NXP Q3 2008 Financial Results
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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 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.

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 update forward-looking statements after we distribute this document. In addition, this document 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, 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.

Q3 highlights

- Q3 sales USD 1,336M* versus USD 1,644M in Q3 2007 and USD 1,524M in Q2 2008
- Comparable YoY sales decrease of 4.2% and comparable QoQ sales increase of 1.0%
- Q3 adjusted EBITDA (excluding effects of Purchase Price Accounting) USD 147M, compared to USD 310M in Q3 2007 and USD 114M in Q2 2008
- Cash position of USD 1,535M at the end of Q3 after repayment of the revolving credit facility of USD 450 million and following the closing of ST-NXP Wireless JV, compared to USD 660M at the end of Q2 2008
- Cash management actions resulting in lower inventories as a percentage of sales, lower capex and positive net operational cash flow of USD 107M
- Completed acquisition of the Conexant Set-top-Box operations
- Considerable advances made towards the execution of the redesign plans announced during the quarter for which USD 500M has been provided
- Softer demand resulting in factory loading of 68% in Q3 compared to 85% in Q3 2007 and 78% in Q2 2008
- Book to bill ratio in Q3 2008 at 1.00 compared to 1.03 in Q2 2008

* Including USD 120 million sales in July 2008 of the divested wireless business and excluding USD 38 million subsequent wafer sales to ST-NXP Wireless

NXP P&L (all amounts in millions of USD)

Excl. PPA, incidental items and impairment charge	Q3 2007	Q3 2008	Q2 2008	Q3 2008	YTD 2007	YTD 2008
Sales	1,644	1,336	1,524	1,336	4,643	4,379
Wafer sales		38		38		38
Total group sales	**1,644**	**1,374**	**1,524**	**1,374**	**4,643**	**4,417**
% comparable growth	(2.8)	(4.2)	(0.6)	1.0	(2.2)	(0.8)
Gross margin	653	414	556	414	1,704	1,560
Selling, general & administrative	(210)	(200)	(248)	(200)	(635)	(680)
Research & development	(316)	(235)	(339)	(235)	(957)	(916)
Other business income	3	28	(7)	28	18	37
Adjusted EBIT	**130**	**7**	**(38)**	**7**	**130**	**1**
Adjusted EBITA	**136**	**15**	**(29)**	**15**	**149**	**27**
Adjusted EBITDA	**310**	**147**	**114**	**147**	**682**	**444**

Adjusted EBITA (all amounts in millions of USD)

	Q3 2007	Q3 2008	Q2 2008	Q3 2008	YTD 2007	YTD 2008
Net Income	**(12)**	**(2,547)**	**(330)**	**(2,547)**	**(719)**	**(2,955)**
Financial expense	52	(324)	(174)	(324)	(143)	(439)
Income tax	(40)	(270)	146	(270)	95	(78)
Depreciation and amortization	(382)	(371)	(348)	(371)	(1,158)	(1,064)
Impairment	-	(706)	-	(706)	-	(706)
EBITDA	**358**	**(876)**	**46**	**(876)**	**487**	**(668)**
Exit of product lines	-	(9)	(6)	(9)	(6)	(15)
Minority interest and results of unconsolidated companies	(21)	(16)	(18)	(16)	(38)	(50)
Restructuring	(11)	(529)	(19)	(529)	(180)	(553)
Other items	80	(469)	(25)	(469)	32	(494)
Adjusted EBITDA	**310**	**147**	**114**	**147**	**679**	**444**
Depreciation fixed assets	(210)	(220)	(170)	(220)	(638)	(558)
Effects of PPA	36	88	27	88	108	141
Adjusted EBITA	**136**	**15**	**(29)**	**15**	**149**	**27**

Cash flow (all amounts in millions of USD)

	Q3 2007	Q3 2008	Q2 2008	Q3 2008	YTD 2007	YTD 2008
EBITDA	**358**	**(876)**	**46**	**(876)**	**487**	**(668)**
Changes in Working Capital	175	534	(338)	534	216	(104)
Net cash provided by operating activities	274	107	(281)	107	371	(442)
Net cash used for investing activities	7	1,299	(15)	1,299	(618)	1,086
Cash and cash equivalents at end of period	**963**	**1,535**	**660**	**1,535**	**963**	**1,535**

