

NXP SEMICONDUCTORS

Investor Presentation | July 2018



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).”

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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 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, 25B connected devices

Connectivity

Industrial

Everything Secure



Potential economy savings up to half trillion dollars

Security

IoT

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

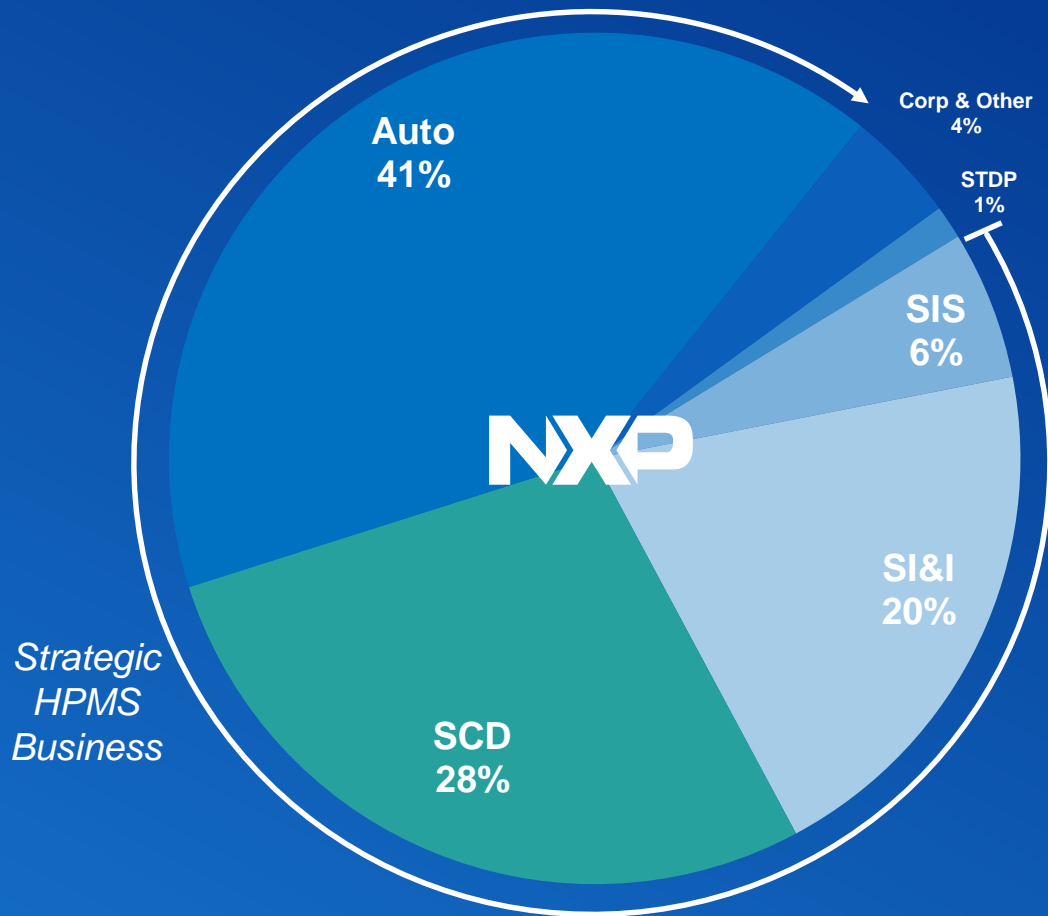


Shareholder value creation

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

HPMS Market Leader with Sharp Focus, Broad Reach^{1,2,3}

NXP 2017 Revenue
by Operating Segment



NXP: the HPMS leader

- #5 global non-memory semi supplier
- #1 global auto semi supplier
- #3 non-auto MCU supplier
- #1 secure identification

Deliver >1.5x market growth

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

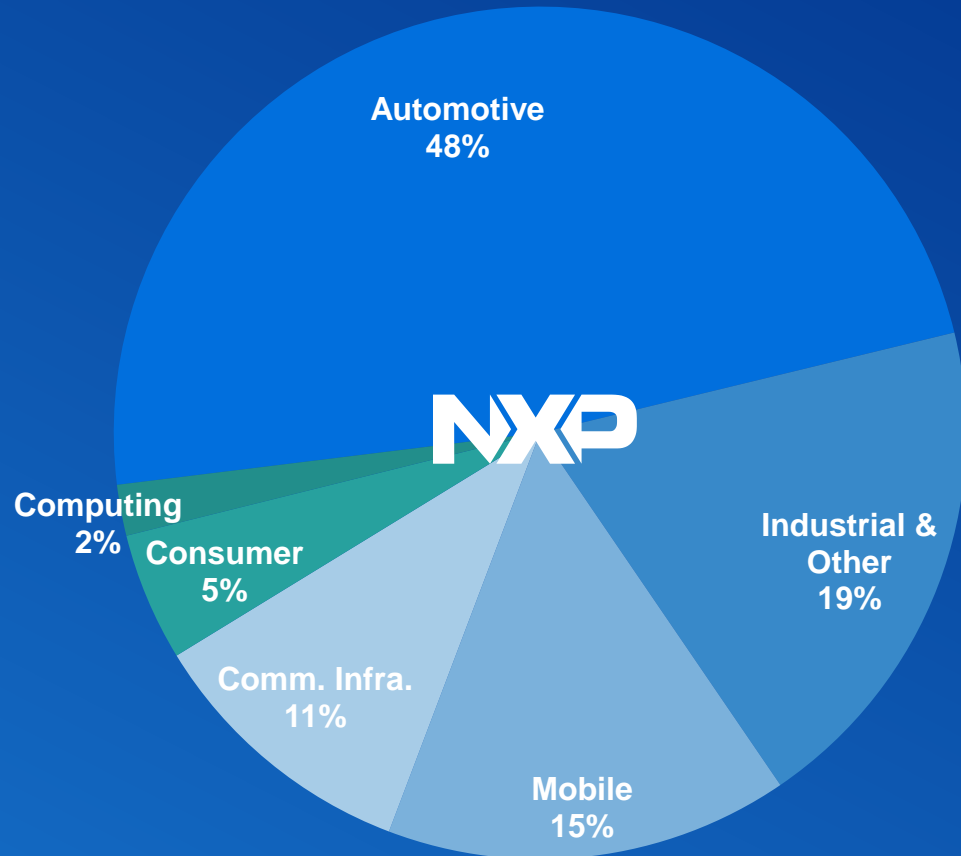
1. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.

