

Freescale Fourth Quarter 2007 Non-GAAP Reconciliations

Freescale Semiconductor Holdings I, Ltd. Reconciliation of Non-GAAP Measures (Unaudited)

(in millions)	Three months ended December 31, 2007	Three months ended September 28, 2007	Three months ended December 31, 2006
Adjusted gross margin	\$ 664	\$ 623	\$ 713
Inventory step-up recognition	-	-	141
Incremental depreciation and amortization expense	51	46	10
Gross margin	<u>\$ 613</u>	<u>\$ 577</u>	<u>\$ 562</u>
Adjusted operating earnings	\$ 211	\$ 195	\$ 219
Inventory step-up recognition	-	-	141
Incremental depreciation and amortization expense	56	51	11
Amortization expense for acquired intangible assets	273	346	108
In-process research and development	-	-	2,260
Reorganization of businesses and other	26	-	(7)
Impairment of intangible assets	449	-	-
Merger expenses	2	-	515
Operating loss	<u>\$ (595)</u>	<u>\$ (202)</u>	<u>\$ (2,809)</u>
EBITDA excluding the effects of purchase accounting and other items	\$ 376	\$ 353	\$ 386
Inventory step-up recognition	-	-	141
In-process research and development	-	-	2,260
Reorganization of businesses and other	26	-	(7)
Impairment of intangible assets	449	-	-
Merger expenses	2	-	515
EBITDA	<u>\$ (101)</u>	<u>\$ 353</u>	<u>\$ (2,523)</u>

Adjusted gross margin and adjusted operating earnings represent gross margin and operating (loss) earnings adjusted for the following as necessary: inventory fair value step-up recognition, incremental depreciation expense for property, plant and equipment fair value step-up and associated with reduction in lives of certain manufacturing assets, amortization of acquired intangible assets, in-process research and development charge, reorganization of businesses and other charges, impairment of intangible assets, and merger expenses. Adjusted gross margin and adjusted operating earnings are not recognized terms under generally accepted accounting principles (GAAP). Adjusted gross margin and adjusted operating earnings do not represent gross margin or operating (loss) earnings, as those terms are defined under GAAP, and should not be considered as alternatives to gross margin or operating (loss) earnings as an indicator of our operating performance. We have included information concerning adjusted gross margin and adjusted operating earnings because we use such information when evaluating gross margin and operating (loss) earnings to better evaluate the underlying performance of the Company. Adjusted gross margin and adjusted operating earnings as presented herein are not necessarily comparable to similarly titled measures.

EBITDA (earnings before interest, taxes, depreciation and amortization) excluding the effects of purchase accounting and other items is a non-U.S. GAAP financial measure. We have included information concerning EBITDA excluding the effects of purchase accounting and other items because we use such information when evaluating operating (loss) earnings to better evaluate the underlying performance of the Company. EBITDA excluding the effects of purchase accounting and other items does not represent, and should not be considered an alternative to, net income (loss), operating income (loss), or cash flow from operations as those terms are defined by U.S. GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. While EBITDA excluding the effects of purchase accounting and other items and similar measures are frequently used as measures of operations and the ability to meet debt service requirements by other companies, our use of this financial measure is not necessarily comparable to such other similarly titled captions of other companies.

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(in millions)	Year ended December 31, 2007	Year ended December 31, 2006
Adjusted gross margin	\$ 2,486	\$ 2,885
Inventory step-up recognition	416	141
Incremental depreciation and amortization expense	169	10
Gross margin	<u>\$ 1,901</u>	<u>\$ 2,734</u>
Adjusted operating earnings	\$ 714	\$ 953
Inventory step-up recognition	416	141
Incremental depreciation and amortization expense	189	11
Amortization expense for acquired intangible assets	1,310	117
In-process research and development	-	2,260
Reorganization of businesses and other	64	(12)
Impairment of intangible assets	449	-
Merger expenses	5	522
Operating loss	<u>\$ (1,719)</u>	<u>\$ (2,086)</u>
EBITDA excluding the effects of purchase accounting and other items	1,340	1,600
Inventory step-up recognition	416	141
In-process research and development	-	2,260
Reorganization of businesses and other	64	(12)
Impairment of intangible assets	449	-
Merger expenses	5	522
EBITDA	<u>\$ 406</u>	<u>\$ (1,311)</u>

Adjusted gross margin and adjusted operating earnings represent gross margin and operating (loss) earnings adjusted for the following as necessary: inventory fair value step-up recognition, incremental depreciation expense for property, plant and equipment fair value step-up and associated with reduction in lives of certain manufacturing assets, amortization of acquired intangible assets, in-process research and development charge, reorganization of businesses and other charges, impairment of intangible assets, and merger expenses. Adjusted gross margin and adjusted operating earnings are not recognized terms under generally accepted accounting principles (GAAP). Adjusted gross margin and adjusted operating earnings do not represent gross margin or operating (loss) earnings, as those terms are defined under GAAP, and should not be considered as alternatives to gross margin or operating (loss) earnings as an indicator of our operating performance. We have included information concerning adjusted gross margin and adjusted operating earnings because we use such information when evaluating gross margin and operating (loss) earnings to better evaluate the underlying performance of the Company. Adjusted gross margin and adjusted operating earnings as presented herein are not necessarily comparable to similarly titled measures.

