

Freescale Semiconductor Reports Third Quarter 2005 Results

AUSTIN, Texas — October 20, 2005 -- Freescale Semiconductor (NYSE:FSL) (NYSE:FSL.B) today reported its financial results for the third quarter ended September 30, 2005. Third quarter 2005 highlights include:

- Net sales of \$1.45 billion;
- Gross margin of 43.3%;
- Net earnings of \$164 million;
- Diluted earnings per share of \$.38 and;
- Cash flow from operations of \$384 million;

-- Also during the quarter, Freescale announced that its Board of Directors has authorized the company to repurchase up to \$500 million of its outstanding shares of common stock.

Third quarter 2005 results include a \$26 million pre-tax gain associated with the sale of the company's timing solutions business and a \$10 million write-down of receivables the company determined were impaired due to the bankruptcy of the U.S. subsidiaries of the Delphi Corporation. Excluding the gain on sale and the receivable write-down, sales were \$1.46 billion, gross margin was 43.7%, and diluted earnings per share were \$.35.

"Our team turned in a good performance during the quarter," said Chairman and CEO Michel Mayer. "We have a lot of work left to do, but our third quarter results clearly indicate that we are on the right track to transform Freescale."

Third Quarter Overview

Sales

Net sales in the third quarter of 2005 were \$1.45 billion, compared to \$1.47 billion in the second quarter of 2005 and \$1.43 billion in the third quarter of 2004.

Gross Margin

Gross margin in the third quarter of 2005 was 43.3%, compared to 41.6% in the second quarter of 2005 and 39.0% in the third quarter of 2004. Gross margin in the third quarter of 2005 benefited from higher capacity utilization along with continued cost controls and operational efficiencies.

Operating Earnings

Operating earnings for the third quarter of 2005 were \$153 million or 10.6% of net sales. The company reported operating earnings of \$139 million for the second quarter of 2005 and operating earnings of \$81 million for the third quarter of 2004.

Net Earnings

Net earnings for the third quarter of 2005 were \$164 million, or \$.38 per fully diluted share, compared to \$122 million or \$.29 per fully diluted share in the second quarter of 2005 and \$57 million or \$.15 per fully diluted share in the third quarter of 2004.

Operating Highlights

Cash, cash equivalents, short-term investments and marketable securities included in investments in the third quarter of 2005 increased sequentially by \$327 million and totaled \$2.9 billion. Capital expenditures were \$113 million. Research and development expenses totaled \$274 million and included in-process research and development charges associated with the acquisition of Seaway Networks. Selling, general and administrative expenses were \$201 million.

Transportation and Standard Products

The Transportation and Standard Products Segment reported net sales of \$637 million in the third quarter of 2005, compared to \$667 million in the second quarter of 2005 and \$650 million in the third quarter of 2004. The segment's operating earnings were \$70 million (11.0% of net sales) in the third quarter of 2005, compared to \$87 million in the second quarter of 2005 and \$74 million in the third quarter of 2004. Excluding the impact of the write down of receivables, third quarter revenues for the segment were \$647 million and operating profit was \$80 million (12.4% of net sales).

Networking and Computing Systems

The Networking and Computing Systems Segment reported net sales of \$360 million, compared to \$387 million in the second quarter of 2005 and \$361 million in the third quarter of 2004. The segment's operating earnings were \$76 million (21.1% of net sales) in the third quarter of 2005, compared to \$94 million in the second quarter of 2005 and \$58 million in the third quarter of 2004.

Wireless and Mobile Solutions

The Wireless and Mobile Solutions Segment reported net sales of \$438 million in the third quarter of 2005, compared to \$401 million in the second quarter of 2005 and \$404 million in the third quarter of 2004. The segment generated operating income of \$31 million (7.1% of net sales) in the third quarter of 2005, compared to operating income of \$5 million in the second quarter of 2005 and an operating loss of (\$9) million in the third quarter of 2004.

Other Operations

Other Operations 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 Operations reported an operating loss of (\$24) million in the third quarter of 2005 compared to operating losses of (\$47) million in the second quarter of 2005 and (\$42) million in the third quarter of 2004.

