netherlands, UK, India, China
- ▶ Private Equity owned



# NXP Semiconductors Manufacturing Base



## “front-end”

■ = Waferfabs incl. J.V.s

- Böblingen
- Caen
- Crolles2
- Fishkill
- Hamburg
- Nijmegen
- Singapore
- Hazel Grove
- Jilin
- Hamburg

= ICs

= discretetes

## “back-end”

○ = Assembly sites

- Bangkok
- Cabuyao
- Calamba
- Suzhou
- Kaohsiung
- Hong Kong
- Seremban
- Guangdong

= ICs

= discretetes

# NXP Key Financials

M.Euro	2003	2004	2005	Q3-2006 YTD
<b>Sales</b>	4,256	4,823	4,766	3,770
<b>Gross Profit</b>	1,150	1,868	1,833	1,439
<b>% Margin</b>	27.0%	38.7%	38.5%	38.2%
<b>Adjusted EBITDA</b>	838	1,172	991	679
<b>% Margin</b>	19.7%	24.3%	20.8%	18.0%
<b>Capital Expenditure</b>	(259)	(641)	(370)	(449)

Note: Capital Expenditures includes Crolles, excludes SSMC (in 2003); Includes capex on Property, Plant and Equipment ("PP&E") only

# NXP core values are our differentiator

- ▶ **Insightful**
  - Understanding Markets
  - Sharing Customer Vision
- ▶ **Inventive**
  - Smart strategies
  - Partnering in Innovation
  - Excellence in Research and Development
- ▶ **Engaging**
  - With customers on all levels
  - Unrivalled Design-in Support
  - Passionate people
- ▶ **Excellence**
  - Time-to-Market
  - Zero-Defect Quality
  - Responsive Manufacturing
  - Financial Results












# NXP Semiconductor Solutions drive markets

- ▶ Home (TV, STB and PC)
  - One chip DTV - HD Picture quality
  - Interconnectivity, media content from all sources
  - Ease of use
- ▶ Mobile phone and media players
  - Mobile Services, vibrant multimedia applications
  - Lowest power consumption
  - Thinnest/smallest products
- ▶ Automotive
  - Comfort and safety via sensors and Flexray networks
  - Car infotainment
  - Automotive Quality
- ▶ Identification
  - Secure contactless payment, access and identification
- ▶ MultiMarket Semiconductors
  - Broad array of analogue-mixed signal and standard products



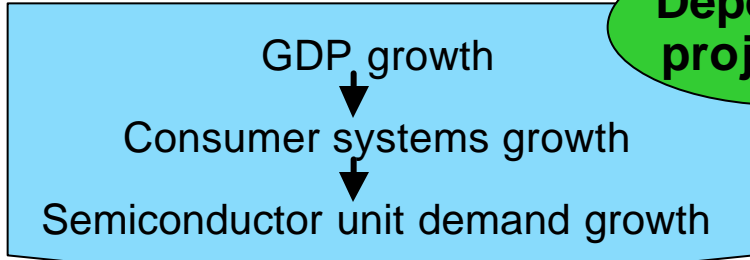
# Four Business Units Focused on Different Markets and Shared IC Manufacturing

	Application Specific Systems Businesses		Multi-Market	Other	
	<p><b>Home</b></p>  <ul style="list-style-type: none"> <li>• Analog TV</li> <li>• Digital TV</li> <li>• Set-top boxes</li> <li>• PC Video</li> <li>• Tuners</li> </ul>	<p><b>Mobile &amp; Personal ("M&amp;P")</b></p>  <ul style="list-style-type: none"> <li>• Cellular pipe</li> <li>• FM/TV-on-Mobile</li> <li>• Connectivity</li> <li>• Sound Solutions</li> <li>• Cordless/VOIP</li> <li>• Portable A/V</li> <li>• Amplifiers</li> </ul>	<p><b>Automotive &amp; Identification ("A&amp;I")</b></p>  <ul style="list-style-type: none"> <li>• Car radio</li> <li>• In-vehicle networking</li> <li>• Car access &amp; Imm.</li> <li>• Tire Pressure Mon.</li> <li>• Smart cards</li> <li>• eGovernment</li> <li>• RFID, NFC</li> </ul>	<p><b>Multi-Market Semiconductors ("MMS")</b></p>  <ul style="list-style-type: none"> <li>• Transistors/diodes</li> <li>• Int. Discrettes</li> <li>• GP Logic</li> <li>• RF Products</li> <li>• Interface, MCU</li> <li>• Sensors</li> <li>• Power Discrettes</li> </ul>	<p><b>IC Manufacturing ("IMO") &amp; Other</b></p>  <p>IMO</p> <ul style="list-style-type: none"> <li>• Front-end fabs</li> <li>• Assembly &amp; Testing</li> <li>• Outsourcing</li> </ul> <p>Other:</p> <ul style="list-style-type: none"> <li>• CTO, IP, NXP Software, Emerging Semiconductor businesses</li> </ul>
<b>Key positions</b>					
<b>Customers</b>					
<b>2005 sales</b>	€1,002 MM Sales	€1,618 MM Sales	€719 MM Sales	€1,238 MM Sales	€189 MM Sales

