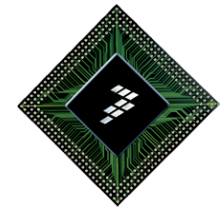


Ken Davis
Corporate Economist

June 27, 2007

Supplier Day 2007

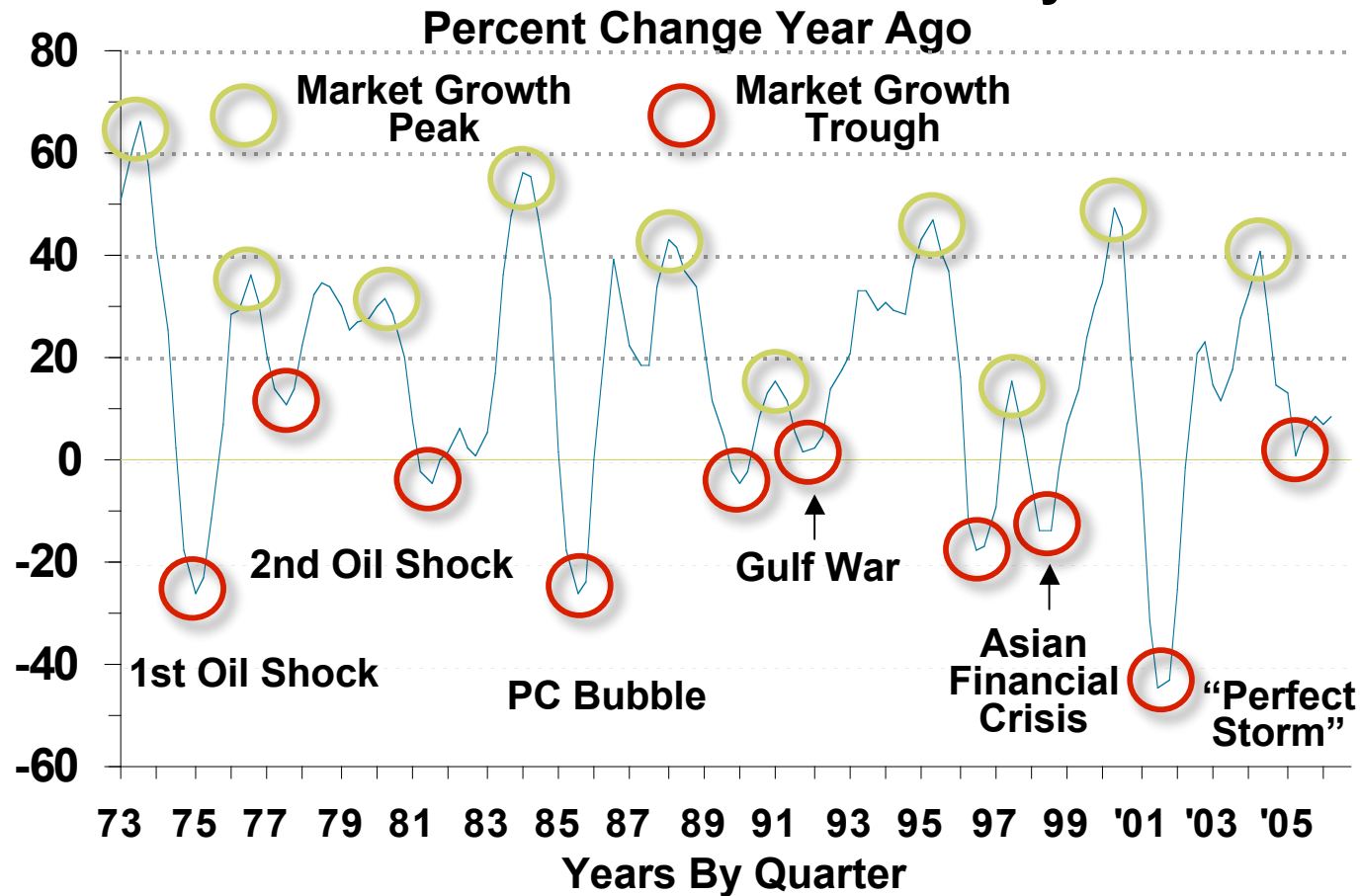
Semiconductor Market Overview



**Last June,
The semiconductor market
appeared to be in the early
stages of an expansion**

Semiconductor Market: In Modest Expansion

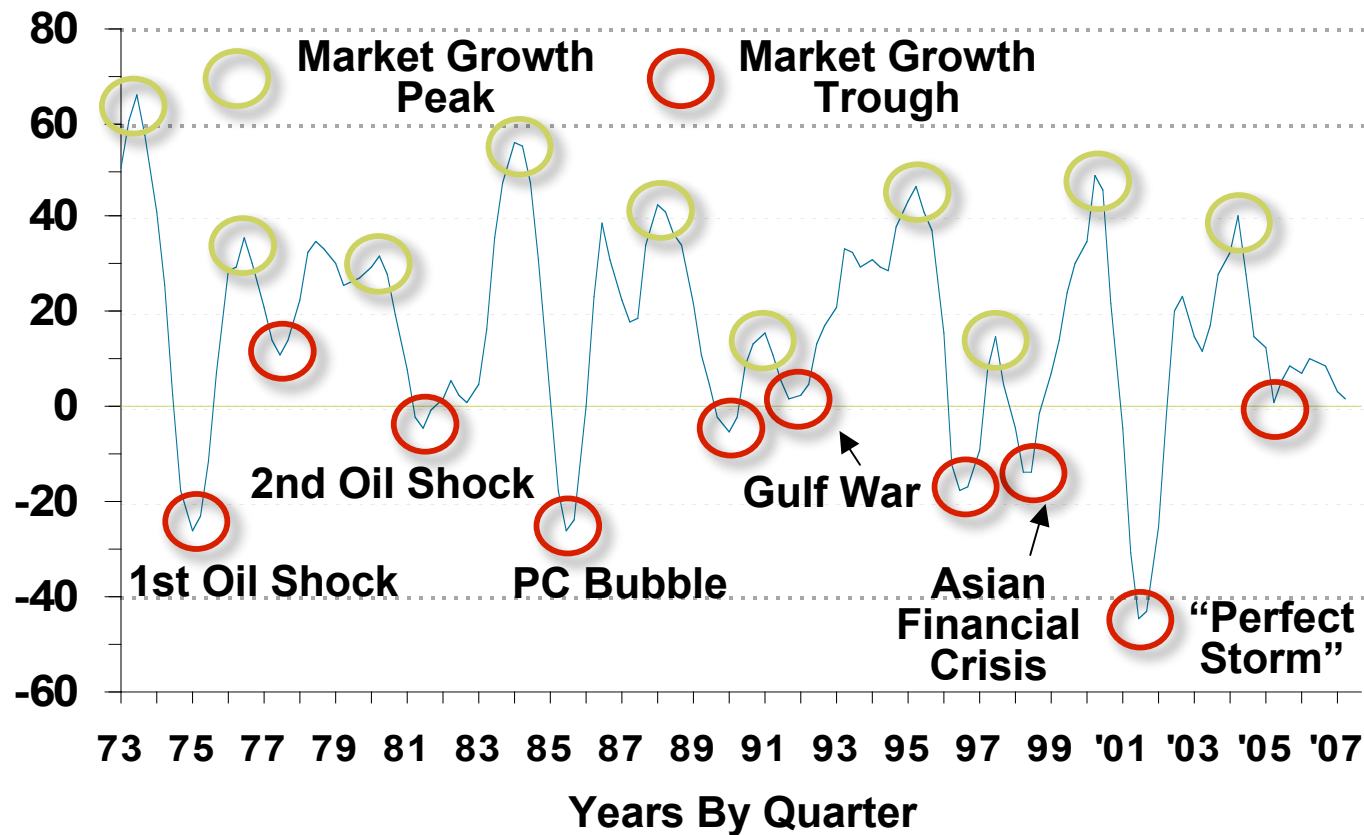
World Semiconductor Market Cycles



Semiconductor Market: In Sluggish Expansion

World Semiconductor Market Cycles

Percent Change Year Ago



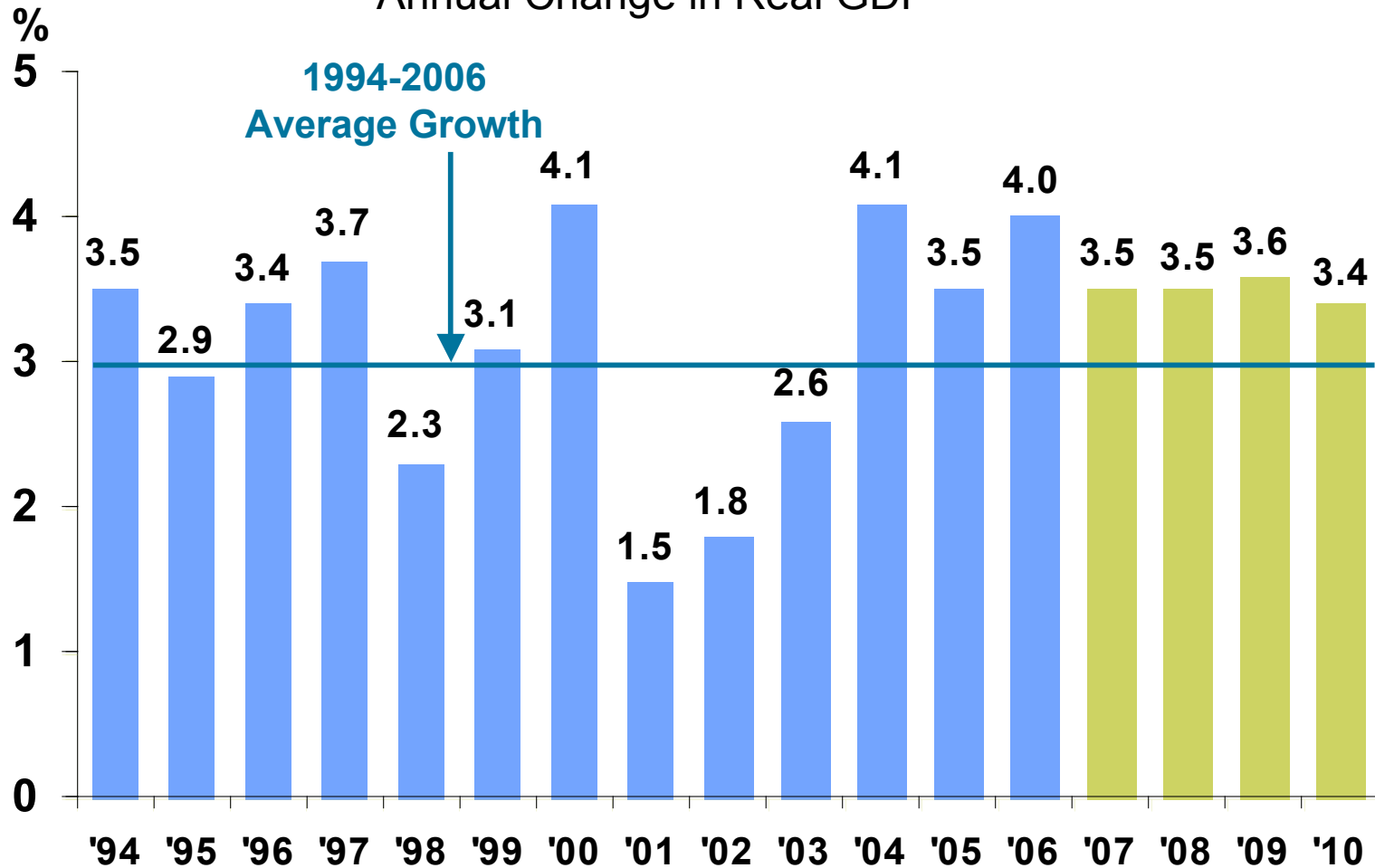
Sharply Lower Semiconductor Market Growth Forecasts Percent Change

