

NXP SEMICONDUCTORS

Investor Presentation | May 2017



SECURE CONNECTIONS
FOR A SMARTER WORLD



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Non-GAAP Financial Measures

In addition to providing financial information on a basis consistent with U.S. generally accepted accounting principles (“GAAP”), the Presentation also contains the following selected financial measures on a non-GAAP basis: (i) Gross profit, (ii) Gross margin, (iii) Research and development, (iv) Selling, general and administrative, (v) Amortization of acquisition-related intangible assets, (vi) Other income, (vii) Operating income (loss), (viii) Operating margin, (ix) Financial Income (expense), (x) EBITDA, adjusted EBITDA and trailing 12 month adjusted EBITDA, and (xi) non-GAAP free cash flow and free cash flow as a percent of Revenue. The non-GAAP information excludes the amortization of acquisition related intangible assets, the purchase accounting effect on inventory and property, plant and equipment, merger related costs (including integration costs), certain items related to divestitures, share-based compensation expense, restructuring and asset impairment charges, non-cash interest expense on convertible notes, extinguishment of debt, changes in the fair value of the warrant liability prior to January 1, 2016, and foreign exchange gains and losses.

Management does not believe that these items are reflective of the Company’s underlying performance. The presentation of these and other similar items in NXP’s non-GAAP financial results should not be interpreted as implying that these items are non-recurring, infrequent or unusual. NXP believes this non-GAAP financial information provides additional insight into the combined business of NXP since its merger with Freescale as well as the Company’s on-going performance and has therefore chosen to provide this information to investors for a more consistent basis of comparison and to help them evaluate the results of the Company’s on-going operations and enable more meaningful period to period comparisons. These non-GAAP measures are provided in addition to, and not as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. Reconciliations of these non-GAAP measures to the most comparable measures calculated in accordance with GAAP are provided in the financial statements portion of the quarterly earnings releases in a schedule entitled “Financial Reconciliation of GAAP to non-GAAP Results (unaudited).”

Forward-Looking Statement

This presentation 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, our ability to complete merger and acquisition related activity including the divestiture of our Standard Products business and the acquisition of NXP by Qualcomm, Incorporated; 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.

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Secure Connections for the Smarter World

Everything
Smart



40B+ devices with
intelligence shipped in 2020

Processing

Automotive

Everything
Connected



1B+ additional consumers online,
30B+ connected devices

Connectivity

Industrial

Everything
Secure



Potential economy savings
up to half trillion dollars

Security

Connected Devices

IoT

The NXP – Strategically and Financially Compelling



Solutions leadership

- Broad and diverse customer base
- Compelling cross-sell opportunity
- Complementary market reach



Growth in excess of market

- Accelerates “Secure Connections for a Smarter World” strategy
- Leader in automotive semiconductor
- Leader in broad-based MCU



Far superior earnings growth

- RMS focused growth
- Margin expansion driven by
 - Portfolio optimization
 - Cost synergy realization

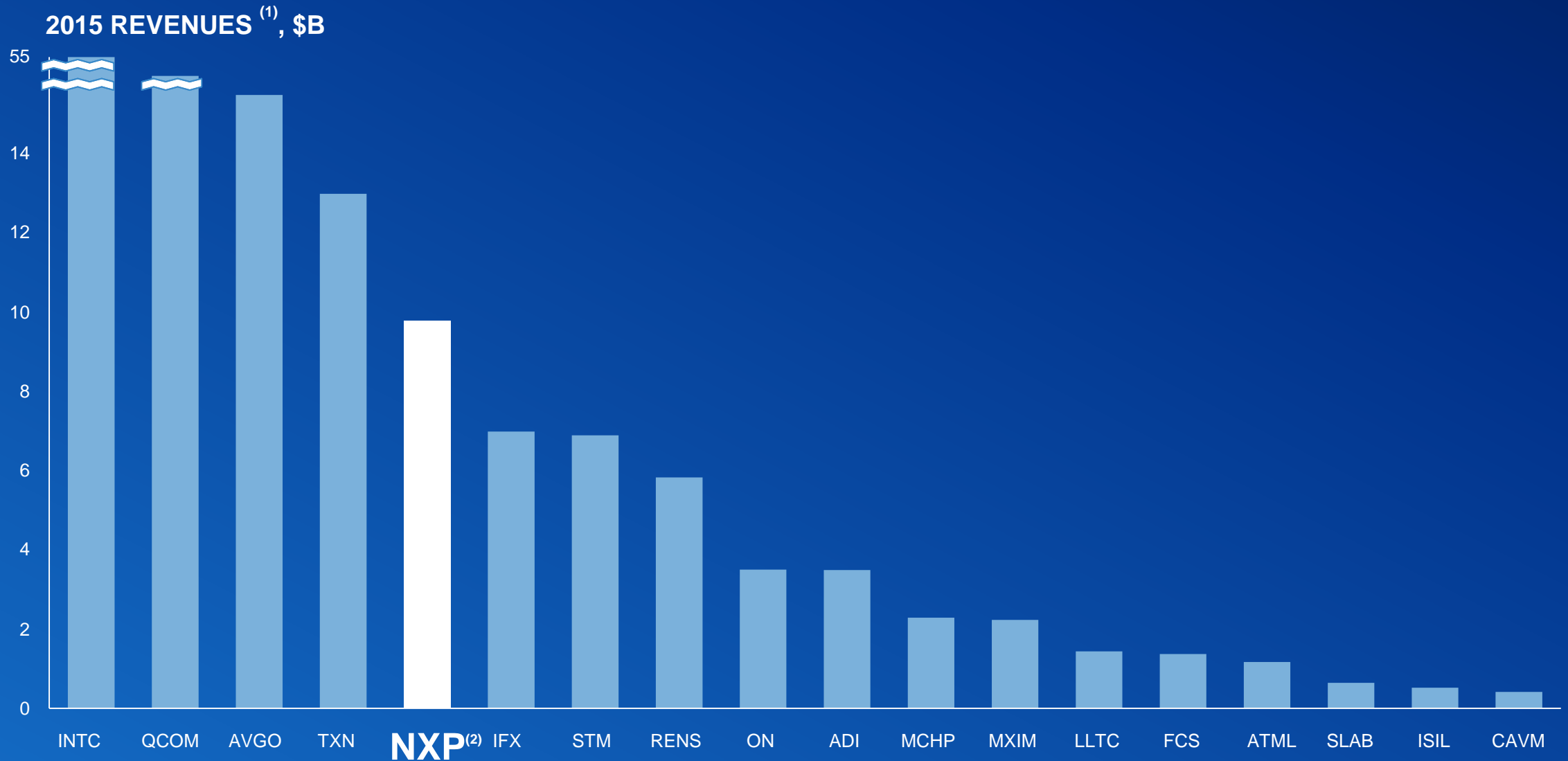


Shareholder value creation

- Focus on optimal capital structure
- Achieve 2x leverage
- Return excess free cash flow to shareholders