# Drivers of semiconductor market

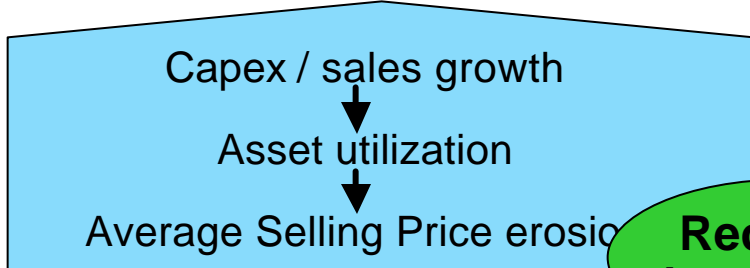
Primary market size drivers

## Market demand growth



**Dependable projections**

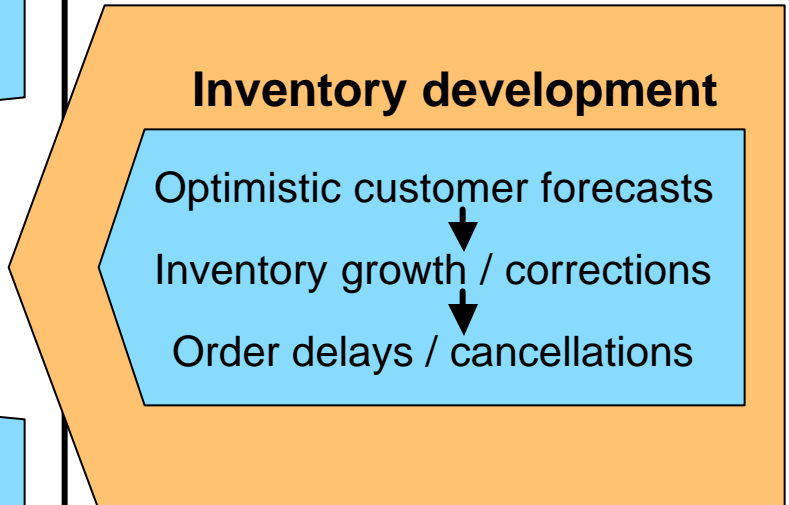
**Semiconductor market growth**