Mobile & Personal

Key figures

(millions of USD)	Q3 2007	Q3 2008	Q2 2008	Q3 2008
Sales	**583**	**282**	**471**	**282**
% nominal growth	11.0	(51.6)	(3.5)	(40.1)
% comparable growth	5.3	1.9	4.7	10.5
EBIT	70	(474)	(117)	(474)
Effects of PPA	(64)	(31)	(65)	(31)
Incidental items	96	(464)	(9)	(464)
Adjusted EBIT	38	21	(43)	21

Scope

- As per end of July 2008 NXP sold its key wireless operations to ST-NXP Wireless.
- Q3 2007 reflects M&P P&L including wireless activities whereas Q3 2008 only reflects the month of July for wireless activities.
- Sales of the wireless activities transferred to the JV amounted to USD 120 million and negative 19% EBIT contribution in Q3 2008

Performance

- The remaining Mobile & Personal activities (Sound Solutions and Mobile Infrastructure) showed a comparable sales increase of 1.9% year on year.
- On a comparable basis the remaining Mobile & personal activities delivered a sequential sales increase of 10.5% mainly driven by Sound Solutions.
- Year on year Adjusted EBIT decreased due to carve out of wireless operations

Highlights

- Sound Solutions wins national Austrian award for business excellence 2008

- In the first 3Q of 2008 Sound Solutions scores +70% design-wins versus the first 3Q of 2007

BU Home

Key figures *

(millions of USD)	Q3 2007	Q3 2008	Q2 2008	Q3 2008
Sales	**241**	**212**	**196**	**212**
% nominal growth	**(23.5)**	**(12.0)**	**(4.4)**	**8.2**
% comparable growth	**(22.3)**	**(20.5)**	**(4.8)**	**(0.7)**
EBIT	**(60)**	**(704)**	**(53)**	**(704)**
Effects of PPA	**(28)**	**(39)**	**(30)**	**(39)**
Incidental items	**(6)**	**5**	**(4)**	**5**
Impairment goodwill	**-**	**(656)**	**-**	**(656)**
Adjusted EBIT	**(26)**	**(14)**	**(19)**	**(14)**

Performance

- Market continues to be weak given current economic environment. and no seasonal uptake
- Year on year sales continued to decline mainly caused by the continued decline in the CRT market
- Sequential sales benefited from market share gains in Digital TV. This was offset by the weakness in mainstream (retail) Set-Top Box and Can Tuner market
- Year on year Adjusted EBIT improved as a result of better gross margins and lower opex. Adjusted EBIT improved quarter on quarter as a result of higher sales and improved product mix
- In Q3 an impairment loss of USD 656 million is recognized

Highlights

- Completed acquisition of Conexant's Set-Top Box Operations and started JV for Can Tuners with Thomson called NuTune
- Leading European and Japanese OEMs started LCD TV mass production using our TV522 and PNX5100 chipset
- Enhanced next-generation Digital Recording+ on new Loewe LCD TVs with SAA7164 System-On-Chip
- Presented solution for Ultra-Slim and power saving LCD TV at IFA Berlin
- Major design-win at leading US satellite and cable operator
- Major HDMI design-win with leading Japanese OEM
- Demonstrated world's first End-to-End DVB-T2 Transmission Set-Top Box at IBC 2008

*Both NuTune and Conexant Set-Top activities contributed to the sales in the quarter

BU Automotive & Identification

Key figures

(millions of USD)	Q3 2007	Q3 2008	Q2 2008	Q3 2008
Sales	329	326	359	326
% nominal growth	20.1	(0.9)	6.5	(9.2)
% comparable growth	9.0	(4.8)	4.3	(7.2)
EBIT	35	25	33	25
Effects of PPA	(39)	(39)	(40)	(39)
Incidental items	-	(8)	(5)	(8)
Adjusted EBIT	74	72	78	72

Performance

- Automotive saw a declining market in Q3. Automotive year-on-year sales development is in line with the market
- Identification increased sales compared to last quarter and is also showing year on year growth. The growth was mainly driven by e-government business and was negatively impacted due to overstock situation in the transport business
- Margin improvement invested in higher R&D and go-to-market activities
- Effect of sales deterioration partly offset by efficient cost management

Highlights

- NXP drives car radio market with one of the world's first low IF tuner systems
- NXP and iBiquity develop HD Radio Solution for In-Car Entertainment
- Design-ins of Car Access solutions at major car manufacturers
- Market share gains in US e-passport
- Lufthansa Miles & More Credit Card features MasterCard PayPass with NXP SMartMX chip
- New security chip breaks speed record for eGovernment transactions
- ATOP solution enables easy integration of automatic accident alert system in cars
- NXP and RF-iT Solutions provide RFID-enabled anti-theft solutions in fashion segment