NXP – Top 5 Semiconductor Company

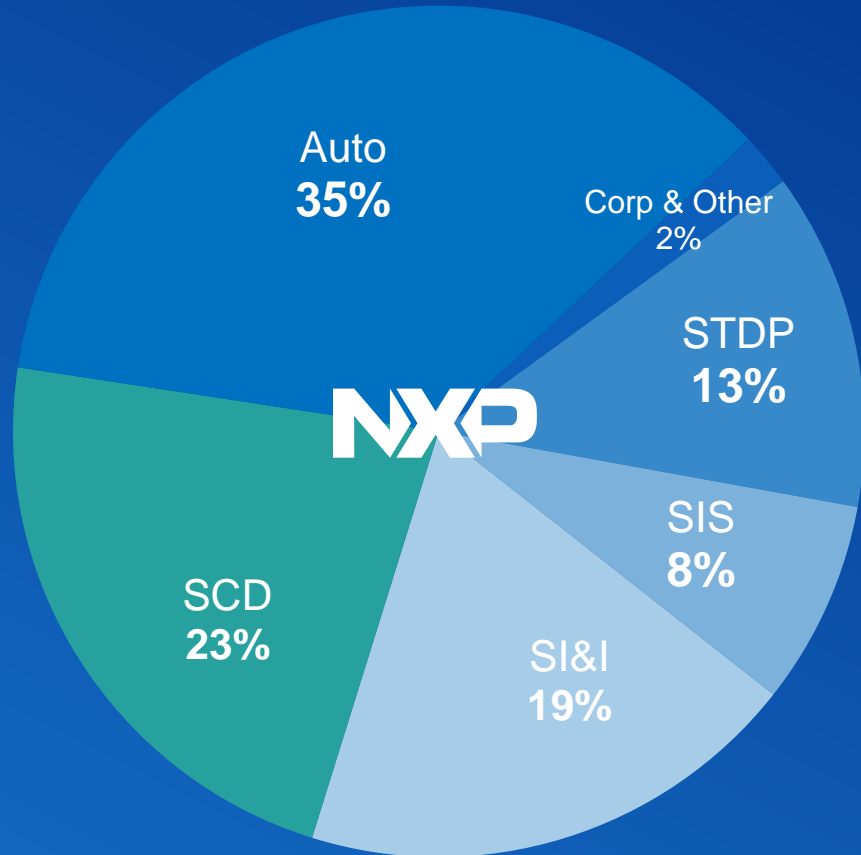
Update w/ end '16 Data



(1) Source: public filings (2) For NXP, reference is made to the Combined Non-GAAP Adjusted Revenue which is the combined consolidated revenue of NXP and Freescale. The information excludes the divestment of previously announced businesses and the creation of joint-ventures. Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at www.nxp.com/investor for additional information relative to our Non-GAAP Financial Measures.

HPMS Market Leader with Sharper Focus, Broader Reach

**NXP 2016 Revenue
by Operating Segment**



NXP: the HPMS leader

- Deliver growth >1.5x market
- #5 global non-memory semi supplier
- #1 global auto semi supplier
- #1 non-auto MCU
- #1 secure identification

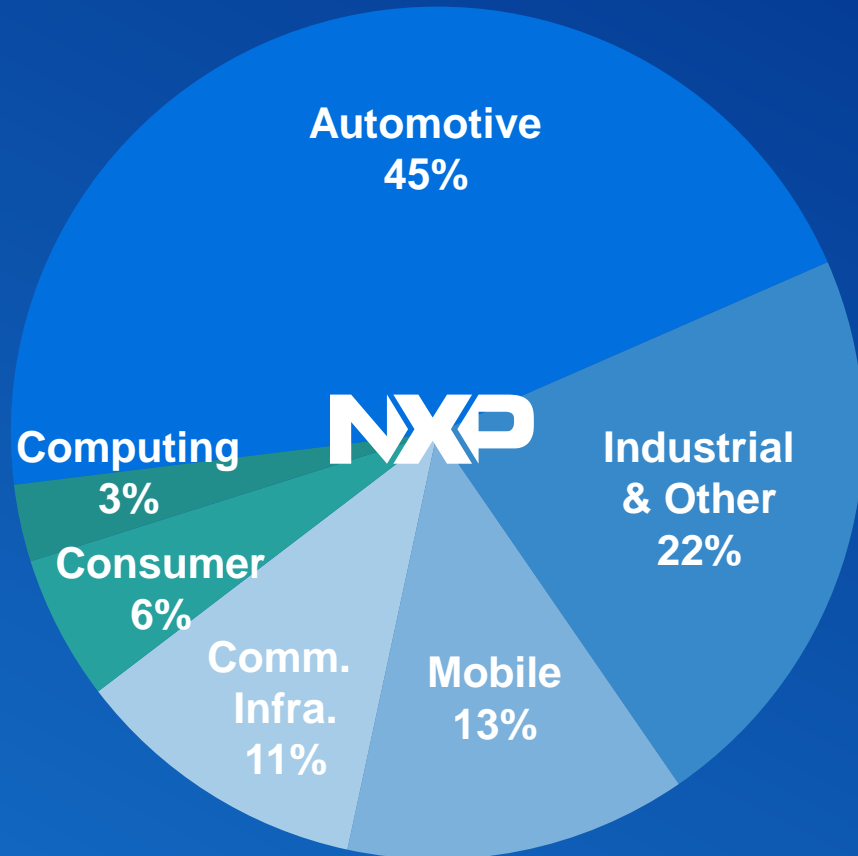
Focused on 2x the serviceable market

- Complimentary portfolios and customers
- Opportunities to cross sell
- Ability to deliver complete solutions