Fourth Quarter 2005 Outlook

For the fourth quarter of 2005, the company expects to report revenues of \$1.425 to \$1.525 billion. Gross margins for the fourth quarter of 2005 are expected to increase slightly from the level reported in the third 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, October 20, 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 and could cause actual outcomes to differ materially from the expectations of the company and its management. These uncertainties, risks and changes include, but are not limited to: 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; and the other risk factors discussed from time to time by the company in reports filed with the Securities and Exchange Commission. We urge you to carefully consider these and other risks which 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

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

	Three Months Ended		
	September 30 2005	October 2 2004	July 1 2005
Net sales	\$ 1,450	\$ 1,430	\$ 1,472
Cost of sales	822	872	860
Gross margin	628	558	612
Selling, general and administrative	201	230	202
Research and development	274	229	266
Reorganization of businesses and other	-	(1)	-
Separation expenses	-	19	5
Operating earnings	153	81	139
Other			
Interest expense, net	-	(5)	(1)
Other, net	25	(5)	(2)
Total other	25	(10)	(3)
Earnings before income taxes	178	71	136
Income tax expense	14	14	14
Net earnings	\$ 164	\$ 57	\$ 122
<u>Net earnings per common share:</u>			
Basic	\$ 0.40	\$ 0.15	\$ 0.30
Diluted	\$ 0.38	\$ 0.15	\$ 0.29
<u>Weighted average common shares outstanding:</u>			
Basic	408	384	403
Diluted	428	390	420

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

	September 30, 2005	July 1, 2005	December 31, 2004
	(Unaudited)	(Unaudited)	
ASSETS			
Cash, cash equivalents and short-term investments	\$ 1,485	\$ 2,555	\$ 2,374
Accounts receivable, net	687	657	636
Inventories	637	671	742
Deferred income taxes	23	24	26
Other current assets	169	159	183
Assets held-for-sale	42	43	45
	<u>3,043</u>	<u>4,109</u>	<u>4,006</u>
Total current assets			
Property, plant and equipment, net	2,006	2,051	2,207
Investments	1,413	14	31
Other assets	417	420	389
	<u>4,836</u>	<u>4,505</u>	<u>4,617</u>
Total assets	<u>\$ 6,879</u>	<u>\$ 6,594</u>	<u>\$ 6,633</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Notes payable	\$ 2	\$ 2	\$ 2
Accounts payable	429	411	474
Accrued liabilities and other	583	505	669
Total other	<u>1,014</u>	<u>918</u>	<u>1,145</u>
Total current liabilities			
Long-term debt	1,251	1,269	1,269
Deferred income taxes	28	27	26
Other liabilities	237	242	257
	<u>2,746</u>	<u>2,748</u>	<u>2,811</u>
Total stockholders' equity	<u>4,349</u>	<u>4,138</u>	<u>3,936</u>
Total liabilities and stockholders' equity	<u>\$ 6,879</u>	<u>\$ 6,594</u>	<u>\$ 6,633</u>

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

	Three Months Ended		
	September 30, 2005	October 2, 2004	July 1, 2005
Net Sales:			
Transportation and Standard Products	\$ 637	\$ 650	\$ 667
Networking and Computing Systems	360	361	387
Wireless and Mobile Solutions	438	404	401
Other	15	15	17
Segment totals	<u>\$ 1,450</u>	<u>\$ 1,430</u>	<u>\$ 1,472</u>
Operating earnings :			
Transportation and Standard Products	\$ 70	\$ 74	\$ 87
Networking and Computing Systems	76	58	94
Wireless and Mobile Solutions	31	(9)	5
Other	(24)	(42)	(47)
Segment totals	<u>\$ 153</u>	<u>\$ 81</u>	<u>\$ 139</u>

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

	Three Months Ended		
	September 30, 2005	October 2, 2004	July 1, 2005
Net sales	\$ 1,450	\$ 1,430	\$ 1,472
Add: Receivables impairment	10	-	-
Adjusted Net sales	<u>\$ 1,460</u>	<u>\$ 1,430</u>	<u>\$ 1,472</u>
Gross margin	\$ 628	\$ 558	\$ 612
Add: Receivables impairment	10	-	-
Adjusted gross margin	<u>\$ 638</u>	<u>\$ 558</u>	<u>\$ 612</u>
Reorganization and Separation Expenses (Reversals)			
Total reorganization of business and other expenses (reversals)	\$ -	\$ (1)	\$ -
Separation expenses	-	19	5
Total reorganization of business and separation expenses	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ 5</u>
Net earnings	\$ 164	\$ 57	\$ 122
Add: Total reorganization and separation expenses	-	18	5
Add: Receivable impairment	10	-	-
Less: Gains on sales of business	(26)	-	-
Add: Income tax (benefit)	1	(4)	(1)
Adjusted net earnings	<u>\$ 149</u>	<u>\$ 71</u>	<u>\$ 126</u>
Diluted shares	428	390	420
Adjusted net earnings per diluted share	\$ 0.35	\$ 0.18	\$ 0.30
	September 30, 2005	July 1, 2005	December 31, 2004
Cash and cash equivalents	\$ 299	\$ 262	\$ 382
Short-term investments	1,186	2,293	1,992
Total cash, cash equivalents and short-term investments	<u>\$ 1,485</u>	<u>\$ 2,555</u>	<u>\$ 2,374</u>