

Freescale Semiconductor Reports Second Quarter 2006 Results

AUSTIN, Texas, July 20, 2006 – Freescale Semiconductor (NYSE: FSL, FSL.B), today reported its financial results for the second quarter ended June 30, 2006.

Second quarter 2006 highlights include:

- Net sales of \$1.60 billion;
- Gross margin of 46.0%;
- Net earnings of \$260 million;
- Diluted earnings per share of \$.61 including certain favorable one-time income tax items totaling \$14 million, or \$.03 per diluted share, and stock option expense of \$14 million or \$.03 per diluted share.

“As we celebrate the second anniversary of our IPO, the Freescale team continues to make solid progress on improving our operational performance and we are starting to see the benefit of our focus on accelerating revenue growth,” said Michel Mayer, chairman and CEO.

Second Quarter 2006

Sales

Net sales in the second quarter of 2006 were \$1.60 billion, compared to \$1.53 billion in the first quarter of 2006 and \$1.47 billion in the second quarter of 2005, representing sequential growth of 5% and year over year growth of 9%.

Net Earnings

Net earnings for the second quarter of 2006 were \$260 million, or \$.61 per diluted share, which included stock based compensation expense for stock options of \$.03 per diluted share.

This compares to \$212 million or \$.50 per diluted share in the first quarter of 2006, including stock option expense, and \$122 million or \$.29 per diluted share, reported without stock option expense, in the second quarter of 2005. Net earnings benefited from increased sales and higher gross margin performance compared to both the prior quarter and the prior year.

During the second quarter of 2006, the company recorded \$14 million in one-time, non-cash tax benefits associated with reducing its valuation allowance by \$10 million in one of its foreign entities and a \$4 million tax benefit associated with changes in tax legislation in the State of Texas.

Operating Earnings

Operating earnings for the second quarter of 2006 were \$251 million or 15.7% of net sales compared to \$207 million or 13.6% of net sales for the first quarter of 2006 and \$137 million or 9.3% of sales for the second quarter of 2005.

Operating Highlights

Gross margin for the second quarter of 2006 was 46%, compared to 45.3% in the first quarter of 2006 and 41% in the second quarter of 2005. Gross margin benefited primarily from higher sales and improvements to the company's product mix.

During the second quarter of 2006, the company repurchased 3.2 million shares of its common stock. Capital expenditures for the second quarter were \$227 million.

Cash, cash equivalents, short-term investments and marketable securities included in investments totaled \$3.2 billion in the second quarter of 2006.

Transportation and Standard Products

The Transportation and Standard Products segment reported net sales of \$697 million in the second quarter of 2006, compared to \$653 million in the first quarter of 2006 and \$651 million in the second quarter of 2005.

The segment's operating earnings were \$144 million in the second quarter of 2006 (21% of net sales), compared to \$129 million in the first quarter of 2006 and \$75 million in the second quarter of 2005.

Networking and Computing Systems

The Networking and Computing Systems segment reported net sales of \$370 million, compared to \$351 million in the first quarter of 2006 and \$387 million in the second quarter of 2005.

Operating earnings in the second quarter were \$102 million (28% of net sales), compared to \$81 million in the first quarter of 2006 and \$87 million in the second quarter of 2005.

Wireless and Mobile Solutions

The Wireless and Mobile Solutions segment reported net sales of \$514 million in the second quarter of 2006, compared to \$506 million in the first quarter of 2006 and \$417 million in the second quarter of 2005.

The segment generated operating earnings of \$26 million (5% of net sales) in the second quarter of 2006, compared to \$34 million in the first quarter of 2006 and an operating loss of (\$1) million in the second quarter of 2005.

Other Operations

Other operations, which includes revenues and expenses not directly attributed to any of the segments, reported an operating loss of (\$21) million in the second quarter of 2006 compared to operating losses of (\$37) million in the first quarter of 2006 and (\$24) million in the second quarter of 2005.