2. Based on 2017 estimated revenue ranking of non-memory semiconductor suppliers

3. Market positions based on IHS and ABI market research reports.

Focused Leadership – End Markets^{1,2,3}

**NXP 2017 HPMS Revenue
by End-market Exposure**



Broad end market exposure

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

Product leadership positions

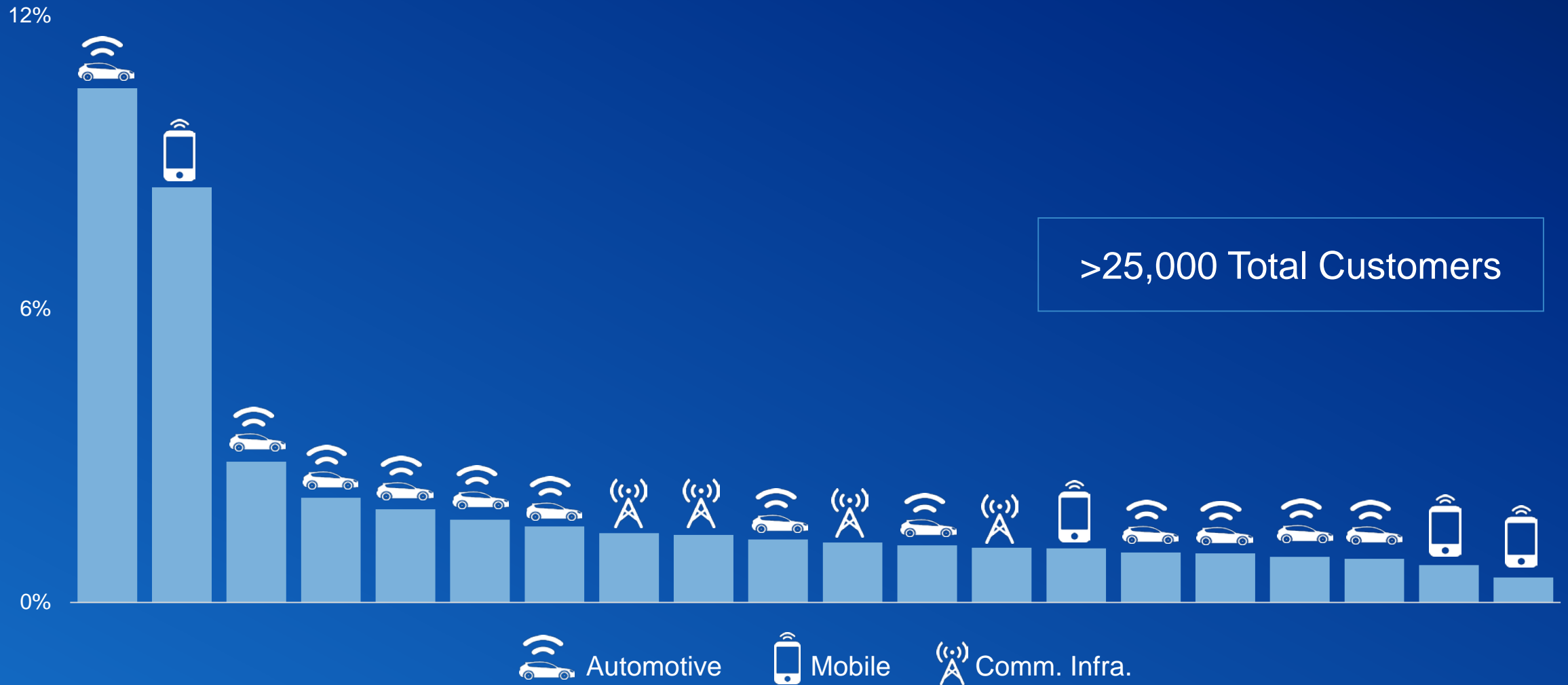
- #1 Automotive
- #3 Non-auto MCU
- #1 Secure identification
- #1 Mobile transactions

1. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.