## Supply-based pricing

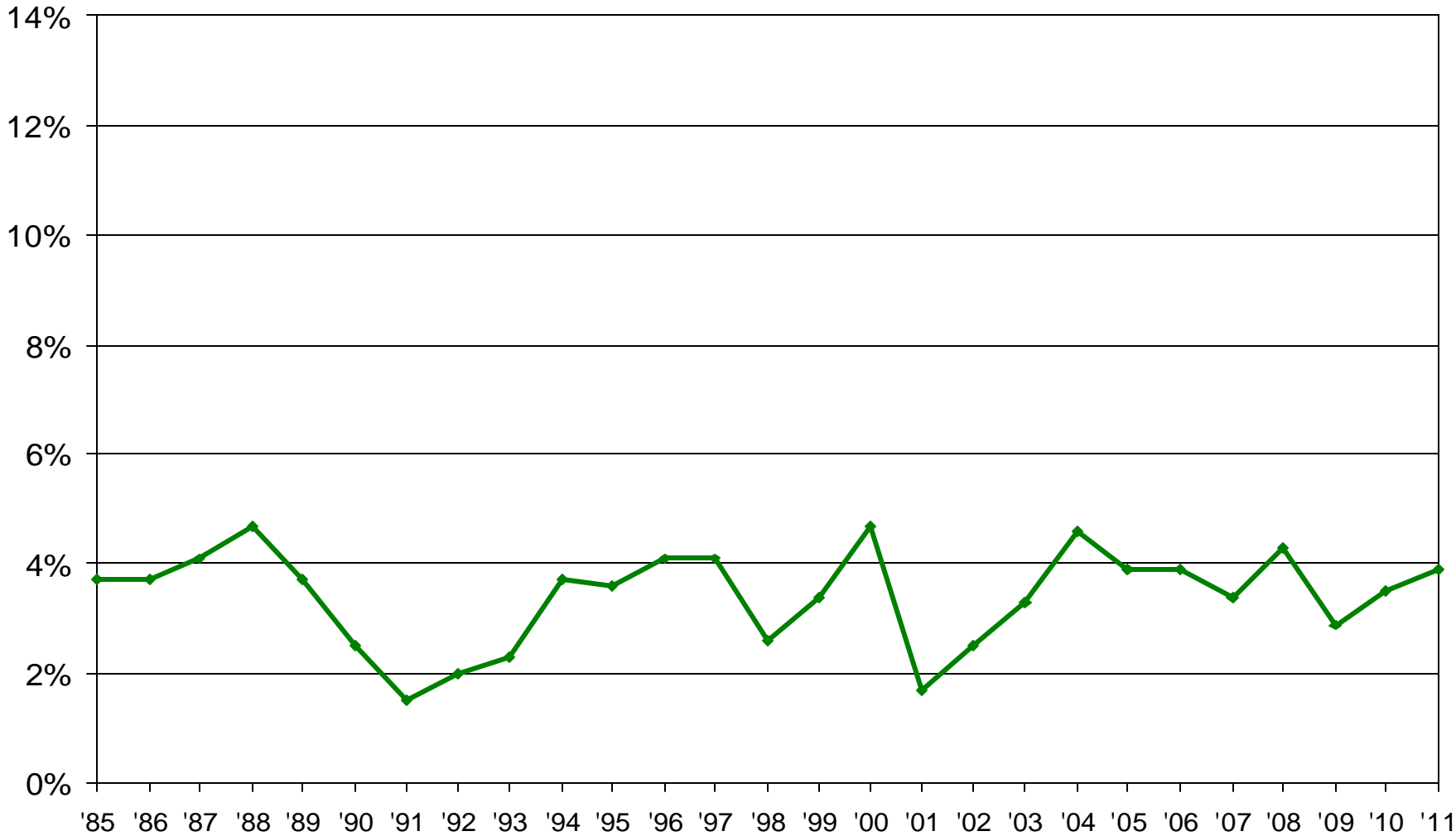
**Reducing in volatility**

*Short-term trend deviations*



- *IDMs go asset-light*
- *Large foundries bring discipline*

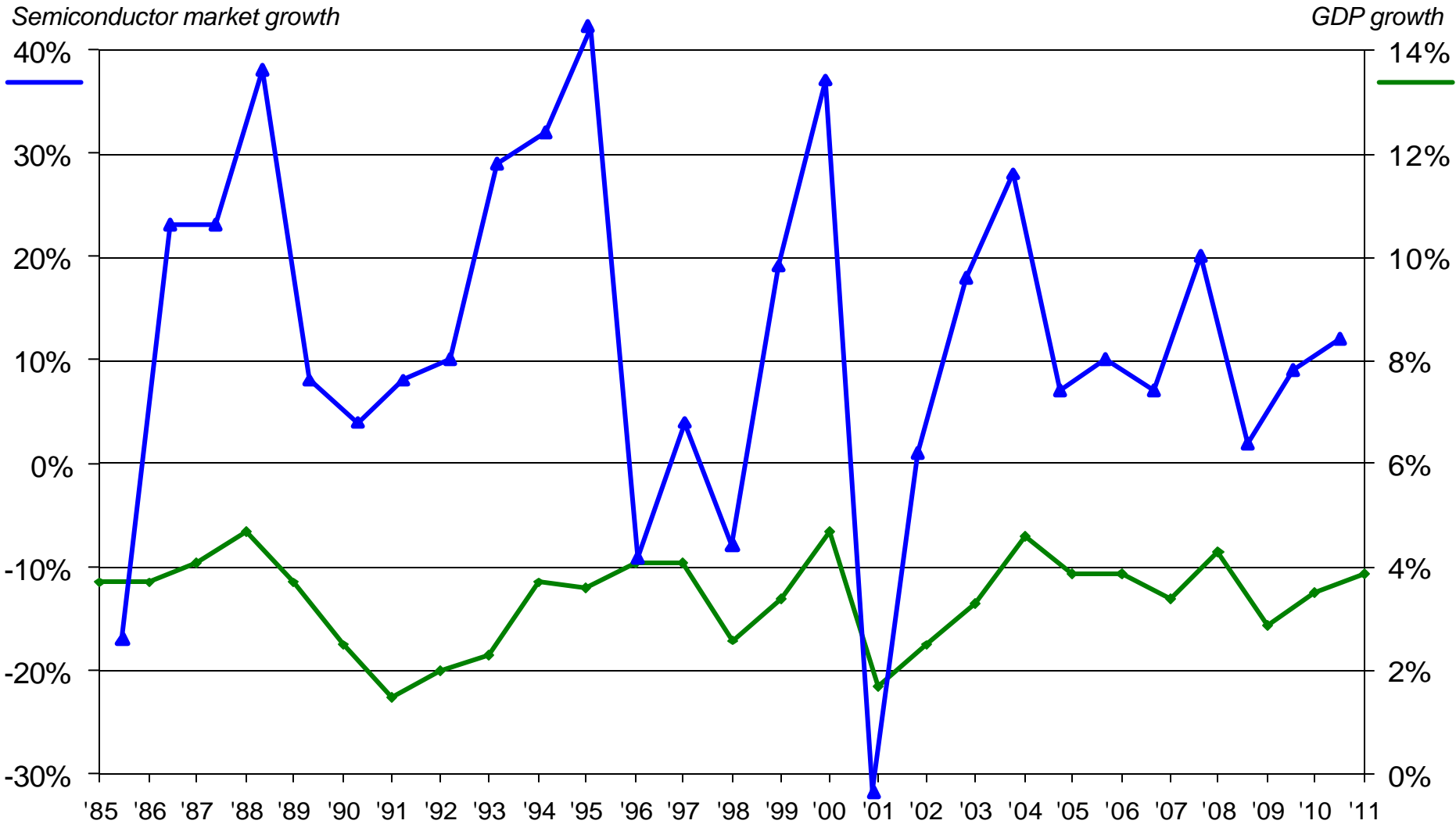
