



NXP Semiconductors N.V.

The UBS Valuation Report



8 December 2017

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This Valuation Report has been prepared solely pursuant to Elliott's engagement of UBS in connection with, and for the purpose of, Elliott's evaluation of NXP's common stock. UBS shall be free to disclose all or part of the Valuation Report as required by any law, regulation or order of a court or pursuant to an order, requirement or request of a regulatory body having authority over UBS (including the Prudential Regulation Authority and the Financial Conduct Authority), or pursuant to governmental action, or necessary in the view of UBS to seek to establish any defence in any legal or regulatory proceeding or otherwise to comply with its own regulatory obligations.

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Basis of preparation and sources of information

Forecast financials underpinning the UBS Valuation Report have been derived from published analyst consensus¹

Preparation

- The UBS Valuation Report, dated as of 8 December 2017 and delivered to Elliott on 10 December 2017, has undergone all internal reviews by UBS that are customary in relation to providing such a valuation report or opinion

NXP historical financials

- Historical financials of NXP Semiconductors N.V. ("NXP") are based on publicly disclosed annual and quarterly consolidated financial statements until Q3 2017 (published on 25 October 2017)
 - where noted, data have been adjusted for the divestiture of Standard Products which closed on 7 February 2017, removing Standard Products revenue, gross profit, EBITDA, EBIT and OpFCF² from total revenue, gross profit, EBITDA, EBIT and OpFCF, respectively
 - for EBITDA, we estimated Standard Products depreciation & amortization ("D&A") assuming same percentage of sales as NXP total D&A
 - for OpFCF, we estimated Standard Products capex assuming same percentage of sales as NXP total capex

NXP forecast financials

- Forecast financials are based on published analyst consensus ("Analyst Consensus")¹
 - revenue: based on mean for each segment (Automotive, Secure Identification Solution, Secure Connected Devices, Secure Interfaces and Infrastructure, Other) up to 2018E; 2019E computed by applying average of expected growth rate for each segment; 2020-22 based on growth rate linearly declining to 2.75% by 2022
 - gross profit: based on mean of expected margins up to 2019; 2020-22 based on constant margin as of 2019
 - EBIT: based on mean of expected margins up to 2019; 2020-22 based on constant opex as percentage of sales as of 2019
 - EPS: based on current fully diluted number of shares outstanding (including options, excluding RSUs and PSUs³)
 - capex: based on mean of expected percentage of sales up to 2019; 2020-22 based on constant percentage of sales as of 2019
- The consensus has been benchmarked against industry peers (as defined below) and Management Projections as set forth in NXP's Schedule 14D-9 filed on 18 November 2016 ("Management Projections")

NXP peers set

- Two set of peers have been used consistently throughout the UBS Valuation Report—peers used by NXP in its financial reports filed with the SEC ("20-F peers") and peers from the automotive semiconductor industry ("Auto Semi peers"):
 - 20-F peers: Analog Devices (ADI), Broadcom (AVGO), Cavium (CAVM), Infineon (IFX), Intel Corporation (INTC), Maxim Integrated Products (MXIM), Microchip Technology (MCHP), Power Integrations (POWI), Renesas (RNS), Silicon Laboratories (SLAB), STMicroelectronics (STM) and Texas Instruments (TXN)
 - Auto Semi peers: Analog Devices (ADI), Infineon (IFX), Maxim Integrated Products (MXIM), ON Semiconductor (ON), Renesas (RNS), STMicroelectronics (STM) and Texas Instruments (TXN)

Source: Company information, Analyst Consensus

Notes:

1 Consensus based on available analyst research reports published after NXP's H1 2017 results (Bank of America Merrill Lynch, Bernstein, BMO Capital Markets, Citi, Deutsche Bank, Jefferies, J.P. Morgan, Morgan Stanley and Oppenheimer)

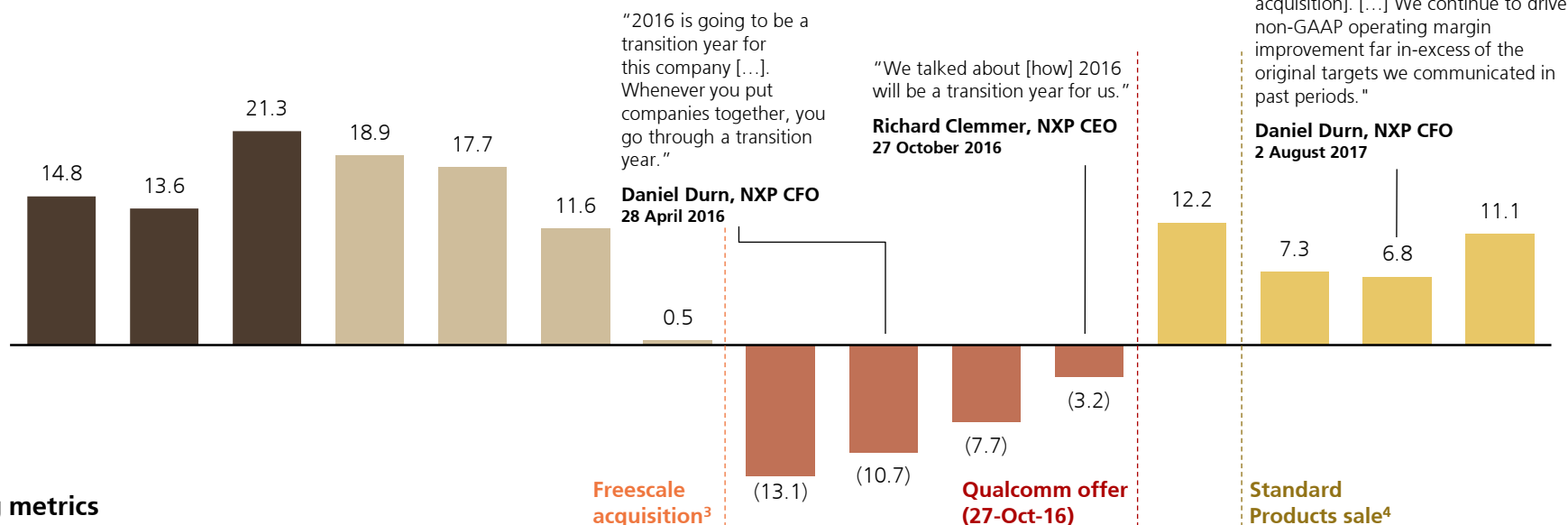
2 Defined as EBITDA less Capex

3 RSUs: Restricted Stock Units; PSUs: Performance Stock Units

Historical financials

NXP has experienced like-for-like revenue growth of 7-12% over the last four quarters

NXP YoY revenue growth (%)¹



Key operating metrics

(US\$m)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Revenue	1,246	1,349	1,515	1,537	1,467	1,506	1,522	1,606	2,224	2,365	2,469	2,440	2,211	2,202	2,387
YoY growth (%)	14.8%	13.6%	21.3%	18.9%	17.7%	11.6%	0.5%	4.5%	51.6%	57.0%	62.2%	51.9%	(0.6%)	(6.9%)	(3.3%)
YoY like-for-like growth (%)¹	14.8%	13.6%	21.3%	18.9%	17.7%	11.6%	0.5%	(13.1%)	(10.7%)	(7.7%)	(3.2%)	12.2%	7.3%	6.8%	11.1%
QoQ growth (%)	(3.6%)	8.3%	12.3%	1.5%	(4.6%)	2.7%	1.1%	5.5%	38.5%	6.3%	4.4%	(1.2%)	(9.4%)	(0.4%)	8.4%
Gross profit	617	655	725	716	711	734	748	806	1,112	1,183	1,247	1,248	1,144	1,167	1,283
margin (%)	49.5%	48.6%	47.9%	46.6%	48.5%	48.7%	49.1%	50.2%	50.0%	50.0%	50.5%	51.1%	51.7%	53.0%	53.7%
EBITDA ²	357	391	451	451	447	482	514	515	632	716	800	833	707	730	846
margin ² (%)	28.7%	29.0%	29.8%	29.3%	30.5%	32.0%	33.8%	32.1%	28.4%	30.3%	32.4%	34.1%	32.0%	33.2%	35.4%
EBIT	301	334	390	389	385	418	449	433	519	606	691	715	599	625	735
margin (%)	24.2%	24.8%	25.7%	25.3%	26.2%	27.8%	29.5%	27.0%	23.3%	25.6%	28.0%	29.3%	27.1%	28.4%	30.8%
OpFCF	306	302	369	344	367	391	436	423	544	645	701	702	546	634	684
margin (%)	24.6%	22.4%	24.4%	22.4%	25.0%	26.0%	28.6%	26.3%	24.5%	27.3%	28.4%	28.8%	24.7%	28.8%	28.7%