Gartner	2007	2008	2009	2010	Forecast Horizon
June 2006	8.9	14.0	0.7	8.6	7.9
June 2007	2.5	8.7	7.2	0.9	4.8
SIA					
June 2006	11.0	12.0	4.0	NA	8.9
June 2007	1.8	7.9	5.8	6.2	5.4

What are the drivers of this slower growth?

Healthy World Economic Growth is Supporting Semiconductor Market Growth

Annual Change in Real GDP

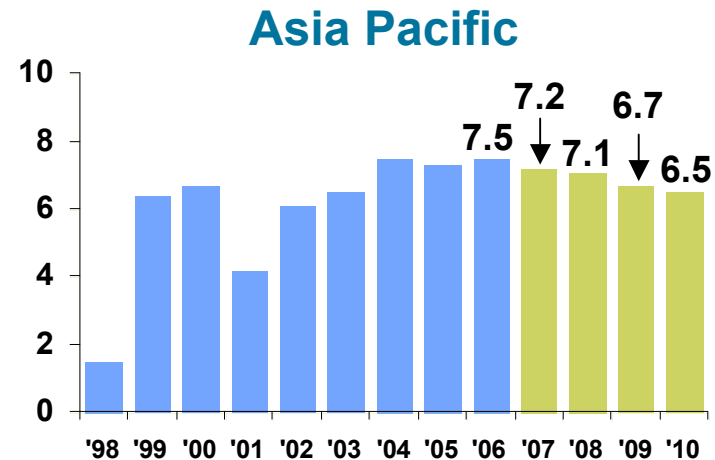
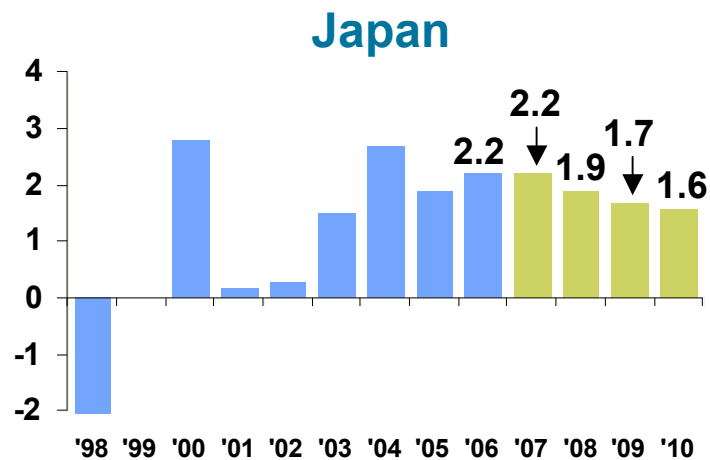
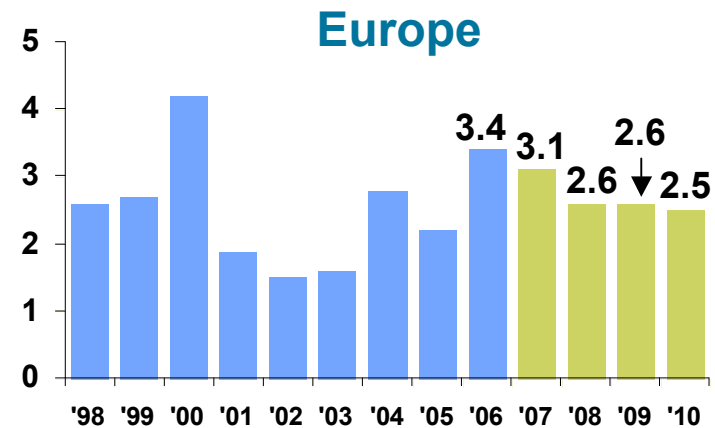
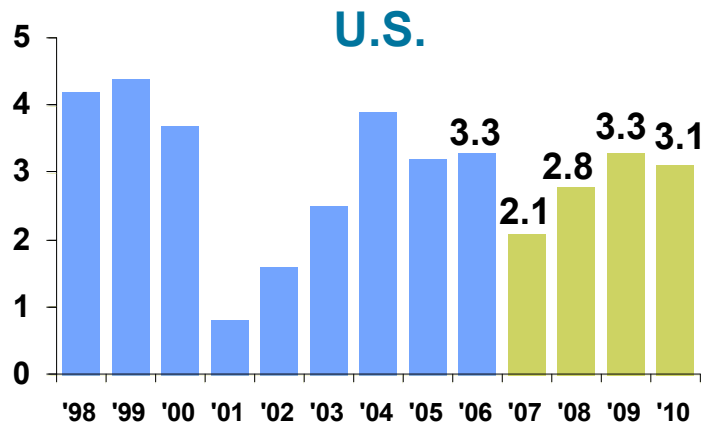


Forecast: Global Insight

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Greater Regional Balance With Asia Pacific Still Setting the Pace

Annual % Change in Real GDP

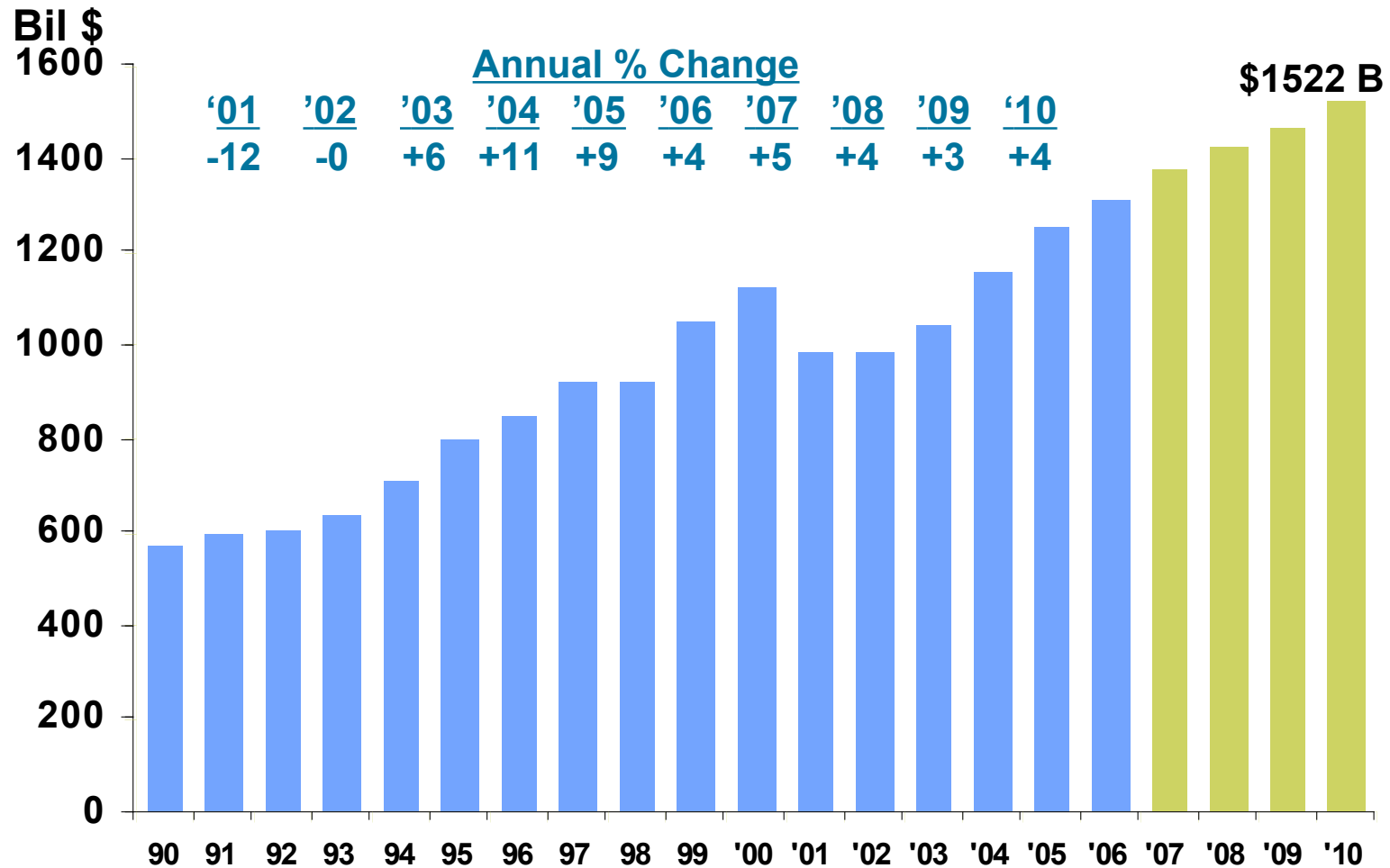


Forecast: Global Insight

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World Electronics Setting New Highs