2. Based on 2017 estimated revenue ranking of non-memory semiconductor suppliers

3. Market positions based on IHS and ABI market research reports.

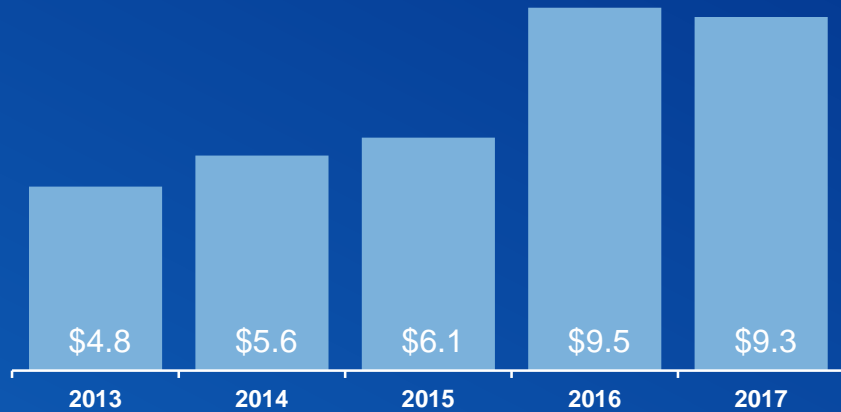
Top 20 HPMS Customers > 40% of 2017 Revenue ^(1,2)



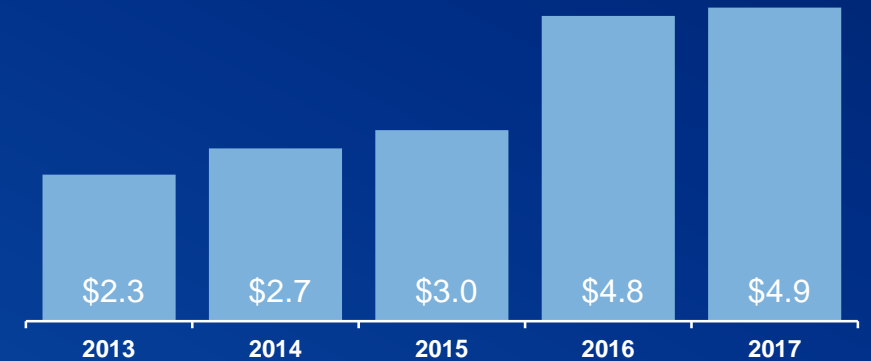
1. Reflects sales through all channels
 2. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.

Driving Profitable Growth in Excess of Addressable Market^(1,2,3)

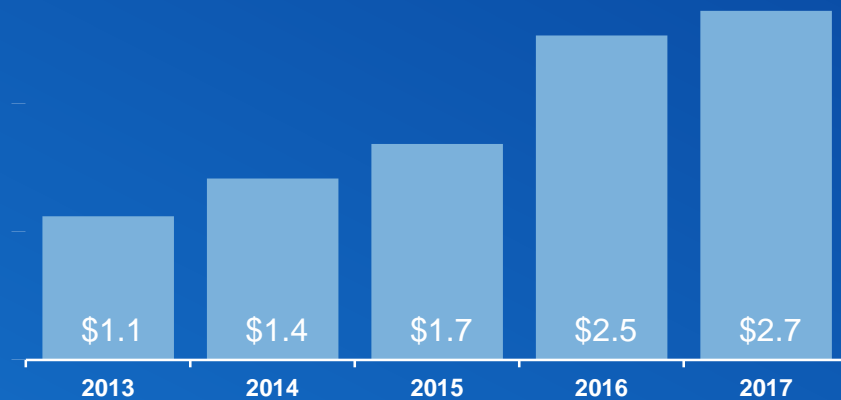
As Reported Revenue Up 18% 3-yr. CAGR (\$B)



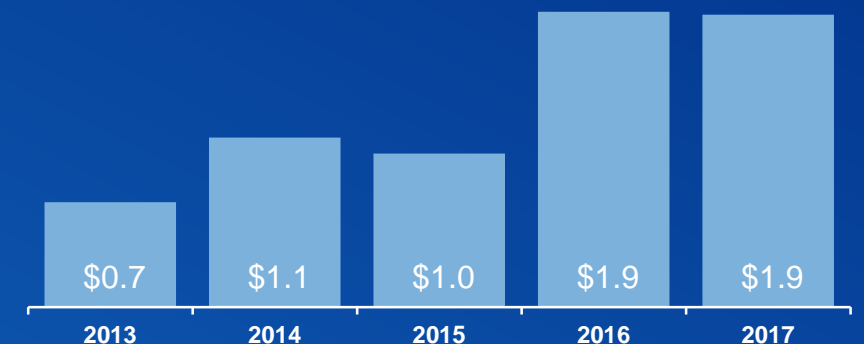
Non-GAAP Gross Profit² up 22% 3-yr. CAGR (\$B)



Non-GAAP EBIT² Profit up 24% 3-yr. CAGR (\$B)



Non-GAAP Free Cash Flow² up 18% 3-yr. CAGR (\$B)

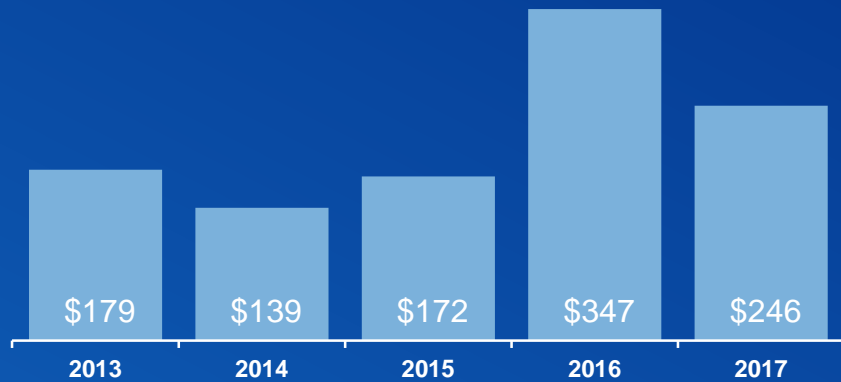


Note:

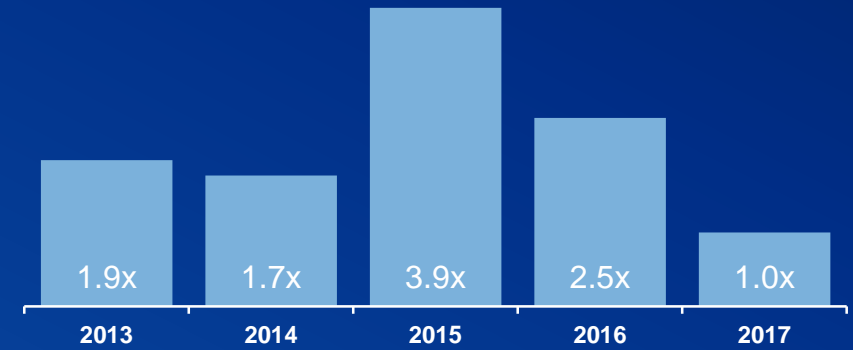
1. Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at www.nxp.com/investor for additional information relative to our Non-GAAP Financial Measures
2. Gross Profit, EBIT Profit, Free Cash Flow(FCF), are all non-GAAP figures, 3-yr. CAGR reflect the period 2014 – 2017
3. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.

Focused on Generating Cash^(1,2,3)

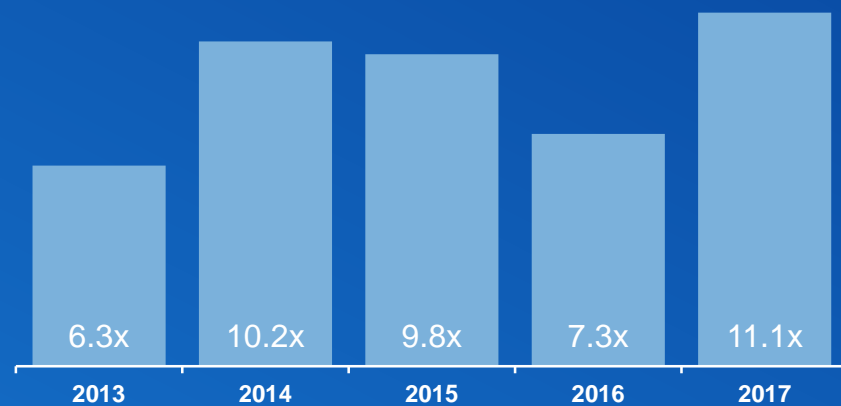
Interest Expense² (\$M)



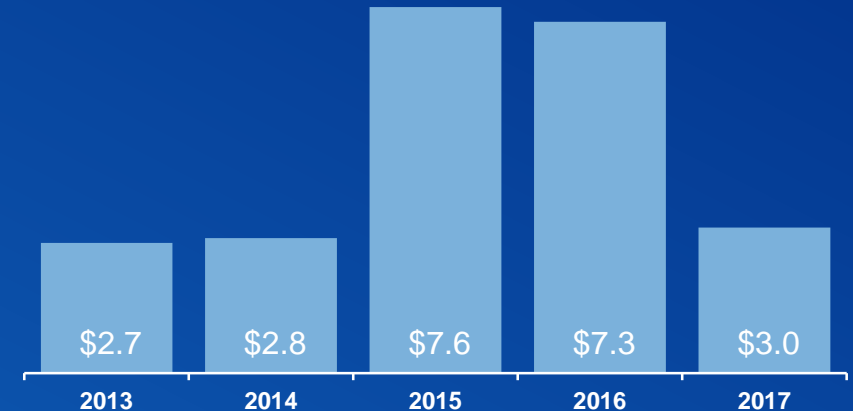
Leverage²



Interest Coverage²



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
 3. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.

Quarterly Revenue and Operating Income^(1,2)

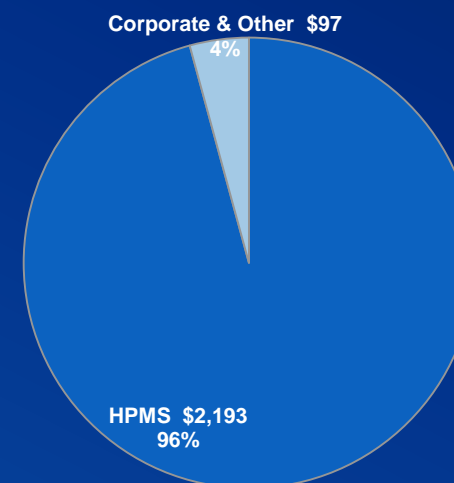
GAAP Financial Summary

(\$ in millions)	Q2 2018	Q1 2018	Q2 2017	Q-Q	Y-Y
Product Revenue	2,193	2,166	2,098	27	95
All Other	97	103	104	(6)	(7)
Total Revenue	2,290	2,269	2,202	21	88
Gross Profit	1,180	1,172	1,083	8	97
Percent of total revenue	51.5%	51.7%	49.2%	(0.2pts.)	2.3pts.
Operating income	137	138	50	(1)	87
Percent of total revenue	6.0%	6.1%	2.3%	(0.1pts.)	3.7pts.