Source: Company filings

Notes:

1 Adjusted for Freescale acquisition and Standard Products disposal in Q4 2015–Q3 2017

2 Adjusted for results of equity-accounted investees, purchase accounting effect on inventory, restructuring, stock-based compensation, merger-related costs, other incidental items

3 Closed on 7-Dec-15

4 Closed on 7-Feb-17

Forecast financials—profit and loss

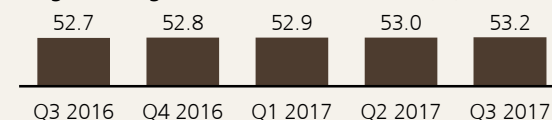
Analyst Consensus expects NXP to grow revenue at a CAGR of 4.9%¹ in 2017–19, with gross margin trending to 54.6% and EBITDA margin reaching 38.0% by 2019

(US\$m, Dec-YE)	2014A	2015A	2016A	2017E	2018E	2019E	2017–19 CAGR (%)
Revenue	5,647	6,101	9,498	9,115	9,506	9,894	4.9¹
<i>growth (%)</i>	17.3	8.0	55.7	(4.0)	4.3	4.1	
<i>like-for-like growth (%)²</i>	17.3	8.0	(2.9)	8.7	5.7	4.1	
COGS	2,934	3,102	4,708	4,285	4,365	4,488	2.3
<i>% of sales</i>	52.0	50.8	49.6	47.0	45.9	45.4	
Gross profit⁴	2,713	2,999	4,790	4,830	5,141	5,405	5.8
<i>margin (%)</i>	48.0	49.2	50.4	53.0	54.1	54.6	
OPEX	1,299	1,314	2,259	2,161	2,117	2,135	(0.6)
<i>% of sales</i>	23.0	21.5	23.8	23.7	22.3	21.6	
EBITDA³	1,650	1,958	2,981	3,138	3,552	3,764	9.5
<i>margin (%)</i>	29.2	32.1	31.4	34.4	37.4	38.0	
EBIT ⁴	1,414	1,685	2,531	2,670	3,024	3,270	10.7
<i>margin (%)</i>	25.0	27.6	26.6	29.3	31.8	33.1	
Interest	(139)	(172)	(347)	(249)	(226)	(213)	
Taxes	(24)	(40)	(67)	(114)	(244)	(346)	
<i>tax rate (%)</i>	1.9	2.6	3.1	4.7	8.7	11.3	
Minorities	(68)	(73)	(59)	(57)	(60)	(61)	
Net income⁴	1,183	1,400	2,058	2,250	2,494	2,650	8.5
Diluted shares (m) ⁵	248.6	250.1	347.1	345.5	345.5	345.5	
EPS (US\$)	4.76	5.60	5.93	6.51	7.22	7.67	8.5
<i>growth (%)</i>		17.6	5.9	9.8	10.8	6.3	

- Revenue are expected to grow at a 2017–19 CAGR of 4.9%¹, mainly driven by Automotive and Secure Connected Devices

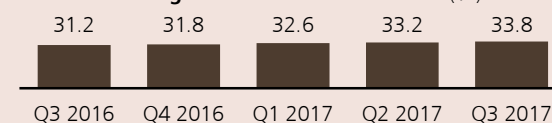
- Gross margin has improved by 45bps between Q3 2016 and Q3 2017 and is expected to increase to 54.6% by 2019 resulting from high-ROI investments in R&D and improved productivity at manufacturing level

LTM gross margin⁶—excl. Standard Products (%)⁷



- EBITDA margin has improved by 266bps between Q3 2016 and Q3 2017 and is expected to increase to 38.0% by 2019 with realization SG&A synergies and R&D optimisation

LTM EBITDA margin⁸—excl. Standard Products (%)^{3,7}



- Tax rate is expected to increase from 3.1% in 2016 to 11.3% by 2019

- EPS is expected to increase at a 2017–19E CAGR of 8.5% assuming no buybacks in future years

Source: Company filings and Analyst Consensus as of 8-Dec-17

Notes:

- Adjusted to exclude Standard Products revenue in 1Q17 (adjusted 2017E revenue of US\$8,997m)
- Adjusted for Freescale acquisition and Standard Products sale in 2016A–2018E
- Adjusted for results of equity-accounted investees, purchase accounting effect on inventory, restructuring, stock-based compensation, merger-related costs, other incidental items
- Non-GAAP gross profit, operating profit and net income, respectively
- Including options; excluding RSUs and PSUs

6 Computed as the sum of LTM gross profit divided by the sum of LTM revenue

7 Adjusted for Standard Products divestiture removing Standard Products revenue, gross profit and EBITDA from total revenue, gross profit and EBITDA. For EBITDA, assuming Standard Products D&A as same % of revenue as total D&A

8 Computed as the sum of LTM EBITDA divided by the sum of LTM revenue

Forecast financials—cash flow

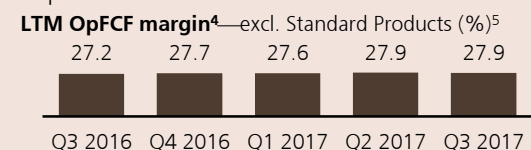
Analyst Consensus expects NXP to grow OpFCF at a CAGR of 12.1% in 2017-19, with OpFCF margin exceeding 33%

(US\$m, Dec-YE)	2014A	2015A	2016A	2017E	2018E	2019E	2017-19 CAGR (%)
Net income	1,183	1,400	2,058	2,250	2,494	2,650	8.5
Minority interest	68	73	59	57	60	61	
Depreciation and amortization ⁶	236	273	450	469	528	493	
% of capex	71.7	80.1	115.7	90.4	113.5	104.5	
Change in net working capital	82	131	361	79	(25)	(19)	
% of revenue	1.5	2.1	3.8	0.9	(0.3)	(0.2)	
Operating cash flow	1,569	1,877	2,928	2,854	3,056	3,185	5.6
Capex	(329)	(341)	(389)	(519)	(465)	(472)	(4.6)
% of revenue	5.8	5.6	4.1	5.7	4.9	4.8	
Investing cash flow	(329)	(341)	(389)	(519)	(465)	(472)	(4.6)
OpFCF²	1,321	1,617	2,592	2,620	3,086	3,291	12.1
margin (%)	23.4	26.5	27.3	28.7	32.5	33.3	
Debt repurchase	(92)	(3,586)	(3,295)	(2,728) ³	-	-	
Dividends ⁷	(50)	(51)	(126)	-	-	-	
Share repurchases	(1,435)	(475)	(1,280)	-	-	-	
Financing cash flow	(1,577)	(4,112)	(4,701)	(2,728)	-	-	
Other items ¹	852	3,005	2,442	2,277	-	-	
Increase / (decrease) in cash	515	429	280	1,796	2,591	2,713	
Cash	1,185	1,614	1,894	3,690	6,280	8,993	
Gross debt	3,999	9,212	9,187	6,556	6,556	6,556	
Net debt / (cash)	2,814	7,598	7,293	2,866	276	(2,437)	
Net debt / EBITDA	1.71x	3.88x	2.45x	0.91x	0.08x	(0.65x)	

- Depreciation and amortization are expected to remain broadly in line with capex forecasts at around US\$500m p.a.

