



# **NXP Semiconductors N.V. Q1 2011 Financial Results May 4, 2011**

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# 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, raise sufficient capital or refinance our debt at or before maturity 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. In addition, this document contains information concerning the semiconductor industry and our business segments 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. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak to results only as of the date the statements were made; and, 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 publicly update or revise any forward-looking statements after we distribute this document, whether to reflect any future events or circumstances or otherwise. For a discussion of potential risks and uncertainties, please refer to the risk factors listed in our SEC filings. Copies of our filings are available from our Investor Relations department or from the SEC website, [www.sec.gov](http://www.sec.gov).

# Highlights for Q1 2011

- ▶ Total NXP revenue of \$1,082 million, flat year-on-year
  - Above original guidance and better than normal seasonality
  - Product revenue of \$979 million, up 9.5% year-on-year
    - Up greater than \$40 million
  - HPMS revenue of \$742 million, up 6.8% year-on-year
  - Std. Product revenue of \$237 million, up 19.1% year-on-year
- ▶ Significant Year-on-Year Margin Expansion:
  - GAAP Gross margin increased to 46.8% from 37.4%
  - GAAP Operating margin increased to 10.0% from (1.4)%
  - Non-GAAP gross margin increased to 47.8% from 39.0%
  - Non-GAAP operating margin increased to 20.6% from 11.7%
- ▶ Improved Cash Flow:
  - Trailing 12-month adjusted EBITDA \$1.11 billion, up 104% year-on-year
- ▶ Deleveraging Balance Sheet Continues:
  - Net debt reduced to \$3.75 billion, a decline of \$568 million year-on-year



# NXP Quarterly Revenue and Operating Income

## GAAP Financial Summary

(\$ in millions)	Q1 2010	Q4 2010	Q1 2011	Y-Y Variance Q1 '11 – Q1 '10	Q-Q Variance Q1 '11 – Q4 '10
<b>Product Revenue</b>	<b>894</b>	<b>938</b>	<b>979</b>	<b>85</b>	<b>41</b>
<b>All Other</b>	<b>191</b>	<b>140</b>	<b>103</b>	<b>(88)</b>	<b>(37)</b>
<b>Total Revenue</b>	<b>1,085</b>	<b>1,078</b>	<b>1,082</b>	<b>(3)</b>	<b>4</b>
<b>Gross Profit</b>	<b>406</b>	<b>495</b>	<b>506</b>	<b>100</b>	<b>11</b>
Percent of total revenue	37.4%	45.9%	46.8%	9.4pts.	0.9pts.
<b>Operating income</b>	<b>(15)</b>	<b>106</b>	<b>108</b>	<b>123</b>	<b>2</b>
Percent of total revenue	(1.4)%	9.8%	10.0%	11.4pts.	0.2pts.

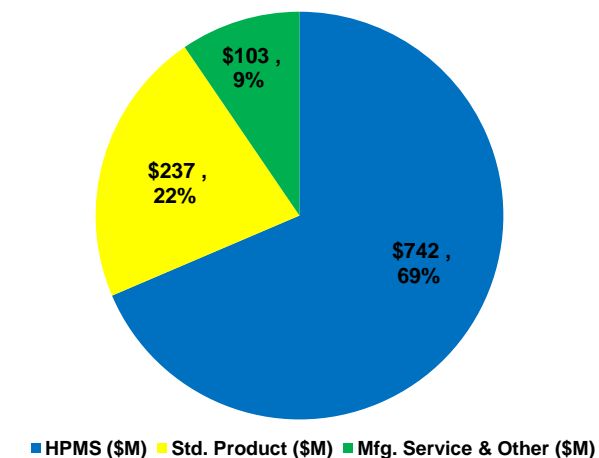
## Non-GAAP Financial Summary

(\$ in millions)	Q1 2010	Q4 2010	Q1 2011	Y-Y Variance Q1 '11 – Q1 '10	Q-Q Variance Q1 '11 – Q4 '10
<b>Gross Profit</b>	<b>423</b>	<b>508</b>	<b>517</b>	<b>94</b>	<b>9</b>
Percent of total revenue	39.0%	47.1%	47.8%	8.8pts.	0.7pts.
<b>Operating income</b>	<b>127</b>	<b>208</b>	<b>223</b>	<b>96</b>	<b>15</b>
Percent of total revenue	11.7%	19.3%	20.6%	8.9pts.	1.3pts.

### Q1 Highlights:

- ▶ Results above original guidance
  - ▶ Growth better than peers
  - ▶ Continued margin expansion
  - ▶ De-leveraging continues
- ### Y-Y Comparable Segment Growth
- ▶ Product revenue up 9.5%
  - ▶ HPMS revenue up 6.8%
  - ▶ Std. product revenue up 19.1%

### Quarterly Revenue Contribution:



Note: All figures throughout this presentation reflect results from continuing operations, net of the divestiture of the Sound Solutions business.

