

Freescale Semiconductor reports second quarter 2005 results

AUSTIN, Texas, July 19, 2005 -- Freescale Semiconductor (NYSE: FSL, FSL.B), today reported its financial results for the second quarter ended July 1, 2005. Second quarter 2005 highlights include:

Net sales of \$1.47 billion;

Gross margin of 41.6%;

Operating earnings of \$139 million;

Net earnings of \$122 million; and

Diluted earnings per share of \$.29.

“Our second quarter results demonstrate that we are continuing to improve our execution,” said Michel Mayer, chairman and CEO. “We are pleased with the progress we have made during our first year as a public company and remain focused on reaching the next level of performance.”

Second Quarter Overview

Sales

Net sales in the second quarter of 2005 were \$1.47 billion, compared to \$1.44 billion in the first quarter of 2005 and \$1.46 billion in the second quarter of 2004.

Gross Margin

Gross margin in the second quarter of 2005 was 41.6%, compared to 40.2% in the first quarter of 2005 and 38.4% in the second quarter of 2004. Gross margin in the second quarter of 2005 benefited from a favorable product mix along with continued cost controls and operational efficiencies.

Operating Earnings

Operating earnings for the second quarter of 2005 were \$139 million or 9.4% of net sales. The company reported operating earnings of \$110 million for the first quarter of 2005 and operating earnings of \$55 million for the second quarter of 2004.

Net Earnings

Net earnings for the second quarter of 2005 were \$122 million, or \$.29 per fully diluted share, compared to \$85 million or \$.20 per fully diluted share in the first quarter of 2005 and \$43 million or \$.15 per fully diluted share (pro forma) in the second quarter of 2004.

Net earnings for the second quarter of 2005 included \$5 million of separation expenses. Restructuring charges and separation expenses were \$18 million in the first quarter of 2005 and \$39 million in the second quarter of 2004.

Operating highlights

In the second quarter of 2005, capital expenditures were \$112 million (7.6% of net sales), research and development expenses totaled \$266 million (18.1% of net sales), and selling, general and administrative expenses were \$202 million (13.7% of net sales). Cash, cash equivalents and short-term investments in the second quarter of 2005 increased sequentially by \$206 million and totaled \$2.6 billion.

Transportation and Standard Products

The Transportation and Standard Products Segment reported net sales of \$667 million in the second quarter of 2005, compared to \$661 million in the first quarter of 2005 and \$646 million in the second quarter of 2004. The segment's operating earnings were \$87 million in the second quarter of 2005, compared to \$80 million in the first quarter of 2005 and \$60 million in the second quarter of 2004.

Networking and Computing Systems

The Networking and Computing Systems Segment reported net sales of \$387 million, compared to \$349 million in the first quarter of 2005 and \$398 million in the second quarter of 2004. The segment's operating earnings were \$94 million in the second quarter of 2005, compared to \$71 million in the first quarter of 2005 and \$71 million in the second quarter of 2004.

Wireless and Mobile Solutions

The Wireless and Mobile Solutions Segment reported net sales of \$401 million in the second quarter of 2005, compared to \$412 million in the first quarter of 2005 and \$400 million in the second quarter of 2004. The segment generated operating income of \$5 million in the second quarter of 2005, compared to operating income of \$15 million in the first quarter of 2005 and an operating loss of (\$43) million in the second 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 (\$47) million in the second quarter of 2005 compared to an operating loss of (\$56) million in the first quarter of 2005 and (\$33) million in the second quarter of 2004.

Third Quarter 2005 Outlook

For the third quarter of 2005, the company expects to report revenues of \$1.38 to \$1.47 billion, consistent with typical seasonality, and gross margins essentially in-line with the level reported in the second quarter of 2005.

Conference Call and Webcast

Freescale's quarterly earnings call is scheduled to begin at 5:00 p.m. Central time (USA) on Tuesday, July 19, 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).

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

	Three Months Ended		
	July 1, 2005	July 3, 2004	April 1, 2005
	(Consolidated)	(Combined)	(Consolidated)
Net sales	\$ 1,472	\$ 1,461	\$ 1,442
Cost of sales	860	900	862
Gross margin	612	561	580
Selling, general and administrative	202	225	191
Research and development	266	242	264
Reorganization of businesses	-	(2)	10
Separation expenses	5	41	5
Operating earnings	139	55	110
Other expense:			
Interest expense, net	(1)	-	(6)
Other	(2)	(1)	(10)
Total other expense	(3)	(1)	(16)
Earnings before income taxes	136	54	94
Income tax expense	14	11	9
Net earnings	\$ 122	\$ 43	\$ 85
<u>Net earnings per common share:</u>			
Basic	\$ 0.30		\$ 0.21
Diluted	\$ 0.29		\$ 0.20
<u>Weighted average common shares outstanding:</u>			
Basic	403		401
Diluted	420		416
<u>Pro forma net earnings per common share:</u>			
Basic		\$ 0.15	
Diluted		\$ 0.15	
<u>Pro forma weighted average common shares outstanding:</u>			
Basic		278	
Diluted		278	