# Global GDP growth



Source: IC Insights



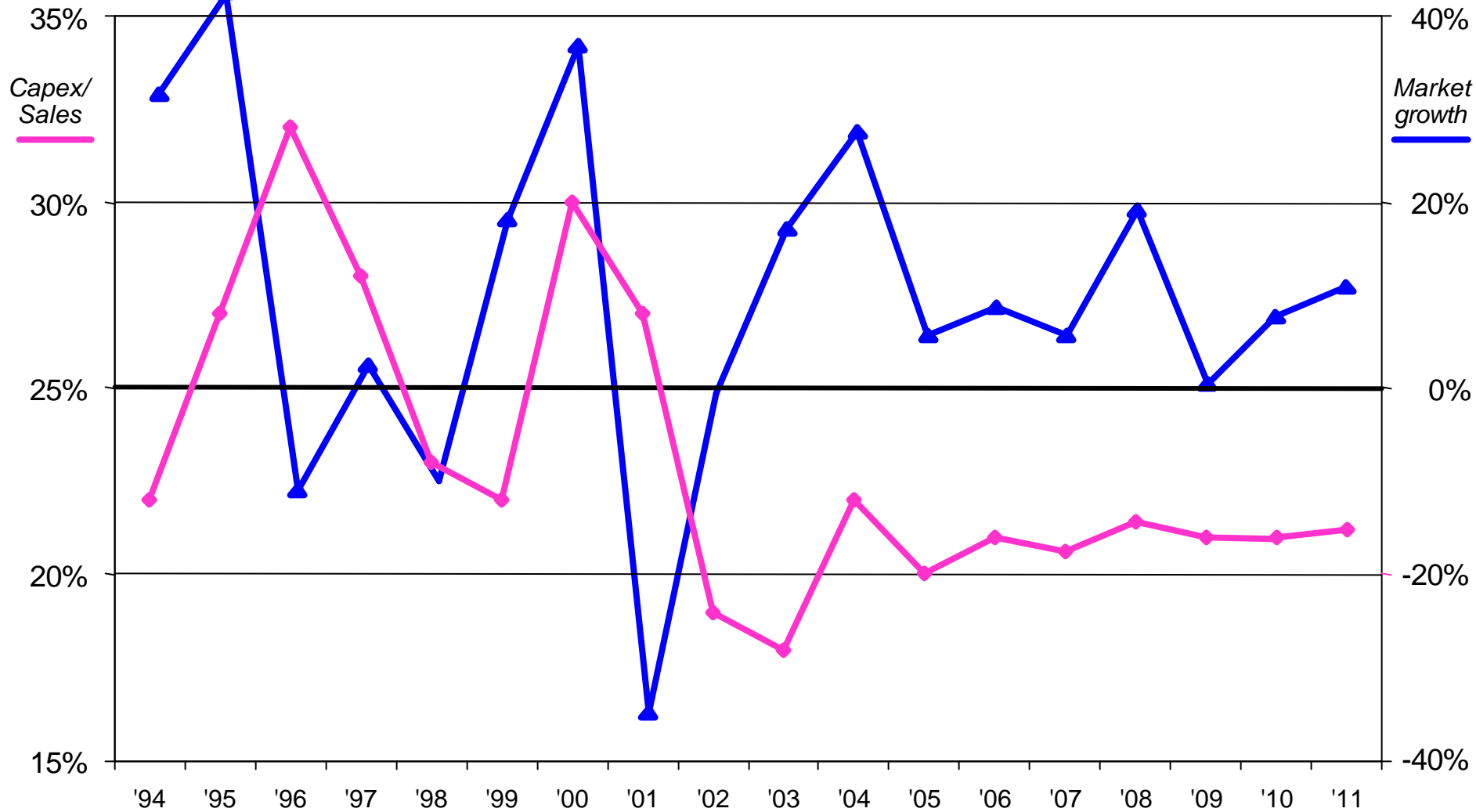
# Market growth follows GDP growth



Source: IC Insights

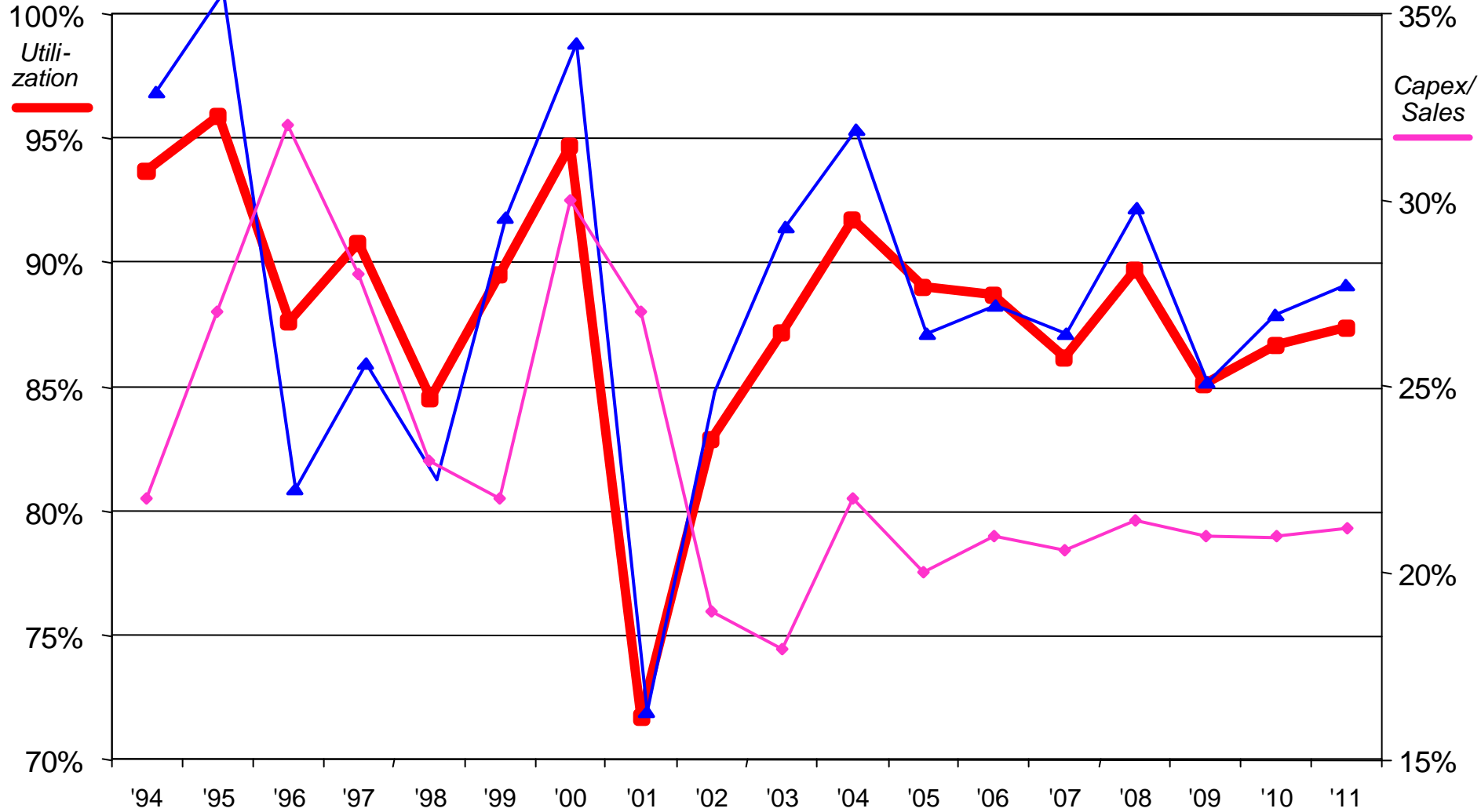


# Capex trails semi market growth



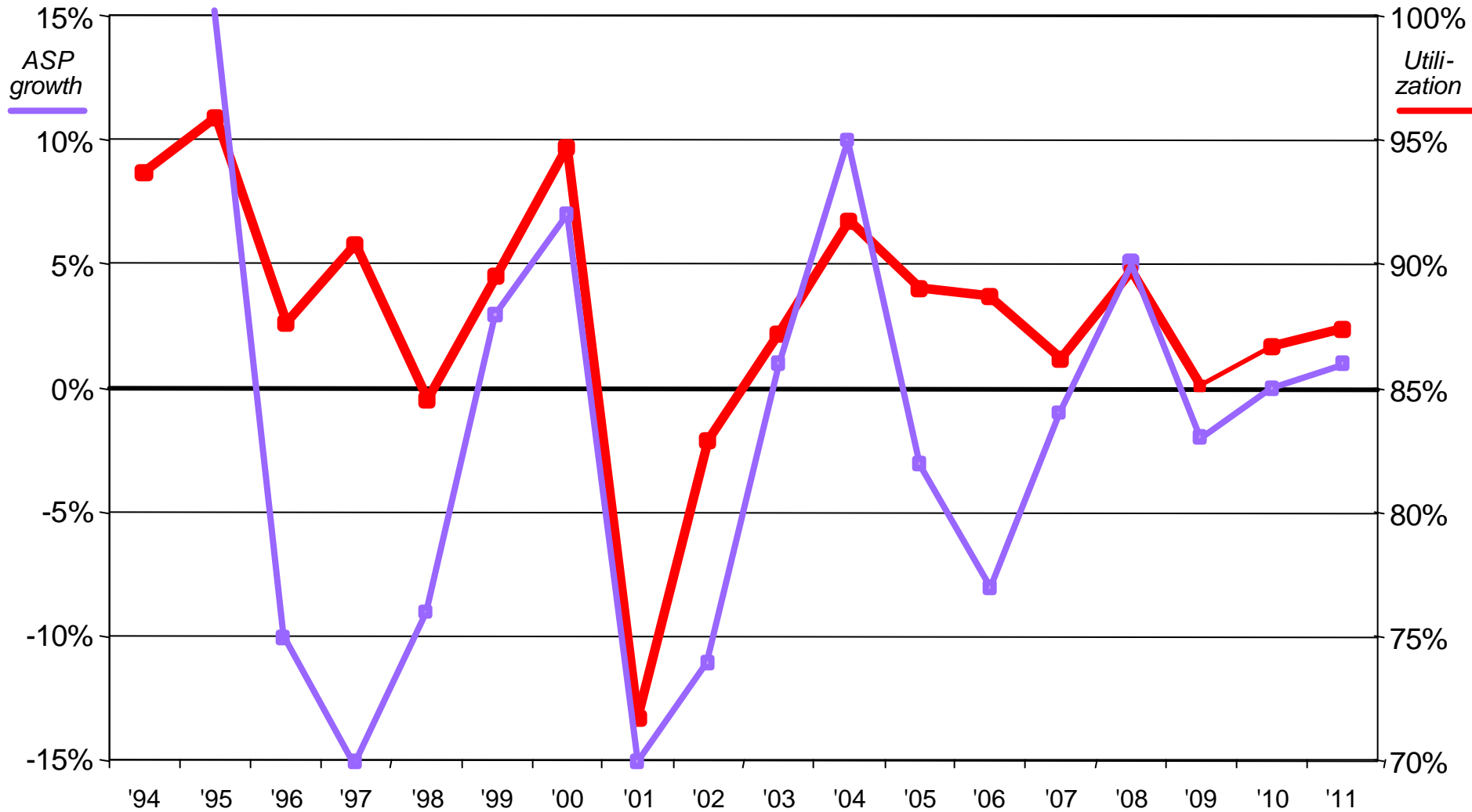
