

Freescale Semiconductor Reports First Quarter 2005 Results

AUSTIN, Texas--Freescale Semiconductor (NYSE:FSL)(NYSE:FSL.B), today reported its financial results for the first quarter ended April 1, 2005. First quarter 2005 highlights include:

- Net sales of \$1.44 billion;
- Gross margin of 40.2%;
- Operating earnings of \$110 million;
- Net earnings of \$85 million; and
- Diluted earnings per share, inclusive of separation expenses and restructuring costs, of \$.20 per share. Excluding separation expenses and restructuring costs of \$18 million, first quarter 2005 earnings per share were \$.24.

"Our first quarter performance demonstrates improved execution in a challenging environment," said Michel Mayer, chairman and CEO. "The diversity of our revenue base provided stability, and the initiatives that we are rolling out to improve our operational performance are beginning to show results."

First Quarter Overview

Sales

Net sales in the first quarter of 2005 were \$1.44 billion, compared to \$1.43 billion in the fourth quarter of 2004 and \$1.40 billion in the first quarter of 2004.

Gross Margin

Gross margin in the first quarter of 2005 was 40.2%, compared to 36.0% in the fourth quarter of 2004 and 36.3% in the first quarter of 2004. Excluding the impact of restructuring charges, first quarter 2005 gross margin was 40.4% compared to fourth quarter 2004 of 38.3% and first quarter 2004 of 36.2%. Gross margin in the first quarter of 2005 benefited from an improvement in product mix, increased factory utilization rates along with excellent cost controls, operational efficiencies and cost reductions from the restructuring actions undertaken during 2004.

Operating Earnings

Operating earnings for the first quarter of 2005 were \$110 million or 7.6% of net sales, including restructuring costs and separation expenses of \$18 million (totaling 1.2% of net sales). The company reported operating earnings of \$15 million for the fourth quarter of 2004 and operating earnings of \$115 million in the first quarter of 2004. Operating income for the fourth quarter included restructuring costs and separation expenses of \$84 million. First quarter 2004 results included \$54 million of income from reversals of liabilities previously accrued related to the sale of the company's wafer fabrication facility in China.

Net Earnings

Net earnings for the first quarter of 2005 were \$85 million, or \$.20 per fully diluted share, compared to \$106 million in the first quarter of 2004 and \$5 million in the fourth quarter of 2004. Excluding separation expenses and restructuring costs of \$18 million, first quarter 2005 earnings per fully diluted share were \$.24. The fourth quarter 2004 results included pre-tax charges of \$5 million related to the separation from Motorola, Inc. and \$79 million for restructuring. Excluding these charges, fourth quarter 2004 net earnings were \$72 million or \$.17 per fully diluted share. First quarter 2004 net earnings included pre-tax income of \$96 million from reversals of liabilities previously accrued related to the sale of the company's wafer fabrication facility in China, separation expenses, and gains on the sale of stock which was held in the company's investment portfolio.

Operating highlights

In the first quarter of 2005, capital expenditures were \$118 million (8.2% of net sales), research and development expenses totaled \$264 million (18.3% of net sales), and selling, general and administrative expenses were \$191 million (13.2% of net sales).

Transportation and Standard Products

The Transportation and Standard Products Segment reported net sales of \$661 million in the first quarter of 2005, compared to \$631 million in the fourth quarter of 2004 and \$638 million in the first quarter of 2004. The segment's operating earnings were \$80 million in the first quarter of 2005, compared to \$56 million in the fourth quarter of 2004 and \$41 million in the first quarter of 2004. The segment's sales growth was driven by strong performance from 16-bit

microcontrollers, sensor products and consumer applications.

Networking and Computing Systems

The Networking and Computing Systems Segment reported net sales of \$349 million, compared to \$314 million in the fourth quarter of 2004 and \$389 million in the first quarter of 2004. The segment's operating earnings were \$71 million in the first quarter of 2005, compared to \$28 million in the fourth quarter of 2004 and \$86 million in the first quarter of 2004. The segment's revenues benefited from improvements in the cellular infrastructure, wireline access and storage markets.