# Quarterly Performance: HPMS

## GAAP Financial Summary

(\$ in millions)	Q1 2010	Q4 2010	Q1 2011	Y-Y Variance Q1 '11 – Q1 '10	Q-Q Variance Q1 '11 – Q4 '10
<b>Revenue</b>	<b>695</b>	<b>717</b>	<b>742</b>	<b>47</b>	<b>25</b>
<b>Gross Profit</b>	<b>330</b>	<b>413</b>	<b>422</b>	<b>92</b>	<b>9</b>
Percent of total revenue	47.5%	57.6%	56.9%	9.4pts.	(0.7pts.)
<b>Operating income</b>	<b>51</b>	<b>119</b>	<b>121</b>	<b>70</b>	<b>2</b>
Percent of total revenue	7.3%	16.6%	16.3%	9.0pts.	(0.3pts.)

## Non-GAAP Financial Summary

(\$ in millions)	Q1 2010	Q4 2010	Q1 2011	Y-Y Variance Q1 '11 – Q1 '10	Q-Q Variance Q1 '11 – Q4 '10
<b>Gross Profit</b>	<b>340</b>	<b>413</b>	<b>423</b>	<b>83</b>	<b>10</b>
Percent of total revenue	48.9%	57.6 %	57.0%	8.1pts.	(0.6pts.)
<b>Operating income</b>	<b>114</b>	<b>168</b>	<b>175</b>	<b>61</b>	<b>7</b>
Percent of total revenue	16.4%	23.4%	23.6%	7.2pts.	0.2pts.



Note: All figures throughout this presentation reflect results from continuing operations, net of the divestiture of the Sound Solutions business.

# Quarterly Performance: Standard Products

## GAAP Financial Summary

(\$ in millions)	Q1 2010	Q4 2010	Q1 2011	Y-Y Variance Q1 '11 – Q1 '10	Q-Q Variance Q1 '11 – Q4 '10
<b>Revenue</b>	<b>199</b>	<b>221</b>	<b>237</b>	<b>38</b>	<b>16</b>
<b>Gross Profit</b>	<b>55</b>	<b>84</b>	<b>87</b>	<b>32</b>	<b>3</b>
Percent of total revenue	27.6 %	38.0%	36.7%	9.1pts.	(1.3pts.)
<b>Operating income</b>	<b>9</b>	<b>39</b>	<b>35</b>	<b>26</b>	<b>(4)</b>
Percent of total revenue	4.5%	17.6%	14.8%	10.3pts.	(2.8pts.)

## Non-GAAP Financial Summary

(\$ in millions)	Q1 2010	Q4 2010	Q1 2011	Y-Y Variance Q1 '11 – Q1 '10	Q-Q Variance Q1 '11 – Q4 '10
<b>Gross Profit</b>	<b>54</b>	<b>85</b>	<b>87</b>	<b>33</b>	<b>2</b>
Percent of total revenue	27.1%	38.5%	36.7%	9.6pts.	(1.8pts.)
<b>Operating income</b>	<b>22</b>	<b>52</b>	<b>49</b>	<b>27</b>	<b>(3)</b>
Percent of total revenue	11.1%	23.5%	20.7%	9.6pts.	(2.8pts.)



Note: All figures throughout this presentation reflect results from continuing operations, net of the divestiture of the Sound Solutions business.

# Financial Reconciliation (GAAP to non-GAAP)

(\$ in millions, unless otherwise stated)

	Q1 2010 GAAP	Q4 2010 GAAP	Q1 2011		
			GAAP	Reconciling items	Non-GAAP
<b>Total Revenue</b>	<b>1,085</b>	<b>1,078</b>	<b>1,082</b>	-	<b>1,082</b>
<b>Gross Profit</b>	<b>406</b>	<b>495</b>	<b>506</b>	<b>(11)</b>	<b>517</b>
Percent of total revenue	37.4%	45.9%	46.8%		47.8%
Research and Development	151	138	154	-	154
Percent of total revenue	13.9%	12.8%	14.2%	-	14.2%
SG&A	253	251	234	(86)	148
Percent of total revenue	23.3%	23.3%	21.6%		13.7%
Other income (expense)	17	-	(10)	(18)	8
<b>Operating income (loss)</b>	<b>(15)</b>	<b>106</b>	<b>108</b>	<b>(115)</b>	<b>223</b>
Percent of total revenue	(1.4%)	9.8%	10.0%		20.6%
Interest income (expense) net	(80)	(80)	(81)	-	(81)
Provision for income taxes	(5)	5	1		(11) <sup>(1)</sup>
<b>Income (loss) from continuing operations</b>	<b>(348)</b>	<b>(107)</b>	<b>188</b>	<b>57<sup>(2)</sup></b>	<b>131</b>
Income (loss) from discontinued operations, net of tax	12	11	13	13	-
Net income (loss) attributable to non-controlling interests	(9)	(22)	(14)	-	(14)
<b>Net income (loss) attributable to stockholders</b>	<b>(345)</b>	<b>(118)</b>	<b>187</b>	<b>70</b>	<b>117<sup>(3)</sup></b>
<b>EPS (diluted)</b>	<b>(1.60)</b>	<b>(0.47)</b>	<b>0.73</b>		<b>0.46</b>

1. Cash income taxes

2. Includes: Foreign exchange gain on debt: \$190M; Other financial expense: \$(8M); Results relating to equity-accounted investees: \$(22M); and the difference between book and cash income tax: \$12M

3. Includes stock-based compensation expense: \$6M

Note: All figures throughout this presentation reflect results from continuing operations, net of the divestiture of the Sound Solutions business.