Billion of Dollars

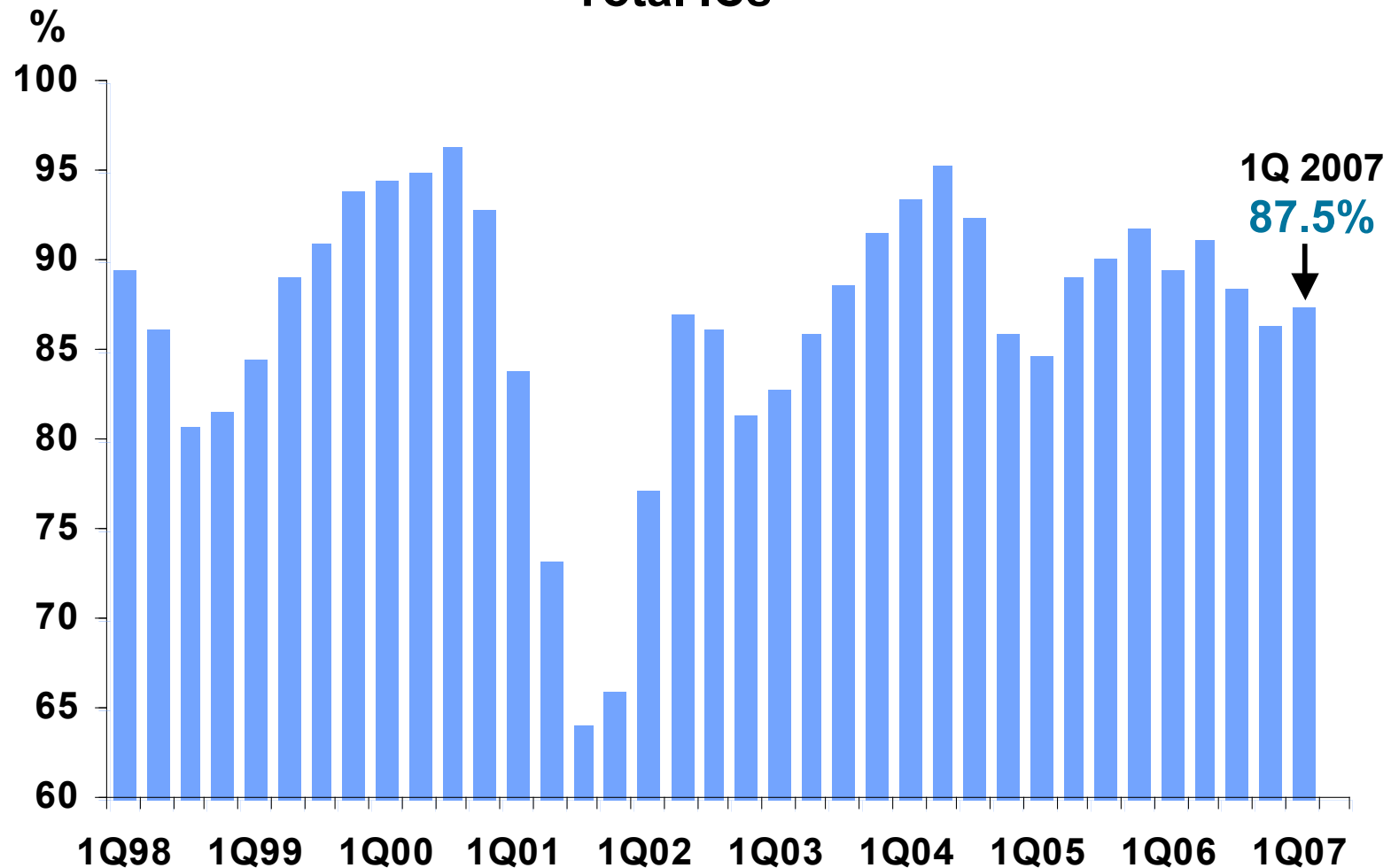


Forecast: Gartner

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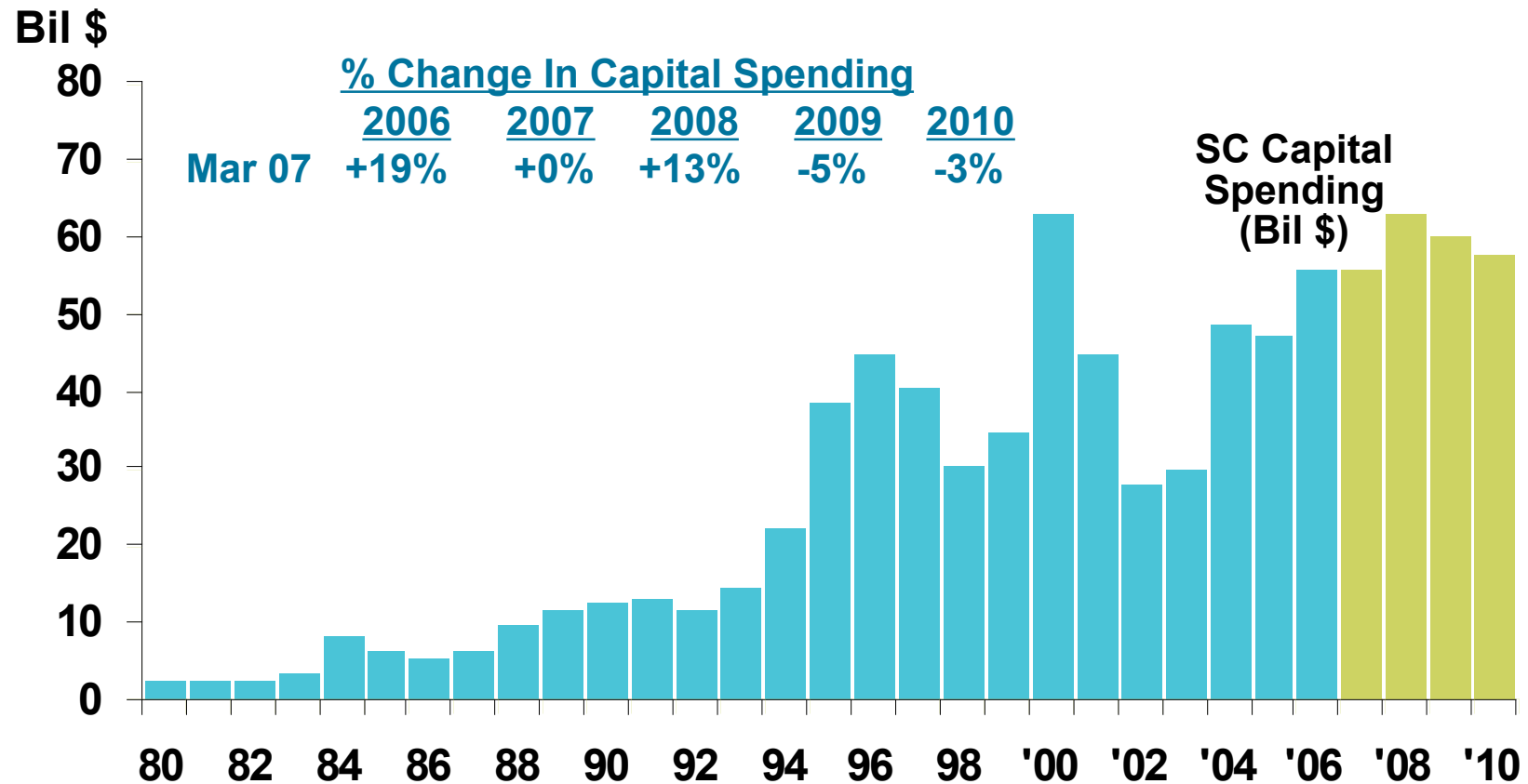
Capacity Utilization Moving Higher in 1Q 2007

Total ICs



Source: Semiconductor International Capacity Statistics (SICAS)