Deliver >1.5x market growth

Focused Leadership – End Markets

**NXP 2016 Product Revenue
by End-market Exposure**



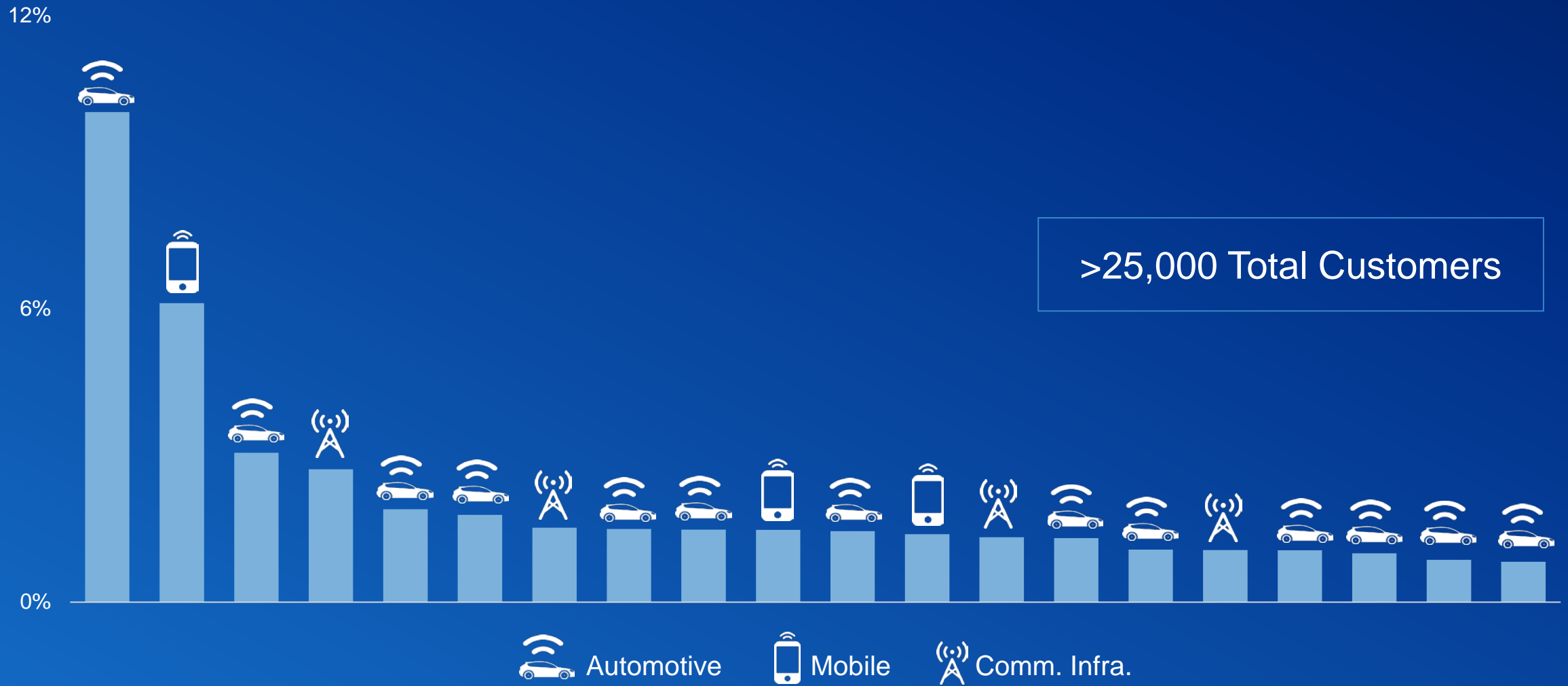
Broad end market exposure

- Long life cycles
- High barriers to entry
- Application expertise

Product leadership positions

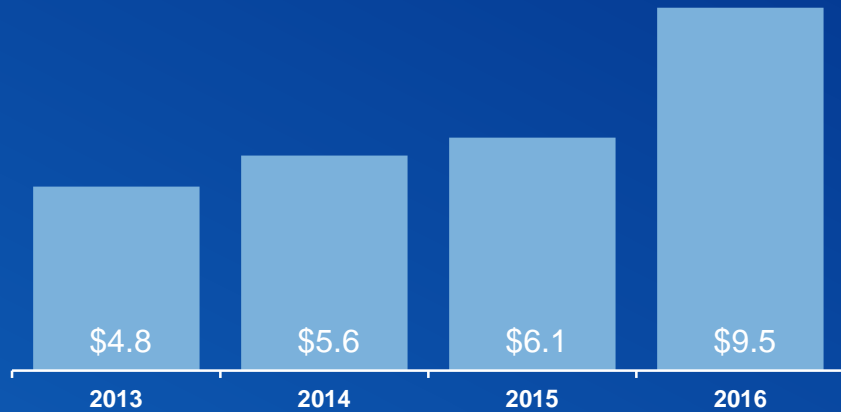
- #1 Automotive
- #1 Non-auto MCU
- #1 Secure identification
- #1 Mobile transactions

Top 20 Customers > 40% of 2016 Revenue ⁽¹⁾

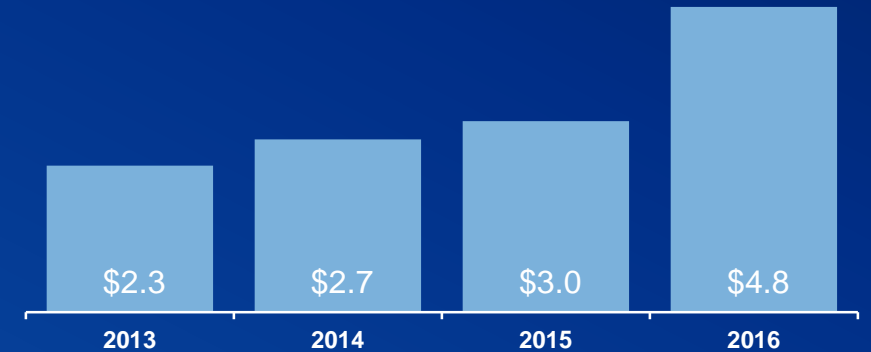


Driving Profitable Growth in Excess of Addressable Market^(1,2)

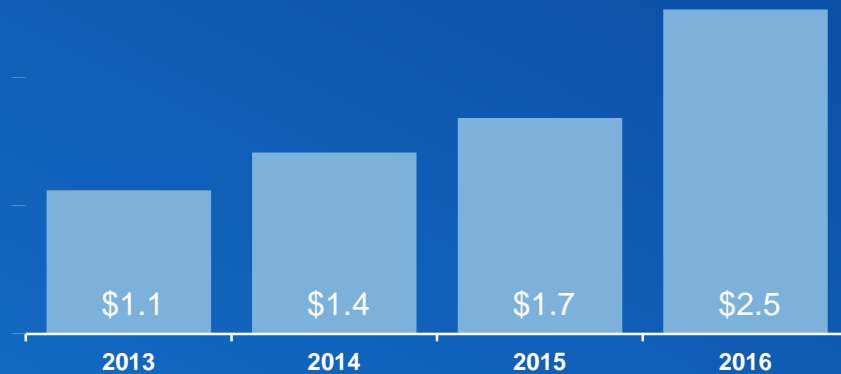
As Reported Revenue Up 25% 3-yr. CAGR (\$B)



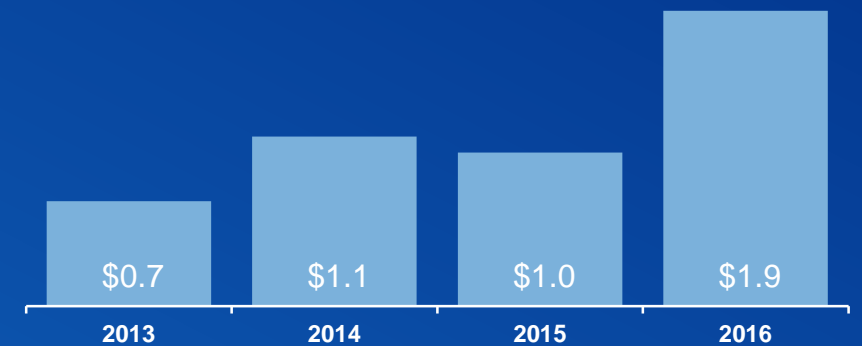
Non-GAAP Gross Profit² up 28% 3-yr. CAGR (\$B)



