



NXP Semiconductors

Secure Connections for a Smarter World

Investor Presentation
July 2014



Forward Looking Statement

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.

Secure Connections for a Smarter World

1 Focus on application and market segments with superior long term growth

2 Leverage unique HPMS capabilities to engage and win with market leaders

3 Control costs and expenses to drive operating margin into long-term model

4 Optimize capital structure and drive robust free-cash flow

Above-market
Sales Growth



Superior
Earnings Leverage

Leveraging Secular Trends and Unique Capabilities

Secular Trends and Demands Driving Growth

- Security
- Connectivity
- Mobility
- Energy efficiency

Characteristics of HPMS Focused Markets

- Large with long life cycles
- Growth in excess of overall market
- Broad and diverse customer base
- High barrier to entry
- Sticky customer relationships

NXP Competitive Advantages

- Strong IP and patent portfolio position
- Broad mixed signal product portfolio
- Differentiated process technology
- Acknowledge leadership capability in Low-power RF; cryptography; mixed-signal MCU system design

Addressable Market Growth (\$M)⁽¹⁾



Potential Future Market Growth (\$M)⁽¹⁾



Growth Driven by HPMS Capabilities and Standard Products Scale

HPMS Addressable Market Growth (\$M)⁽¹⁾



STDP Addressable Market Growth (\$M)⁽¹⁾



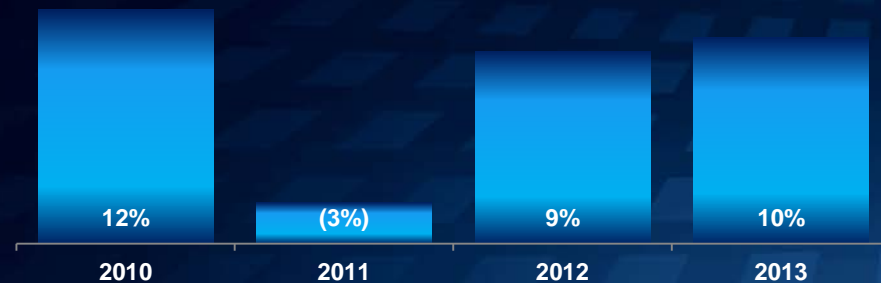
NXP HPMS Segment Growth (\$M)



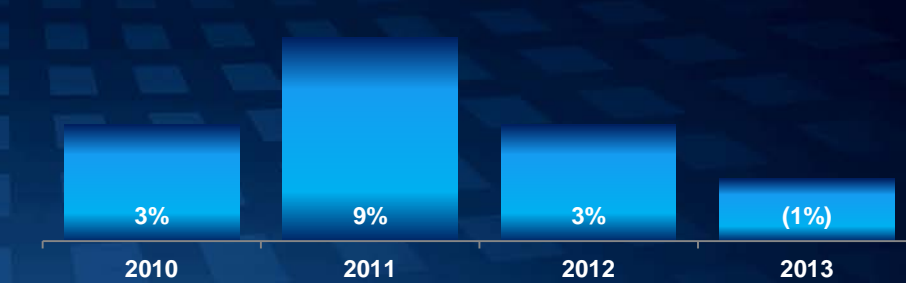
NXP Standard Products Segment Growth (\$M)



NXP HPMS Growth in Excess of Market



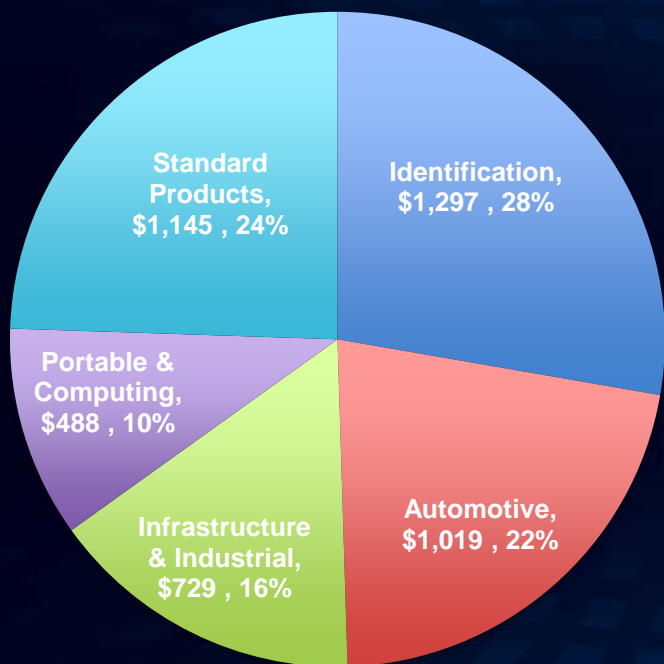
NXP Standard Products Growth in Excess of Market