Moderate Semiconductor Capital Spending



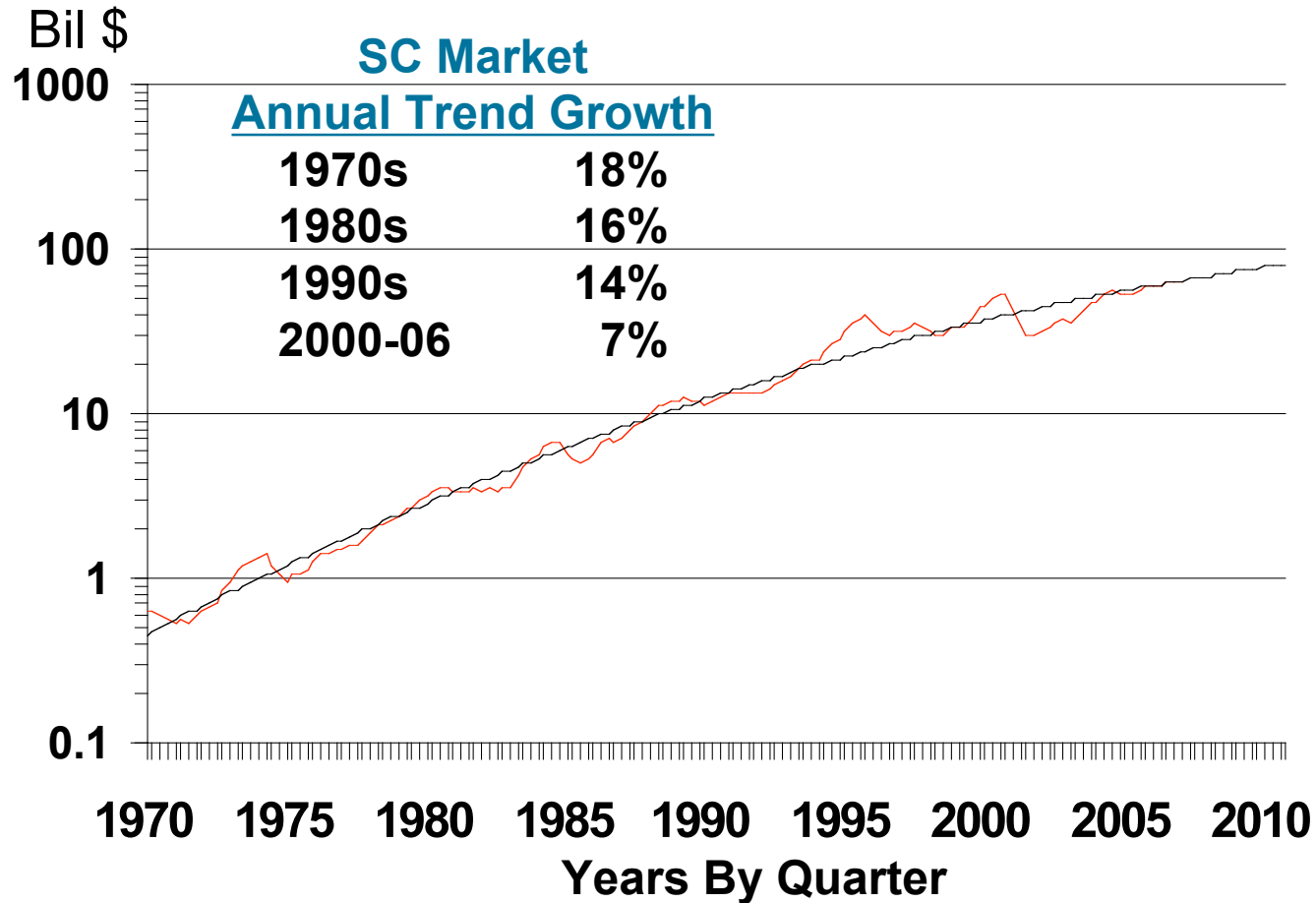
Source: Gartner

**“In this environment,
price pressures are everywhere
and they will only get worse.”**

**Bryan Lewis
Gartner Vice-President**

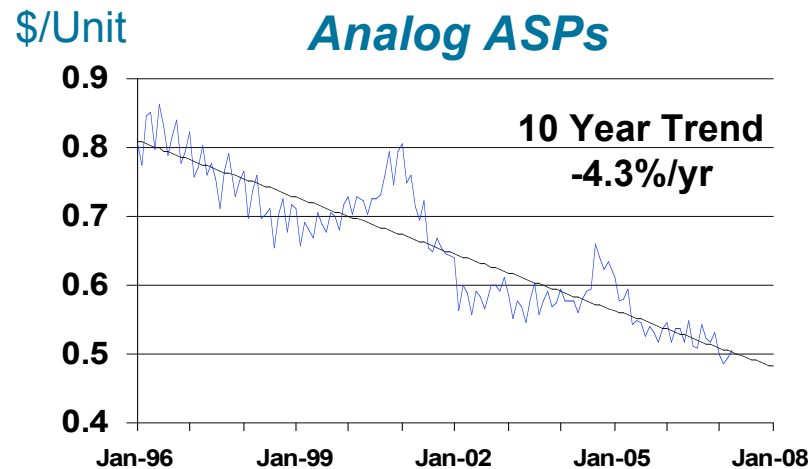
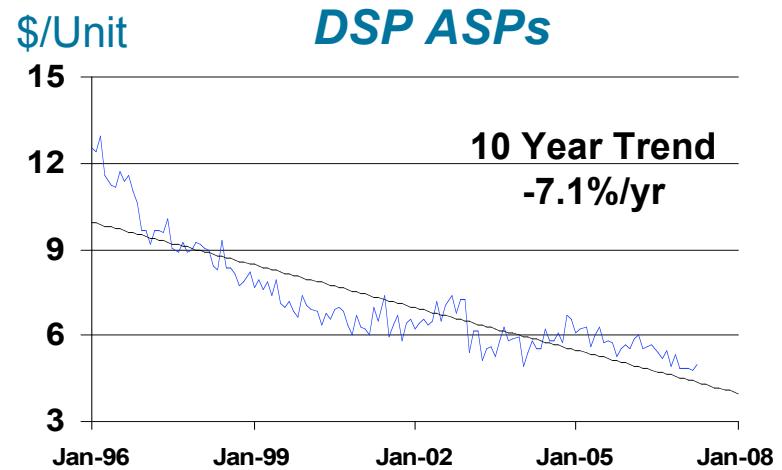
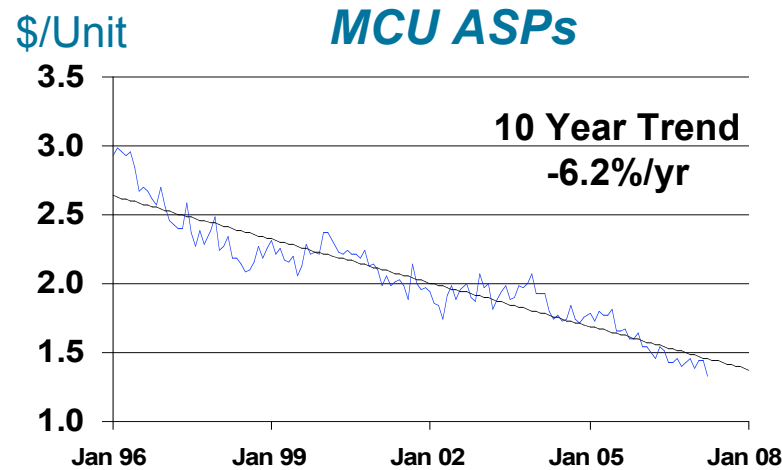
Slowing Long-term Trend

Semiconductor Market Revenues in Billions of Dollars



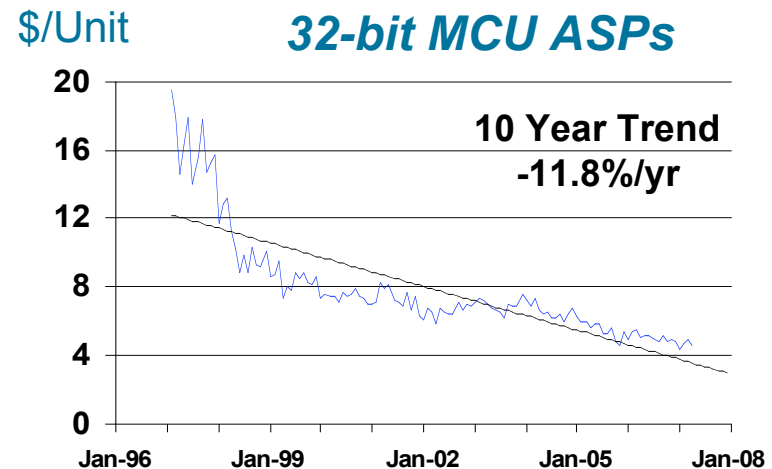
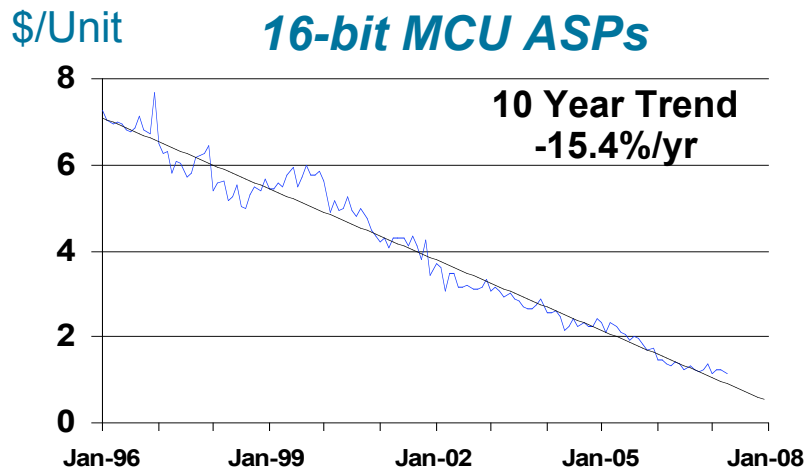
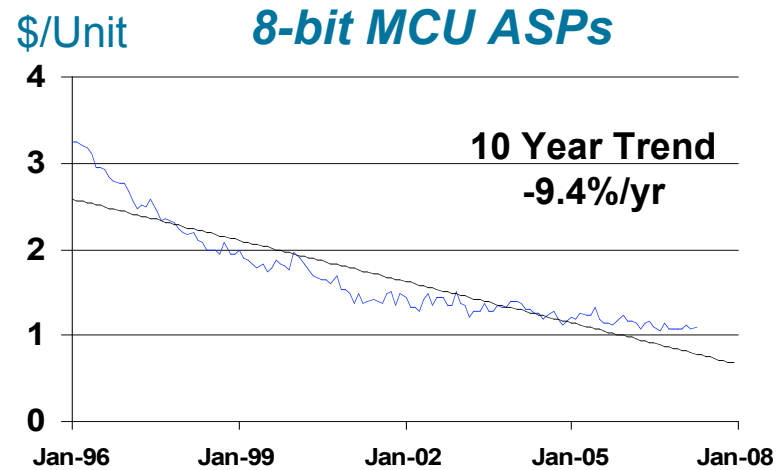
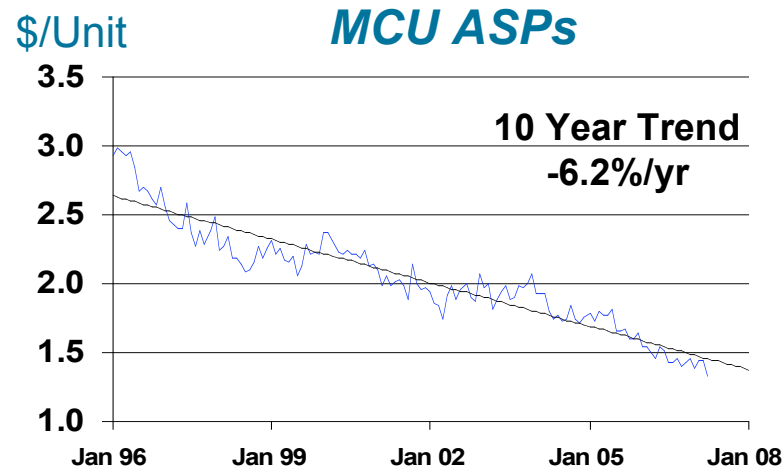
Source: WSTS, Freescale Strategy