Wireless and Mobile Solutions

The Wireless and Mobile Solutions Segment reported net sales of \$412 million in the first quarter of 2005, compared to \$465 million in the fourth quarter of 2004 and \$354 million in the first quarter of 2004. The segment generated operating income of \$15 million in the first quarter of 2005, compared to operating income of \$37 million in the fourth quarter of 2004 and a loss of (\$72) million in the first quarter of 2004. First quarter revenues grew over the prior year due to strength in GSM and EDGE platform sales. First quarter revenues declined seasonally from the fourth quarter of 2004.

Other Operations

Other includes the Metrowerks software business, other miscellaneous businesses and any factories in production start-up, including the Crolles 300 millimeter facility. It also includes any restructuring charges, separation expenses and miscellaneous income and expenses not attributable to any one of our business segments. Other reported an operating loss of (\$56) million in the first quarter of 2005 compared to a (\$106) million operating loss in the fourth quarter of 2004 and income of \$60 million in the first quarter of 2004. The first quarter of 2004 included \$54 million of income from reversals of liabilities previously accrued related to the sale of the company's wafer fabrication facility in China. The fourth quarter of 2004 and the first quarter of 2005 included restructuring costs and separation expenses of \$84 million and \$18 million, respectively.

Second Quarter 2005 Outlook

For the second quarter of 2005, the company expects to report revenues of \$1.38 to \$1.47 billion and gross margins essentially in line with the first quarter of 2005.

Conference Call and Webcast

Freescale's quarterly earnings call is scheduled to begin at 4:00 p.m. Central time (USA) on Thursday April 21, 2005. The company will offer a live webcast of the conference call over the Internet at www.freescale.com/investor.

The company uses certain non-GAAP financial measures in analyzing financial results because they are useful to investors and management in evaluating the company's ongoing operational performance. These financial measures facilitate making period-to-period comparisons exclusive of the impact of certain events, such as the separation from Motorola, Inc. and restructuring charges. In addition, presentation of these non-GAAP financial measures enables investors to evaluate the company's performance under both the GAAP and pro forma measures that management uses to evaluate the company's performance. Where non-GAAP financial measures have been included in this press release, the company has reconciled the GAAP to the non-GAAP measures in the table below.

Caution Regarding Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as expects, anticipates, plans, believes, estimates, will or words of similar meaning and include statements regarding the plans and expectations for the upcoming quarter, the year and the future. Forward-looking statements are based on management's current expectations and assumptions, including but not limited to the following general underlying assumptions: the market for semiconductor products will grow over the long term; new technologies and applications will continue to be developed; and manufacturers of automotive, networking and wireless products will increasingly look to semiconductor providers for platform-level products and systems-on-a-chip. These assumptions are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. We urge you to carefully consider the following important factors that could cause actual outcomes to differ materially from the expectations of the company and its management: a decline in market demand for our products; the loss of a major customer, or a substantial reduction in sales to any of our major customers; our ability to compete in products and prices in the intensely competitive and cyclical semiconductor industry; our reliance on, and the anticipated benefits of, third-party design and/or manufacturing relationships; our ability to license intellectual property from third parties and to protect the

intellectual property we own; economic, social and political conditions in the countries in which we operate, or our customers or suppliers operate, including security risks, health conditions, possible disruption in transportation networks and fluctuations in foreign currency exchange rates; the satisfaction of customary closing conditions; and the other risk factors discussed from time to time by the company in reports filed with the Securities and Exchange Commission.

These and other risks are described in the company's Form 10-K for the year ended December 31, 2004 and in the company's other SEC filings. The company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

About Freescale

Freescale Semiconductor, Inc. (NYSE:FSL) (NYSE:FSL.B) is a global leader in the design and manufacture of embedded semiconductors for the automotive, consumer, industrial, networking and wireless markets. Freescale became a publicly traded company in July 2004 after more than 50 years as part of Motorola, Inc. The company is based in Austin, Texas, and has design, research and development, manufacturing or sales operations in more than 30 countries. Freescale, a member of the S&P 500(R), is one of the world's largest semiconductor companies with 2004 sales of \$5.7 billion (US). www.freescale.com

#

CONTACT:

Investors:

Mitch Haws, 512-895-2454

mitch.haws@freescale.com

Media:

Tim Doke, 512-895-1791

tim.doke@freescale.com

Freescale Semiconductor, Inc. and Subsidiaries
Condensed Consolidated and Combined Statements of Operations
(Unaudited)
(In millions, except per share amounts)

	Three Months Ended		
	April 1, 2005 <u>(Consolidated)</u>	April 3, 2004 <u>(Combined)</u>	Dec 31, 2004 <u>(Consolidated)</u>
Net sales	\$ 1,442	\$ 1,396	\$ 1,428
Cost of sales	<u>862</u>	<u>889</u>	<u>914</u>
Gross margin	<u>580</u>	<u>507</u>	<u>514</u>
Selling, general and administrative	191	140	204
Research and development	264	250	244
Reorganization of businesses	10	(7)	46
Separation expenses	<u>5</u>	<u>9</u>	<u>5</u>
Operating earnings	<u>110</u>	<u>115</u>	<u>15</u>
Other income (expense):			
Interest expense, net	(6)	(21)	(5)
Gains on sales of investments and businesses, net	-	41	-
Other	<u>(10)</u>	<u>(3)</u>	<u>(4)</u>
Total other income (expense)	<u>(16)</u>	<u>17</u>	<u>(9)</u>
Earnings before income taxes	94	132	6
Income tax expense	<u>9</u>	<u>26</u>	<u>1</u>
Net earnings	<u>\$ 85</u>	<u>\$ 106</u>	<u>\$ 5</u>
<u>Net earnings per common share:</u>			
Basic	\$ 0.21		\$ 0.01
Diluted	\$ 0.20		\$ 0.01
<u>Weighted average common shares outstanding:</u>			
Basic	401		400
Diluted	416		412
<u>Pro forma net earnings per common share:</u>			
Basic		\$ 0.38	
Diluted		\$ 0.38	
<u>Pro forma weighted average common shares outstanding:</u>			
Basic		278	
Diluted		278	

Freescale Semiconductor, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In millions)

	<u>April 1, 2005</u>	<u>December 31, 2004</u>
	(Unaudited)	(Audited)
ASSETS		
Cash, cash equivalents and short-term investments	\$ 2,349	\$ 2,374
Accounts receivable, net	654	636
Inventories	742	742
Deferred income taxes	25	26
Other current assets	183	183
Assets held-for-sale	41	45
	<u>3,994</u>	<u>4,006</u>
Total current assets		
Property, plant and equipment, net	2,132	2,207
Investments	22	31
Other assets	385	389
	<u>6,533</u>	<u>6,633</u>
Total assets		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Notes payable	\$ 2	\$ 2
Accounts payable	491	474
Accrued liabilities and other	509	669
	<u>1,002</u>	<u>1,145</u>
Total current liabilities		
Long-term debt	1,248	1,269
Deferred income taxes	27	26
Other liabilities	250	257
	<u>4,006</u>	<u>3,936</u>
Total stockholders' equity		
	<u>\$ 6,533</u>	<u>\$ 6,633</u>
Total liabilities and stockholders' equity		

Freescale Semiconductor, Inc. and Subsidiaries
Condensed Consolidated and Combined Segment Information
(Unaudited)
(In millions)

	Three Months Ended		
	April 1, 2005	April 3, 2004	Dec 31, 2004
	(Consolidated)	(Combined)	(Consolidated)
Net Sales:			
Transportation and Standard Products	\$ 661	\$ 638	\$ 631
Networking and Computing Systems	349	389	314
Wireless and Mobile Solutions	412	354	465
Other	20	15	18
Segment totals	<u>\$ 1,442</u>	<u>\$ 1,396</u>	<u>\$ 1,428</u>
Operating Earnings:			
Transportation and Standard Products	\$ 80	\$ 41	\$ 56
Networking and Computing Systems	71	86	28
Wireless and Mobile Solutions	15	(72)	37
Other	(56)	60	(106)
Segment totals	<u>\$ 110</u>	<u>\$ 115</u>	<u>\$ 15</u>

Freescale Semiconductor, Inc. and Subsidiaries
EBITDA
(Unaudited)
(In millions)