- Capex is expected to remain at approximately 5% of revenue which is in line with historical trends

- OpFCF margin has improved by 73bps between Q3 2016 and Q3 2017 and is expected to further increase to 33.3% by 2019 mainly driven by synergies from the acquisition of Freescale



- No dividend payments or share repurchases are expected in 2017-19E; the previous share repurchase programme was discontinued following the Qualcomm offer

- Cash expected to be used for reducing net debt position assuming no buybacks in future years

Source: Company filings and Analyst Consensus as of 8-Dec-17

Notes:

- 1 Including extraordinary items and other GAAP – Non-GAAP reconciliations
- 2 OpFCF defined as EBITDA less Capex
- 3 Long-term debt repurchased in 1Q17

4 Computed as the sum of LTM OpFCF divided by the sum of LTM revenue

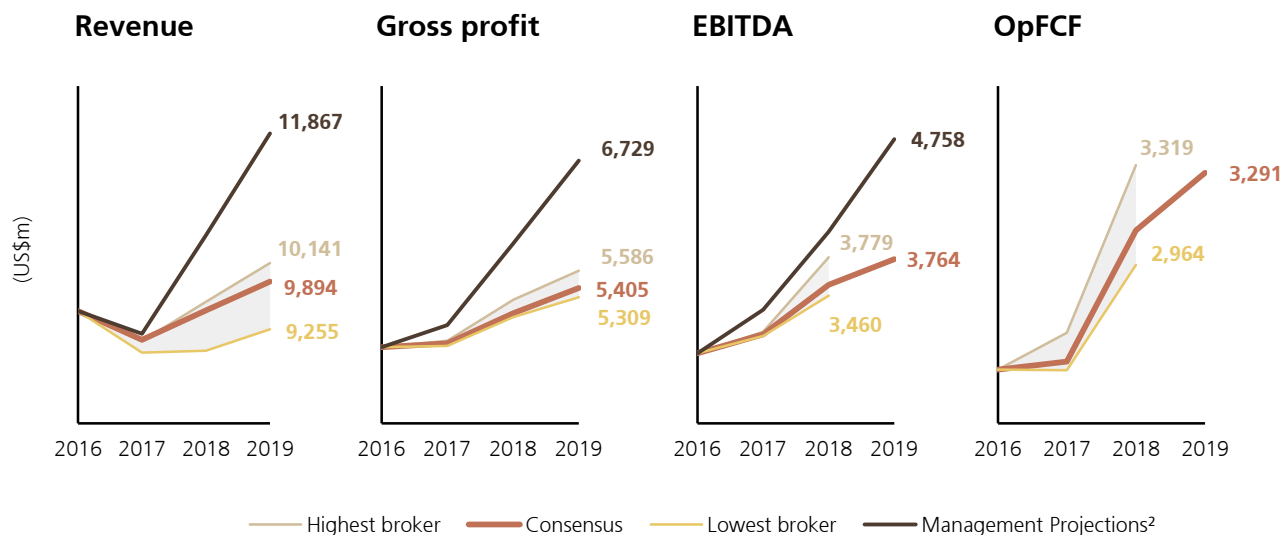
5 Adjusted for Standard Products divestiture removing Standard Products revenue and OpFCF from total revenue and OpFCF. For OpFCF assuming Standard Products D&A and capex as same % of revenue as total D&A and capex

6 Calculated as difference between EBITDA and EBIT

7 Dividends paid to non-controlling interests

Operational benchmarking

Analyst Consensus expects a 2017-19E revenue CAGR of 4.9%¹, 2019E gross margin of 54.6%, 2019E EBITDA margin of 38.0%, 2019E OpFCF margin of 33.3% and 2019E cash conversion⁶ of 87.5% for NXP



		Revenue CAGR		Gross margin		EBITDA margin		OpFCF	
		2017E-2019E	2019E	2019E	2019E	Margin 2019E	Cash conversion ⁶ 2019E		
NXP Analyst Consensus ³		4.9 ¹	54.6	38.0	33.3	87.5			
NXP Management Projections ²		13.6	56.7	40.1	na	na			
20-F Peers ⁴	Mean	7.5	58.0	37.2	31.0	83.4			
	Median	7.8	61.7	42.6	32.4	75.9			
Auto Semi Peers ⁵	Mean	6.0	53.0	33.8	27.0	79.7			
	Median	6.0	47.1	27.4	19.6	71.4			

Source: Company information and Analyst Consensus as of 8-Dec-17

Notes:

1 Excludes Standard Products revenue starting in 1Q17

2 Management projections set forth in NXP's Schedule 14D-9 filed on 18 November 2016. Excludes Standard Products segment

3 Brokers considered: Bank of America Merrill Lynch, Bernstein, BMO Capital Markets, Citi, Deutsche Bank, Jefferies, J.P. Morgan, Morgan Stanley and Oppenheimer

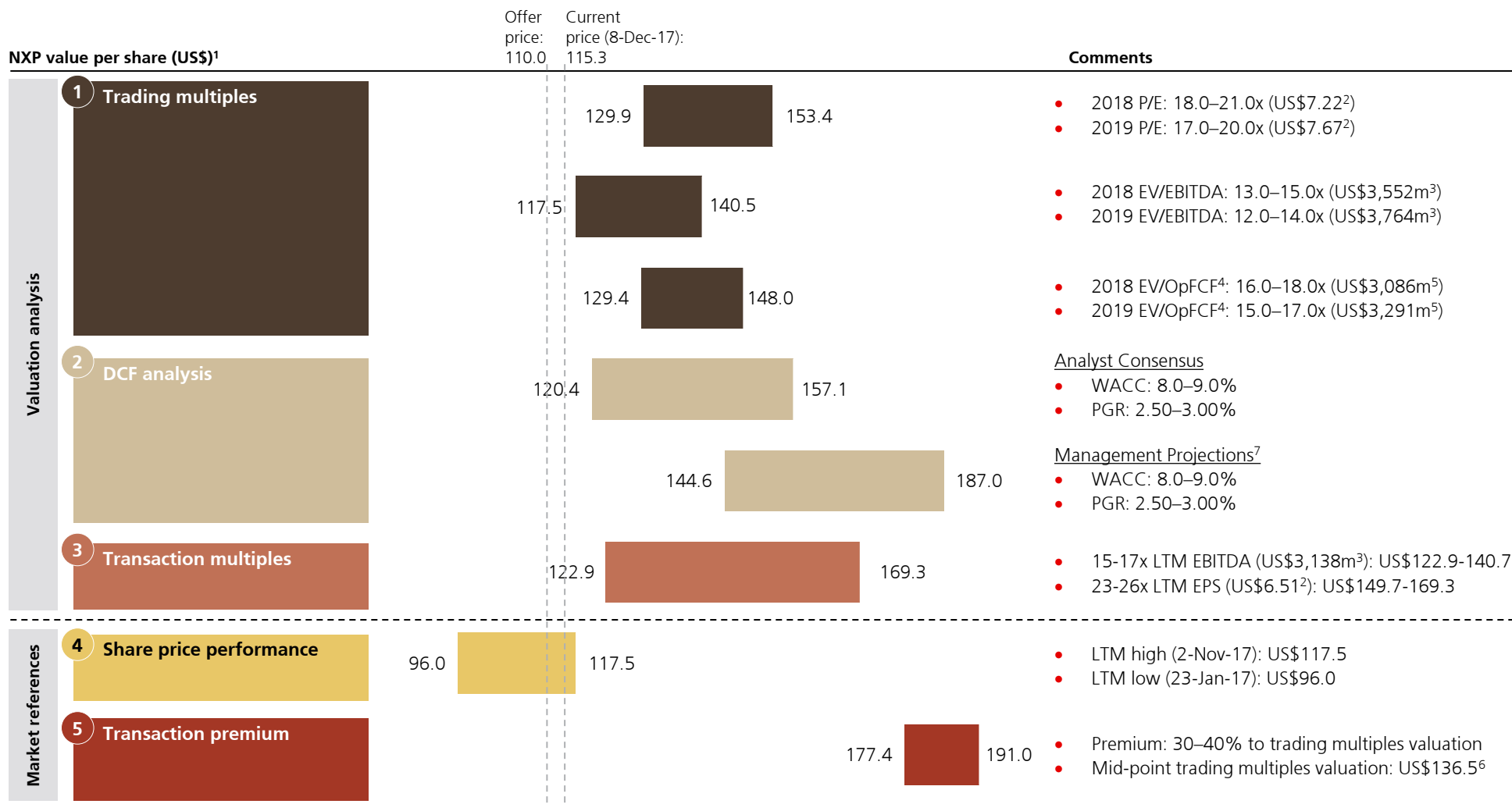
4 Including: Analog Devices (ADI), Broadcom (AVGO), Cavium (CAVM), Infineon (IFX), Intel Corporation (INTC), Maxim Integrated Products (MXIM), Microchip Technology (MCHP), Power Integrations (POWI), Renesas (RNS), Silicon Laboratories (SLAB), STMicroelectronics (STM) and Texas Instruments (TXN)

5 Including: Analog Devices (ADI), Infineon (IFX), Maxim Integrated Products (MXIM), ON Semiconductor (ON), Renesas (RNS), STMicroelectronics (STM) and Texas Instruments (TXN)

6 Calculated as OpFCF margin divided by EBITDA margin

Valuation summary

The UBS Valuation Report estimates as of the date of this report that the value range of NXP shares on a trading basis is approximately US\$120-150 per share, which is supported by the DCF analysis



Source: Company information, FactSet and Analyst Consensus as of 8-Dec-17

Notes:

1 Based on 353m fully diluted shares (including options, RSUs and PSUs), US\$6,556m gross debt, US\$3,065m cash and US\$174m minority interest (as of 30-Sep-17)