Non-GAAP EBIT² Profit up 31% 3-yr. CAGR (\$B)

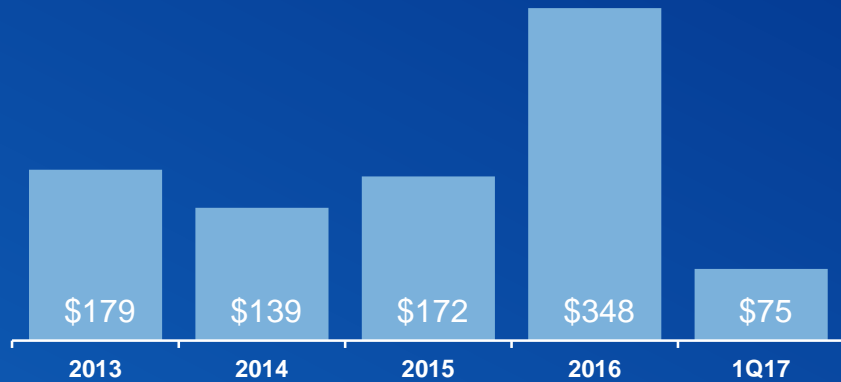


Non-GAAP Free Cash Flow up 41% 3-yr. CAGR (\$B)

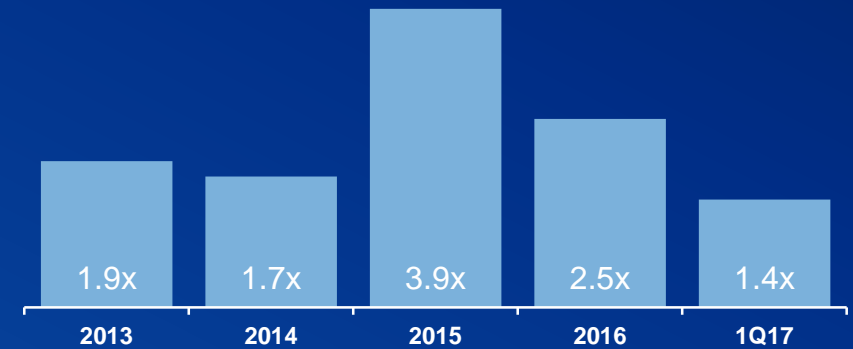


Focused on Generating Cash^(1,2)

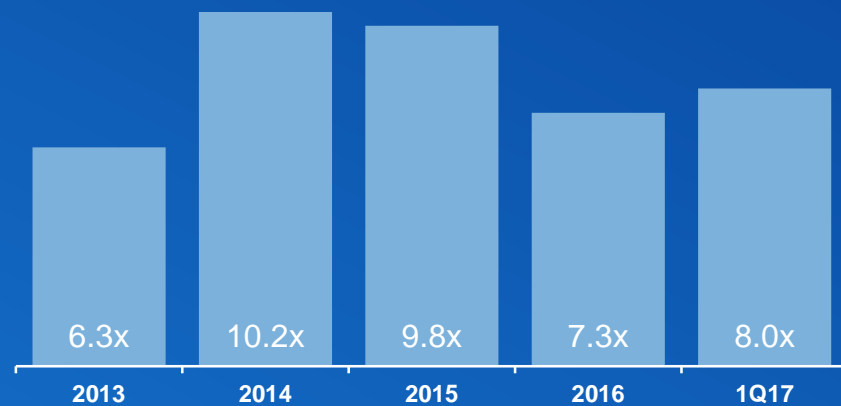
Cash Interest Expense (\$M)



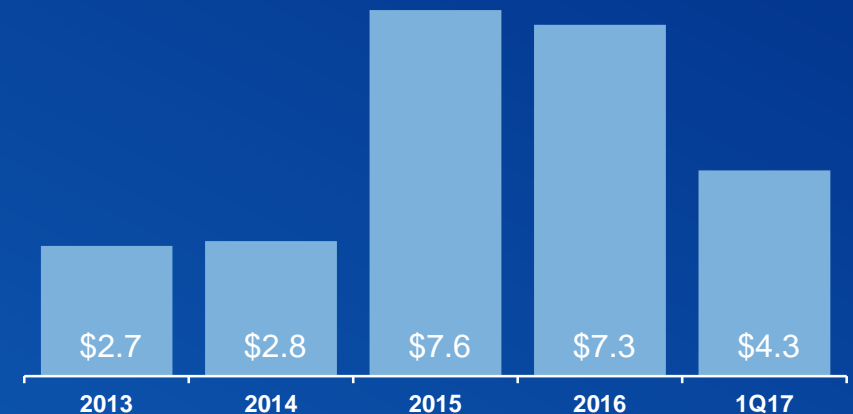
Leverage



Interest Coverage



Net Debt (\$B)



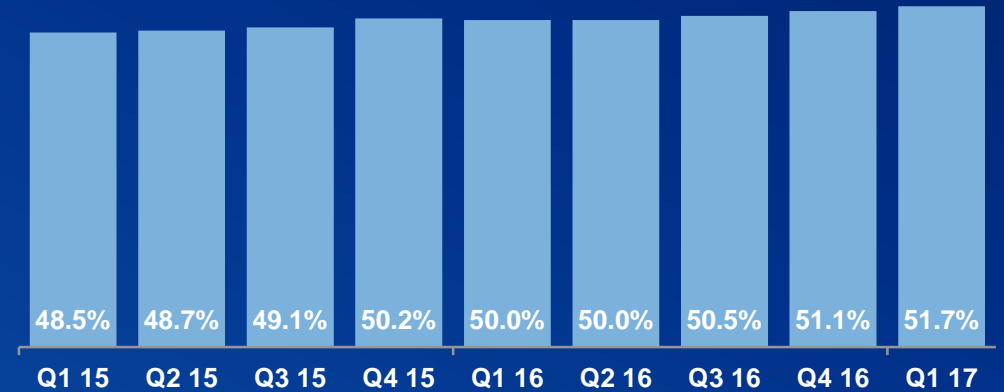
Note:
1. Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at www.nxp.com/investor for additional information relative to our Non-GAAP Financial Measures
2. Cash Interest Expense, Leverage, Interest Coverage are all non-GAAP figures

Recent Quarterly Business Trends^(1,2)

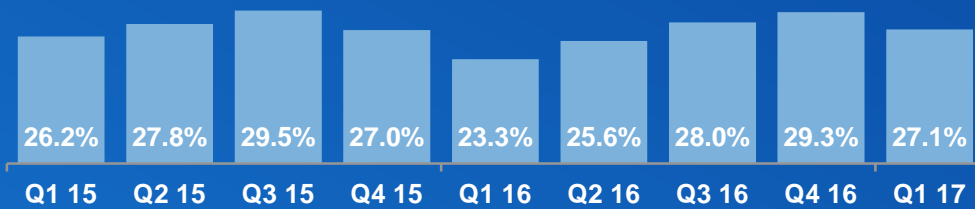
As Reported Revenue (\$M)