Semiconductor Pricing Weakness is Widespread



Source: WSTS

Mix Shifts Within Products Mask The Extent Of The Semiconductor Pricing Weakness Issue

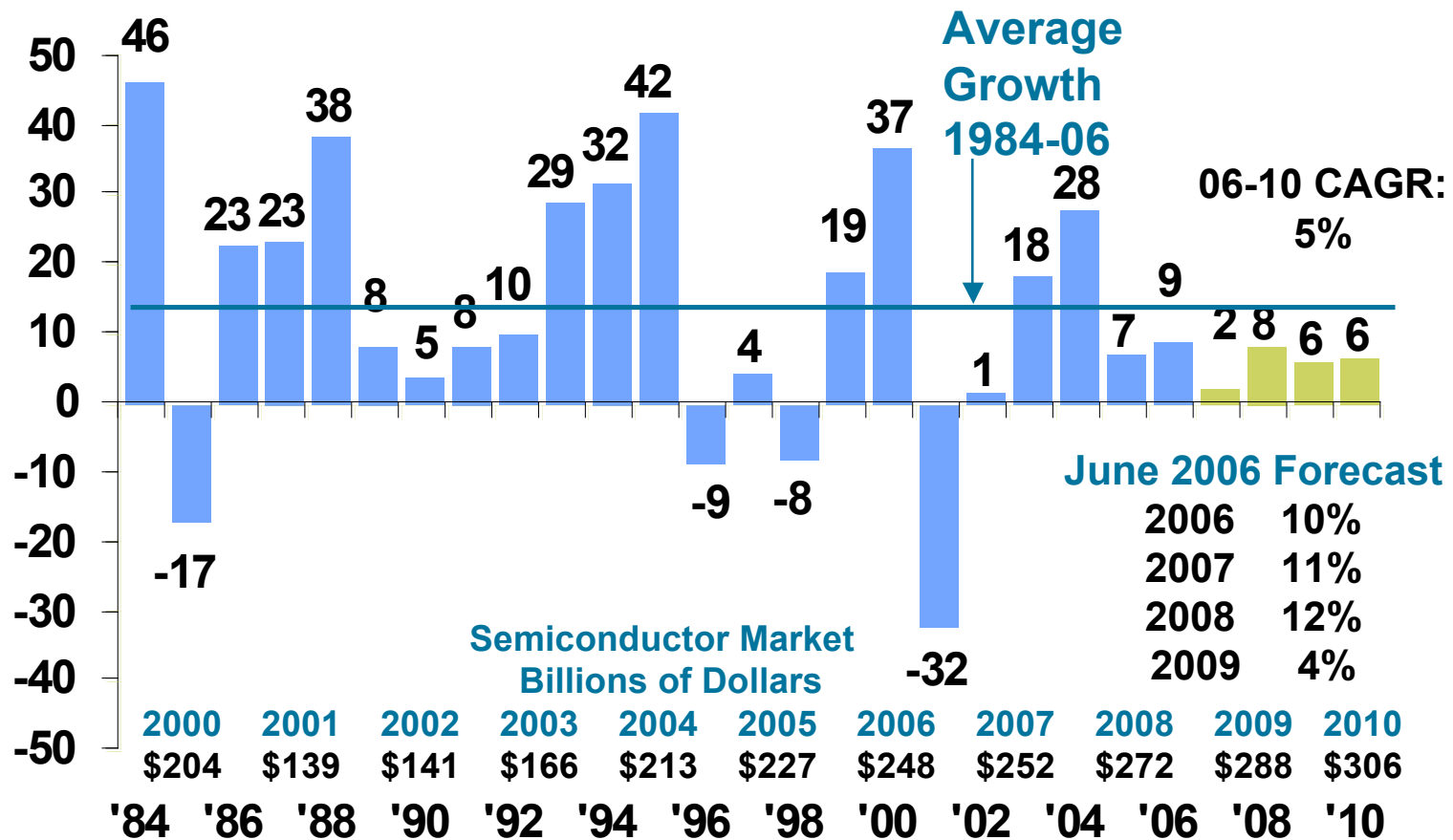


Source: WSTS

SIA Semiconductor Market Forecast

World Semiconductor Market Revenues

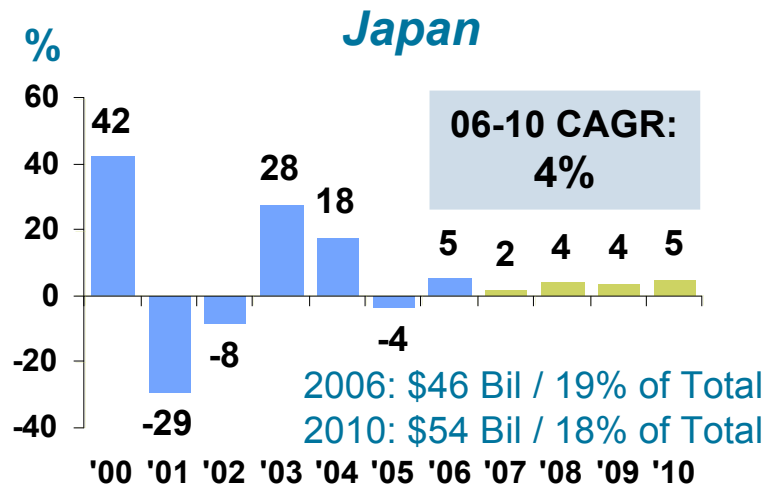
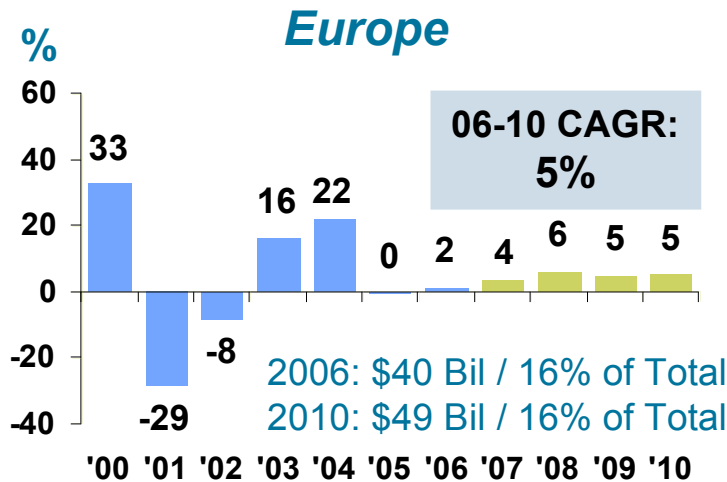
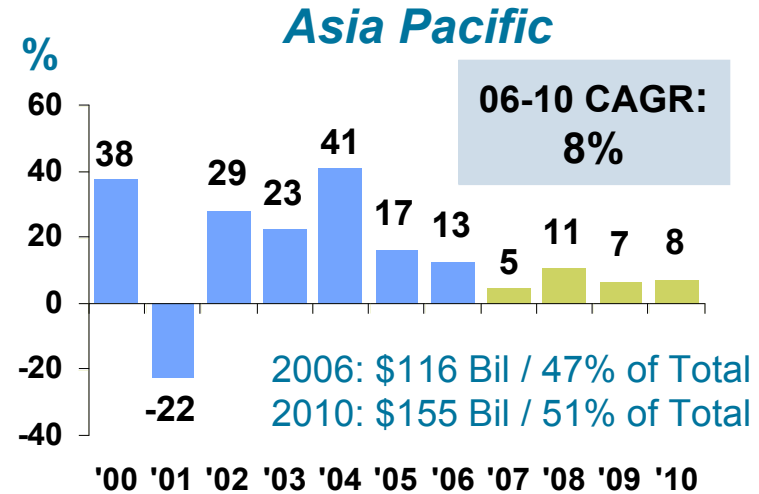
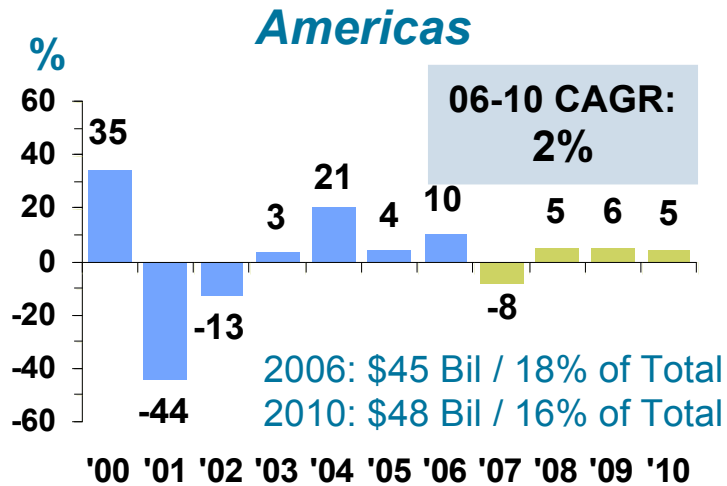
Annual % Change