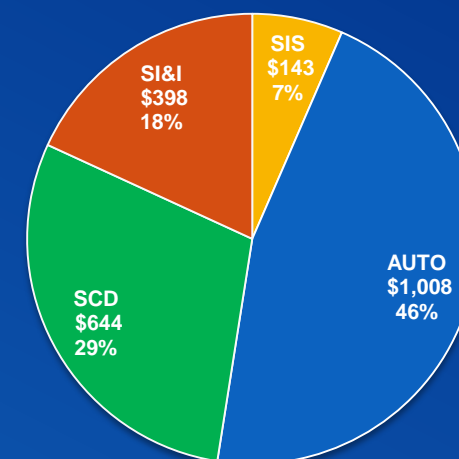
Non-GAAP Financial Summary

(\$ in millions)	Q2 2018	Q1 2018	Q2 2017	Q-Q	Y-Y
Gross Profit	1,210	1,200	1,167	10	43
Percent of total revenue	52.8%	52.9%	53.0%	(0.1pts.)	(0.2pts.)
Operating income	618	617	625	1	(7)
Percent of total revenue	27.0%	27.2%	28.4%	(0.2pts)	(1.4pts)

Quarterly Segment Revenue (\$M):



Quarterly Product Revenue (% of Product Revenue):



Note:

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2. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.

Business Segment Performance⁽¹⁾

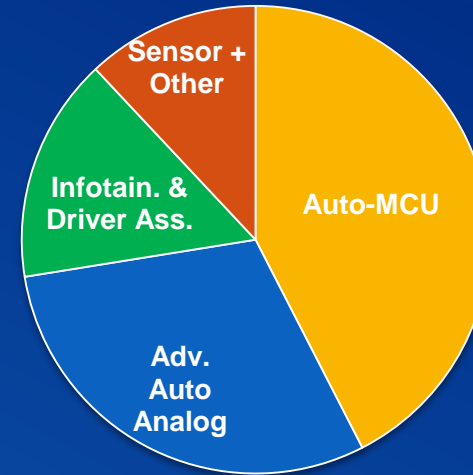
GAAP Financial Summary

HPMS (\$ in millions)	Q2 2018	Q1 2018	Q2 2017	Q-Q	Y-Y
Revenue	2,193	2,166	2,098	27	95
Gross Profit	1,173	1,161	1,066	12	107
Gross Margin	53.5%	53.6%	50.8%	(0.1pts.)	2.7pts.
Operating income	160	161	94	(1)	66
Operating Margin	7.3%	7.4%	4.5%	(0.1pts.)	2.8pts.

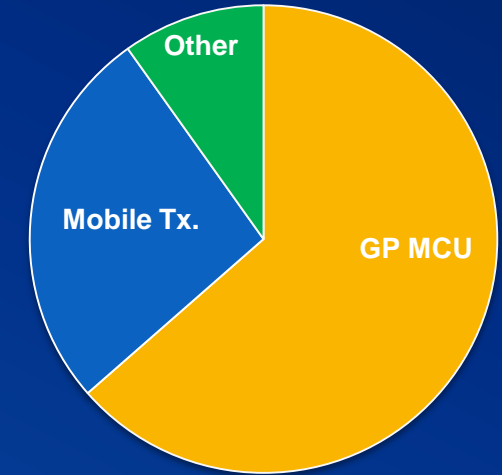
Non-GAAP Financial Summary

HPMS (\$ in millions)	Q2 2018	Q1 2018	Q2 2017	Q-Q	Y-Y
Gross Profit	1,201	1,188	1,148	13	53
Gross Margin	54.8%	54.8%	54.7%	-	0.1pts.
Operating income	618	614	616	4	2
Operating Margin	28.2%	28.3%	29.4%	(0.1pts.)	(1.2pts.)