BU MultiMarket Semiconductors

Key figures

(millions of USD)	Q3 2007	Q3 2008	Q2 2008	Q3 2008
Sales	**417**	**425**	**416**	**425**
% nominal growth	**(5.9)**	**1.9**	**2.5**	**2.2**
% comparable growth	**(4.4)**	**0.1**	**0.9**	**3.5**
EBIT	**50**	**38**	**25**	**38**
Effects of PPA	**(38)**	**(36)**	**(37)**	**(36)**
Incidental items	**-**	**-**	**(1)**	**-**
Adjusted EBIT	**88**	**74**	**63**	**74**

Performance

- Maintaining market share both year on year and quarter on quarter for the total Business Unit.
- Year on Year Adjusted EBIT was lower due to changed sales mix and increased price competition. However, quarter on quarter EBIT increased from 15.1% of sales to 17.2% as a result of tighter control of opex.

Highlights

- Made inroads with new customer like HuaWei in China, as a supplier of chips for telecom infrastructure
- New 1-GHz CATV platform, enabling high end services such as HDTV and VoIP, results in large design-ins at major TV infrastructure companies in the US and Japan
- Launched ultra low power stand-alone Real Time Clock enabling 50% lower power consumption compared to competitors
- ARM9 LPC3250 family won award from prestigious Embedded Electronics Products Word magazine in China for product with biggest impact to China
- Introduced industry's lowest cost ARM9 microcontrollers
- First to achieve 80plus gold level for multiple output PC power supplies with GreenChip PC chipset

Manufacturing Operations

Key figures

(millions of USD)	Q3 2007	Q3 2008	Q2 2008	Q3 2008
Sales	50	107	61	107
EBIT	(12)	(453)	(88)	(453)
Effects of PPA	(33)	(86)	(24)	(86)
Incidental items	(8)	(324)	(9)	(324)
Adjusted EBIT	29	(43)	(55)	(43)

Performance

- Utilization of 68% in the third quarter compared to 85% in the third quarter of 2007 and 78% in the second quarter of 2008
- Year to date improvement asset productivity of 4.7% in Front-End and 5.3 % in Back-End
- Integral yield increased to 85.0% from 83.4% in Q2 2008.
- USD 66 millions additional saving achieved partly offsetting the lower loading and weaker dollar

Highlights

- Tight control of capex delivers lower spending
- Cost savings program getting momentum
- Continued reduction of cost of non-quality

ST- NXP Wireless proceeds

Gross cash proceeds	**1,550**
Transaction related cost (excl. taxes but incl. expenses, provisons and accruals)*	**(246)**
Cash divested	**(33)**
Net proceeds	**1,271**
Repayment Revolving Credit Facility	**450**
Conexant STB acquisition	**108**
Relevant capex (August and September 2008)	**17**
Use of proceeds (by the end of September 2008)	**575**
Net proceeds minus use of proceeds	**696**

* Any provisions, accruals and expenses related to the divestment of the wireless business can be deducted from the gross proceeds

Impairment

- As part of our annual impairment tests based on US GAAP we have taken into account the current market environment, the divestiture of the wireless business and the implementation of the redesign program.

- The impairment test resulted in the following adjustments:
  - Write down of intangibles USD 706 million
  - Write down of tax assets USD 254 million

FX hedging

- Policy is that committed transactions and transactions reflected in accounts receivable and accounts payable are fully hedged.
- Anticipated exposures are hedged using longer term forward hedge transactions. As NXP has more USD revenues than costs we sold USD against EUR.
- We do not apply hedge accounting. As a consequence all results of these longer term forward contracts are booked directly to the P&L on a monthly basis (marking to market).
- The FX exposure of our USD bonds outstanding are not hedged. Translation results versus the functional currency EUR are booked to the P&L in the line Financial income and expense.

Focal points of our redesign plans

R&D
- With new focus given wireless JV, no need for wireless development
- No additional investment in Advanced CMOS – due to the Wireless JV
- Central R&D fully aligned to BU growth ambitions
- Site rationalization
- Optimize make / buy