# Adjusted EBITDA

	Q1 2010	Q4 2010	Q1 2011
<b>Net income (loss)</b>	<b>(336)</b>	<b>(96)</b>	<b>201</b>
Income (loss) on discontinued operations	12	11	13
<b>Income (loss) on continuing operations</b>	<b>(348)</b>	<b>(107)</b>	<b>188</b>
Reconciling items to EBITDA			
Financial income (expense)	302	192	(101)
Provision for income taxes	5	(5)	(1)
Depreciation	111	115	72
Amortization	74	69	73
<b>EBITDA</b>	<b>144</b>	<b>264</b>	<b>231</b>
Results of equity-accounted investees	26	26	22
Restructuring <sup>1</sup>	(4)	(5)	16
Other incidental items <sup>1</sup>	42	15	26
<b>Adjusted EBITDA</b>	<b>208</b>	<b>300</b>	<b>295</b>
<b>Adjusted EBITDA – Last 12 months</b>	<b>543</b>	<b>1,021</b>	<b>1,108</b>
1. Excluding depreciation PP&E related to			
Restructuring	18	20	-
Other incidental items	3	3	-



Note: All figures throughout this presentation reflect results from continuing operations, net of the divestiture of the Sound Solutions business.



# Cash Flow Overview

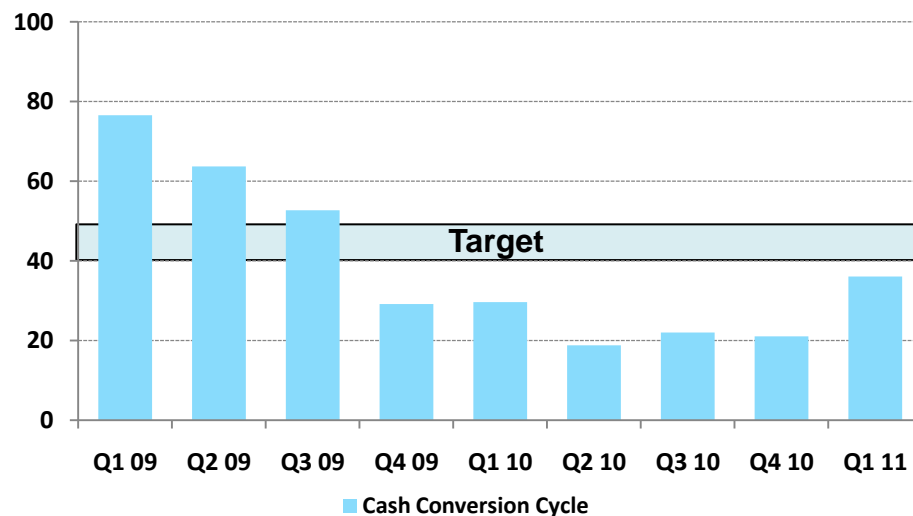
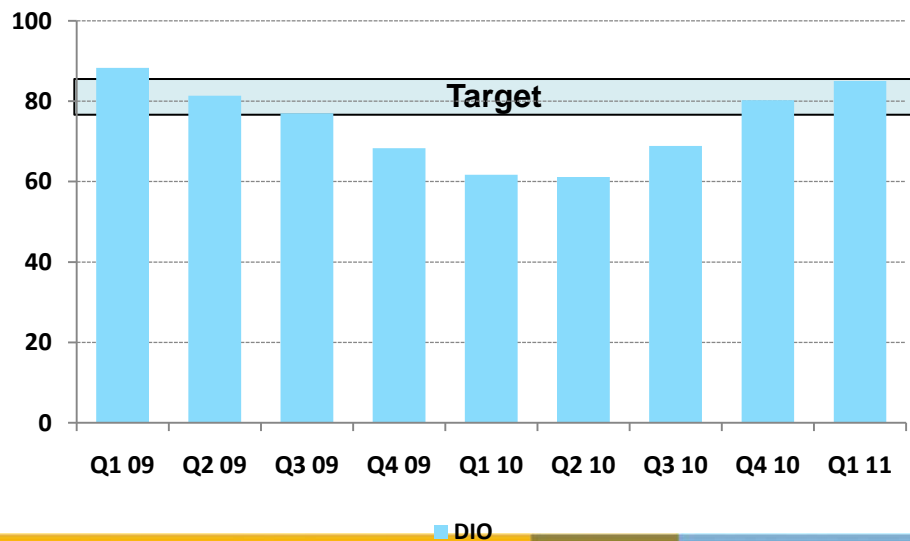
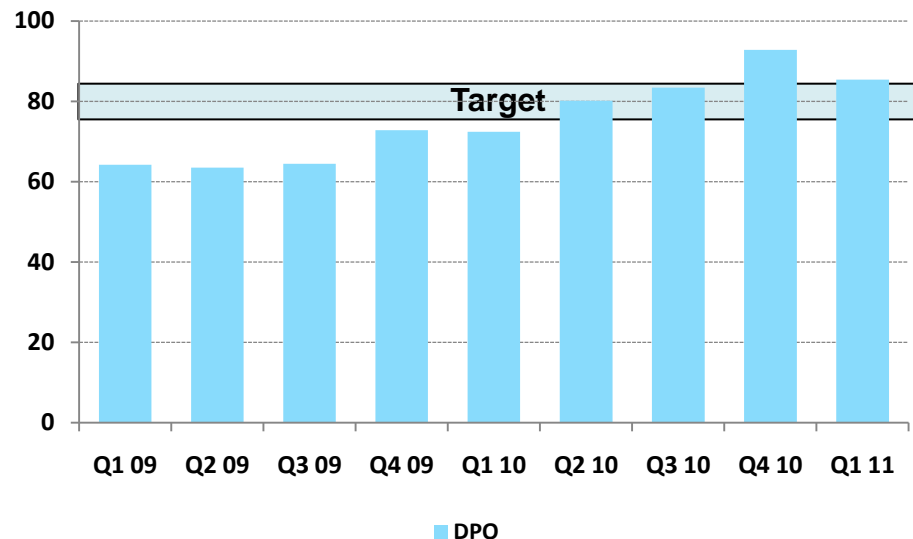