2 EPS as per Analyst Consensus

3 EBITDA as per Analyst Consensus

4 OpFCF defined as EBITDA less Capex

5 OpFCF as per Analyst Consensus

6 Mid-point of trading multiples valuation ranges (average of 2018/19 P/E, EV/EBITDA and EV/OpFCF)

7 Management Projections set forth in NXP's Schedule 14D-9 filed on 18 November 2016. Excludes Standard Products segment

1 Trading multiples—P/E

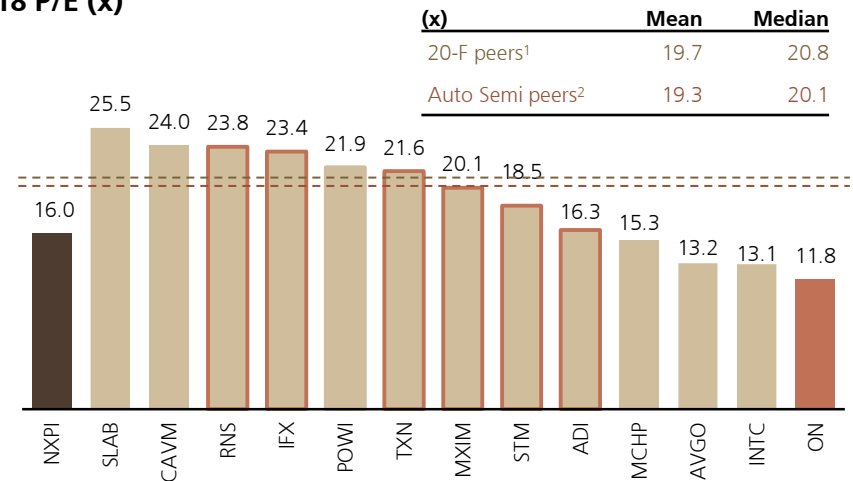
The UBS Valuation Report estimates as of the date of this report the value of NXP on a P/E trading multiples basis at 18.0-21.0x 2018 P/E (US\$7.22) and 17.0-20.0x 2019 P/E (US\$7.67), implying a value range of approximately US\$129.9-153.4 per share

Historical NTM P/E evolution

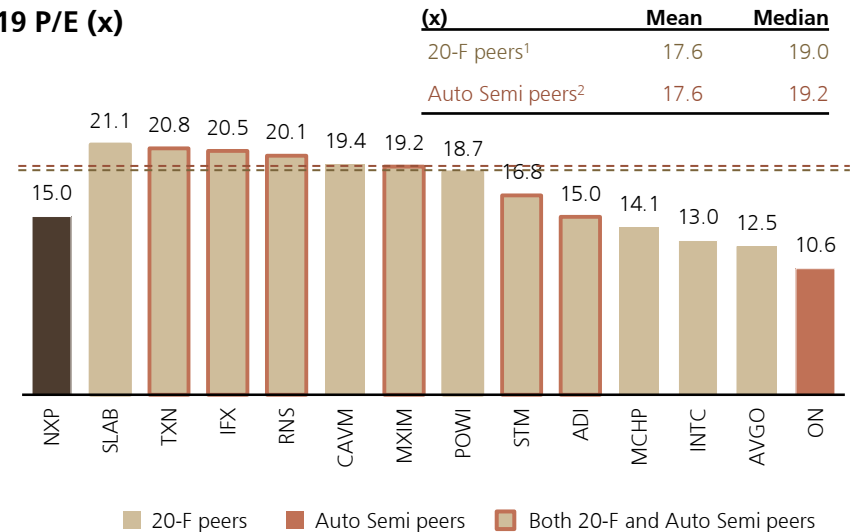
Last 3 years



2018 P/E (x)



2019 P/E (x)



Source: FactSet and Analyst Consensus as of 8-Dec-17

Notes:

1 Including: Analog Devices (ADI), Broadcom (AVGO), Cavium (CAVM), Infineon (IFX), Intel Corporation (INTC), Maxim Integrated Products (MXIM), Microchip Technology (MCHP), Power Integrations (POWI), Renesas (RNS), Silicon Laboratories (SLAB), STMicroelectronics (STM) and Texas Instruments (TXN)

2 Including: Analog Devices (ADI), Infineon (IFX), Maxim Integrated Products (MXIM), ON Semiconductor (ON), Renesas (RNS), STMicroelectronics (STM) and Texas Instruments (TXN)

1 Trading multiples—EV/EBITDA

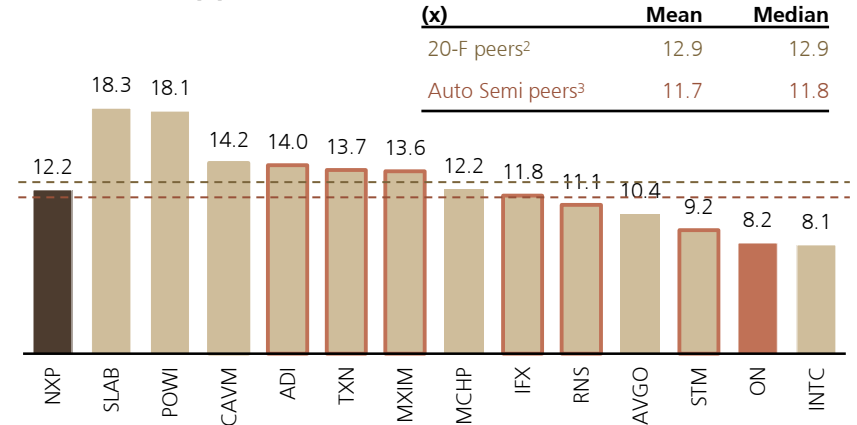
The UBS Valuation Report estimates as of the date of this report the value of NXP on an EV/EBITDA trading multiples basis at 13.0-15.0x 2018 EV/EBITDA (US\$3,552m¹) and 12.0-14.0x 2019 EV/EBITDA (US\$3,764m¹), implying a value range of approximately US\$117.5-140.5 per share

Historical NTM EV/EBITDA evolution

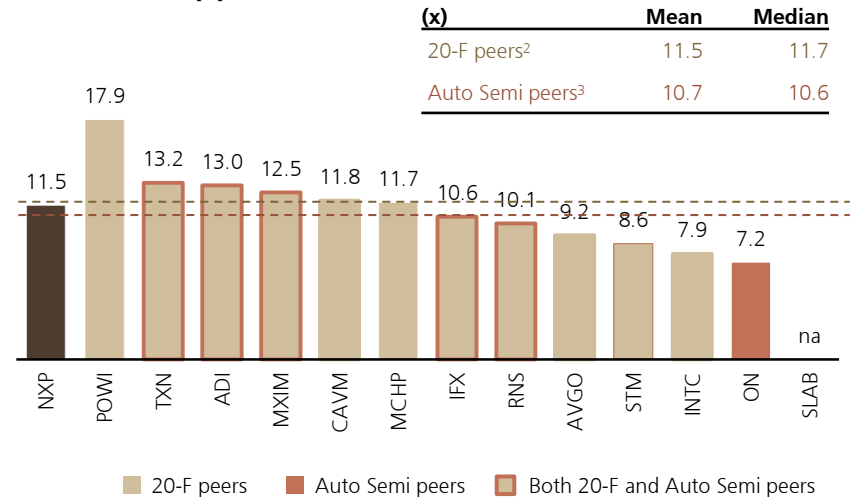
Last 3 years



2018 EV/EBITDA (x)



2019 EV/EBITDA (x)



Source: FactSet and Analyst Consensus as of 8-Dec-17

Notes:

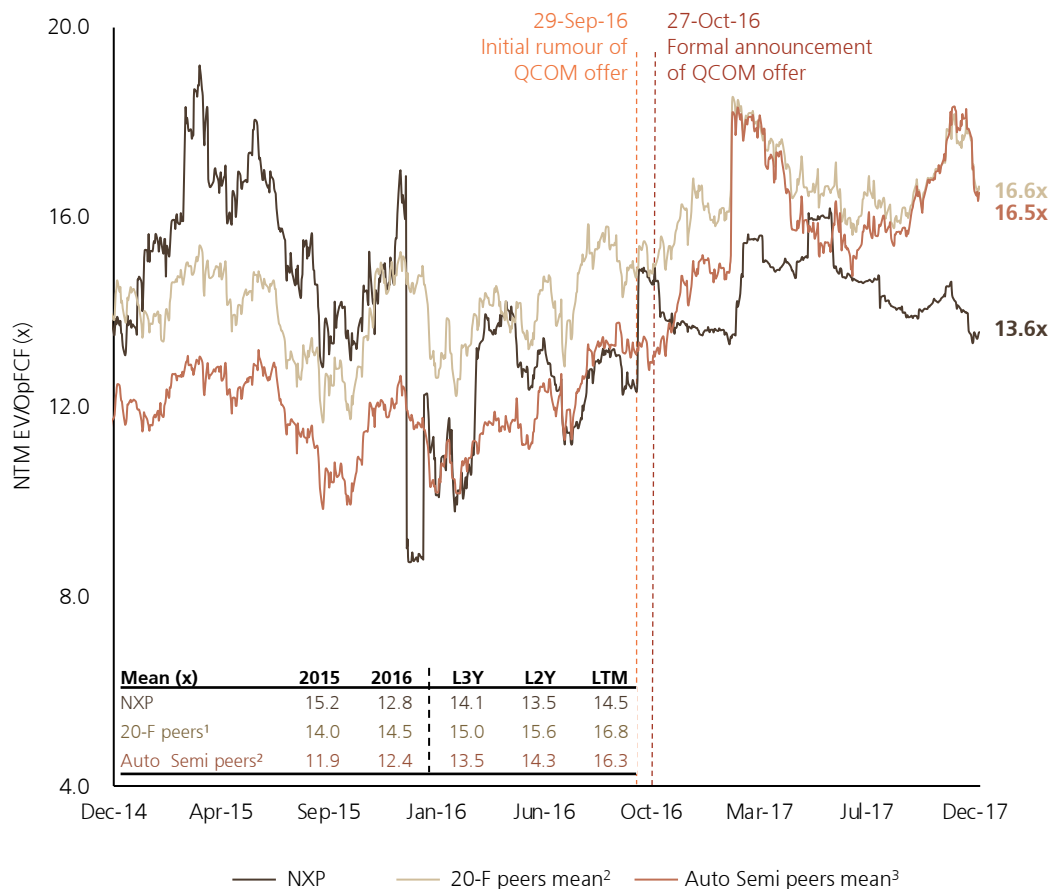
- For informational purposes, according to Schedule 14D-9 filed on 18 November 2016, NXP management projections for 2018 / 2019 EBITDA are US\$3,991 / 4,758m
- Including: Analog Devices (ADI), Broadcom (AVGO), Cavium (CAVM), Infineon (IFX), Intel Corporation (INTC), Maxim Integrated Products (MXIM), Microchip Technology (MCHP), Power Integrations (POWI), Renesas (RNS), Silicon Laboratories (SLAB), STMicroelectronics (STM) and Texas Instruments (TXN)
- Including: Analog Devices (ADI), Infineon (IFX), Maxim Integrated Products (MXIM), ON Semiconductor (ON), Renesas (RNS), STMicroelectronics (STM) and Texas Instruments (TXN)

1 Trading multiples—EV/OpFCF¹

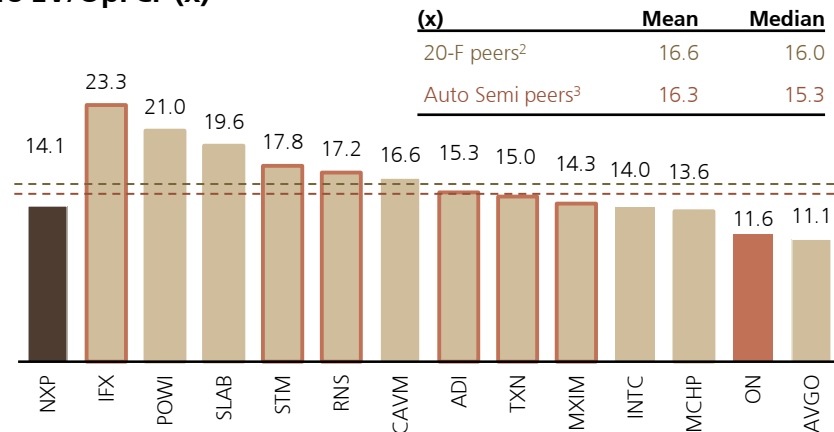
The UBS Valuation Report estimates as of the date of this report the value of NXP on an EV/OpFCF trading multiples basis at 16.0-18.0x 2018 EV/OpFCF (US\$3,086m) and 15.0-17.0x 2019 EV/OpFCF (US\$3,291m), implying a value range of approximately US\$129.4-148.0 per share

Historical NTM EV/OpFCF evolution

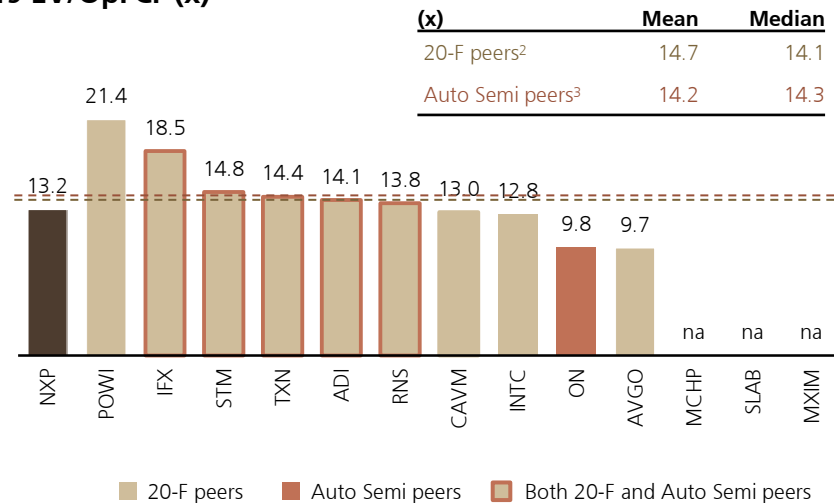
Last 3 years



2018 EV/OpFCF (x)



2019 EV/OpFCF (x)



Source: FactSet and Analyst Consensus as of 8-Dec-17

Notes:

1 OpFCF defined as EBITDA less Capex

2 Including: Analog Devices (ADI), Broadcom (AVGO), Cavium (CAVM), Infineon (IFX), Intel Corporation (INTC), Maxim Integrated Products (MXIM), Microchip Technology (MCHP), Power Integrations (POWI), Renesas (RNS), Silicon Laboratories (SLAB), STMicroelectronics (STM) and Texas Instruments (TXN)

3 Including: Analog Devices (ADI), Infineon (IFX), Maxim Integrated Products (MXIM), ON Semiconductor (ON), Renesas (RNS), STMicroelectronics (STM) and Texas Instruments (TXN)

2 DCF analysis—NPV calculation

The UBS Valuation Report estimates as of the date of this report the value range of NXP on a DCF basis at approximately US\$120.4-157.1 per share (using Analyst Consensus) and US\$144.6-187.0 per share (using Management Projections)

Summary DCF analysis¹

(US\$m)	Analyst Consensus	Management Projections
Present value of cash flows 2017-2022	12,391	14,199
Terminal value	57,306	68,494
Present value of terminal value	39,491	47,201
Net present value ("NPV")	51,882	61,400
Less: net debt and minority interest ²	(3,665)	(3,665)
Equity value	48,217	57,735
Value per share (US\$)³	136.3	163.0

NXP value per share—sensitivity analysis (US\$)

	Analyst Consensus			Management Projections		
	PGR			PGR		
	2.50%	2.75%	3.00%	2.50%	2.75%	3.00%
WACC						
8.0%	143.3	149.9	157.1	172.1	179.2	187.0
8.5%	130.9	136.3	142.3	157.2	163.0	169.4
9.0%	120.4	124.9	129.9	144.6	149.4	154.7

WACC and PGR benchmarking⁴

Peer	WACC		PGR	
	Mean	# of brokers	Mean	# of brokers
ADI	8.5%	1	4.5%	1
AVGO	7.2%	2	4.5%	1
CAVM	9.4%	2	3.0%	1
IFX	8.1%	8	2.4%	7
INTC	8.7%	3	2.0%	2
MCHP	na	na	na	na
MXIM	8.6%	1	na	na
POWI	na	na	na	na
RNS	5.9%	1	1.0%	1
SLAB	na	na	na	na
STM	8.7%	3	2.0%	3
TXN	8.8%	1	na	na
Mean	8.2%		2.8%	

Peer	WACC		PGR	
	Mean	# of brokers	Mean	# of brokers
ADI	8.5%	1	4.5%	1
IFX	8.1%	8	2.4%	7
MXIM	8.6%	1	na	na
ON	na	na	na	na
RNS	5.9%	1	1.0%	1
STM	8.5%	4	2.0%	3
TXN	8.8%	1	na	na
Mean	8.1%		2.5%	