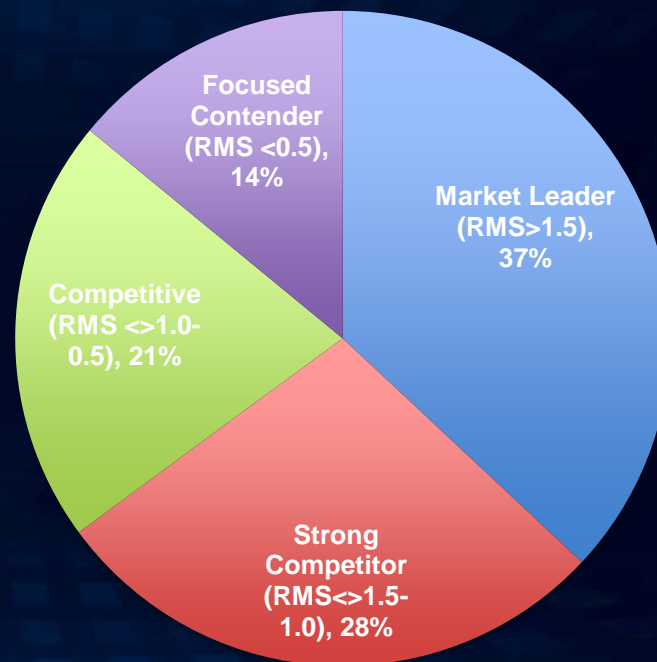
Focused on High Relative Marketshare (RMS) Advantage

2013 Product Revenue = \$4.7B, up 13% Y-Y

Segment Contribution⁽¹⁾ (\$M)



Overall Relative Market Share (RMS)



Identification

28% Product Revenue in 2013

Secular Trends Driving Growth

- Digitization of government documents
- Global roll-out of chip-based bank cards
- Unified transit payment platforms
- Secure mobile payments and access
- Authentication of products & people

Products

- SmartMX secure microcontroller
- Secure Java-card operating system
- Zero and low-power RF interfaces
- MiFare ticketing and access solutions
- Complete document reader solutions
- Low-power RFID tagging solutions

Market Position

- #1 eGovernment documents
- #1 Chip-based banking cards
- #1 Transit system products
- #1 Mobile transaction solutions
- #1 RFID tags and labels
- #1 Contactless infrastructure

NXP Identification Group Growth (\$M)



Potential Identification Market Growth (\$M)⁽¹⁾



Automotive

22% Product Revenue in 2013

Secular Trends Driving Growth

- Secure connected car – Car-to-X mgt.
- Demand for increased safety (ADAS)
- Adoption of global digital broadcast
- Increased data-flow throughout the car
- Increased intelligence to key
- Energy efficiency and CO₂ reduction
- Complexity and long-life cycle demands

Products

- SoC infotainment and SDR systems
- CAN/LIN, FlexRay and Ethernet PHY
- RF passive keyless and proximity entry
- ABS, angular and temperature sensors
- LED interior and exterior lighting
- Car-to-X communication systems

Market Position

- #1 Auto infotainment systems
- #1 In-vehicle networking
- #1 Auto access - immobilizers
- #3 Magnetic sensors

NXP Automotive Group Growth (\$M)



Potential Automotive Market Growth (\$M)⁽¹⁾



Portable and Computing⁽¹⁾

10% Product Revenue in 2013

Secular Trends Driving Growth

- Increased demand energy efficiency
- Market shift toward 32-bit ARM MCU
- Adoption of multi-protocol interfaces
- Low power sensor management
- Emergence of wireless charging

Products

- Multi-protocol interface products
- 32-bit ARM MCU
- Custom SoC (MCU w/ mixed A/D)

Market Position

- #1 Multi-protocol interface products
- #11 32-bit ARM MCU

Portable and Computing Group Growth (\$M)



Potential Portable and Computing Market Growth⁽¹⁾



Infrastructure and Industrial⁽¹⁾

16% Product Revenue in 2013

Secular Trends Driving Growth

- Increased cellular data consumption
- Adoption of energy efficient lighting
- Low-Power RF- Connectivity (“IoT”)
- Increased demand for mobile charging
- Increased demand for Audio quality