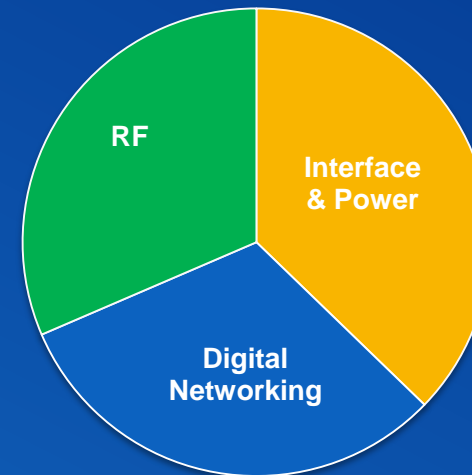
2017 Auto Segment Revenue Mix



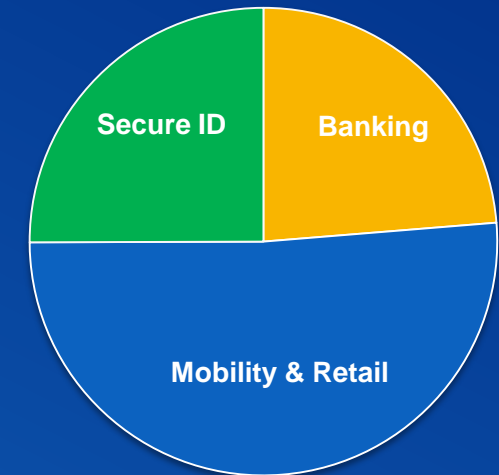
2017 SCD Segment Revenue Mix



2017 SI&I Segment Revenue Mix



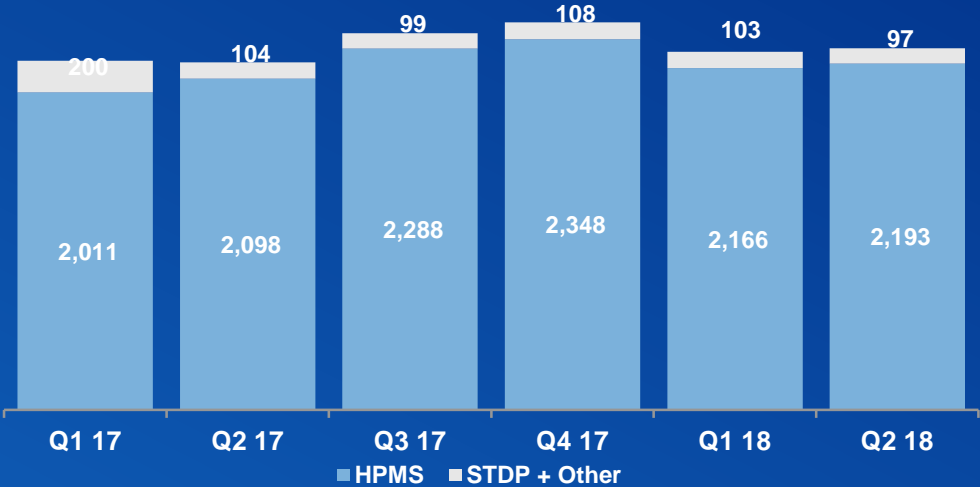
2017 SIS Segment Revenue Mix



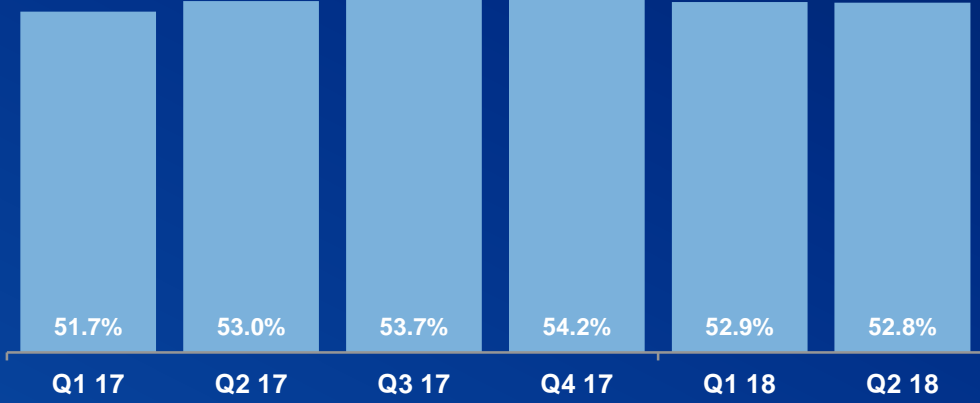
Note:
1. Please refer to the NXP Historic Financial Model file found on the Financial Information page of the Investor Relations section of our website at www.nxp.com/investor for additional information relative to our Non-GAAP Financial Measures

Recent Quarterly Business Trends ^(1,2,3)

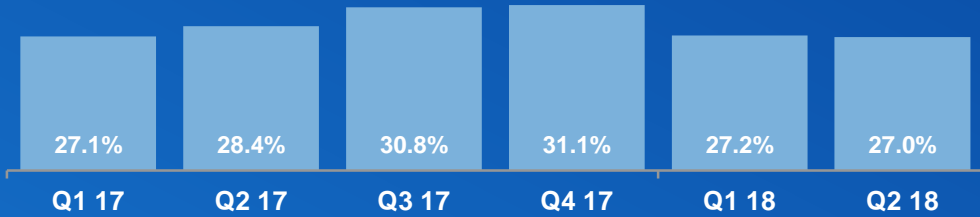
As Reported Revenue (\$M)



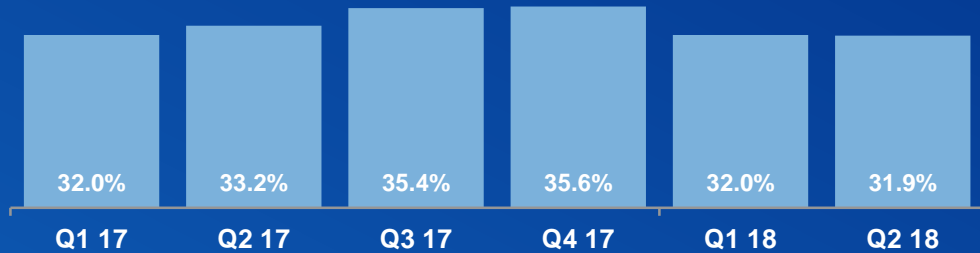
Non-GAAP Gross Margin



Non-GAAP Operating Margin



Non-GAAP Adj. EBITDA Margin



Note:
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 2. Gross Margin, Operating Margin, Adj. EBITDA are all non-GAAP figures.
 3. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.