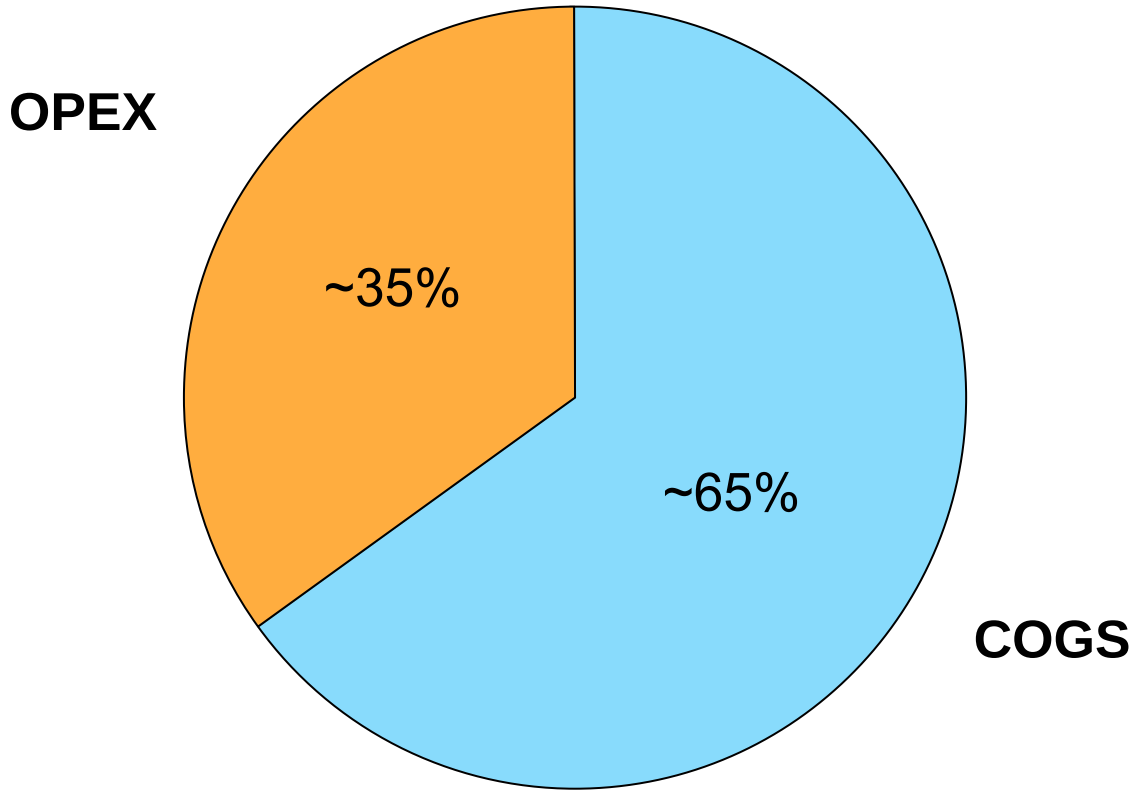
GTM (Sales and marketing)
- More efficient and customer focused Go-to-Market model
- Simplify Go to Market processes and roles
- Align resources to our key priorities
- Prepare for growth

Cost Of Goods Sold
- Upgrade to 8 inch
- Improved productivity
- Simplify and streamline Supply chain
- Optimize Sustaining Engineering and Quality
- Continue the road to world class purchasing

General & Administrative
- Right size G&A cost base – smaller company post the Wireless JV
- Increase efficiency by simplifying processes and ways of working

NXP redesign: Annualized savings of USD 550 million

Breakdown of Redesign program – 100% = $550M



Redesign program will rebalance our regional presence

Proportion of savings per region

	Americas	Europe	Asia Low wages	Asia High wages
Impact	20%	67%	10%	3%

Financial impact

Restructuring specifications *amounts in MUSD*	**2009** **cash out**	**2010** **cash out**	**total** **cash out**	 **savings**
	600	**200**	**800**	**550**

- Cash out for restructuring includes:
  - People related costs
    - Severance costs, retention etc
  - Site Costs, such as:
    - Product transfers, bridging stock etc
    - Inventory write-down's
    - Site clean up
    - Contract terminations
  - Advisor costs

Q3 announcements

- Introduction the world's first 'smart' car key prototype. Secure contactless payments based on NXP's SmartMX chipset

- NXP introduces industry's fastest ARM Cortex-M3 Microcontrollers

- NXP sold 250 million fluorescent lighting driver ICs. Thanks to these fluorescent lamps, NXP has helped save 500 million kg CO2 per year compared to more traditional lighting solutions

Outlook

- Visibility of sales development going forward is limited.
- As a consequence of deteriorating macro-economic conditions in combination with the overall consumer sentiment and recent order book development, we expect an 8 to14% sequential sales decline in the fourth quarter on a business and currency comparable basis.

EBITDA to Adjusted EBITDA

EBITDA
Exit of product lines
Minority interest and results of unconsolidated companies
Restructuring
Other items
Effects of PPA
Adjusted EBITDA