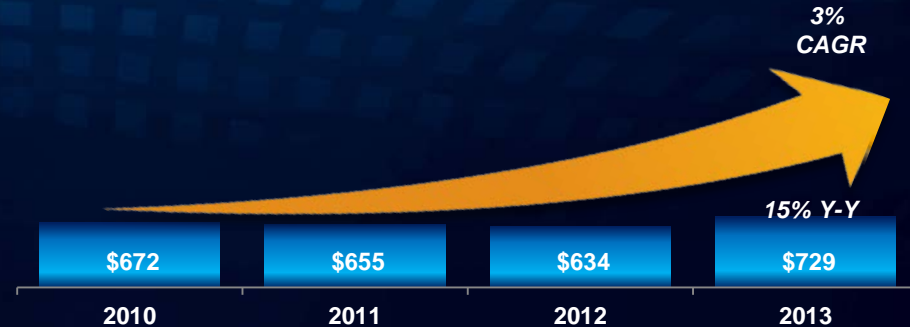
Products

- HPRF power amplifiers
- Small signal LNA and RF discrete
- AD/DC power controllers and regulators
- LED lighting drivers
- IoT ultra-low power RF-connectivity
- Smart mobile audio solutions

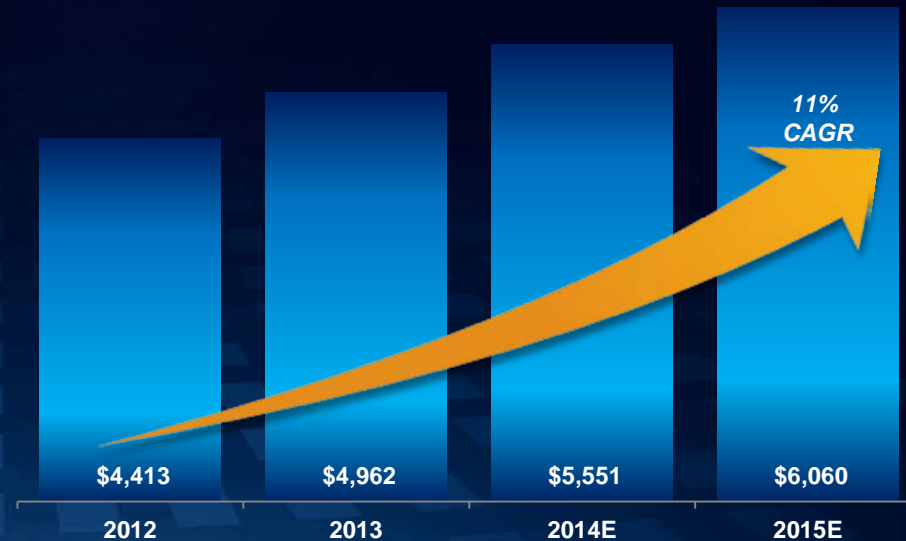
Market Position

- #1 LED lighting drivers
- #1 Small-signal RF
- #1 RF transceivers (silicon tuners)
- #2 HPRF power amplifiers
- #3 Small signal (mobile FEM)
- #4 AC/DC power adapters

NXP Infra. And Industrial Group Growth (\$M)



Potential Infra. And Industrial Market Growth (\$M)⁽¹⁾



Standard Products⁽¹⁾

24% Product Revenue in 2013

Benefits to Customers of Standard Products

- **Scale:**
 - 70B units/yr. manufactured
 - Material purchasing power
- **Reach** - #2 supplier in WW distribution
- **Quality** - Automotive qualified

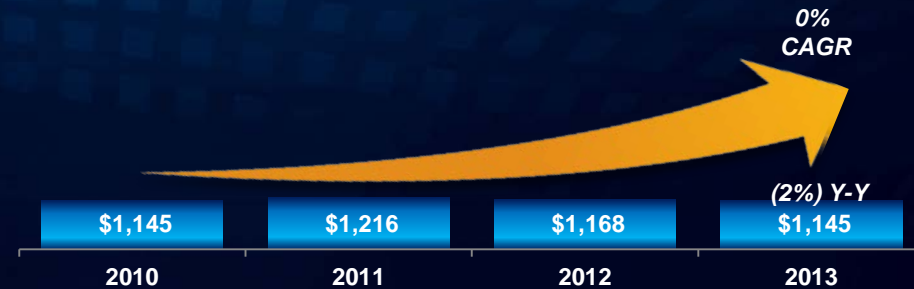
Products

- General purpose logic (“GPL”)
- Small signal discrete
- Signal conditioning
- Low-voltage power MOSFET

Market Position

- #1 Standard products (overall)
- #2 General purpose logic
- #2 Small signal discrete
- #2 Signal conditioning

NXP Standard Product Growth (\$M)