Source: Semiconductor Industry Association

Semiconductor Market Growth By Region

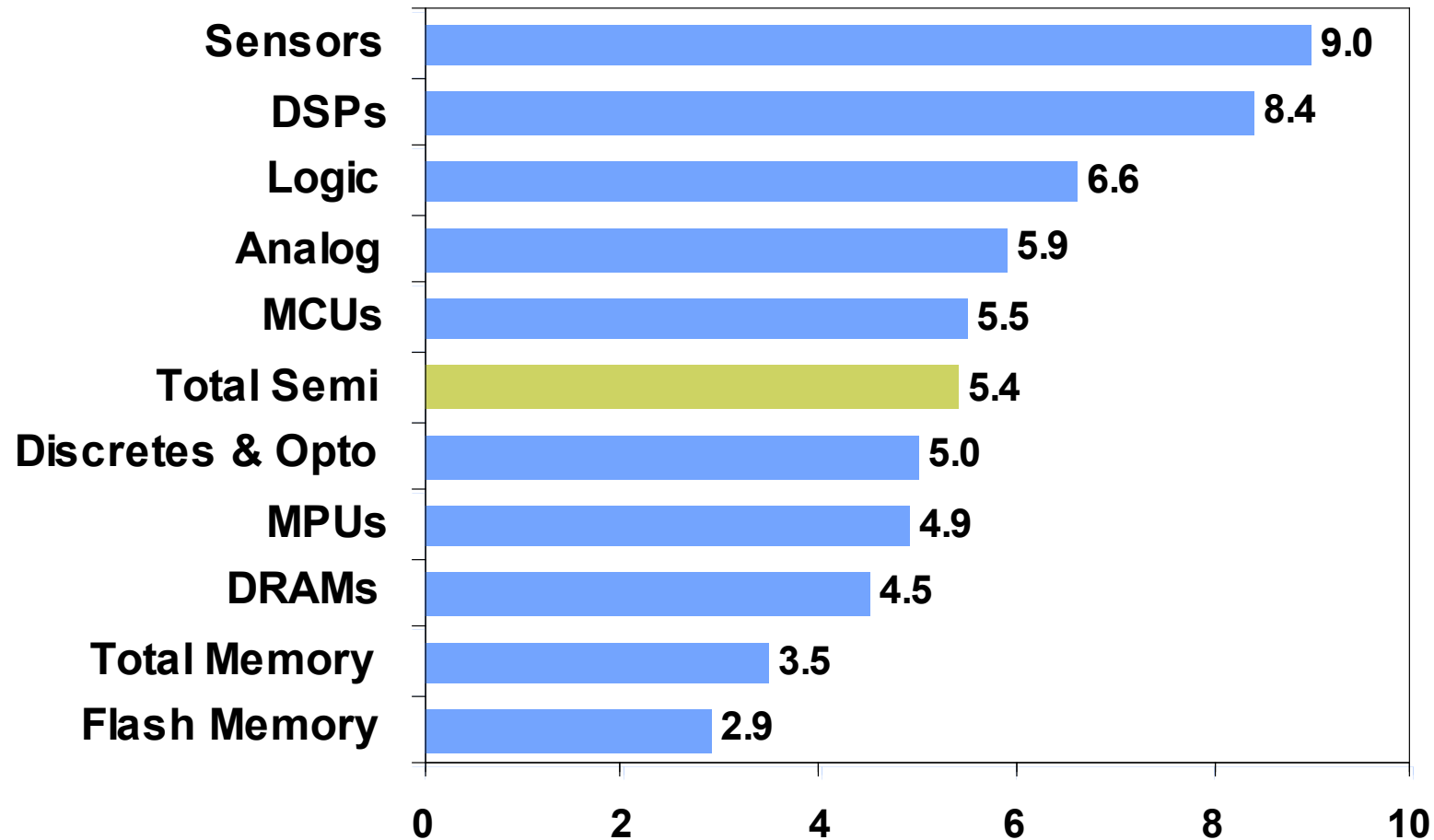
Source: Semiconductor Industry Association, Annual % Change



SIA June 2007

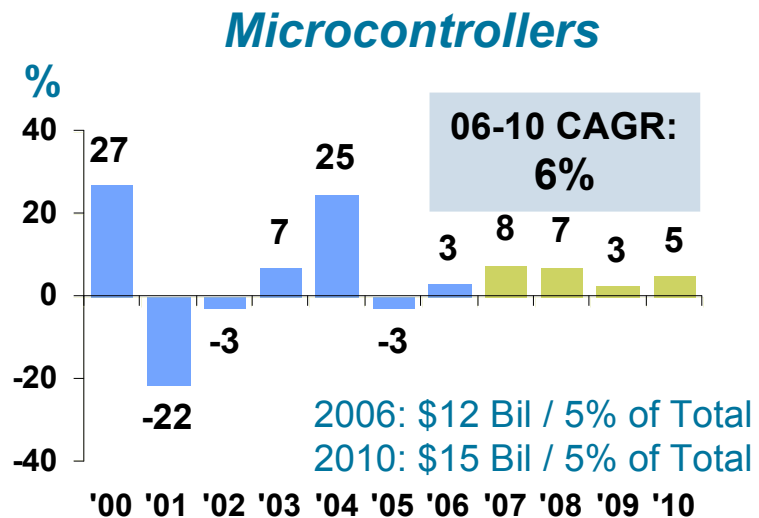
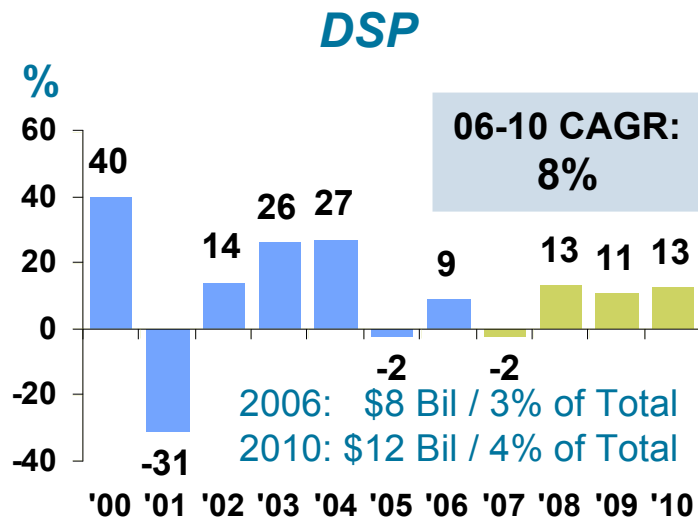
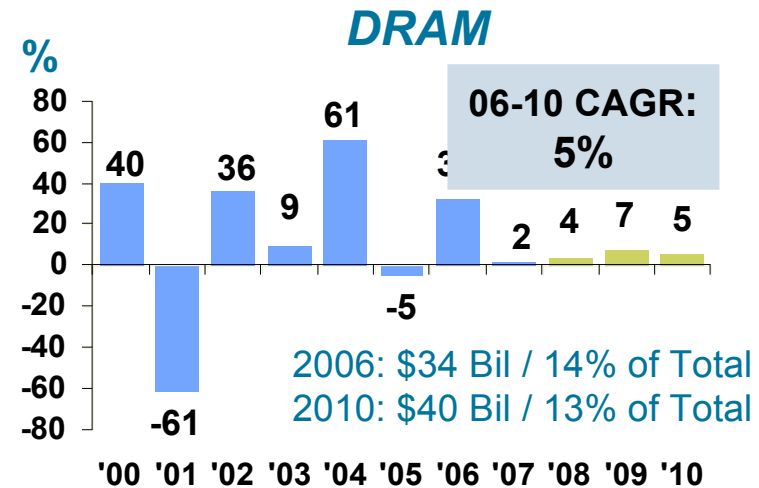
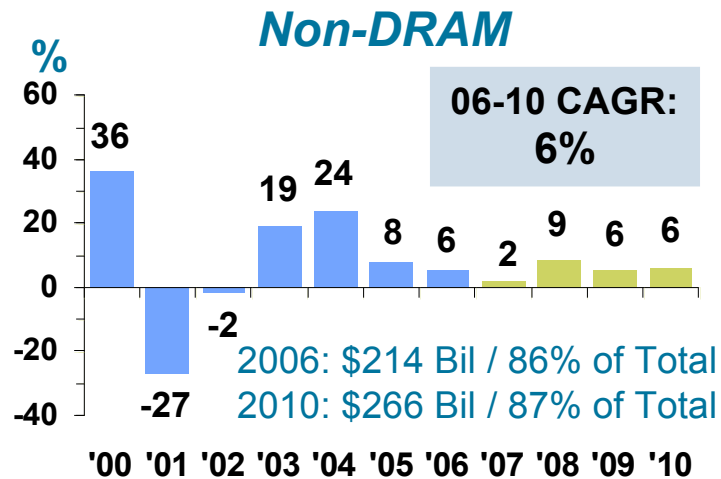
Semiconductor Market Forecast