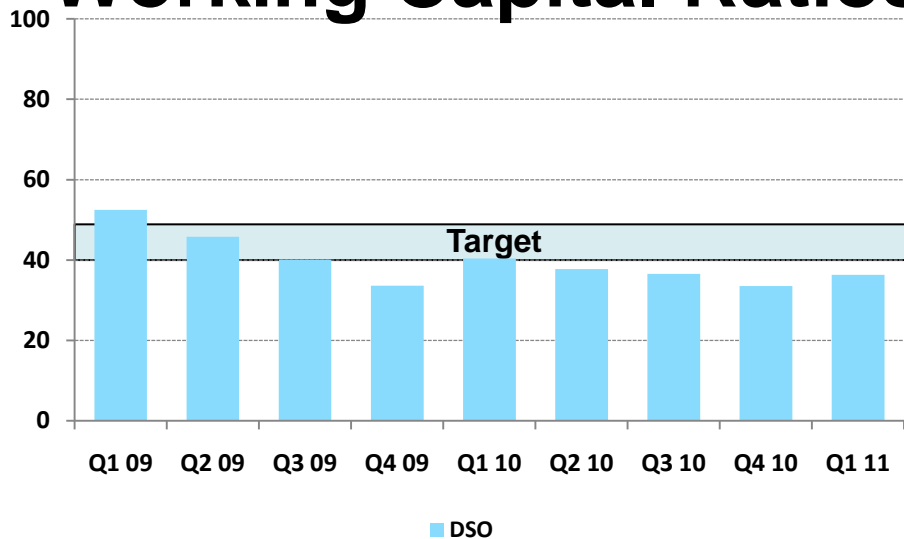
(\$ in millions)

	Q1 2010	Q4 2010	Q1 2011
<b>Net cash provided by (used for) operating activities</b>	<b>(17)</b>	<b>150</b>	<b>(3)</b>
<b>Net cash provided by (used for) investing activities</b>	<b>(93)</b>	<b>(85)</b>	<b>(54)</b>
<b>Net cash provided by (used for) financing activities</b>	<b>(11)</b>	<b>(94)</b>	<b>8</b>
Net cash provided by (used for) discontinued operations	-	(5)	6
Effects of changes in exchange rates on cash position	(50)	(20)	30
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(171)</b>	<b>(54)</b>	<b>(13)</b>
<b>Cash and cash equivalents at begin of the period</b>	<b>1,041</b>	<b>962</b>	<b>908</b>
<b>Cash and cash equivalents at end of period</b>	<b>870</b>	<b>908</b>	<b>895</b>
Less cash and cash equivalents at end of period – discontinued operations	15	10	16
<b>Cash and cash equivalents at end of period – continuing operations</b>	<b>855</b>	<b>898</b>	<b>879</b>



*Note: All figures throughout this presentation reflect results from continuing operations, net of the divestiture of the Sound Solutions business.*