Potential Standard Product Market Growth⁽¹⁾

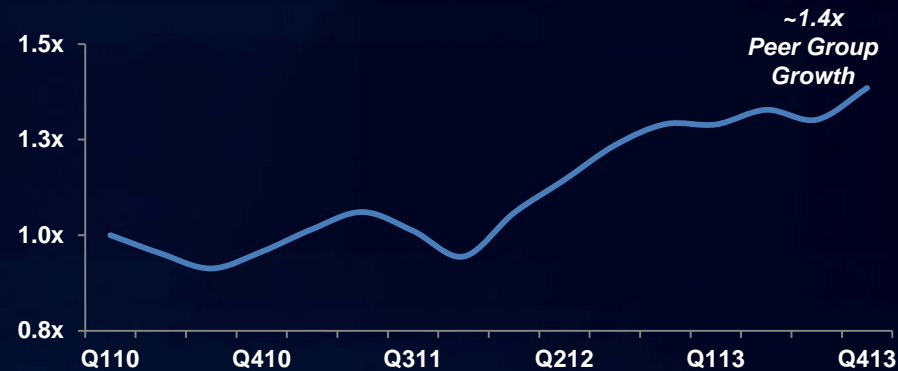


Results Reflect Execution to Strategic Plan

Strong Product Revenue Growth Driven by Company Specific Design Opportunities



Leading to Consistent Revenue Growth in Excess of Peers ⁽¹⁾



World-class Earnings Growth Driven by Revenue Growth, Improving Margin and Reduced Leverage



The Focus on Increasing Shareholder Value

Continued Growth in Excess of Peers a Result of Unique Product Portfolio

+ Continued Expansion of EBIT Profit (~ 26% EBIT Margin)

+ Considerably Lower Interest Expense (~ 2x Net-Debt / TTM EBITDA)

+ Substantially Lower Impacts from Restructuring

+ Sustainable Long-term Effective Tax Rate (12% – 15%, post '16)

+ Low Long-term Capex Result of Tiered Manufacturing Model (~5% Revenue)

= Robust Free Cash Flow Generation

Opens Options for Increasing Shareholder Value:

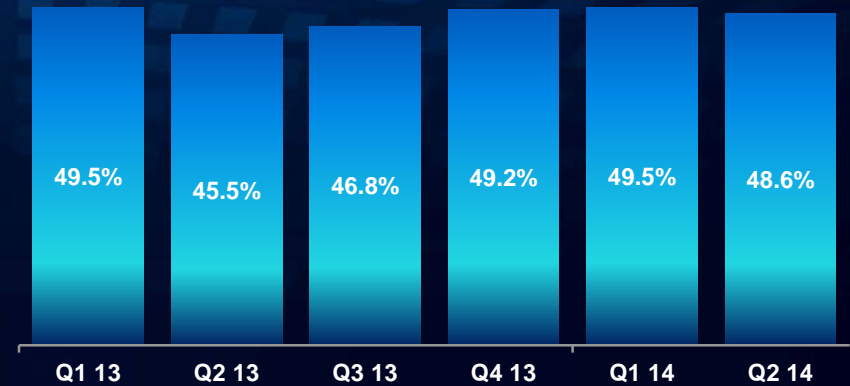
- 1. Share Buy-backs*
- 2. Non-Organic Investment in Business*
- 3. Dividends*
- 4. Continued Debt Reduction*
- 5. Combination of above*

Recent Quarterly Business Trends⁽¹⁾

Revenue (\$M)



Non-GAAP Gross Margin



Non-GAAP Operating Margin

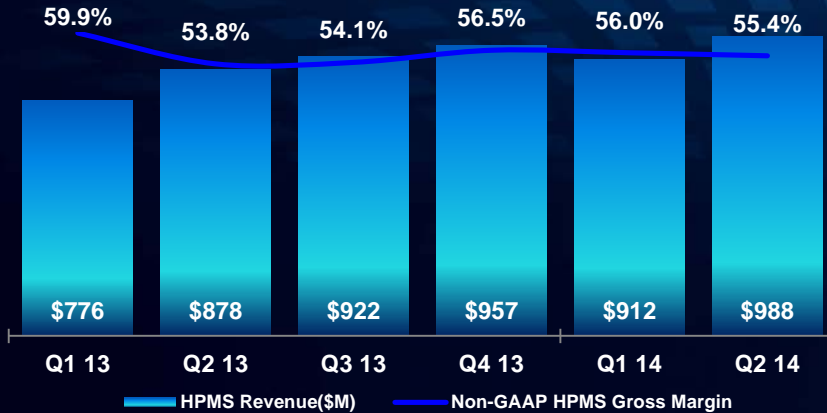


Adj. EBITDA Margin



Business Segment Revenue and Non-GAAP Margin Trends⁽¹⁾

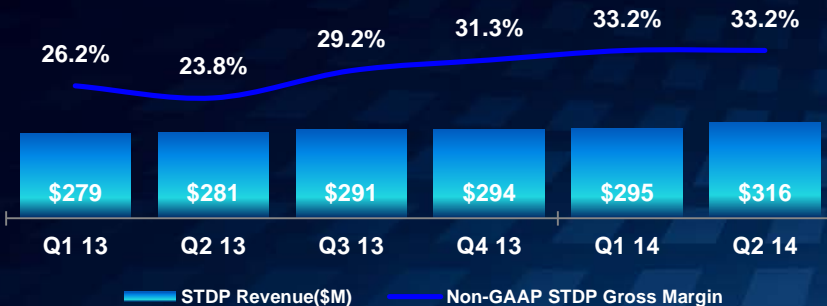
HPMS Segment Revenue and non-GAAP Gross Margin