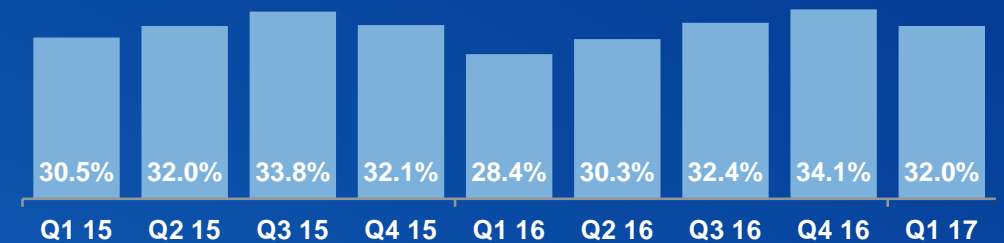
Non-GAAP Gross Margin



Non-GAAP Operating Margin



Non-GAAP Adj. EBITDA Margin

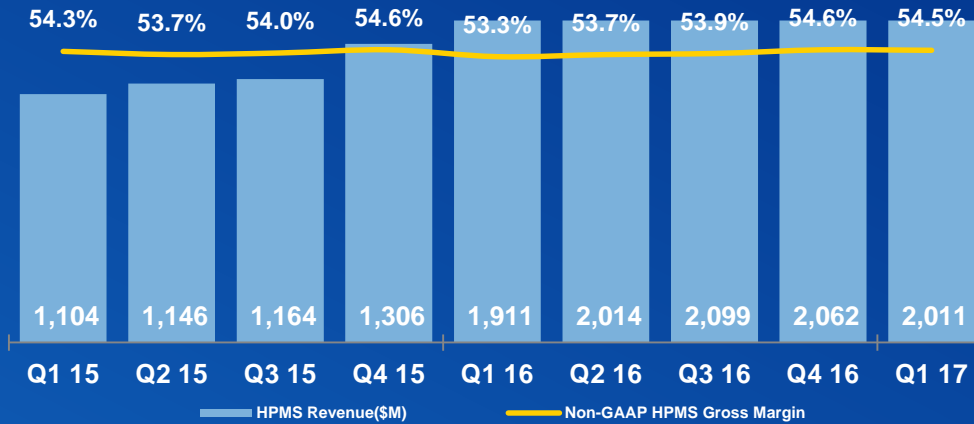


Note:
 1. Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at www.nxp.com/investor for additional information relative to our Non-GAAP Financial Measures
 2. Gross Margin, Operating Margin, Adj. EBITDA are all non-GAAP figures.

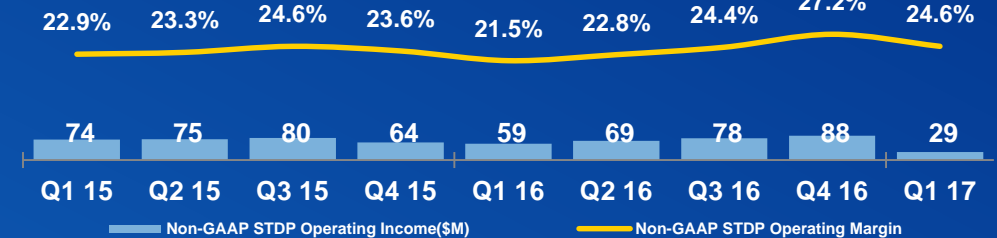
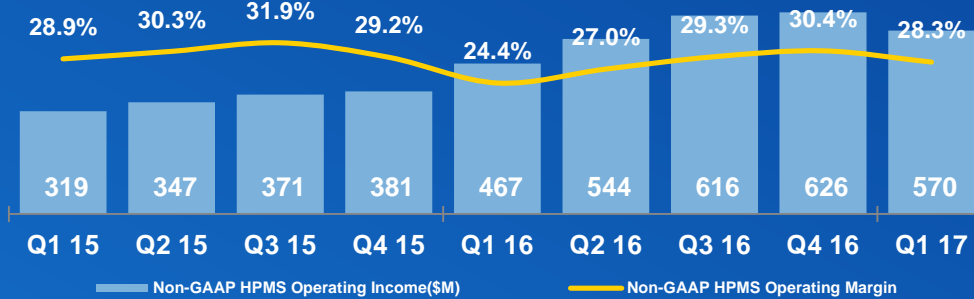
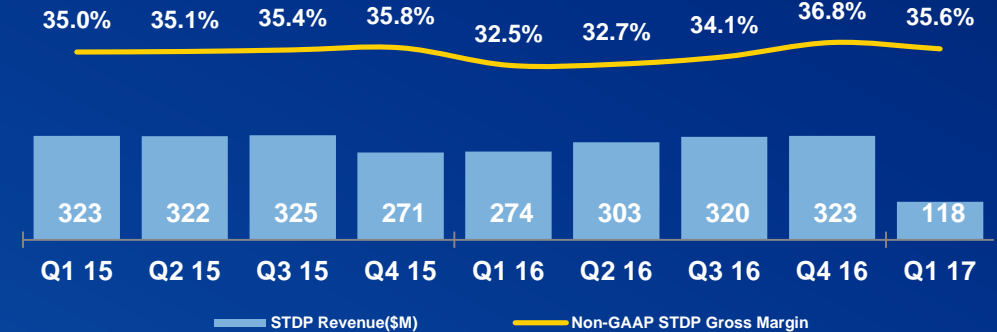


Business Segment Revenue and Non-GAAP Margin Trends^(1,2)

HPMS Segment



Standard Product Segment

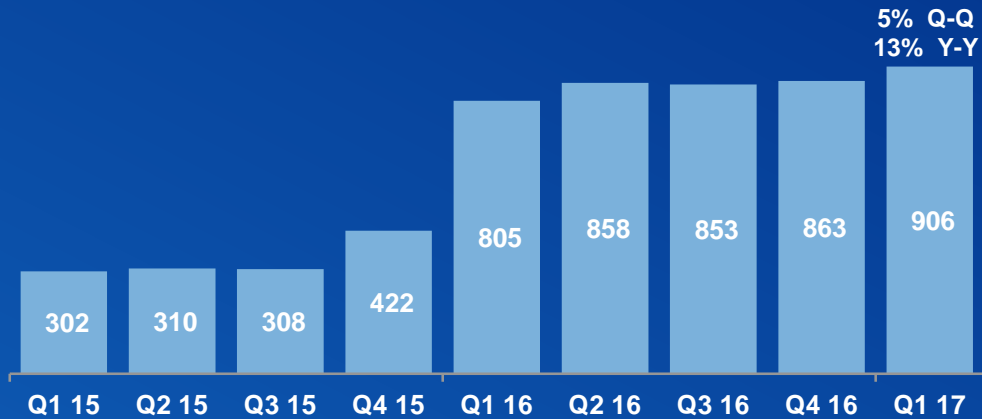


Note:
 1. Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at www.nxp.com/investor for additional information relative to our Non-GAAP Financial Measures
 2. Gross Margin, Operating Income, Operating Margin are all non-GAAP figures.