# Working Capital Ratios

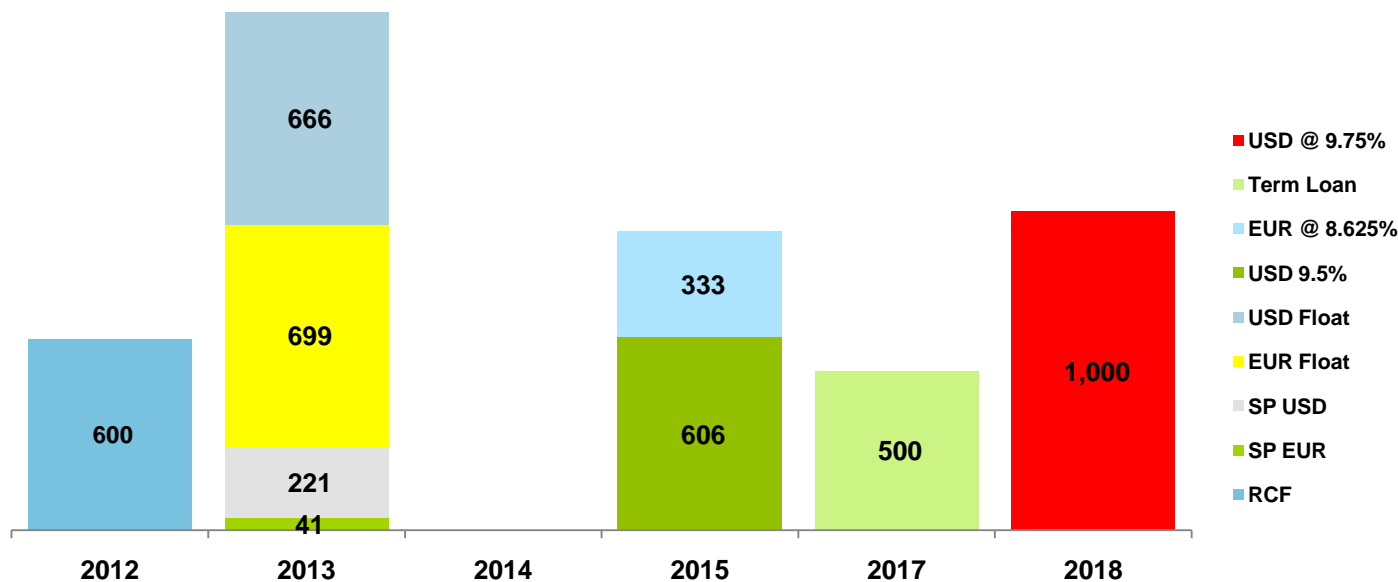


$DSO = (91.25 \times AR) / \text{Revenue}$   
 $DPO = (91.25 \times AP) / \text{GAAP COGS}$   
 $DIO = (91.25 \times \text{Inventory}) / \text{GAAP GOGS}$   
 $\text{Cash Conversion Cycle} = DIO + DSO - DPO$

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# Debt Maturity Profile as of May 4, 2011<sup>(1)</sup>

(\$ in millions)



	Q1 2010	Q4 2010	Q1 2011
<b>Net Debt</b>			
Short-term debt	(611)	(423)	(435)
Long-term debt	(4,566)	(4,128)	(4,198)
Cash	855	898	879
<b>Net debt</b>	<b>(4,322)</b>	<b>(3,653)</b>	<b>(3,754)</b>

Summary of Debt Repurchases (\$M) <sup>(1)</sup>	As of May 4, 2011
2013 EUR Float.	(202)
2013 USD Float.	(100)
2014 USD 7.875	<u>(362)</u>
<b>Total</b>	<b>(664)</b>



Note:

1) Chart reflects debt refinancing announced March 7, 2011, repurchases of \$664M on April 6, 2011

Note: All figures throughout this presentation reflect results from continuing operations, net of the divestiture of the Sound Solutions business.

# High Performance Mixed Signal (HPMS)

## Key figures

(\$ in millions)

	Q1 2010	Q4 2010	Q1 2011
<b>Revenue</b>	<b>695</b>	<b>717</b>	<b>742</b>
YoY Growth (%)	86.3%	12.6%	6.8%
<b>Non-GAAP Gross Profit</b>	<b>340</b>	<b>413</b>	<b>423</b>
Percent of Revenue	48.9%	57.6%	57.0%
<b>Non-GAAP Operating Income</b>	<b>114</b>	<b>168</b>	<b>175</b>
Percent of Revenue	16.4%	23.4%	23.6%