HPMS Segment Operating Income and non-GAAP Operating Margin



Standard Product Segment Revenue and non-GAAP Gross Margin



Standard Product Segment Operating Income and non-GAAP Operating Margin



HPMS Segment Revenue Business Trends(\$M)⁽¹⁾

Identification



Automotive



Portable and Computing



Infrastructure and Industrial



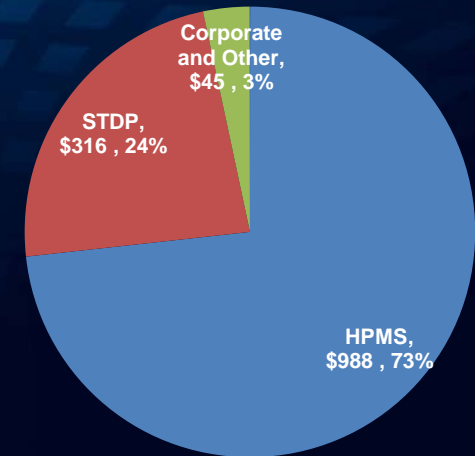
Note:
 1. As of 1Q13, product classification for HPMS end markets "Infrastructure & Industrial" and "Portable & Computing" in addition to segment "Standard Products" have been redefined to reflect underlying market dynamics, product complexity and organizational management. Prior periods have been realigned to conform with new end market definitions. Non-GAAP amounts exclude stock-based compensation

Quarterly Revenue and Operating Income⁽¹⁾

GAAP Financial Summary

(\$ in millions)	Q2 2014	Q1 2014	Q2 2013	Q-Q	Y-Y
Product Revenue	1,304	1,207	1,159	97	145
All Other	45	39	29	6	16
Total Revenue	1,349	1,246	1,188	103	161
Gross Profit	638	585	535	53	103
Percent of total revenue	47.3%	47.0%	45.0%	0.3pts.	2.3pts.
Operating income	249	183	170	66	79
Percent of total revenue	18.5%	14.7%	14.3%	3.8pts.	4.2pts.

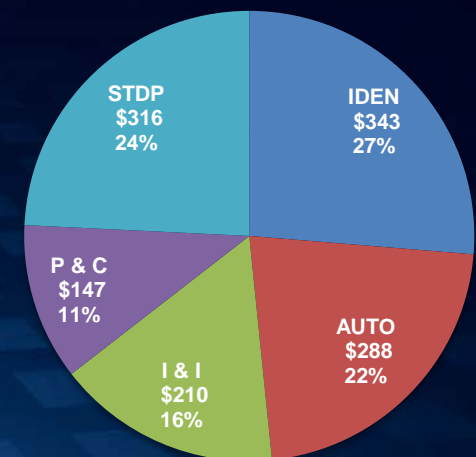
Quarterly Segment Revenue (\$M):



Non-GAAP Financial Summary

(\$ in millions)	Q2 2014	Q1 2014	Q2 2013	Q-Q	Y-Y
Gross Profit	655	617	540	38	115
Percent of total revenue	48.6%	49.5%	45.5%	(0.9pts.)	3.1pts.
Operating income	334	301	256	33	78
Percent of total revenue	24.8%	24.2%	21.5%	0.6pts.	3.3pts.

Quarterly Product Revenue (% of Product Revenue):



Business Segment Performance⁽¹⁾

GAAP Financial Summary

HPMS (\$ in millions)	Q2 2014	Q1 2014	Q2 2013	Q-Q	Y-Y
Revenue	988	912	878	76	110
Gross Profit	545	508	472	37	73
Gross Margin	55.2%	55.7%	53.8%	(0.5pts.)	1.4pts.
Operating income	232	200	178	32	54
Operating Margin	23.5%	21.9%	20.3%	1.6pts.	3.2pts.

STDP (\$ in millions)	Q2 2014	Q1 2014	Q2 2013	Q-Q	Y-Y
Revenue	316	295	281	21	35
Gross Profit	91	85	68	6	23
Gross Margin	28.8%	28.8%	24.2%	-	4.6pts.
Operating income	29	12	9	17	20
Operating Margin	9.2%	4.1%	3.2%	5.1pts.	6.0pts.