Third Quarter 2006 Outlook

For the third quarter of 2006, the company expects to report revenues of \$1.525 to \$1.625 billion. Gross margins for the third quarter of 2006 are expected to be essentially in-line with the second quarter of 2006. Third quarter 2006 results will include approximately \$14 million or \$.03 per share of expense associated with the redemption of \$400 million of the company's floating rate notes.

Conference Call and Webcast

Freescale's quarterly earnings call is scheduled to begin at 3:30 p.m. Central Daylight Time (USA) on Thursday, July 20, 2006. The company will offer a live webcast of the conference call via the Internet at www.freescale.com/investor.

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, which 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 the 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 the risks which are described in the company's Form 10-K for the year ended December 31, 2005 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. 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 2005 sales of \$5.8 billion (US).

www.freescale.com

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

	Three Months Ended		
	June 30, 2006	March 31, 2006	July 1, 2005
Net sales	\$ 1,599	\$ 1,526	\$ 1,472
Cost of sales	864	835	868
Gross margin	735	691	604
Selling, general and administrative	185	187	162
Research and development	299	297	300
Separation expenses	-	-	5
Operating earnings	251	207	137
Other income (expense):			
Interest income, net	8	12	1
Gains on sales of investments and businesses, net	1	-	-
Other, net	(3)	(1)	(2)
Total other income (expense)	6	11	(1)
Earnings before income taxes and cumulative effect of accounting change	257	218	136
Income tax (benefit) expense	(3)	13	14
Earnings before cumulative effect of accounting change	260	205	122
Cumulative effect of accounting change, net of income tax	-	7	-
Net earnings	\$ 260	\$ 212	\$ 122
<i>Earnings per common share before cumulative effect of accounting change:</i>			
Basic	0.64	0.50	0.30
Diluted	0.61	0.48	0.29
<i>Cumulative effect of accounting change per common share:</i>			
Basic	-	0.02	-
Diluted	-	0.02	-
<i>Net earnings per common share:</i>			
Basic	0.64	0.52	0.30
Diluted	0.61	0.50	0.29
<i>Weighted average common shares outstanding:</i>			
Basic	406	408	403
Diluted	424	425	420

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

	Three Months Ended		
	June 30, 2006	March 31, 2006	July 1, 2005
Net sales:			
Transportation and Standard Products	\$ 697	\$ 653	\$ 651
Networking and Computing Systems	370	351	387
Wireless and Mobile Solutions	514	506	417
Other	18	16	17
Segment totals	<u>\$ 1,599</u>	<u>\$ 1,526</u>	<u>\$ 1,472</u>
Operating earnings:			
Transportation and Standard Products	\$ 144	\$ 129	\$ 75
Networking and Computing Systems	102	81	87
Wireless and Mobile Solutions	26	34	(1)
Other	(21)	(37)	(24)
Segment totals	<u>\$ 251</u>	<u>\$ 207</u>	<u>\$ 137</u>

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

	<u>June 30,</u> <u>2006</u> <small>(Unaudited)</small>	<u>December 31,</u> <u>2005</u>
ASSETS		
Cash, cash equivalents and short-term investments	\$ 1,487	\$ 1,421
Accounts receivable, net	605	535
Inventories	693	647
Other current assets	343	367
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Total current assets	3,128	2,970
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Property, plant and equipment, net	2,159	2,035
Investments	1,736	1,616
Other assets	581	549
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Total assets	\$ 7,604	\$ 7,170
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Notes payable and current portion of long-term debt and capital lease obligations	\$ 407	\$ 7
Accounts payable	593	469
Accrued liabilities and other	571	663
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Total current liabilities	1,571	1,139
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Long-term debt	831	1,230
Other liabilities	357	354
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Total stockholders' equity	4,845	4,447
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Total liabilities and stockholders' equity	\$ 7,604	\$ 7,170
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