Source: IC Insights

# Utilization impact supply – demand imbalances ...



Source: IC Insights

# ... Affecting ASP growth

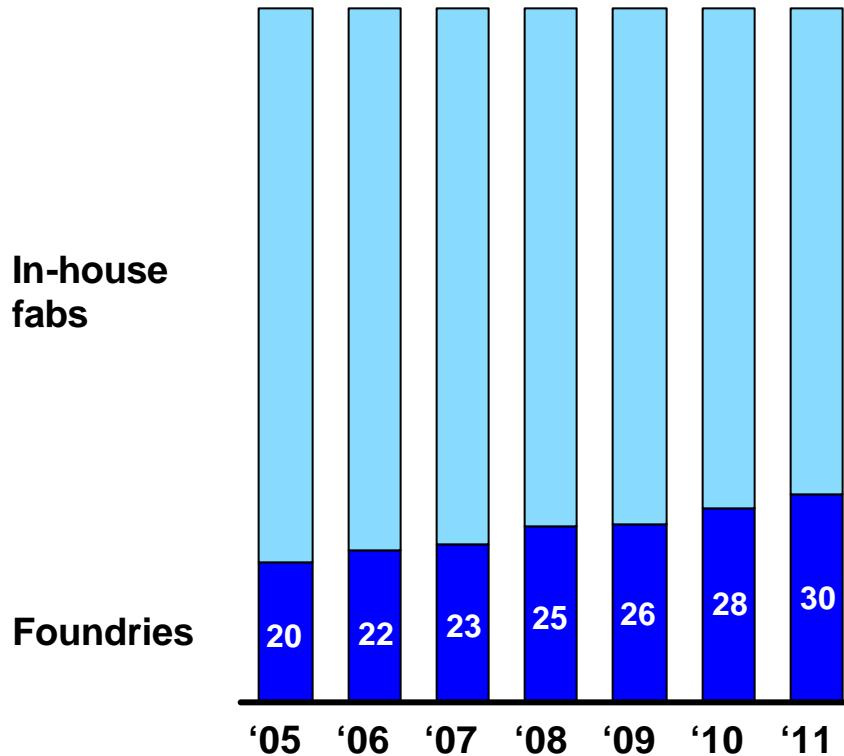


Source: IC Insights

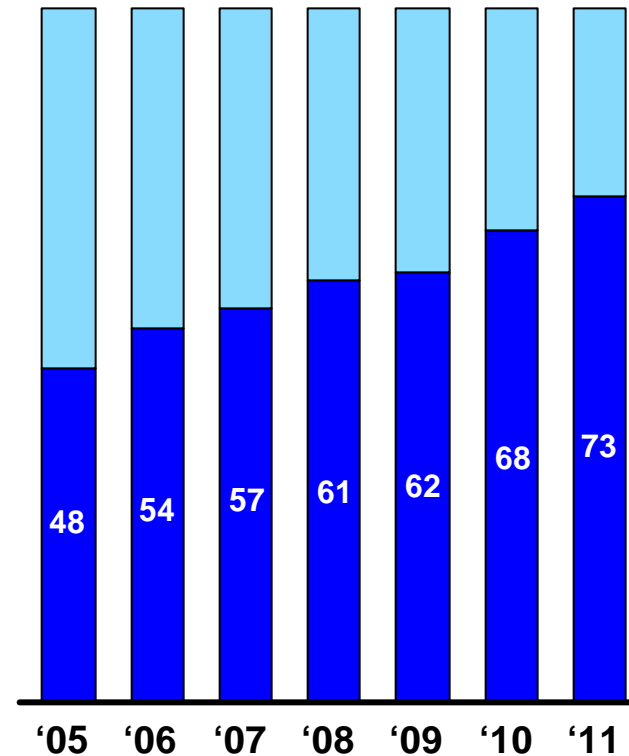
# IDM's go asset light ....Share of foundries in IC manufacturing

Percent

Trend towards front-end outsourcing ...



... especially in application-specific logic ICs

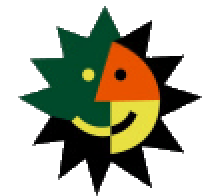
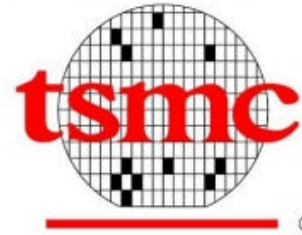