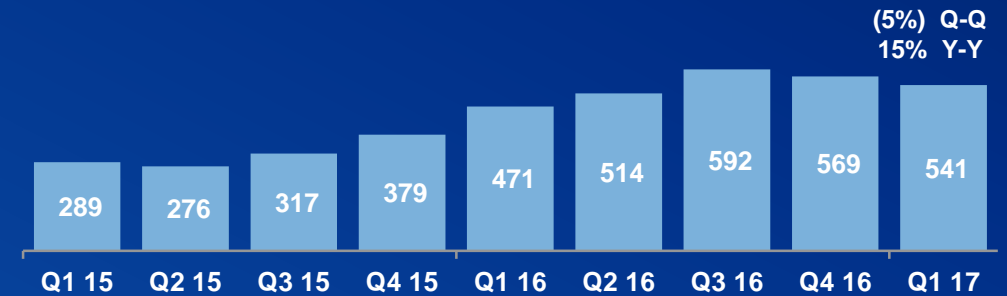


HPMS Segment Revenue Business Trends(\$M)^(1,2)

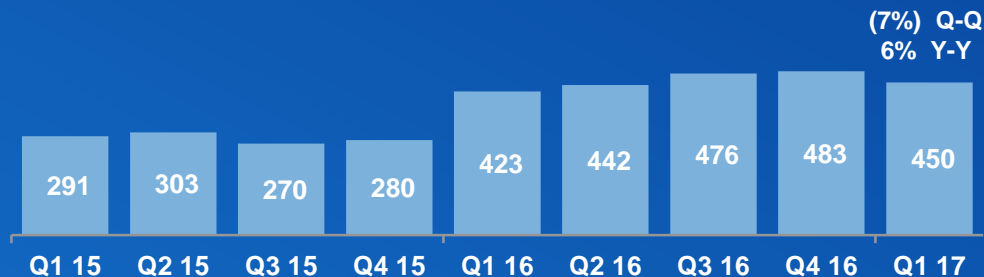
Automotive



Secure Connected Devices



Secure Interface & Infrastructure



Secure Identification Solutions



Note:

1. Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at www.nxp.com/investor for additional information relative to our Non-GAAP Financial Measures
2. As a result of the FSL Merger, NXP has included previously reported Freescale Semiconductor ("Freescale") product group revenue into its various existing High Performance Mixed Signal (HPMS) and Standard Products (STDP) segments. As of the fourth quarter 2015, the NXP HPMS operating segments include the following (1) Automotive includes revenue from Freescale's Automotive MCU and Analog & Sensor product groups; (2) Secure Connected Devices includes revenue from Freescale's Microcontroller product group; (3) Secure Interface & Infrastructure, previously known as Secure Interface & Power includes revenue from Freescale's Digital Networking and RF product groups. Additionally, certain portions of Freescale's Analog & Sensor product group and Other revenue is apportioned to various NXP operating segments consistent with NXPs prior product and revenue classification approach, this included product-functionality alignment as well intellectual property (IP) sales and licensing revenue.

Quarterly Revenue and Operating Income⁽¹⁾

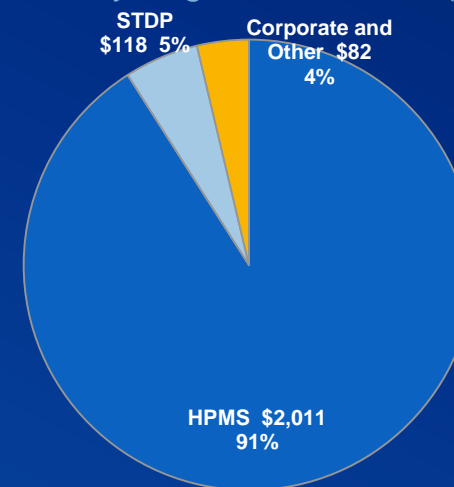
GAAP Financial Summary

(\$ in millions)	Q1 2017	Q4 2016	Q1 2016	Q-Q	Y-Y
Product Revenue	2,129	2,385	2,185	(256)	(56)
All Other	82	55	39	27	43
Total Revenue	2,211	2,440	2,224	(229)	(13)
Gross Profit	1,079	1,189	597	(110)	482
Percent of total revenue	48.8%	48.7%	26.8%	0.1pts	22.0pts
Operating income	1,679	173	(471)	1,506	2,150
Percent of total revenue	75.9%	7.1%	(21.2%)	68.8pts	97.1pts

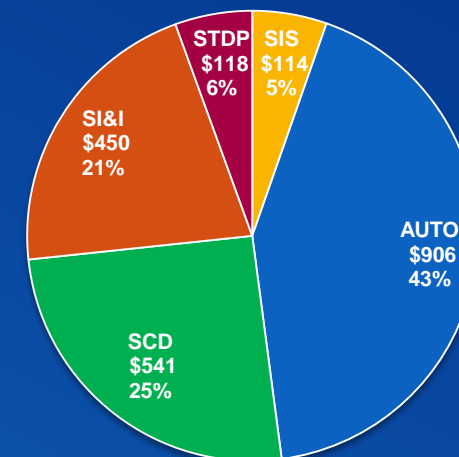
Non-GAAP Financial Summary

(\$ in millions)	Q1 2017	Q4 2016	Q1 2016	Q-Q	Y-Y
Gross Profit	1,144	1,248	1,112	(104)	32
Percent of total revenue	51.7%	51.1%	50.0%	0.6pts	1.7pts
Operating income	599	715	519	(116)	80
Percent of total revenue	27.1%	29.3%	23.3%	(2.2pts)	3.8pts

Quarterly Segment Revenue (\$M):



Quarterly Product Revenue (% of Product Revenue):



Business Segment Performance⁽¹⁾

GAAP Financial Summary

HPMS (\$ in millions)	Q1 2017	Q4 2016	Q1 2016	Q-Q	Y-Y
Revenue	2,011	2,062	1,911	(51)	100
Gross Profit	1,030	1,058	510	(28)	520
Gross Margin	51.2%	51.3%	26.7%	(0.1pts)	24.5pts
Operating income	81	124	(486)	(43)	567
Operating Margin	4.0%	6.0%	(25.4%)	(2.0pts)	29.4pts

STDP (\$ in millions)	Q1 2017	Q4 2016	Q1 2016	Q-Q	Y-Y
Revenue	118	323	274	(205)	(156)
Gross Profit	45	130	87	(85)	(42)
Gross Margin	38.1%	40.2%	31.8%	(2.1pts)	6.3pts
Operating income	31	92	39	(61)	(8)
Operating Margin	26.3%	28.5%	14.2%	(2.2pts)	12.1pts