## Q1 Market Highlights

### Announcements

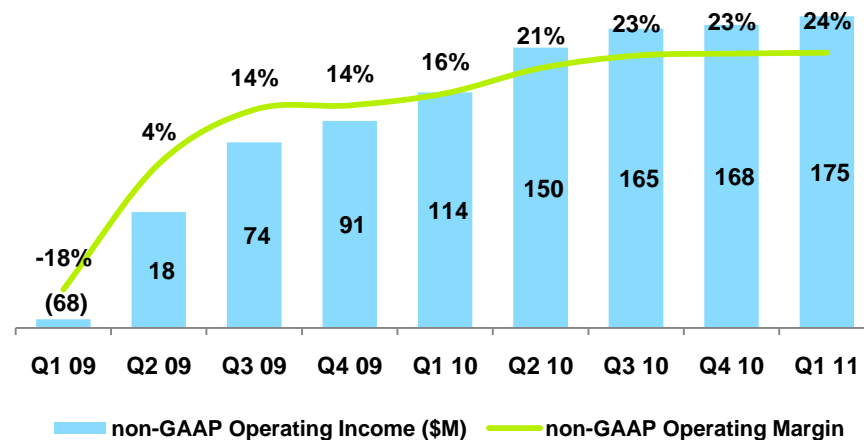
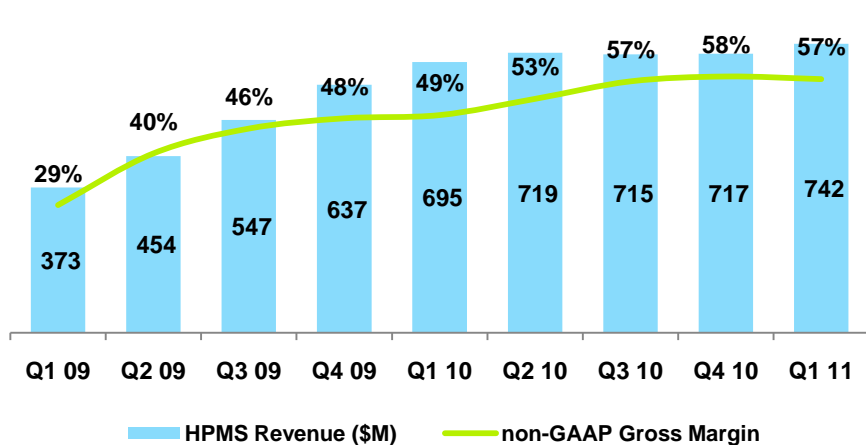
- ZTE & NXP announce NFC availability in next-gen. handsets
- G+D & NXP enable mass deployment of NFC-enabled handsets
- Oberthur & NXP announce MIFARE on SIM-card agreement

### Awards

- CEN awards NXP, "Top 10 Most Popular Semiconductor Brands"
- Foryou Electronics awards NXP, "Annual Excellent Supplier"

### HPMS Product Introductions and Announcements

- First integrated CAN transceiver microcontroller
- Expands Cortex-M0 MCU portfolio w/ industrial control
- Integrated LED driver for LCD backlighting displays
- GreenChip solution for non-dimmable LED retrofit lamps
- Ultra-low power biomedical signal processor

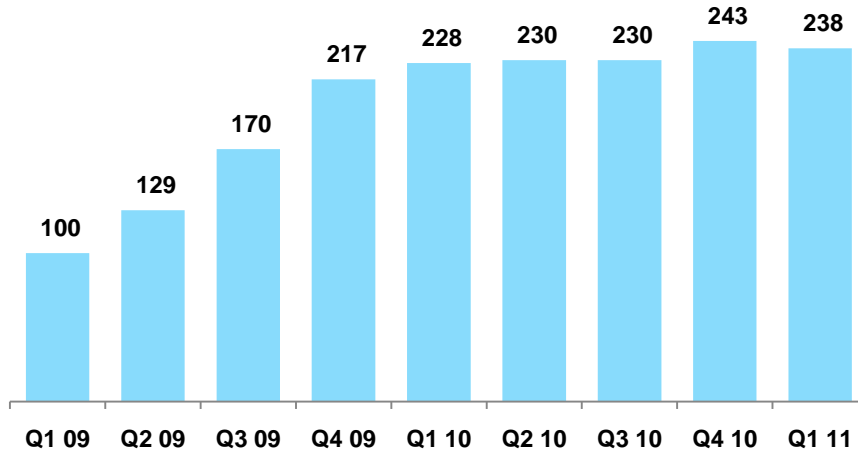


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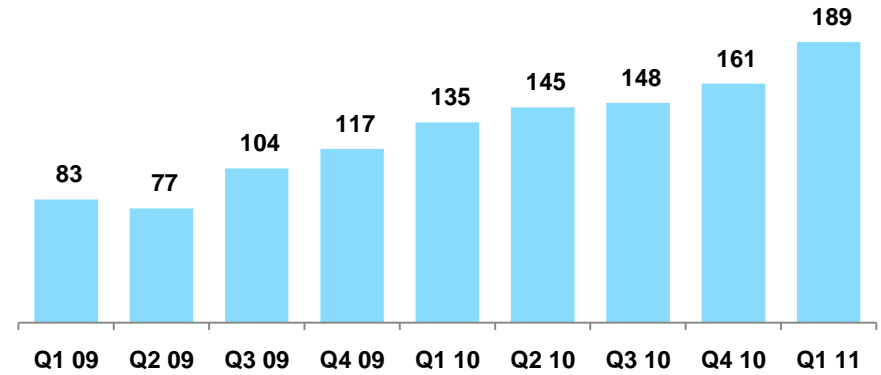
# HPMS – Revenue by Business