EBITDA (earnings before interest, taxes, depreciation and amortization) excluding the effects of purchase accounting and other items is a non-U.S. GAAP financial measure. We have included information concerning EBITDA excluding the effects of purchase accounting and other items because we use such information when evaluating operating (loss) earnings to better evaluate the underlying performance of the Company. EBITDA excluding the effects of purchase accounting and other items does not represent, and should not be considered an alternative to, net income (loss), operating income (loss), or cash flow from operations as those terms are defined by U.S. GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. While EBITDA excluding the effects of purchase accounting and other items and similar measures are frequently used as measures of operations and the ability to meet debt service requirements by other companies, our use of this financial measure is not necessarily comparable to such other similarly titled captions of other companies.

Freescale Fourth Quarter 2007 Non-GAAP Reconciliations

Freescale Semiconductor Holdings I, Ltd. Adjusted EBITDA (Unaudited)

Provided below is a reconciliation of net loss to EBITDA to Adjusted EBITDA:

(in millions)	Three months ended December 31, 2007	Year ended December 31, 2007
Net loss	\$ (525)	\$ (1,613)
Interest expense, net	201	784
Income tax (benefit)	(270)	(886)
Depreciation and amortization*	493	2,121
EBITDA	(101)	406
Non-cash stock-based employee compensation (1)	12	45
Other non-cash charges (2)	452	870
Non-recurring/one-time items (3)	27	70
Cost savings (4)	-	38
Other defined terms (5)	21	96
Adjusted EBITDA	<u>\$ 411</u>	<u>\$ 1,525</u>

* Excludes amortization of debt issuance costs, which are included in interest expense, net.

- (1) Reflects non-cash stock-based employee compensation expense under the provisions of SFAS No. 123(R), *Share-based Payments*.
- (2) Reflects the non-cash charges related to purchase accounting adjustments for inventory, asset impairment charges and other non-cash items.
- (3) Reflects costs associated with Predecessor debt extinguishment, one-time Merger expenses and our reorganization of business program.
- (4) Reflects cost savings that we expect to achieve from certain initiatives where actions have begun or have already been completed.
- (5) Reflects other adjustments required in calculating our debt covenant compliance.

Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-U.S. GAAP measure used to determine our compliance with certain covenants contained in the Credit Facilities and the indentures governing the Senior Notes and Senior Subordinated Notes. Adjusted EBITDA is defined as EBITDA adjusted to add back certain non-cash, non-recurring and other items that are included in EBITDA and/or net income (loss), as required by various covenants in the indentures and the Credit Facilities. We believe that the presentation of Adjusted EBITDA for the three months and year ended December 31, 2007 is appropriate to provide additional information to investors to demonstrate compliance with our financing covenants. Our ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is tied to ratios based on Adjusted EBITDA.

Adjusted EBITDA does not represent, and should not be considered an alternative to, net income (loss), operating income (loss), or cash flow from operations as those terms are defined by U.S. GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. While Adjusted EBITDA and similar measures are frequently used as measures of operations and the ability to meet debt service requirements by other companies, our use of Adjusted EBITDA is not necessarily comparable to such other similarly titled captions of other companies. The definition of Adjusted EBITDA in the indentures and the Credit Facilities allows us to add back certain charges that are deducted in calculating EBITDA and/or net income (loss). However, some of these expenses may recur, vary greatly and are difficult to predict. Further, our debt instruments required that Adjusted EBITDA be calculated for the most recent four fiscal quarters. As a result, the measure can be disproportionately affected by a particularly strong or weak quarter. Further, it may not be comparable to the measure for any subsequent four-quarter period or any complete fiscal year.

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Reconciliation of Non-GAAP Measures
(Unaudited)

(in millions)	Three months ended December 31, 2007	Year ended December 31, 2007
Free cash flow	\$ (15)	\$ 72
Proceeds from sales of strategic investments and businesses	(32)	(32)
Capital expenditures	90	327
Proceeds from sales of property, plant, and equipment and assets held for sale	(1)	(19)
Payments for other assets	18	78
Cash flow provided by operations	<u>\$ 60</u>	<u>\$ 426</u>

Free cash flow is a non-GAAP financial measure which we define as cash flow provided by operations less capital expenditures. The most directly comparable GAAP measure is cash flow provided by operations. We use free cash flow to evaluate financial performance and in strategic planning, specifically, for investing and financing decisions. We believe free cash flow is a useful measure because it reflects the performance of overall operations more accurately than cash flow provided by operations and because it provides investors with the same results that we used as the basis for making decisions about the business. Free cash flow is not an indicator of residual cash available for discretionary spending because it does not take into account mandatory debt service or other non-discretionary spending requirements which are not deducted in the calculation of free cash flow. We take these limitations into account when using free cash flow to make investing and financing decisions.