Source: Company information, FactSet and Analyst Consensus as of 8-Dec-17

Notes:

1 Valuation date: 8-Dec-17

2 US\$6,556m gross debt, US\$3,065m cash and US\$174m minority interest (as of 30-Sep-17)

3 Based on 353m fully diluted shares (including options, RSUs and PSUs)

4 WACC and PGR calculated based on mean of available broker reports for 20-F peers and Auto Semi peers published since 1-Jan-2016

2 DCF analysis—Unlevered FCF (Analyst Consensus)

(US\$m, Dec-YE)	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	2022E
Revenue	5,647	6,101	9,498	9,115	9,506	9,894	10,253	10,581	10,872
<i>growth (%)</i>		8.0	55.7	(4.0)	4.3	4.1	3.6	3.2	2.8
<i>like-for-like growth (%)¹</i>		8.0	(2.9)	8.7	5.7	4.1	3.6	3.2	2.8
Gross profit	2,713	2,999	4,790	4,830	5,141	5,405	5,602	5,781	5,940
<i>gross margin (%)</i>	48.0	49.2	50.4	53.0	54.1	54.6	54.6	54.6	54.6
Opex	1,299	1,314	2,259	2,161	2,117	2,135	2,213	2,284	2,346
<i>as % of revenue</i>	23.0	21.5	23.8	23.7	22.3	21.6	21.6	21.6	21.6
EBIT	1,414	1,685	2,531	2,670	3,024	3,270	3,389	3,497	3,593
Taxes on EBIT	(27)	(45)	(78)	(126)	(264)	(371)	(384)	(396)	(407)
<i>Tax rate</i>	1.9	2.6	3.1	4.7	8.7	11.3	11.3	11.3	11.3
NOPAT	1,387	1,640	2,453	2,543	2,760	2,900	3,005	3,101	3,186
D&A	236	273	450	469	528	493	511	528	542
Change in Net Working Capital	82	131	361	79	(25)	(19)	-	-	-
<i>as % of revenue</i>	1.5	2.1	3.8	0.9	(0.3)	(0.2)	0.0	0.0	0.0
Capex	(329)	(341)	(389)	(519)	(465)	(472)	(489)	(505)	(519)
<i>as % of revenue</i>	5.8	5.6	4.1	5.7	4.9	4.8	4.8	4.8	4.8
Unlevered FCF				2,572	2,797	2,902	3,027	3,124	3,210
Stub (%) ²	-	-	-	6	100	100	100	100	100
Discount factor (@ 8.5% WACC) ²				1.00	0.96	0.88	0.81	0.75	0.69
Discounted Unlevered FCF				162	2,672	2,554	2,456	2,336	2,212

Source: Company information and Analyst Consensus as of 8-Dec-17

Notes:

1 Adjusted for Freescale acquisition and Standard Products sale in 2016A-2018E

2 Valuation date: 8-Dec-17

2 DCF analysis—Unlevered FCF (Management Projections¹)

(US\$m, Dec-YE)	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	2022E
Revenue	5,647	6,101	9,498	9,195	10,511	11,867	12,935	13,840	14,671
<i>growth (%)</i>		8.0	55.7	(3.2)	14.3	12.9	9.0	7.0	6.0
<i>like-for-like growth (%)²</i>		8.0	(2.9)	11.1	14.3	12.9	9.0	7.0	6.0
Gross profit	2,713	2,999	4,790	5,020	5,865	6,729	7,334	7,847	8,318
<i>gross margin (%)</i>	48.0	49.2	50.4	54.6	55.8	56.7	56.7	56.7	56.7
Opex	1,299	1,314	2,259	2,137	2,399	2,564	2,794	2,989	3,169
<i>as % of revenue</i>	23.0	21.5	23.8	23.2	22.8	21.6	21.6	21.6	21.6
EBIT	1,414	1,685	2,531	2,883	3,466	4,165	4,540	4,858	5,149
Unlevered FCF				2,483	2,918	3,458	3,462	3,694	3,833
Stub (%) ³	-	-	-	6	100	100	100	100	100
Discount factor (@ 8.5% WACC) ³				1.00	0.96	0.88	0.81	0.75	0.69
Discounted Unlevered FCF				156	2,787	3,044	2,809	2,762	2,641

Source: Company information, Analyst Consensus as of 8-Dec-17 and NXP Schedule 14D-9

Notes:

1 Management projections set forth in NXP's Schedule 14D-9 filed on 18 November 2016. Excludes Standard Products segment

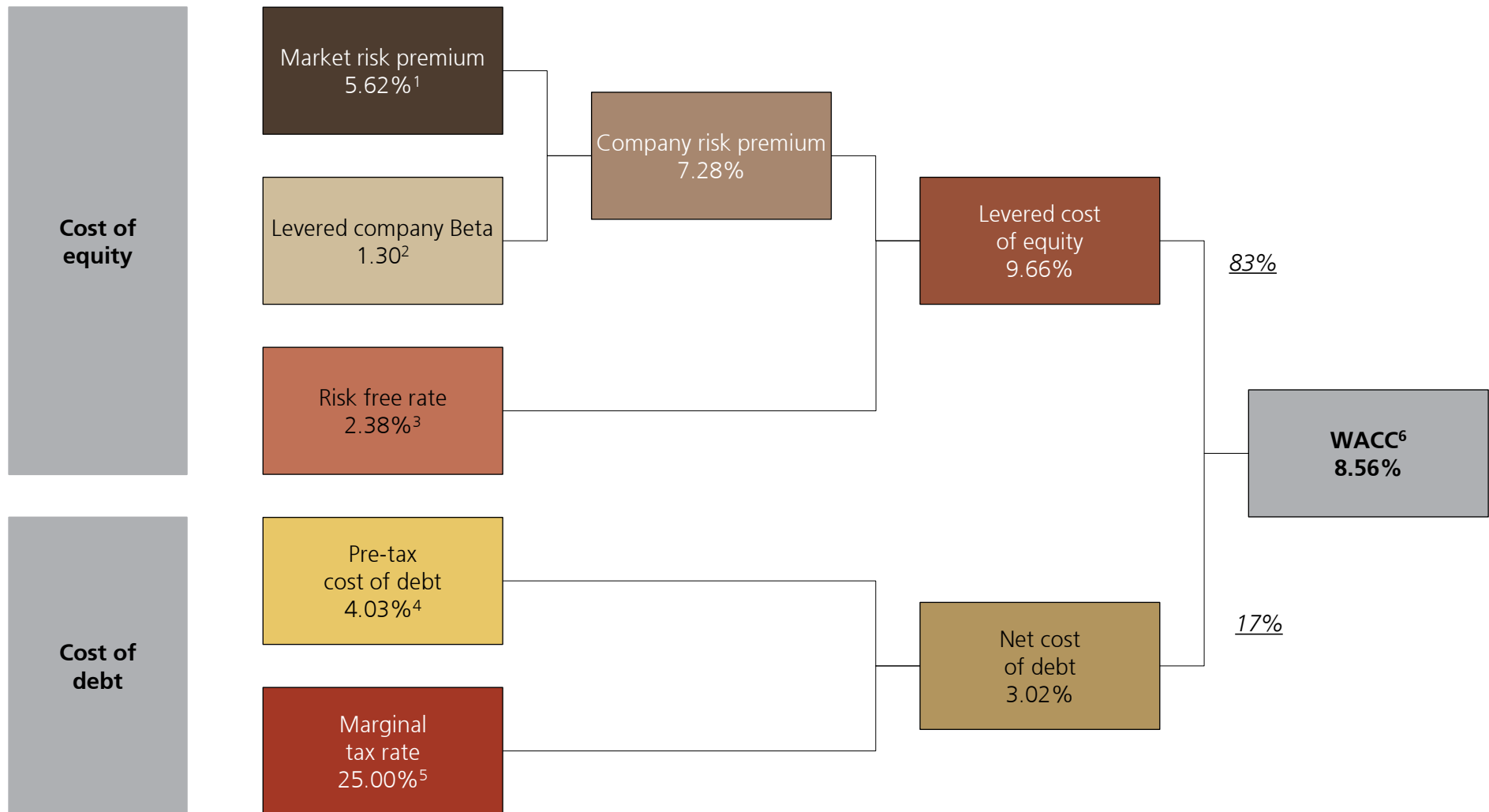
2 Adjusted for Freescale acquisition and Standard Products sale in 2016A-2018E