Source: IC Insights



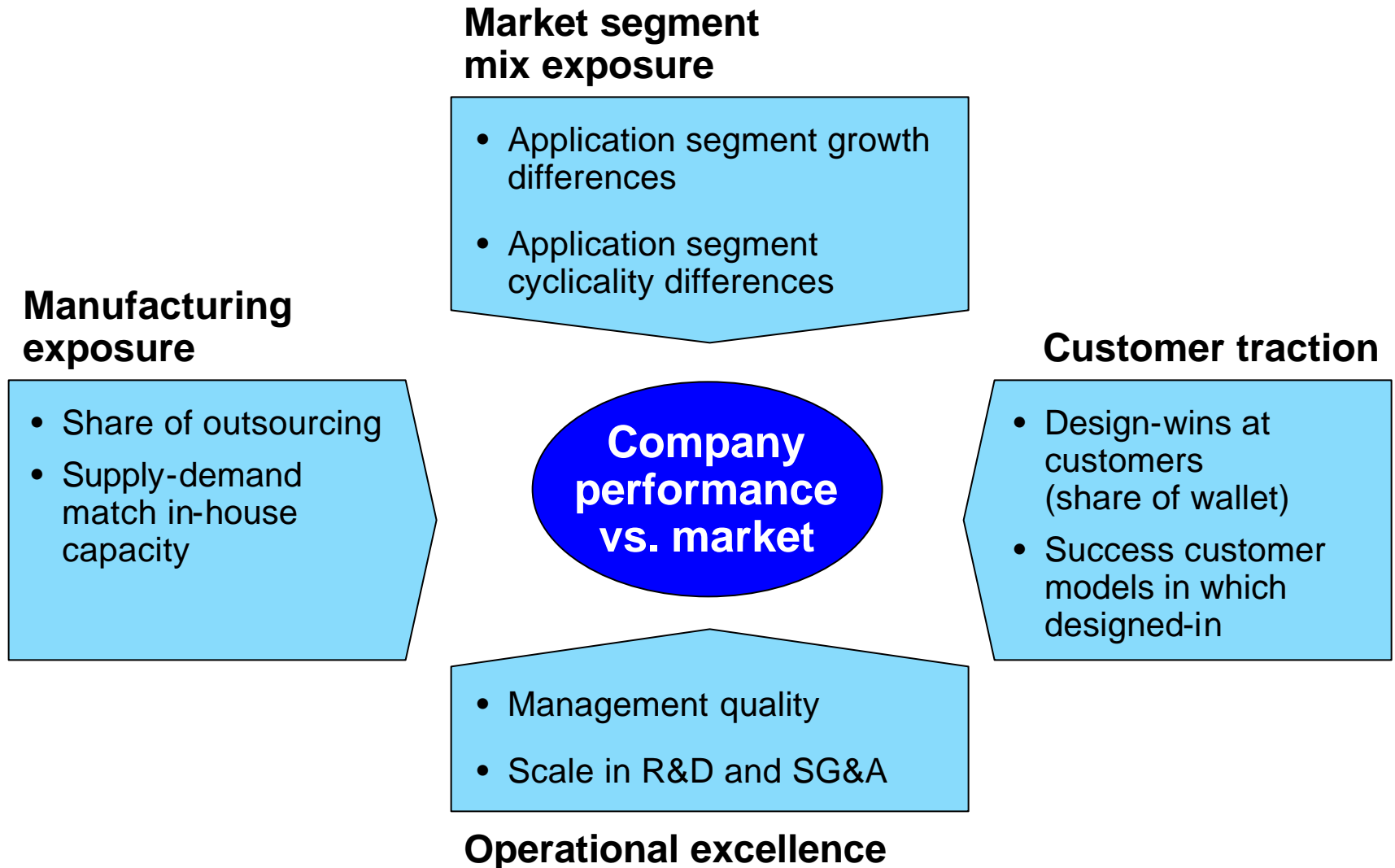
# Executing the asset light strategy

- ▶ Exit Crolles2 Alliance by end of 2007
- ▶ Transitioning from Crolles2 to TSMC partnership
- ▶ NXP Semiconductors and ASE Team up to form Joint Venture for IC Testing and Packaging in Suzhou



ASE GROUP

# Relative company performance differentiators



# NXP #10 in 2005, #3 in application-specific

2003-2005, 2006 preliminary total market data

## Total semiconductor market

Rank				Company	Sales (\$M)				Market share			
'03	'04	'05	'06		'03	'04	'05	'06	'03	'04	'05	'06
1	1	1	1	Intel	26.9	30.7	34.6	31.3	15%	14%	15%	12%
2	2	2	2	Samsung	10.5	16.3	18.3	20.6	5.9%	7.4%	7.8%	7.9%
4	3	3	3	TI	7.4	9.7	10.1	11.9	4.2%	4.4%	4.3%	4.5%
7	5	7	4	Infineon <sup>1)</sup>	6.9	8.9	8.2	10.6	3.9%	4.1%	3.5%	4.0%
6	6	5	5	STM	7.2	8.8	8.8	9.9	4.0%	4.0%	3.8%	3.8%
5	7	4	5	Toshiba	7.4	8.5	9.0	9.9	4.1%	3.9%	3.8%	3.8%
3	4	6	7	Renesas	7.9	9.0	8.3	7.9	4.5%	4.1%	3.5%	3.0%
16	12	8	8	Hynix	3.1	4.6	5.7	7.7	1.7%	2.1%	2.4%	2.9%
11	11	14	9	AMD/ATI <sup>2)</sup>	4.0	5.0	3.9	7.5	2.2%	2.3%	2.3%	2.9%
9	10	11	10	Freescale	4.6	5.5	5.6	6.1	2.6%	2.5%	2.4%	2.3%
<b>10</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>Philips<sup>3)</sup></b>	<b>4.5</b>	<b>5.6</b>	<b>5.6</b>	<b>6.0</b>	<b>2.5%</b>	<b>2.6%</b>	<b>2.4%</b>	<b>2.3%</b>
8	8	9	9	NEC	5.6	6.4	5.7	5.7	3.2%	2.9%	2.4%	2.2%

## Application specific semiconductors

Rank			Company	Sales (\$M)			Market share		
'03	'04	'05		'03	'04	'05	'03	'04	'05
1	1	1	TI	4.3	6.0	6.9	7.1%	8.4%	9.0%
2	2	2	STM	4.2	4.6	4.6	7.1%	6.5%	6.0%
<b>3</b>	<b>3</b>	<b>3</b>	<b>Philips</b>	<b>2.9</b>	<b>3.7</b>	<b>3.8</b>	<b>4.8%</b>	<b>5.1%</b>	<b>5.0%</b>
4	4	4	Intel	2.7	3.2	3.6	4.4%	4.5%	4.6%
5	5	5	Qualcomm	2.5	3.2	3.5	4.1%	4.5%	4.5%
6	6	6	Infineon	2.3	3.0	2.7	3.8%	4.3%	3.5%
14	7	7	Broadcom	1.6	2.4	2.6	2.6%	3.3%	3.4%
9	10	8	IBM	2.0	2.1	2.4	3.4%	3.0%	3.1%
7	11	9	Toshiba	2.2	2.1	2.2	3.7%	3.0%	2.9%
12	9	10	Freescale	1.6	2.1	2.2	2.7%	3.0%	2.9%
11	13	11	NVidia	1.7	1.8	2.2	2.7%	2.5%	2.9%
13	16	12	Sony	1.6	1.6	2.0	3.4%	2.2%	2.6%

1) Including Qimonda

2) Including Spansion 2003-2004, excluding Spansion 2005, including ATI 2006

2) Excluding Lumileds

Source: GDQ Q1 2006, GDQ Dec. '06, Intel '05 corrected for app. processor divestiture to Marvell



# Strong correlation between leadership in segment and profitability

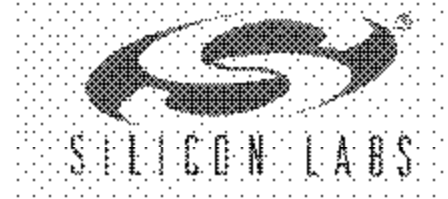
<b>#1 / #2</b>	<b>15-60% EBIT</b>
<b>#3 / #4</b>	<b>0-15% EBIT</b>
<b>#5 / #6</b>	<b>(15%) - 0% EBIT</b>
<b>&lt; #6</b>	<b>Below 0%</b>