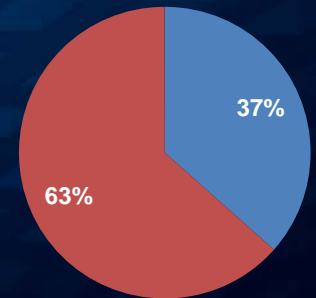
Non-GAAP Financial Summary

HPMS (\$ in millions)	Q2 2014	Q1 2014	Q2 2013	Q-Q	Y-Y
Gross Profit	547	511	472	36	75
Gross Margin	55.4%	56.0%	53.8%	(0.6pts.)	1.6pts.
Operating income	275	249	238	26	37
Operating Margin	27.8%	27.3%	27.1%	0.5pts.	0.7pts.

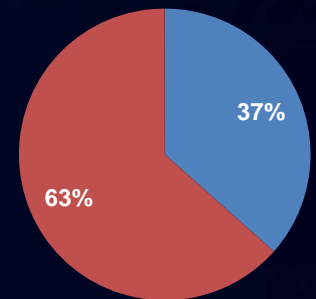
STDP (\$ in millions)	Q2 2014	Q1 2014	Q2 2013	Q-Q	Y-Y
Gross Profit	105	98	67	7	38
Gross Margin	33.2%	33.2%	23.8%	-	9.4pts.
Operating income	63	53	26	10	37
Operating Margin	19.9%	18.0%	9.3%	1.9pts.	10.6pts.

Debt Summary

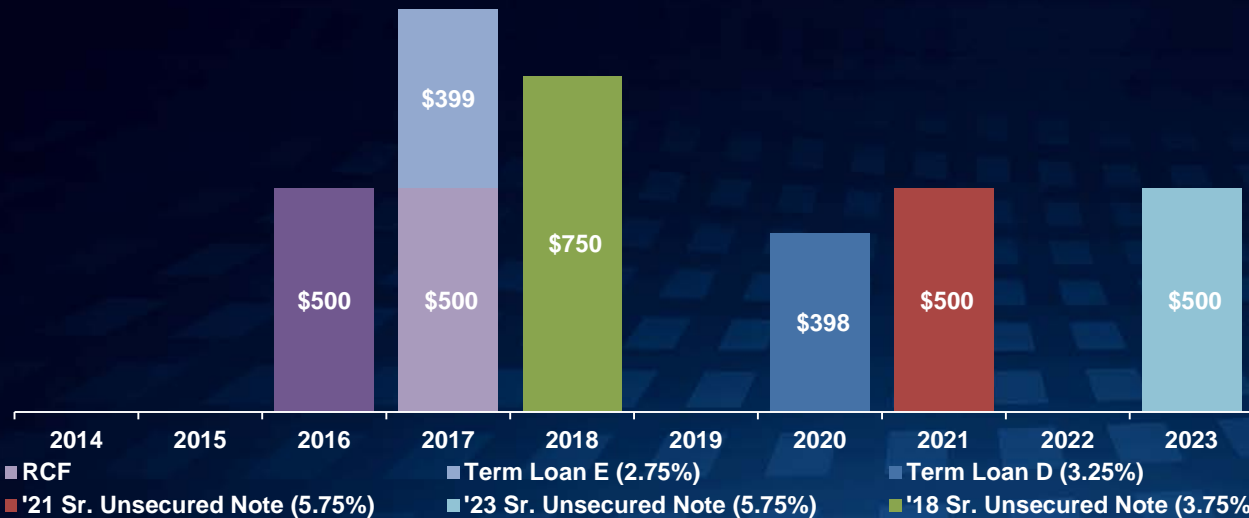
Debt Instrument	Sr. Unsecured Notes	Term Loan E	Sr. Unsecured Notes	Term Loan D	Sr. Unsecured Notes	Sr. Unsecured Notes	Revolving Credit Facility
Issue Date	24-Sep-13	04-Mar-14	20-May-13	10-Dec-13	14-Feb-13	12-Mar-13	27-Apr-12
Maturity Date	15-Sep-16	04-Mar-17	01-Jun-18	11-Jan-20	15-Feb-21	15-Mar-23	01-Mar-17
Issued Amount (M)	\$500	\$400	\$750	\$400	\$500	\$500	€620
Book Value (M)	\$500	\$398	\$750	\$397	\$500	\$500	€367
Outstanding Amount (M)	\$500	\$399	\$750	\$398	\$500	\$500	€367
Coupon	3.50%	Libor + 200 bps	3.75%	Libor + 250 bps	5.75%	5.75%	Libor + 200 bps
Floor	NA	75 bps	NA	75 bps	NA	NA	
Next Call	NC-Life	6mo. soft call	NC-Life	N/A	15-Feb-17	15-Mar-18	
Price		101		101	103	103	
Future Call	NC-Life	N/A	NC-Life	N/A	15-Feb-18	15-Mar-19	
Price					101	102	
Rating							
Moody's	B1	Ba2	B1	Ba2	B1	B1	
Standard & Poor's	BB-	BB+	BB-	BB+	BB-	BB-	BBB-