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

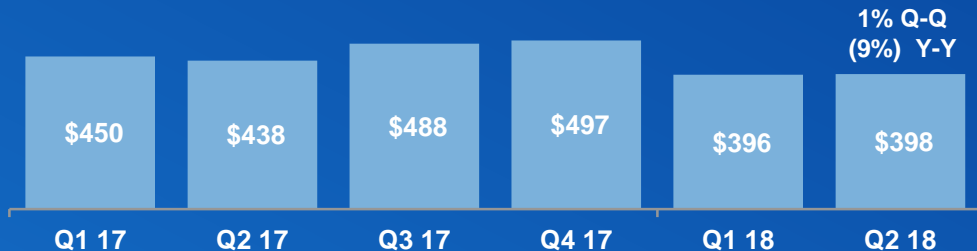
Automotive



Secure Connected Devices



Secure Interface & Infrastructure



Secure Identification Solutions



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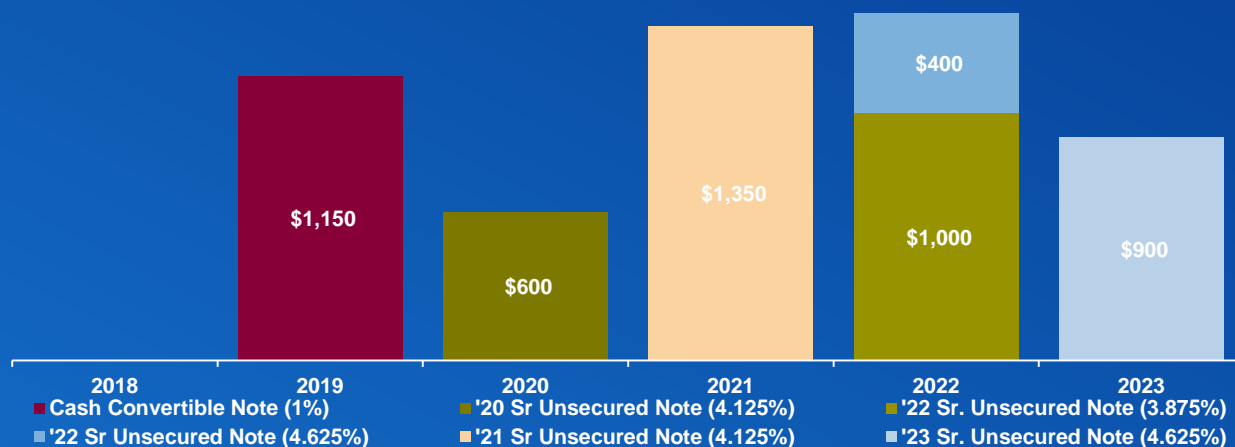


Debt Summary End of 2Q18⁽¹⁾

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

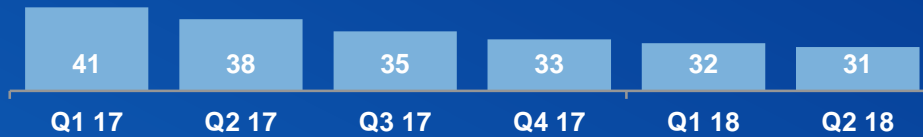
Total Leverage

Total Debt (\$M)	\$ 5,343
Total Cash (\$M)	\$ 2,981
Net Debt (\$M)	\$ 2,362
TTM Adj. EBITDA	\$ 3,176
Cost of Debt	3.53%
Reported Leverage	0.74X

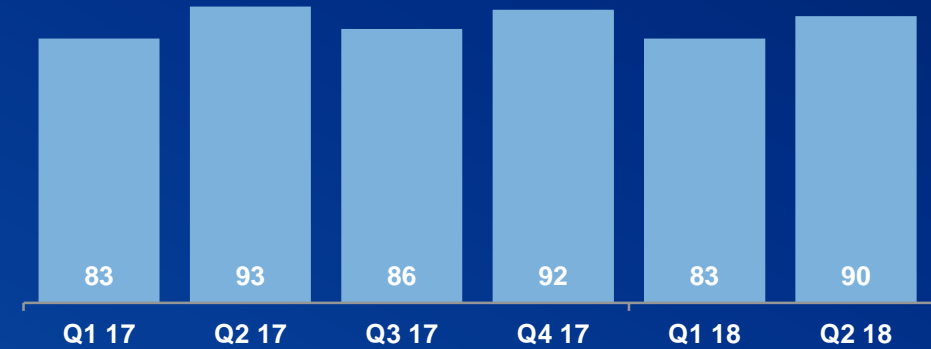


Working Capital Ratios^(1,2)

DSO



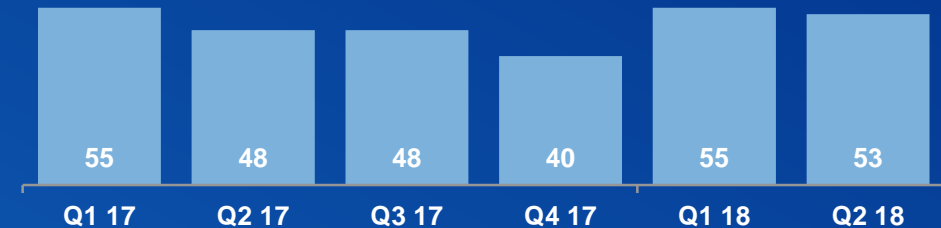
DPO



DIO⁽²⁾



Cash Conversion Cycle



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

DIO = (91.25 x Inventory) / 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



Guidance for the Third Quarter of 2018⁽¹⁾

	Guidance Range							
	GAAP			Reconciliation		non-GAAP		
	Low	Mid	High		Low	Mid	High	
Product Revenue	\$ 2,255	\$ 2,330	\$ 2,405	\$ -	\$ 2,255	\$ 2,330	\$ 2,405	
Q-Q	3%	6%	10%		3%	6%	10%	
Other Revenue	\$ 95	\$ 95	\$ 95	\$ -	\$ 95	\$ 95	\$ 95	
Total Revenue	\$ 2,350	\$ 2,425	\$ 2,500	\$ -	\$ 2,350	\$ 2,425	\$ 2,500	
Q-Q	3%	6%	9%		3%	6%	9%	
Gross Profit	\$ 1,213	\$ 1,265	\$ 1,318	\$ (28)	\$ 1,241	\$ 1,293	\$ 1,346	
Gross Margin	51.6%	52.2%	52.7%		52.8%	53.3%	53.8%	
Operating Income (loss)	\$ 136	\$ 171	\$ 208	\$ (534)	\$ 670	\$ 705	\$ 742	
Operating Margin	5.8%	7.1%	8.3%		28.5%	29.1%	29.7%	
Financial income (expense)	\$ (46)	\$ (46)	\$ (46)	\$ (14)	\$ (32)	\$ (32)	\$ (32)	

