



Redesign of NXP Semiconductors Organization September 12, 2008

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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.

Today's news

Overall NXP

- ▶ Major reduction of NXP's manufacturing base, its central R&D, and support functions.
- ▶ Expected to affect approximately 4,500 people globally
- ▶ Annualized savings of USD 550 million by the end of 2010
- ▶ The restructuring cost will result in an estimated cash out of USD 800 million

Manufacturing

- ▶ Consolidate majority of production to two higher capability European fabs: Nijmegen and Hamburg, and to SSMC in Singapore.
- ▶ Fab in Fishkill, New York, USA will be closed ultimately in 2009
- ▶ The "ICN5" part of the NXP facility in Nijmegen, Netherlands, and part of the "ICH" fab of the Hamburg facility, Germany are planned to be closed by 2010
- ▶ NXP's fab in Caen, France will be put on the market for sale. The company is open to offers for this facility from prospective buyers, however, in the event that a buyer is not found the facility could be closed as well during 2009
- ▶ Expected savings of US \$300 million on a run rate basis by the end of 2010

Central R&D and support functions

- ▶ Expected to affect employees primarily in the Netherlands, France and Germany.
- ▶ Reduction in annual operating expenses of USD 250 million and changes are expected to be implemented mostly during 2009

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

Redesign program will rebalance our regional presence

Proportion of savings per region

	<u>Americas</u>	<u>Europe</u>	<u>Asia</u>
Impact	20%	67%	13%

Financial impact

Restructuring specifications <i>amounts in MUSD</i>	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