Source: NXP, Strategy Office Competitor Benchmarking Model (based on company AR/10Ks)

# NXP: Broad, well-balanced business portfolio

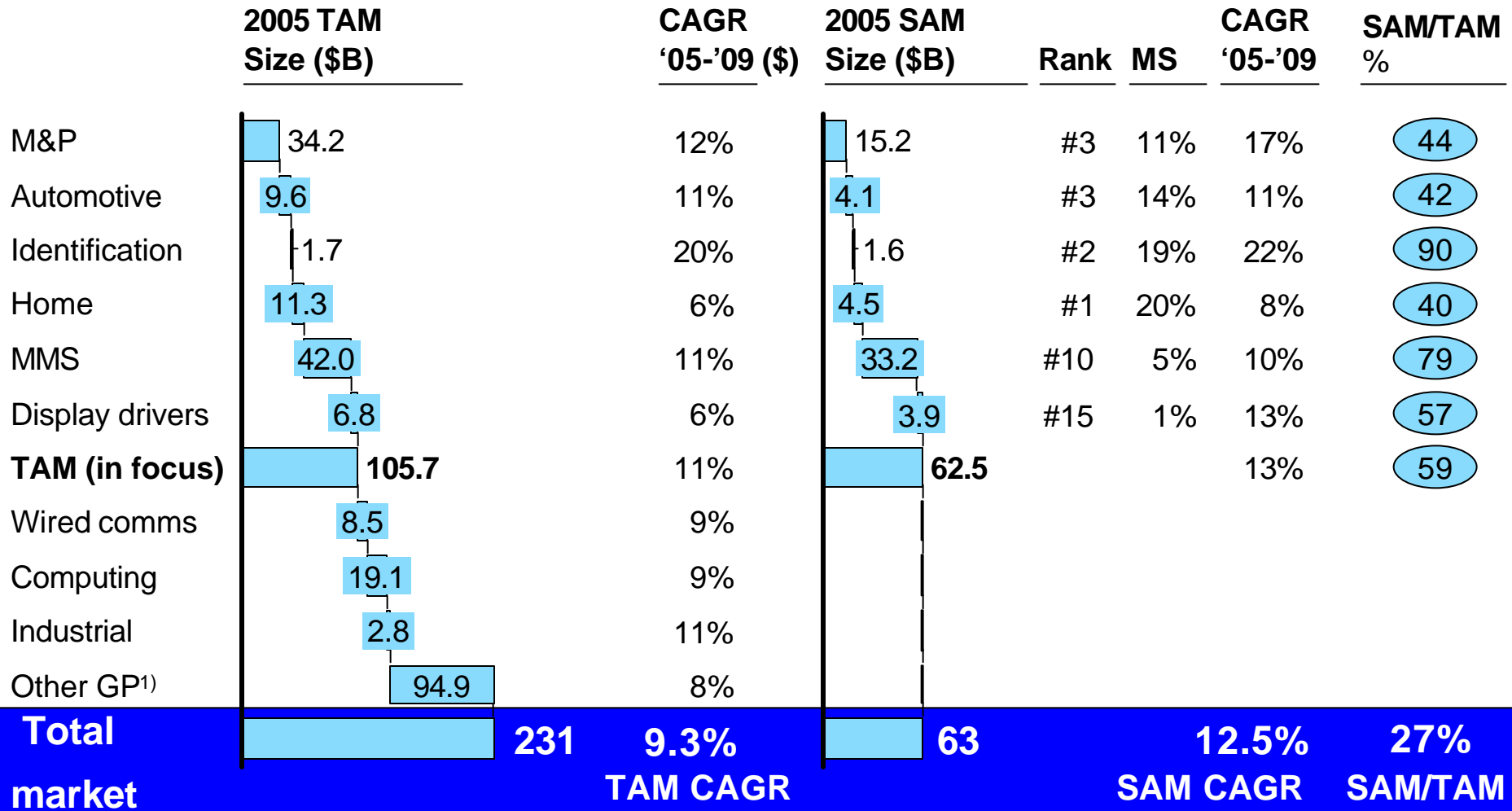
	Lifecycle phase of product market segment		
	Emerging (>29% & 2007 <\$300M)	Growth	Mature (<9% TAM growth)
One of the leaders ( $MS/MS_{\#2} > 0.75$ )	Seed businesses	Expand leadership	Consolidate leadership
Leadership aspirations ( $MS/MS_{\#2} < 0.75$ )		Turnaround leadership (MS and/or EBIT)	
Other businesses	Focused niche plays		
	Milk/exit		

# NXP constantly evaluating and strengthening its portfolio



- ▶ The activities of Silicon Labs will strengthen NXP's position in RF and monolithic cellular system solutions, one of the fastest growing segments of the mobile cellular market
- ▶ With this acquisition NXP will:
  - Strengthen its product portfolio
  - Increase market share
  - Improve its roadmap
  - Lead the market in single-chip technology for mobile phones

# Application segment growth differences



1) Memory, CPU, Optical, PLD, GP DSPs

Source: GDQ, WSTS, iSuppli, IC Insights, SIA, Strategy Office

# Conclusion

- ▶ Three value creation drivers
  - Operational excellence – striving for best-in-class
  - Above GDP market growth and market share growth
  - Active portfolio management - creating #1 & #2 positions in areas of focus
- ▶ Unique value creation recipe – Business Renewal
- ▶ Mitigating risks with asset light strategy