2006-2010% CAGR



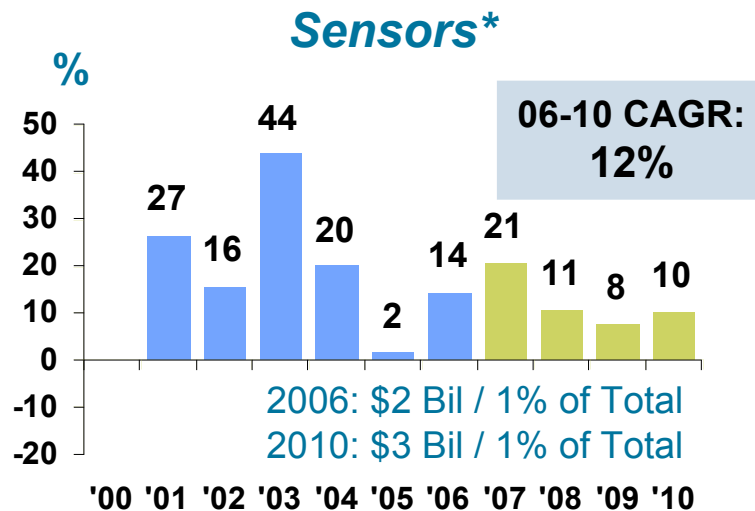
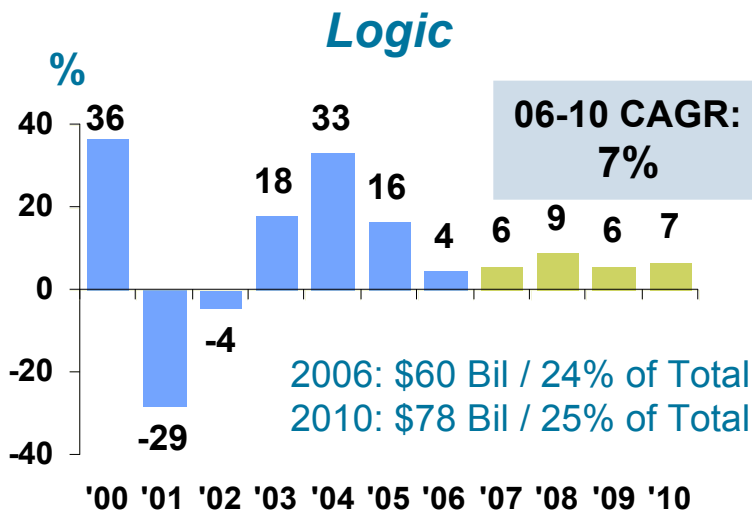
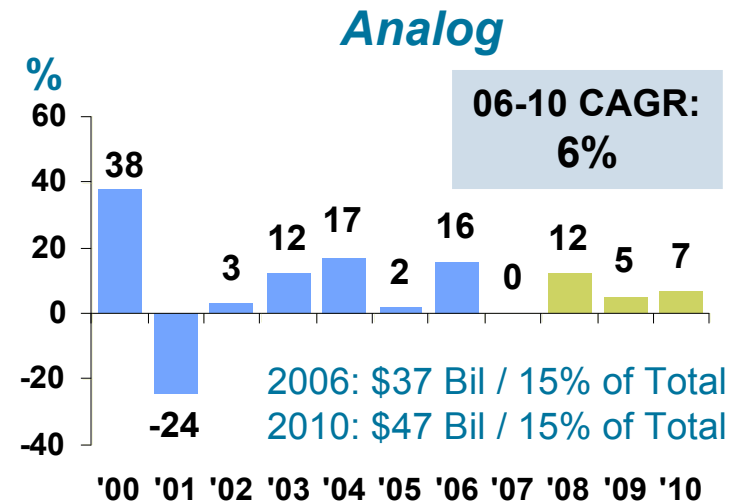
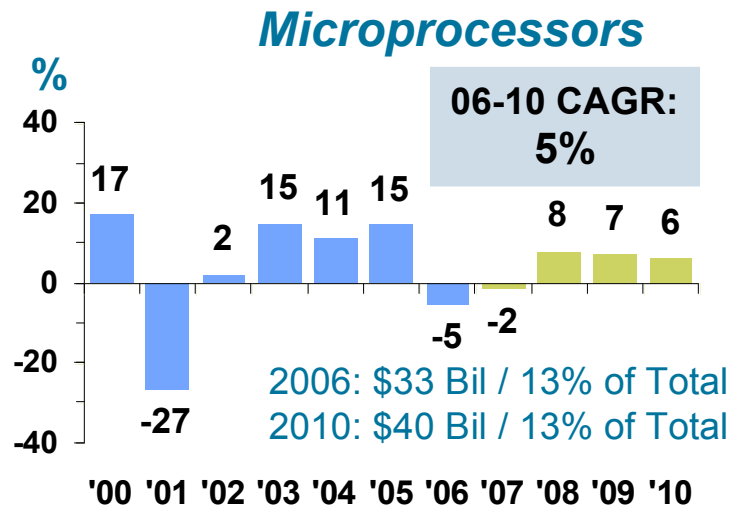
Semiconductor Market Growth By Product

Source: Semiconductor Industry Association, Annual % Change



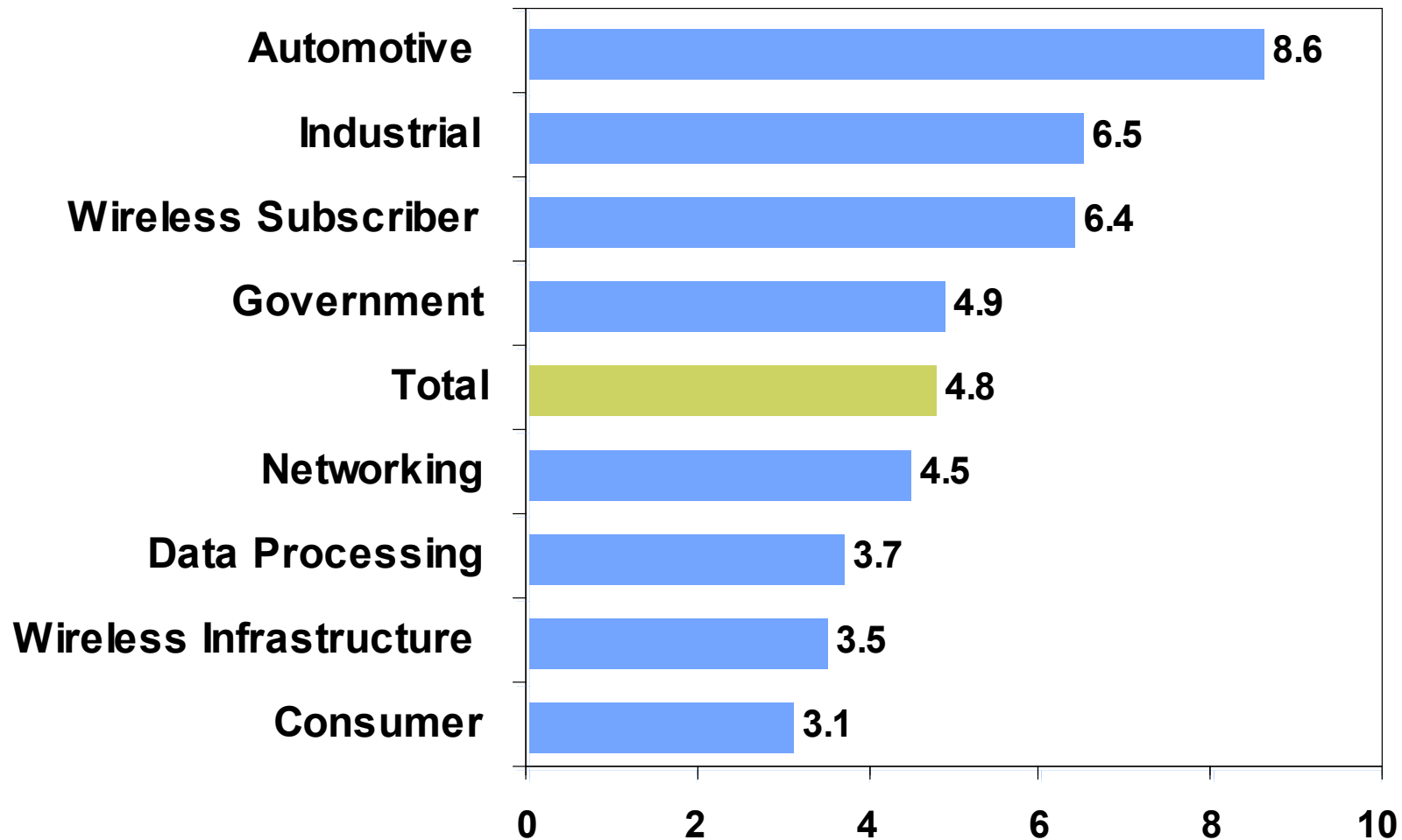
Semiconductor Market Growth By Product

Source: Semiconductor Industry Association, Annual % Change



* Excluding Actuators

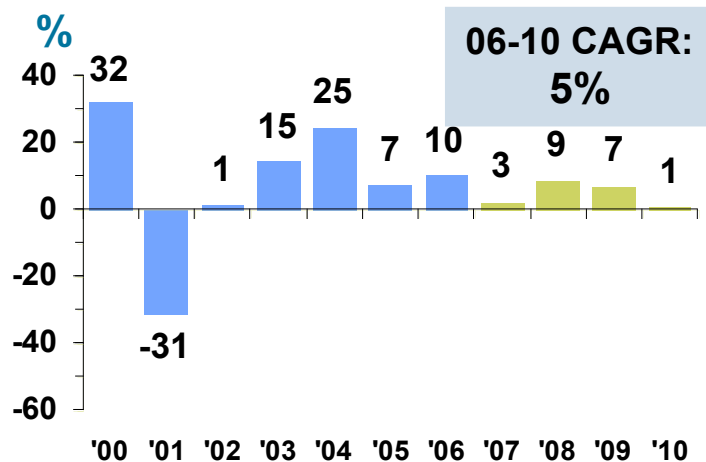
Gartner May 2007 Semiconductor Market Forecast 2006-2010% CAGR



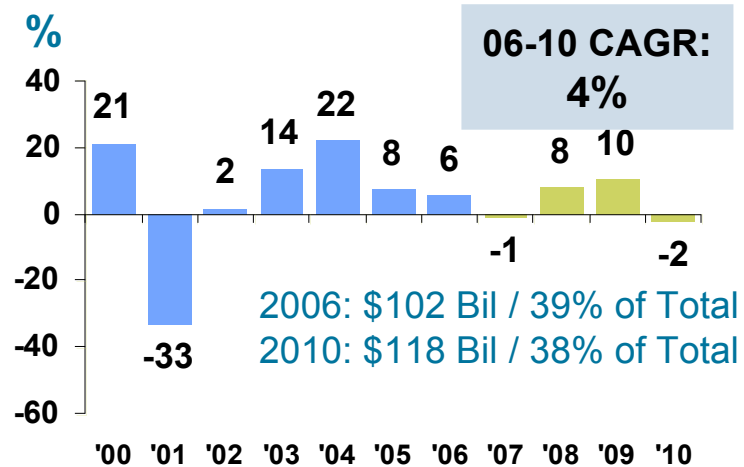
Semiconductor Market Growth By End-market