We believe that earnings before interest, income taxes, depreciation and amortization (EBITDA) is a useful financial metric to assess our ability to generate cash from operations sufficient to pay taxes, to service debt and to undertake capital expenditures. Given the significant investments that we have made in the past in property, plant and equipment, depreciation and amortization expense comprises a meaningful portion of our cost structure. We believe that EBITDA will provide investors with a useful tool for assessing the comparability between periods of our ability to generate cash from operations sufficient to pay taxes, to service debt and to undertake capital expenditures because it eliminates depreciation and amortization expense attributable to our historically higher levels of capital expenditures. The term EBITDA is not defined under generally accepted accounting principles in the U.S., or U.S. GAAP, and EBITDA is not a measure of operating income, operating performance or liquidity presented in accordance with U.S. GAAP. In addition, EBITDA is impacted by reorganization of businesses and other restructuring-related charges. When assessing our operating performance or our liquidity, you should not consider this data in isolation, or as a substitute for, our net cash from operating activities or other cash flow data that is calculated in accordance with U.S. GAAP. In addition, our EBITDA may not be comparable to EBITDA or similarly titled measures utilized by other companies since such other companies may not calculate EBITDA in the same manner as we do. A reconciliation of net earnings, the most directly comparable U.S. GAAP measure, to EBITDA for each of the respective periods indicated is as follows:

	Three Months Ended		
	April 1, 2005	April 3, 2004	Dec 31, 2004
	(Consolidated)	(Combined)	(Consolidated)
(in millions)			
Net earnings	\$ 85	\$ 106	\$ 5
Interest expense, net	6	21	5
Income tax expense	9	26	1
Depreciation expense	168	187	177
Amortization expense	16	14	14
EBITDA	<u>\$ 284</u>	<u>\$ 354</u>	<u>\$ 202</u>

Note: Amortization expense has increased from prior presentation for each period presented as a result of reclassifications of \$14 million, \$11 million and \$12 million, respectively.

Freescale Semiconductor, Inc. and Subsidiaries
Reconciliation of Non-GAAP Measures
(Unaudited)
(In millions)

	Three Months Ended		
	April 1, 2005	April 3, 2004	Dec 31, 2004
Net sales	\$ 1,442	\$ 1,396	\$ 1,428
Gross margin	\$ 580	\$ 507	\$ 514
Add: Reorganization of businesses expenses (reversals)	3	(1)	33
Adjusted gross margin	<u>\$ 583</u>	<u>\$ 506</u>	<u>\$ 547</u>
Reorganization and Separation Expenses (Reversals):			
Reorganization of business expenses (reversals)			
included in cost of sales	\$ 3	\$ (1)	\$ 33
Reorganization of business expenses (reversals)			
included in operating expenses	<u>10</u>	<u>(7)</u>	<u>46</u>
Total reorganization of business expenses (reversals)	\$ 13	\$ (8)	\$ 79
Separation expenses	<u>5</u>	<u>9</u>	<u>5</u>
Total reorganization of business and separation expenses	<u>\$ 18</u>	<u>\$ 1</u>	<u>\$ 84</u>
Net earnings	\$ 85	\$ 106	\$ 5
Add: Total reorganization and separation expenses	18	1	84
Less: Reversal of liability	-	54	-
Less: Gains on sales of investments and business, net	-	41	-
Add: Income Tax (benefit) expense	<u>(2)</u>	<u>11</u>	<u>(17)</u>
Adjusted net earnings	<u>\$ 101</u>	<u>\$ 23</u>	<u>\$ 72</u>
Diluted shares	416	N/A	412
Adjusted net earnings per diluted share	\$ 0.24	N/A	\$ 0.17
Pro Forma diluted shares	N/A	278	N/A
Adjusted net earnings per diluted share	N/A	\$ 0.08	N/A
	<u>April 1, 2005</u>		<u>Dec 31, 2004</u>
Cash and cash equivalents	\$ 318		\$ 382
Short-term investments	<u>2,031</u>		<u>1,992</u>
Total cash, cash equivalents and short-term investments	<u>\$ 2,349</u>		<u>\$ 2,374</u>