(\$ in millions)

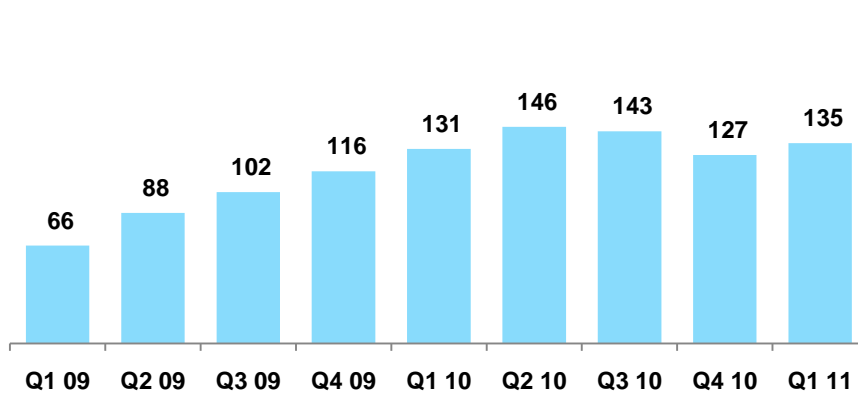
### Automotive



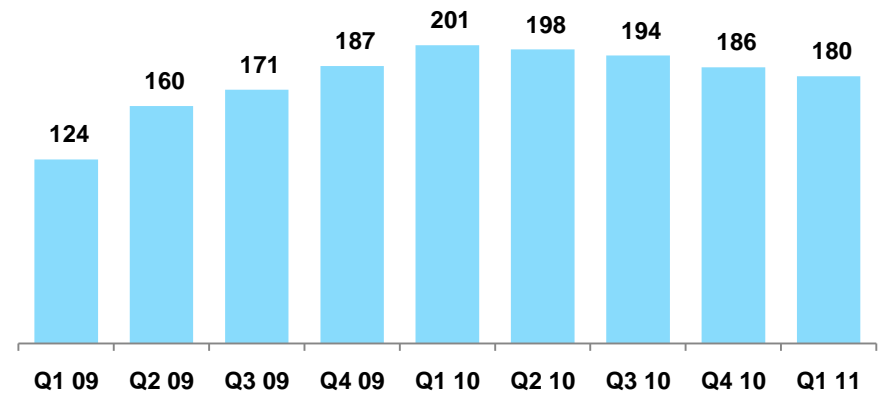
### Identification



### Wireless Infrastructure, Lighting & Industrial



### Mobile Consumer & Computing



Note:

- All figures throughout this presentation reflect results from continuing operations, net of the divestiture of the Sound Solutions business.
- Q4 10 amounts based on consistent approach used in prior periods

# Standard Products (SP) – excluding Sound Solutions

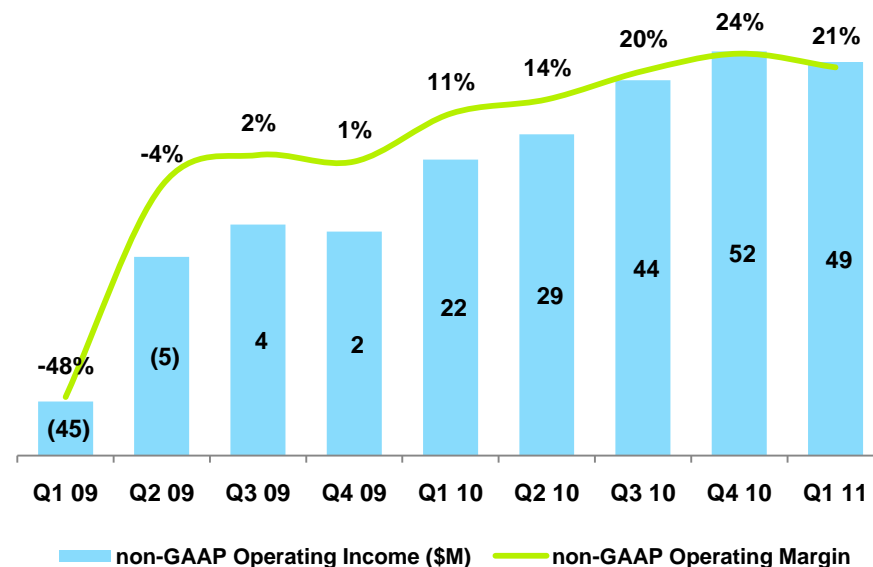
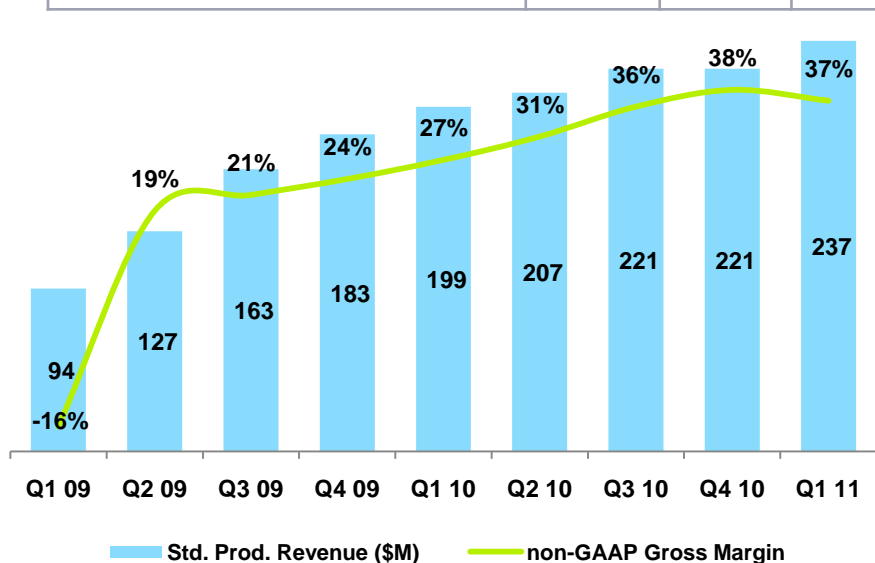
## Key figures