3 Valuation date: 8-Dec-17

2 DCF analysis—WACC calculation

Weighed average cost of capital ("WACC") of 8.56% has been derived based on a bottom-up analysis

WACC calculation



Source: Bloomberg, Company information, Duff & Phelps, KPMG as of 8-Dec-17

Notes:

- 1 Duff & Phelps 2017 Valuation Handbook (estimated based on "long-horizon expected equity risk premium (supply-side)" of 5.97% applying -0.35% size discount for companies with a market capitalization larger than US\$24.4bn)
- 2 Based on peers average unlevered Beta of 1.13 (5 year Weekly Bloomberg Adjusted Beta), levered based on NXP's estimated Debt/ (Debt + Equity) of 17% (based on NXP L3Y average EV/EBITDA trading multiple of 12x and NXP target leverage of 2x ND/EBITDA)
- 3 10-year US Treasury Bond rates as of 08 December 2017
- 4 Pre-rumour YTM of NXP bonds (3.6%), adjusted for changes in YTM of Peers' bonds from 28 September 2016 to 08 December 2017 (spread vs. risk free rate on average declined by 7%)
- 5 Netherlands corporate tax rate per KPMG (2017)
- 6 Based on NXP L3Y average EV/EBITDA trading multiple of 12x and NXP target leverage of 2x ND/EBITDA

2 DCF analysis—Beta calculation

Unlevered beta of 1.13 has been derived based on NXP's 20-F peers and Auto Semi peers

Beta calculation

	Debt (US\$m) ²	Equity (US\$m) ¹	Debt / (Debt + Equity)	Debt / Equity	Equity / (Debt + Equity)	5-Year Weekly Bloomberg Adj. Beta ³	
						Levered	Unlevered
20-F Peers							
Intel Corporation	31,640	203,260	13%	16%	87%	1.11	1.01
Broadcom Limited	17,548	114,120	13%	15%	87%	1.28	1.13
Texas Instruments Incorporated	3,583	99,538	3%	4%	97%	1.18	1.16
Infineon Technologies AG	2,155	30,249	7%	7%	93%	1.15	1.10
Analog Devices, Inc.	7,851	31,790	20%	25%	80%	1.21	1.04
Renesas Electronics Corporation	2,044	19,662	9%	10%	91%	1.29	1.21
Microchip Technology Incorporated	3,018	20,470	13%	15%	87%	1.26	1.15
STMicroelectronics NV	2,175	16,155	12%	13%	88%	1.23	1.11
Maxim Integrated Products, Inc.	1,488	14,670	9%	10%	91%	1.04	0.97
Cavium, Inc.	640	5,963	10%	11%	90%	1.40	1.31
Silicon Laboratories	339	3,815	8%	9%	92%	1.19	1.13
Power Integrations, Inc.	0	2,228	0%	0%	100%	1.16	1.16
20-F Peers Mean	6,040	46,827	10%	11%	90%	1.21	1.12
20-F Peers Median	2,165	20,066	10%	11%	90%	1.20	1.13
Auto Semi Peers							
Texas Instruments Incorporated	3,583	99,538	3%	4%	97%	1.18	1.16
Infineon Technologies AG	2,155	30,249	7%	7%	93%	1.15	1.10
Analog Devices, Inc.	7,851	31,790	20%	25%	80%	1.21	1.04
Renesas Electronics Corporation	2,044	19,662	9%	10%	91%	1.29	1.21
STMicroelectronics NV	2,175	16,155	12%	13%	88%	1.23	1.11
Maxim Integrated Products, Inc.	1,488	14,670	9%	10%	91%	1.04	0.97
ON Semiconductor Corporation	2,943	9,159	24%	32%	76%	1.42	1.18
Auto Semi Peers Mean	3,177	31,603	12%	15%	88%	1.22	1.11
Auto Semi Peers Median	2,175	19,662	9%	10%	91%	1.21	1.11
All Peers Mean	5,802	43,929	11%	13%	89%	1.23	1.13
All Peers Median	2,175	19,662	10%	11%	90%	1.21	1.13
NXP	6,556	39,840	14%	16%	86%	1.18	1.05

Source: Bloomberg, FactSet, KPMG as of 8-Dec-17

Notes:

1 Market capitalisation as of 8-Dec-17

2 Total debt as last reported

3 Assumes corporate tax rates per KPMG (2017)

3 Transaction multiples

The UBS Valuation Report estimates as of the date of this report the value of NXP on a transaction multiples basis at 15-17x LTM EBITDA (US\$3,138m) and 23-26x LTM EPS (US\$6.51), implying a value range of approximately US\$122.9-169.3 per share

Date	Target	Acquiror	Transaction EV (US\$m)	Equity Value (US\$m)	LTM Sales (US\$m)	LTM EBITDA (US\$m)	LTM EBITDA Margin (%)	LTM Earnings (US\$m)	LTM EV / EBITDA (x)	LTM P/E (x)
20-Nov-17	Cavium Inc	Marvell Technology Group	6,078	5,591	950	301	31.7%	186	20.2	30.0
14-Nov-16	Harman International	Samsung	8,654	7,830	7,041	866	12.3%	480	10.0	16.3
02-Nov-16	Brocade FC SAN business ¹	Broadcom Corp	5,834	5,391	1,292	344	26.6%	233	16.9	23.1
13-Sep-16	Intersil Corp ¹	Renesas	2,820	3,077	518	120	23.2%	94	23.4	32.9
26-Jul-16	Linear Technology Corp ²	Analog Devices Inc	13,313	14,761	1,424	764	53.6%	556	17.4	26.6
15-Jun-16	QLogic Corp	Cavium Inc	988	1,343	459	134	29.1%	84	7.4	15.9
19-Jan-16	Atmel Corp ¹	Microchip Technology Inc	3,364	3,515	1,257	222	17.7%	163	15.1	21.6
18-Nov-15	Fairchild Semiconductor Intl Inc	ON Semiconductor Corp	2,352	2,397	1,390	181	13.0%	62	13.0	38.4
21-Oct-15	SanDisk Corp ¹	Western Digital Corp	18,393	17,954	5,757	1,584	27.5%	787	11.6	22.8
19-Oct-15	PMC-Sierra Inc ¹	Microsemi Corp	2,329	2,402	530	110	20.8%	84	21.1	28.6
01-Jun-15	Altera Corp ²	Intel Corp	15,702	16,585	1,906	661	34.7%	533	23.7	31.1
28-May-15	Broadcom Corp ³	Avago Technologies Ltd	32,838	34,196	8,502	2,224	26.2%	1,604	14.8	21.3
02-Mar-15	Freescale Semiconductor Ltd	NXP Semiconductors NV	16,452	11,578	4,634	1,088	23.5%	473	15.1	24.5
01-Dec-14	Spansion Inc	Cypress Semiconductor Corp	1,829	1,747	1,256	147	11.7%	58	12.5	30.3
15-Oct-14	CSR	Qualcomm Inc	2,471	2,470	795	102	12.9%	(1)	24.2	nm
20-Aug-14	International Rectifier Corp ¹	Infineon Technologies AG	2,410	3,019	1,107	199	18.0%	70	12.1	43.0
09-Jun-14	Hittite Microwave Corp ²	Analog Devices Inc	2,018	2,510	277	130	46.8%	77	15.6	32.6
24-Feb-14	TriQuint Semiconductor Inc ¹	RF Micro Devices Inc	1,625	1,704	893	126	14.1%	14	12.9	nm
16-Dec-13	LSI Corp	Avago Technologies Ltd	5,938	6,603	2,365	403	17.0%	372	14.7	17.7
17-Oct-12	Cymer Inc ²	ASML Holding NV	2,433	2,703	584	111	19.0%	78	22.0	34.7
22-Jun-12	MStar Semiconductor Inc	MediaTek Inc	2,908	3,840	1,247	279	22.3%	200	10.4	19.2
12-Sep-11	NetLogic Microsystems Inc	Broadcom Corp	3,693	3,912	403	130	32.3%	124	28.4	31.6
04-Apr-11	National Semiconductor Corp ²	Texas Instruments Inc	6,543	6,400	1,563	614	39.3%	350	10.7	18.3
05-Jan-11	Atheros Communications Inc ¹	Qualcomm Inc	2,934	3,450	927	206	22.2%	181	14.3	19.1
Mean			6,830	6,874					16.1	26.3
Median			3,149	3,678					14.9	25.5

Source: Company filings, Dealogic, FactSet as of 8-Dec-17

Notes:

- 1 LTM Adjusted EBITDA and LTM Adjusted Earnings calculated based on FC SAN business revenue contribution to total Brocade revenue
- 2 LTM Adjusted EBITDA calculated by adding D&A to non-GAAP operating income (including share-based compensation add-back)
- 3 LTM Adjusted Earnings calculated by adding after-tax share-based compensation to GAAP net income (non-GAAP net income not disclosed)
- 4 LTM Adjusted EBITDA calculated by adding D&A, taxes, interest expense, and share-based compensation to non-GAAP net income

4 Share price performance

NXP has been trading in the range of US\$96.0-117.5 (+42.8%) since the Qualcomm offer; during the same time period, 20-F peers have traded up +54.5% and Auto Semi peers have traded up +68.6%

Historical share price performance

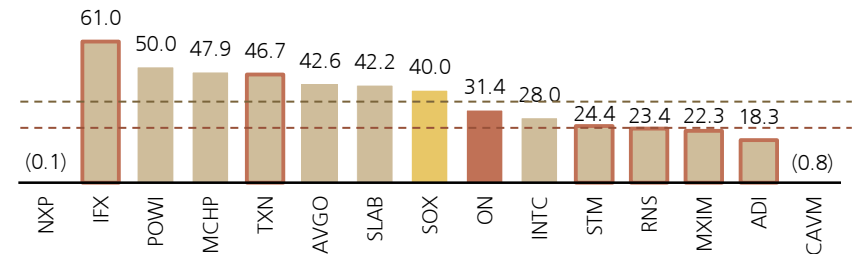
Since LTM prior to QCOM offer⁴



Share price performance

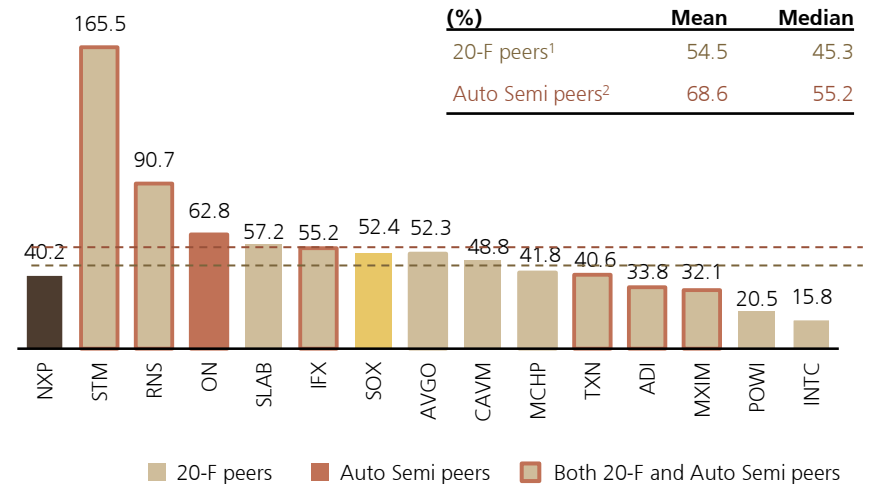
LTM prior to QCOM offer⁴

(%)	Mean	Median
20-F peers ¹	33.8	35.1
Auto Semi peers ²	32.5	24.4



Since QCOM offer³ (%)

(%)	Mean	Median
20-F peers ¹	54.5	45.3
Auto Semi peers ²	68.6	55.2



Source: FactSet as of 8-Dec-17

Notes:

- Including: Analog Devices (ADI), Broadcom (AVGO), Cavium (CAVM), Infineon (IFX), Intel Corporation (INTC), Maxim Integrated Products (MXIM), Microchip Technology (MCHP), Power Integrations (POWI), Renesas (RNS), Silicon Laboratories (SLAB), STMicroelectronics (STM) and Texas Instruments (TXN)
- Including: Analog Devices (ADI), Infineon (IFX), Maxim Integrated Products (MXIM), ON Semiconductor (ON), Renesas (RNS), STMicroelectronics (STM) and Texas Instruments (TXN)
- Since 29 Sept 2016
- Since 29 Sept 2015



5 Transaction premium

The UBS Valuation Report estimates as of the date of this report the value of NXP on a transaction premium basis at a 30-40% premium to the mid-point of the trading multiples-based price per share (US\$136.5¹) in an assumed all cash transaction, implying a value range of approximately US\$177.4-191.0 per share

Date	Target	Acquiror	Transaction EV (US\$m)	Form of Consideration	Offer Price (US\$/share)		Premium		
							1 day	1 Week	1 Month
20-Nov-17	Cavium Inc	Marvell Technology Group	6,078	Mixed	80.27	40.00 Cash / 40.27 Stock	5.9%	3.8%	16.5%
14-Nov-16	Harman International	Samsung	8,654	Cash	112.00		27.8%	32.6%	39.6%
02-Nov-16	Brocade FC SAN business	Broadcom Corp	5,834	Cash	12.75		13.4%	44.9%	36.9%
13-Sep-16	Intersil Corp	Renesas	2,820	Cash	22.50		13.9%	13.9%	47.5%
26-Jul-16	Linear Technology Corp	Analog Devices Inc	13,313	Mixed	60.00	46.00 Cash / 14.00 Stock	23.8%	24.1%	31.8%
15-Jun-16	QLogic Corp	Cavium Inc	988	Mixed	15.50	11.00 Cash / 4.50 Stock	13.4%	12.2%	16.5%
19-Jan-16	Atmel Corp	Microchip Technology Inc	3,364	Mixed	8.15	7.00 Cash / 1.15 Stock	nm	nm	nm
18-Nov-15	Fairchild Semiconductor Intl Inc	ON Semiconductor Corp	2,352	Cash	20.00		11.9%	12.9%	20.8%
21-Oct-15	SanDisk Corp	Western Digital Corp	18,393	Mixed	86.50	67.50 Cash / 19.00 Stock	15.0%	25.9%	63.5%
19-Oct-15	PMC-Sierra Inc	Microsemi Corp	2,354	Mixed	12.10	9.22 Cash / 2.88 Stock	18.2%	17.0%	93.3%
01-Jun-15	Altera Corp	Intel Corp	15,702	Cash	54.00		10.5%	14.0%	18.0%
28-May-15	Broadcom Corp	Avago Technologies Ltd	32,838	Mixed	54.50	27.25 Cash / 27.25 Stock	(4.6%)	15.1%	22.0%
02-Mar-15	Freescale Semiconductor Ltd	NXP Semiconductors NV	16,452	Mixed	36.14	6.25 Cash / 29.89 Stock	0.1%	0.4%	12.6%
01-Dec-14	Spansion Inc	Cypress Semiconductor Corp	1,829	Stock	26.04		11.4%	17.7%	26.6%
15-Oct-14	CSR	Qualcomm Inc	2,471	Cash	14.45		37.9%	26.3%	15.4%
20-Aug-14	International Rectifier Corp	Infineon Technologies AG	2,410	Cash	40.00		50.6%	57.1%	42.0%
09-Jun-14	Hittite Microwave Corp	Analog Devices Inc	2,018	Cash	78.00		28.8%	34.7%	38.2%
24-Feb-14	TriQuint Semiconductor Inc	RF Micro Devices Inc	1,625	Stock	9.73		5.4%	5.9%	13.0%
16-Dec-13	LSI Corp	Avago Technologies Ltd	5,938	Cash	11.15		41.0%	37.7%	35.6%
17-Oct-12	Cymer Inc	ASML Holding NV	2,433	Mixed	81.89	20.00 Cash / 61.89 Stock	71.2%	70.5%	43.6%
22-Jun-12	MStar Semiconductor Inc	MediaTek Inc	2,908	Mixed	7.23	0.03 Cash / 7.20 Stock	19.8%	21.6%	22.6%
12-Sep-11	NetLogic Microsystems Inc	Broadcom Corp	3,693	Cash	50.00		56.7%	67.3%	58.4%
04-Apr-11	National Semiconductor Corp	Texas Instruments Inc	6,543	Cash	25.00		75.7%	74.3%	61.2%
05-Jan-11	Atheros Communications Inc	Qualcomm Inc	2,934	Cash	45.00		2.3%	26.8%	31.1%
Mean Cash Transactions			5,114				30.9%	36.9%	37.1%
Mean Mixed Transactions			9,912				18.1%	21.2%	35.8%
Mean Stock Transactions			1,727				8.4%	11.8%	19.8%



Source: Company filings, Dealogic, FactSet as of 8-Dec-17
 Note: 1 Mid-point of trading multiples valuation ranges (P/E, EV/EBITDA and EV/OpFCF)

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