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

	July 1, 2005	April 1, 2005	December 31, 2004
	(Unaudited)	(Unaudited)	
ASSETS			
Cash, cash equivalents and short-term investments	\$ 2,555	\$ 2,349	\$ 2,374
Accounts receivable, net	657	654	636
Inventories	671	742	742
Deferred income taxes	24	25	26
Other current assets	159	183	183
Assets held-for-sale	43	41	45
	<u>4,109</u>	<u>3,994</u>	<u>4,006</u>
Total current assets			
Property, plant and equipment, net	2,051	2,132	2,207
Investments	14	22	31
Other assets	420	385	389
	<u>6,594</u>	<u>6,533</u>	<u>6,633</u>
Total assets			
LIABILITIES AND STOCKHOLDERS' EQUITY			
Notes payable	\$ 2	\$ 2	\$ 2
Accounts payable	411	491	474
Accrued liabilities and other	505	509	669
	<u>918</u>	<u>1,002</u>	<u>1,145</u>
Total current liabilities			
Long-term debt	1,269	1,248	1,269
Deferred income taxes	27	27	26
Other liabilities	242	250	257
	<u>4,138</u>	<u>4,006</u>	<u>3,936</u>
Total stockholders' equity			
Total liabilities and stockholders' equity	<u>\$ 6,594</u>	<u>\$ 6,533</u>	<u>\$ 6,633</u>

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

	Three Months Ended		
	July 1, 2005	July 3, 2004	April 1, 2005
	(Consolidated)	(Combined)	(Consolidated)
Net Sales:			
Transportation and Standard Products	\$ 667	\$ 646	\$ 661
Networking and Computing Systems	387	398	349
Wireless and Mobile Solutions	401	400	412
Other	17	17	20
Segment totals	<u>\$ 1,472</u>	<u>\$ 1,461</u>	<u>\$ 1,442</u>
Operating Earnings (Loss):			
Transportation and Standard Products	\$ 87	\$ 60	\$ 80
Networking and Computing Systems	94	71	71
Wireless and Mobile Solutions	5	(43)	15
Other	(47)	(33)	(56)
Segment totals	<u>\$ 139</u>	<u>\$ 55</u>	<u>\$ 110</u>

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

	Three Months Ended		
	July 1, 2005 <u>(Consolidated)</u>	July 3, 2004 <u>(Combined)</u>	April 1, 2005 <u>(Consolidated)</u>
Net sales	\$ 1,472	\$ 1,461	\$ 1,442
Gross margin	\$ 612	\$ 561	\$ 580
Add: Reorganization of businesses expenses	<u>-</u>	<u>-</u>	<u>3</u>
Adjusted gross margin	<u>\$ 612</u>	<u>\$ 561</u>	<u>\$ 583</u>
Reorganization and Separation Expenses (Reversals):			
Reorganization of business expenses			
included in cost of sales	\$ -	\$ -	\$ 3
Reorganization of business expenses (reversals)			
included in operating expenses	<u>-</u>	<u>(2)</u>	<u>10</u>
Total reorganization of business expenses (reversals)	\$ -	\$ (2)	\$ 13
Separation expenses	<u>5</u>	<u>41</u>	<u>5</u>
Total reorganization of business and separation expenses	<u>\$ 5</u>	<u>\$ 39</u>	<u>\$ 18</u>
Net earnings	\$ 122	\$ 43	\$ 85
Add: Total reorganization and separation expenses	5	39	18
Add: Income tax (benefit)	<u>(1)</u>	<u>(8)</u>	<u>(2)</u>
Adjusted net earnings	<u>\$ 126</u>	<u>\$ 74</u>	<u>\$ 101</u>
Diluted shares	420		416
Adjusted net earnings per diluted share	\$ 0.30		\$ 0.24
Pro Forma diluted shares		278	
Adjusted net earnings per diluted share		\$ 0.27	
	July 1, 2005		December 31, 2004
Cash and cash equivalents	<u>\$ 262</u>		<u>\$ 382</u>
Short-term investments	<u>2,293</u>		<u>1,992</u>
Total cash, cash equivalents and short-term investments	<u>\$ 2,555</u>		<u>\$ 2,374</u>