(\$ in millions)	Q1 2010	Q4 2010	Q1 2011
<b>Revenue</b>	<b>199</b>	<b>221</b>	<b>237</b>
YoY Growth (%)	112.4%	21.6%	19.1%
<b>Non-GAAP Gross Profit</b>	<b>54</b>	<b>85</b>	<b>87</b>
Percent of Revenue	27.1%	38.5%	36.7%
<b>Non-GAAP Operating Income</b>	<b>22</b>	<b>52</b>	<b>49</b>
Percent of Revenue	11.1%	23.5%	20.7%

## Q1 Market Highlights

### ▸ Awards

- ASUSTEK awards NXP, “Best Supplier Award”



Note: All figures throughout this presentation reflect results from continuing operations, net of the divestiture of the Sound Solutions business.

# **Guidance for the Second Quarter of 2011:**

- **Our performance successfully demonstrates NXP's strategy to focus on the faster growing High Performance Mixed Signal market, and to opportunistically service the broad-based Standard Products market.**
- **The success of our strategy is especially clear when compared to the normal seasonal slowdown in the broader semiconductor industry and the seasonal performance of many of our mixed signal peers during the first quarter.**
- **Product Revenue for the second quarter of 2011 is anticipated to increase 2 to 5 percent sequentially as compared to the first quarter of 2011. Product Revenue is the combination of revenue from HPMS and Standard Products segments.**
- **Revenue in our Manufacturing Operations, Corporate and Other segments is anticipated to decline by approximately \$10 million to \$15 million sequentially as compared to the first quarter 2011.**
- **Non-GAAP operating margin from continuing operations is anticipated to be about 21 percent.**
- **During the second quarter of 2011, SSMC, NXP's financially consolidated joint-venture wafer fabrication with Taiwan Semiconductor Manufacturing Corporation (TSMC) paid a dividend of \$170 million. TSMC will receive \$65.9 million of the dividend, equivalent to TSMC's 38.79 percent equity ownership. As a result of the dividend, the consolidated cash balance of NXP will decrease by \$65.9 million.**



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# Target Financial Model

	HPMS Target	SP Target <sup>(1)</sup>	NXP Target <sup>(2)</sup>
<b>Revenue</b>	> Market Growth	@ Market Growth	> Market growth
Product Revenue Mix	>80%	<20%	
Fixed COGS	~50%	~50%	~50%
<b>Non-GAAP Gross Margin</b>	58 - 63%	33 - 39%	52 - 56%
Operating Expenses	31 - 34%	14 - 18%	28 - 31%
<b>Non-GAAP Operating Margin</b>	24 - 29%	18 - 23%	23 - 28%
<b>Long-term Tax Rate</b>			12% - 14% <sup>(3)</sup>
<b>Capex</b>			~5% over a cycle
<b>NWC</b>			DSO 40-45 Days DIO 75-85 Days DPO 70-80 Days
<b>Depreciation</b>			6 - 7% of sales, decreasing
<b>Net Debt / adj. EBITDA</b>			Investment grade



**Notes:**

1. Reflects new target operating model for Standard Products after divestment of Sound Solutions business
2. Non-product Manufacturing, Corporate and Other business to be less than 10% total revenue at target
3. Cash taxes are expected to be \$40 - \$60 million per year for next several years as NXP utilizes tax loss carry-forwards