■ Float ■ Fixed



■ Secured ■ Unsecured



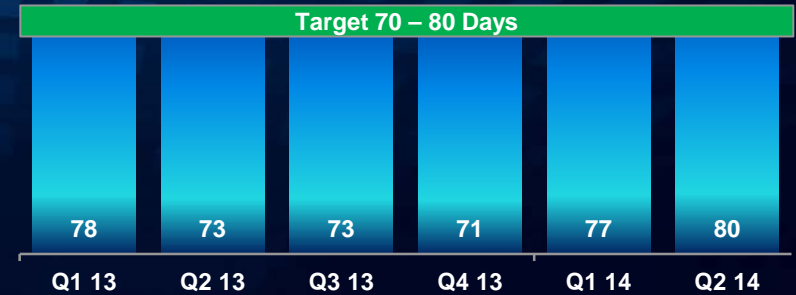
Total Leverage	
Total Debt (\$M)	\$ 3,580
Total Cash (\$M)	\$ 661
Net Debt (\$M)	\$ 2,919
TTM Adj. EBITDA	\$ 1,485
Net Debt / Adj. EBITDA	2.0X
Cost of Debt	3.9%

Working Capital Ratios

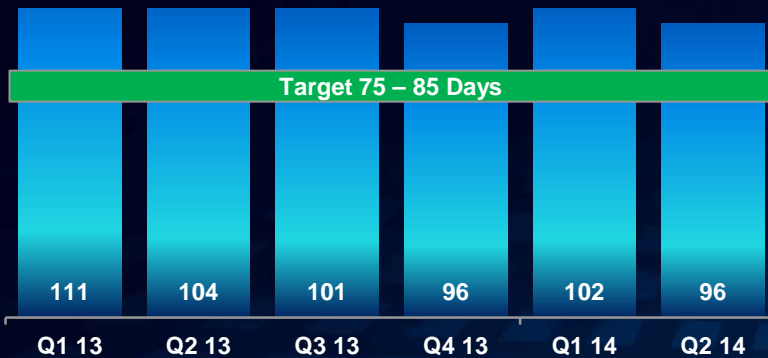
DSO



DPO



DIO



Cash Conversion Cycle



DSO = (91.25 x AR) / Revenue
 DPO = (91.25 x AP) / GAAP COGS

DIO = (91.25 x Inventory) / GAAP COGS
 Cash Conversion Cycle = DIO + DSO - DPO

Guidance for the Third Quarter of 2014⁽¹⁾

	Guidance Range		
	Low	Mid	High
Product Revenue	\$ 1,428	\$ 1,452	\$ 1,479
Q-Q	10%	11%	13%
Other Revenue	\$ 43	\$ 43	\$ 43
Total Revenue	\$ 1,471	\$ 1,495	\$ 1,522
Q-Q	9%	11%	13%
Non-GAAP Gross Profit	\$ 700	\$ 718	\$ 735
Non-GAAP Gross Margin	48%	48%	48%
Non-GAAP Operating Income	\$ 370	\$ 383	\$ 395
Non-GAAP Operating Margin	25%	26%	26%
Interest Expense	\$ 35	\$ 35	\$ 35
Cash Taxes	\$ 7	\$ 7	\$ 7
Non-controlling Interest	\$ 17	\$ 17	\$ 17
Non-GAAP Net Income	\$ 311	\$ 324	\$ 336
Ave. Diluted Shares	250	250	250
Non - GAAP EPS	\$ 1.25	\$ 1.30	\$ 1.35

Product Revenue trends, on a sequential percentage point basis at the mid-point of 3Q14 guidance:

1. Identification is expected to be up mid-teens digit range;
2. Automotive is expected to be flat to slightly up;
3. Infrastructure and Industrial is expected to be up in the low teens ranges ;
4. Portable and Computing is expected to be up in the 40% range;
5. Standard Products is expected to be low single digit range.