Non-GAAP Financial Summary

HPMS (\$ in millions)	Q1 2017	Q4 2016	Q1 2016	Q-Q	Y-Y
Gross Profit	1,096	1,126	1,019	(30)	77
Gross Margin	54.5%	54.6%	53.3%	(0.1pts)	1.2pts
Operating income	570	626	467	(56)	103
Operating Margin	28.3%	30.4%	24.4%	(2.1pts)	3.9pts

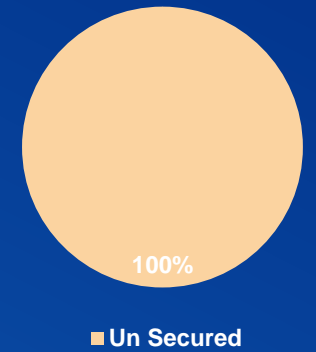
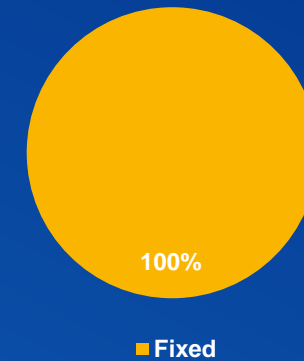
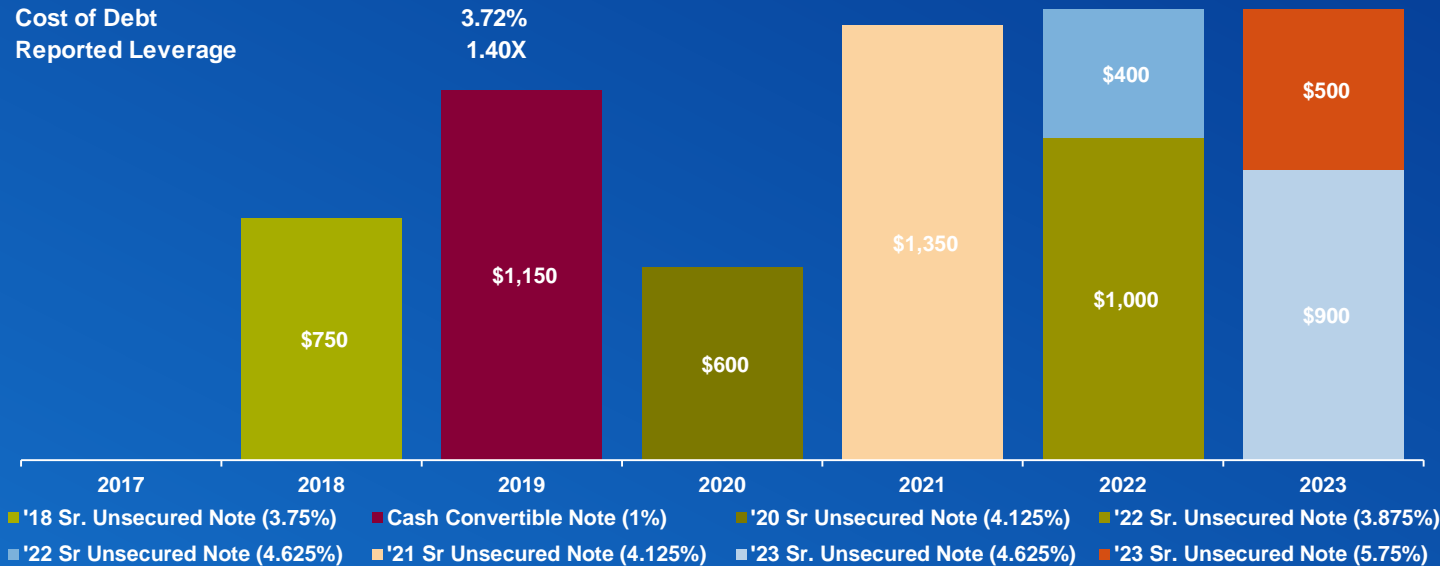
STDP (\$ in millions)	Q1 2017	Q4 2016	Q1 2016	Q-Q	Y-Y
Gross Profit	42	119	89	(77)	(47)
Gross Margin	35.6%	36.8%	32.5%	(1.2pts)	3.1pts
Operating income	29	88	59	(59)	(30)
Operating Margin	24.6%	27.2%	21.5%	(2.6pts)	3.1pts

Debt Summary End of 1Q17⁽¹⁾

Debt Instrument	Sr. Unsecured Notes	Cash Convertible Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Sr. Unsecured Notes	Revolving Credit Facility
Maturity Date	01-Jun-18	02-Dec-19	15-Jun-20	01-Jun-21	15-Jun-22	01-Sep-22	15-Mar-23	01-Jun-23	07-Dec-20
Amount (M)	\$ 750	\$ 1,150	\$ 600	\$ 1,350	\$ 400	\$ 1,000	\$ 500	\$ 900	\$ -
Coupon	3.75%	1.00%	4.125%	4.125%	4.625%	3.875%	5.75%	4.625%	Libor + 200 bps
Rating									
Moody's	Ba1	Ba2	Ba1	Ba1	Ba1	Ba1	Ba1	Ba1	
Standard & Poor's	BBB-	BB+	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-	BBB-

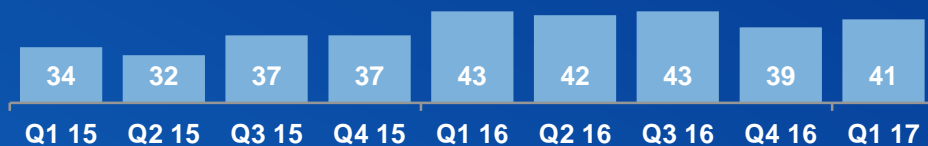
Total Leverage

Total Debt (\$M)	\$ 6,509
Total Cash (\$M)	\$ 2,238
Net Debt (\$M)	\$ 4,271
TTM Adj. EBITDA	\$ 3,056
Cost of Debt	3.72%
Reported Leverage	1.40X

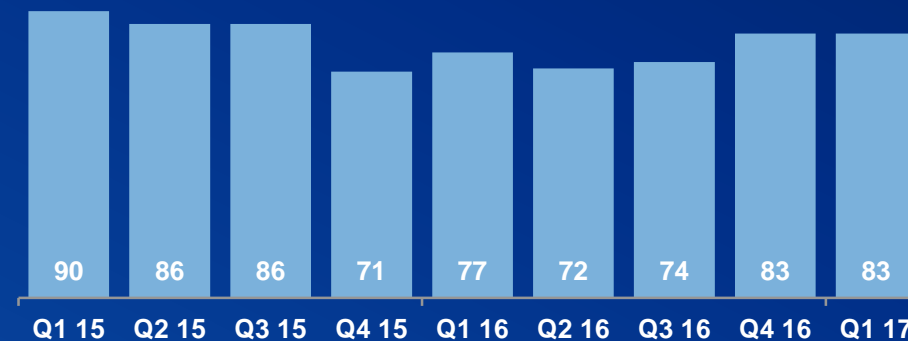


Working Capital Ratios^(1,2)