Note (1) Additional Information:

At the mid-point of the revenue :

- Auto is expected to be flat;
- Secure Connected Devices is expected to be up, low double digits;
- Secure Interface & Infrastructure is expected to be up, about 20%;
- Secure Identification Solutions, is expected to be down, high single digits;
- Corporate & Other is expected to be approximately \$95 million.

1. GAAP Gross Profit includes Purchase Price Accounting ("PPA") effects, (\$20 million); Stock Based Compensation, (\$8 million);
2. GAAP Operating Profit includes PPA effects, (\$389 million); Stock Based Compensation, (\$71 million); Merger related costs (\$73 million); Other Incidentals, (\$1 million);
3. GAAP Financial Income (expense) includes Other financial expense (\$14 million);
4. Net cash paid for income taxes is expected to be approximately (\$37 million);
5. Non-controlling interest is expected to be approximately (\$13 million);

NXP has based the guidance included in this release 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 release. Please note, 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 provide today. In relation to the use of non-GAAP financial information see the note regarding "Non-GAAP Financial Measures" below. 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 herein, to reflect future events or circumstances.

Long – term Financial Model

	2017 – 2020 3-yr. CAGR
Revenue	5 – 7%
Non-GAAP Gross Margin	53 – 57%
R&D Expense	14 – 16%
SG&A Expense	6 – 8%
Non-GAAP Operating Margin	31 – 34%

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

(\$ in millions, unless otherwise stated)	Q2 2018	Q1 2018	Q2 2017
Total Revenue	2,290	2,269	2,202
GAAP Gross Profit	1,180	1,172	1,083
Gross profit adjustments	(30)	(28)	(84)
Non - GAAP Gross Profit	1,210	1,200	1,167
GAAP Gross Margin	51.5%	51.7%	49.2%
Non-GAAP Gross Margin	52.8%	52.9%	53.0%
GAAP Operating income (loss)	137	138	50
Operating income adjustments	(481)	(479)	(575)
Non - GAAP Operating income (loss)	618	617	625
GAAP Operating Margin	6.0%	6.1%	2.3%
Non-GAAP Operating Margin	27.0%	27.2%	28.4%
GAAP Financial income (expense)	(71)	(68)	(75)
Financial income adjustments	(40)	(17)	(16)
Non - GAAP Financial income (expense)	(31)	(51)	(59)

Other Information

- PPA effects: (\$384M);
- Restructuring: \$1M;
- Stock-based compensation: (\$69M);
- Merger-related costs: (\$25M);
- Other incidentals: (\$4M);
- Non-cash interest expense on convertible notes: (\$11M);
- Foreign exchange loss: - ;
- Extinguishment on debt: (\$26);
- Other financial expense: (\$3M).

Note:

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Quarterly Cash Flow Overview (\$M)⁽¹⁾

	Q2 2018	Q1 2018	Q2 2017
Net cash provided by (used for) operating activities	403	620	441
Net cash provided by (used for) investing activities	(132)	(174)	(58)
Net cash provided by (used for) financing activities	(1,266)	(10)	18
Effects of changes in exchange rates on cash position	(7)	-	3
Increase (decrease) in cash and cash equivalents	(1,002)	436	404
Cash and cash equivalents at beginning of the period	3,983	3,547	2,238
Cash and cash equivalents at end of period	2,981	3,983	2,642
Net cash provided by (used for) operating activities	403	620	441
Net capital expenditures on property, plant and equipment	(129)	(156)	(96)
Non-GAAP free cash flow	274	464	345
Non-GAAP free cash flow as a percentage of Revenue	12%	21%	16%

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

Quarterly Adjusted EBITDA (\$M)^(1,2)

	Q2 2018	Q1 2018	Q2 2017
Net income (loss)	66	70	63
Reconciling items to EBITDA			
Financial (income) expense	71	68	75
(Benefit) provision for income taxes	4	2	(54)
Depreciation	119	116	155
Amortization	377	375	405
EBITDA	637	631	644
Results of equity-accounted investees	(4)	(2)	(34)
Restructuring ¹	(1)	1	2
Stock-based compensation	69	69	67
Merger-related costs	25	26	35
Other incidental items ¹	4	1	16
Adjusted EBITDA	730	726	730
Trailing 12-month Adjusted EBITDA	3,176	3,176	3,070
1. Excluding depreciation PP&E , amortization of software related to restructuring and Other incidental items	-	-	-

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. NXP completed the divestment of its Standard Products segment on Feb 7, 2017.

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.

NXP

The slogan 'SECURE CONNECTIONS FOR A SMARTER WORLD' is centered in white, uppercase, sans-serif font. It is flanked by two vertical white lines. The background features a blurred image of a modern glass skyscraper with a sign on top that reads 'NXP' in green and blue.

SECURE CONNECTIONS
FOR A SMARTER WORLD