Note (1): NXP has based the guidance included in our earnings press release issued on April 24, 2014 on judgments and estimates that management believes are reasonable given its assessment of historical trends and other information reasonably available as of the date of this earnings press release. The guidance included in this release consists of predictions only, and is subject to a wide range of known and unknown risks and uncertainties, many of which are beyond NXP's control. The guidance included in this release should not be regarded as representations by NXP that the estimated results will be achieved. Actual results may vary materially from the guidance we provided in our earnings press release issued on April 24, 2014. In relation to the use of non-GAAP financial information see the note regarding "Use of Non-GAAP Financial Information" included in our earnings press release issued on April 24, 2014. For the factors, risks and uncertainties to which judgments, estimates and forward-looking statements generally are subject see the note regarding "Forward-looking Statements." We undertake no obligation to publicly update or revise any forward-looking statements, including the guidance set forth in our earnings press release issued on April 24, 2014, to reflect future events or circumstances. Considering the uncertain magnitude and variability of the foreign exchange consequences upon "PPA effects", "restructuring costs", "other incidental items" and any interest expense or taxes in future periods, management believes that GAAP financial measures are not available for NXP without unreasonable efforts on a forward looking basis

Quarterly Financial Reconciliation (GAAP to non-GAAP)

(\$ in millions, unless otherwise stated)	Q2 2014	Q1 2014	Q2 2013
Total Revenue	1,349	1,246	1,188
GAAP Gross Profit	638	585	535
Gross profit adjustments	(17)	(32)	(5)
Non - GAAP Gross Profit	655	617	540
GAAP Gross Margin	47.3%	47.0%	45.0%
Non-GAAP Gross Margin	48.6%	49.5%	45.5%
GAAP Operating income (loss)	249	183	170
Operating income adjustments	(85)	(118)	(86)
Non - GAAP Operating income (loss)	334	301	256
GAAP Operating Margin	18.5%	14.7%	14.3%
Non-GAAP Operating Margin	24.8%	24.2%	21.5%
GAAP Financial income (expense)	(60)	(45)	(46)
Financial income adjustments	(26)	(11)	1
Non - GAAP Financial income (expense)	(34)	(34)	(47)
GAAP Income tax benefit (provision)	(12)	(15)	2
Other Adjustments	(4)	(11)	11
Non - GAAP Cash tax (expense)⁽¹⁾	(8)	(4)	(9)
GAAP Net income (loss) attributable to shareholders	159	110	111
Net income (loss) adjustments	(114)	(139)	(71)
Non - GAAP Net income (loss) attributable to shareholders	273⁽²⁾	249	182
GAAP Diluted net income (loss) per share attributable to shareholders	0.64	0.43	0.43
Non - GAAP Diluted net income (loss) per share attributable to shareholders	1.09	0.98	0.71

1. Cash income taxes paid during the period
2. Includes:
 - PPA effects: (\$45M);
 - Restructuring: (\$6M) ;
 - Stock-based compensation: (\$37M);
 - Other incidentals: \$3M ;
 - Foreign exchange loss on debt: (\$22M) ;
 - Other financial expense: (\$4M) ;
 - Results relating to equity-accounted investees: \$1M;
 - Difference between book and cash income taxes: (\$4M)

Quarterly Cash Flow Overview (\$M)

	Q2 2014	Q1 2014	Q2 2013
Net cash provided by (used for) operating activities	242	273	160
Net cash provided by (used for) investing activities	(109)	(56)	(56)
Net cash provided by (used for) financing activities	(194)	(162)	(131)
Effects of changes in exchange rates on cash position	2	(5)	1
Increase (decrease) in cash and cash equivalents	(59)	50	(26)
Cash and cash equivalents at beginning of the period	720	670	595
Cash and cash equivalents at end of period	661	720	569
Net cash provided by (used for) operating activities	242	273	160
Net capital expenditures on property, plant and equipment	(89)	(50)	(46)
Non-GAAP free cash flow	153	223	114
Non-GAAP free cash flow as a percentage of Revenue	11%	18%	10%

Quarterly Adjusted EBITDA (\$M)

	Q2 2014	Q1 2014	Q2 2013
Net income (loss)	178	124	129
Reconciling items to EBITDA			
Financial (income) expense	60	45	46
(Benefit) provision for income taxes	12	15	(2)
Depreciation	54	52	61
Amortization	49	50	71
EBITDA	353	286	305
Results of equity-accounted investees	(1)	(1)	(3)
Restructuring ¹	6	33	(11)
Stock-based compensation	37	28	20
Other incidental items ¹	(4)	11	9
Other adjustments	-	-	-
Adjusted EBITDA	391	357	320
Trailing 12-month Adjusted EBITDA	1,485	1,414	1,235
1. Excluding depreciation PP&E and amortization of software related to			
Restructuring	-	-	1
Other incidental items	1	-	1

Positioned to Deliver Industry Leading Growth