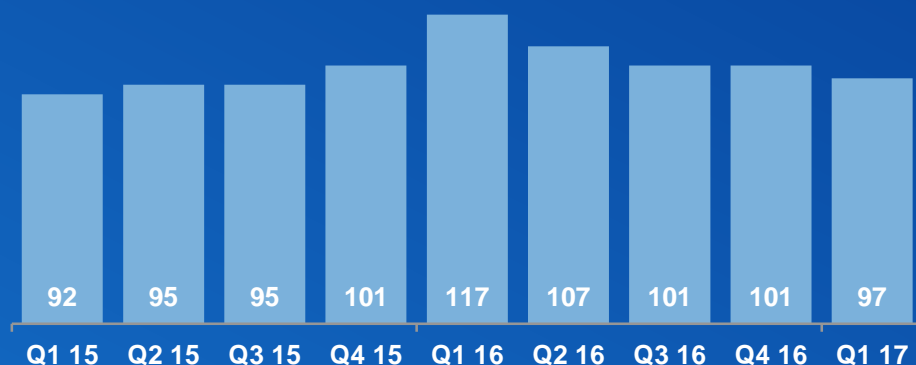
DSO



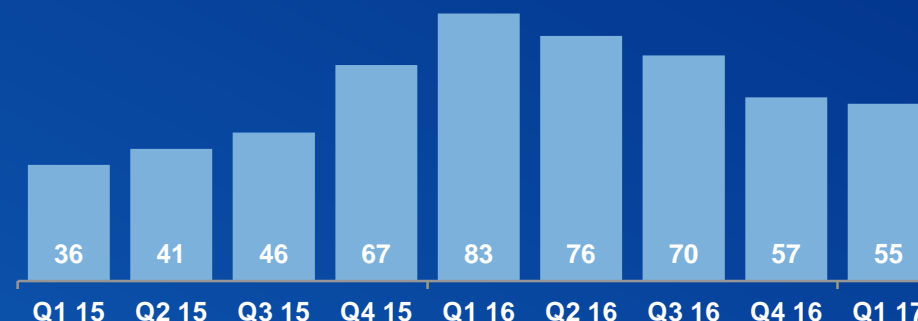
DPO



DIO⁽²⁾



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

Note:

- Working capital ratios exclude the effect of (1) assets and liabilities held for sale associated with the divestment of the Standard Products segment; (2) the effect of purchase price accounting amortization effects on GAAP COGS and Inventory due to the FSL merger, including inventory step up and amortization of acquired PP&E
- Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at www.nxp.com/investor for additional information relative to our Non-GAAP Financial Measures

Quarterly Financial Reconciliation (GAAP to non-GAAP)⁽¹⁾

(\$ in millions, unless otherwise stated)	Q1 2017	Q4 2016	Q1 2016
Total Revenue	2,211	2,440	2,224
GAAP Gross Profit	1,079	1,189	597
Gross profit adjustments	(65)	(59)	(515)
Non - GAAP Gross Profit	1,144	1,248	1,112
GAAP Gross Margin	48.8%	48.7%	26.8%
Non-GAAP Gross Margin	51.7%	51.1%	50.0%
GAAP Operating income (loss)	1,679	173	(471)
Operating income adjustments	1,080	(542)	(990)
Non - GAAP Operating income (loss)	599	715	519
GAAP Operating Margin	75.9%	7.1%	(21.2%)
Non-GAAP Operating Margin	27.1%	29.3%	23.3%
GAAP Financial income (expense)	(136)	(96)	(116)
Financial income adjustments	(61)	(17)	(23)
Non - GAAP Financial income (expense)	(75)	(79)	(93)

Other Information

- PPA effects: (\$430M);
- Stock-based compensation: (\$68M);
- Merger-related costs: (\$30M);
- Other incidentals: \$1,600M;
- Non-cash interest expense on convertible notes: (\$10M);
- Foreign exchange loss: (\$5M);
- Extinguishment on debt: (\$41M);
- Other financial expense: (\$5M).

Quarterly Cash Flow Overview (\$M)⁽¹⁾

	Q1 2017	Q4 2016	Q1 2016
Net cash provided by (used for) operating activities	625	737	414
Net cash provided by (used for) investing activities	2,428	(157)	(106)
Net cash provided by (used for) financing activities	(2,722)	(246)	(441)
Effects of changes in exchange rates on cash position	13	(9)	7
Increase (decrease) in cash and cash equivalents	344	325	(126)
Cash and cash equivalents at beginning of the period	1,894	1,569	1,614
Cash and cash equivalents at end of period	2,238	1,894	1,488
Net cash provided by (used for) operating activities	625	737	414
Net capital expenditures on property, plant and equipment	(161)	(131)	(88)
Non-GAAP free cash flow	464	606	326
Non-GAAP free cash flow as a percentage of Revenue	21%	25%	15%

Quarterly Adjusted EBITDA (\$M)⁽¹⁾

	Q1 2017	Q4 2016	Q1 2016
Net income (loss)	1,318	537	(387)
Reconciling items to EBITDA			
Financial (income) expense	136	96	116
(Benefit) provision for income taxes	230	(456)	(199)
Depreciation	154	149	149
Amortization	380	381	380
EBITDA	2,218	707	59
Results of equity-accounted investees	(5)	(4)	(1)
Purchase accounting effect on inventory	-	-	448
Restructuring ¹	(8)	5	20
Stock-based compensation	68	82	99
Merger-related costs	30	37	5
Other incidental items ¹	(1,596)	6	2
Adjusted EBITDA	707	833	632
Trailing 12-month Adjusted EBITDA	3,056	2,981	2,143
1. Excluding depreciation PP&E, amortization of software related to restructuring and Other incidental items	(4)	(15)	-

NXP Value Proposition



True Leadership Driving RMS

FOCUSED ON RMS > 1.5x



Multiple High Growth Markets

PROFITABLE GROWTH



World-Class Expertise and Team

CUSTOMER-FOCUSED PASSION TO WIN



Operational Excellence + Benchmark Cost Structure

STRONG CASH GENERATION

MAXIMIZE SHAREHOLDER VALUE

The NXP logo is rendered in a bold, white, sans-serif font. The letters 'N', 'X', and 'P' are interconnected, with the 'X' having a distinctive shape where the two vertical strokes are slightly offset. The background is a solid dark blue.

SECURE CONNECTIONS
FOR A SMARTER WORLD

A photograph of a modern glass skyscraper, likely an NXP office building, is visible in the lower right corner. The building is partially obscured by the blue overlay. A sign on the building's facade displays the NXP logo in green.

NXP