Source: Gartner May 2007, Annual % Change

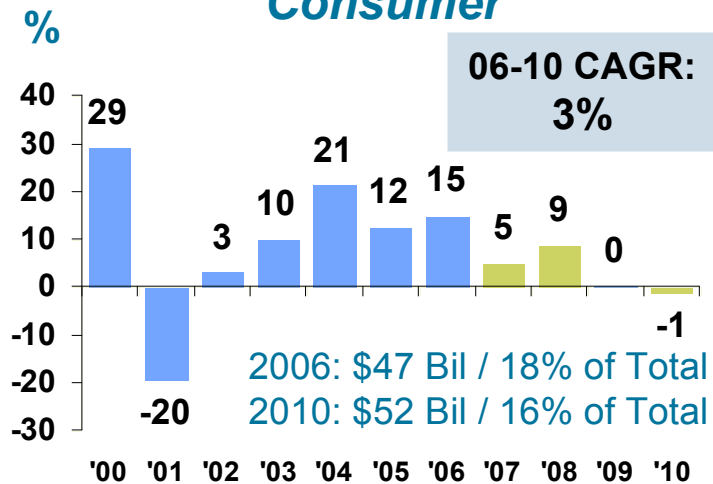
Total



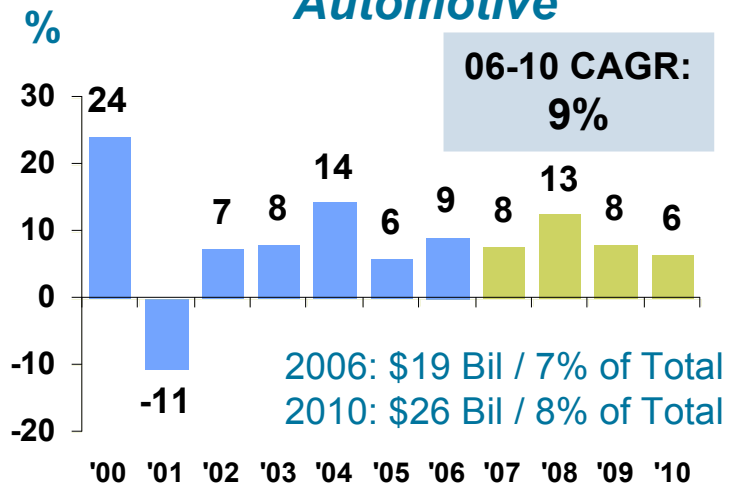
Data Processing



Consumer

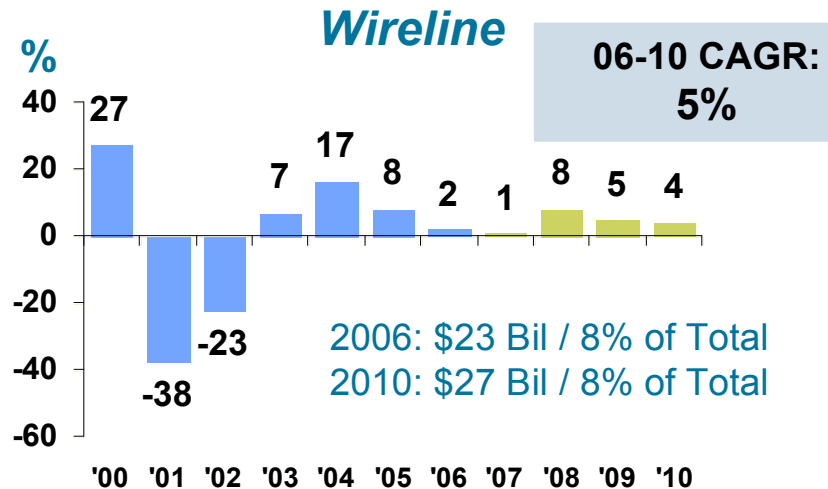
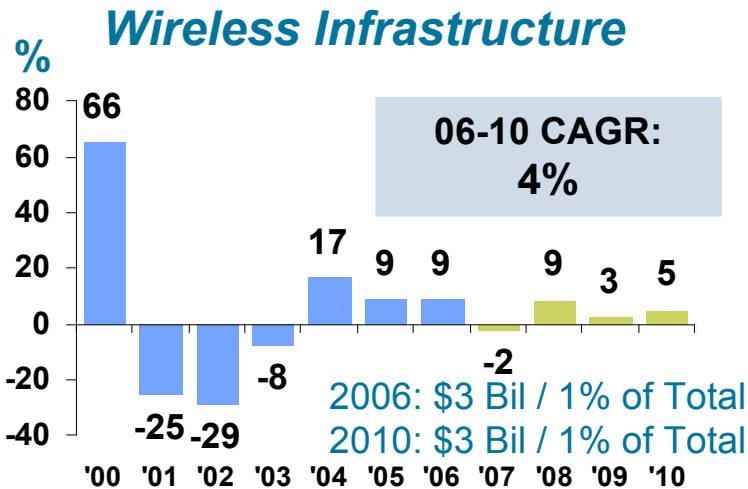
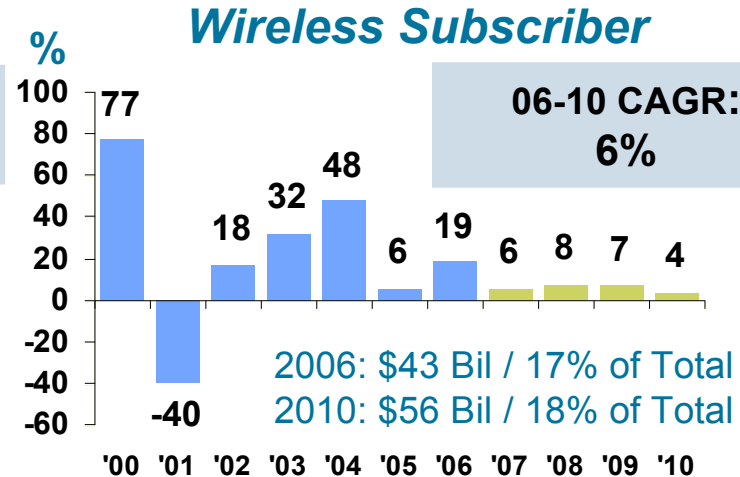
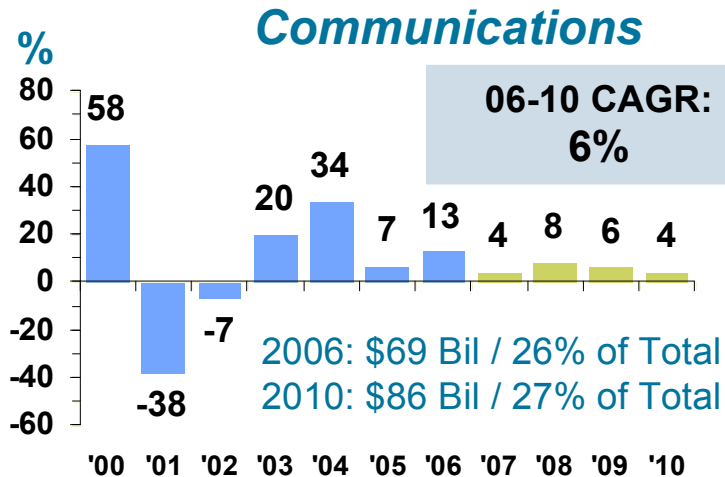


Automotive



Semiconductor Market Growth By End-market

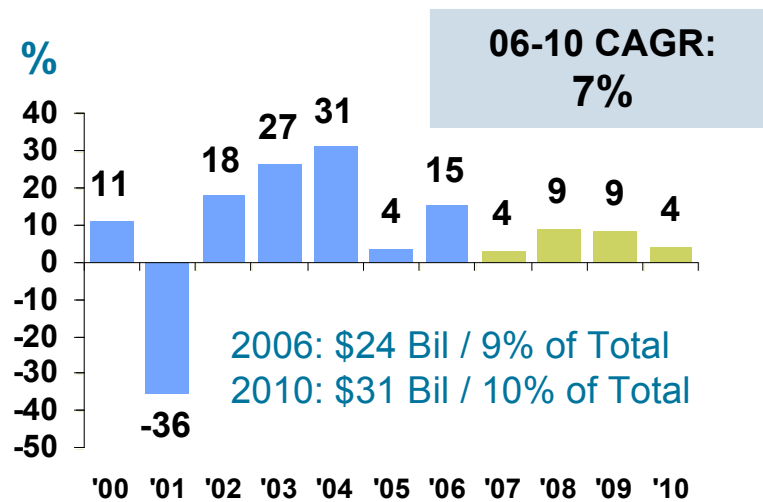
Source: Gartner May 2007, Annual % Change



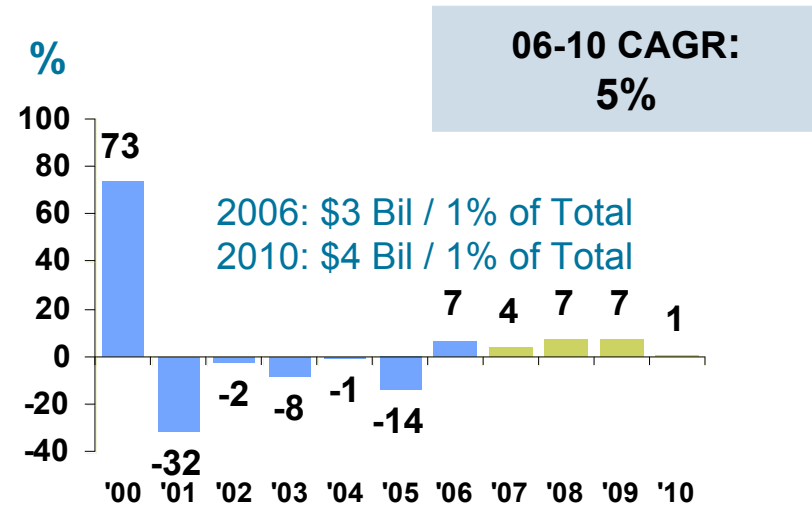
Semiconductor Market Growth By End-market

Source: Gartner May 2007, Annual % Change

Industrial



Military



Summary

- ▶ Expectations for semiconductor market growth have been sharply lowered
- ▶ The historically volatile semiconductor market cycle will be much more stable
- ▶ Semiconductor pricing weakness is a major contributor to the slowing long-term semiconductor market growth rate
- ▶ Freescale needs the help of all its suppliers to succeed in this increasingly challenging environment

