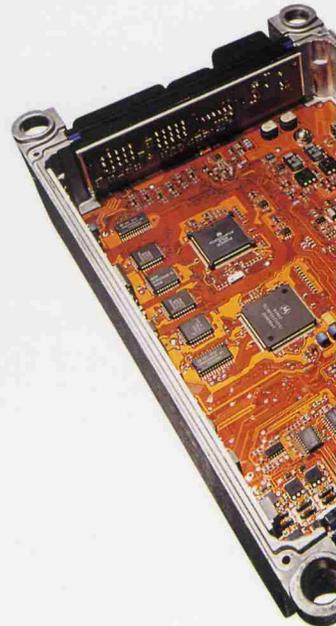
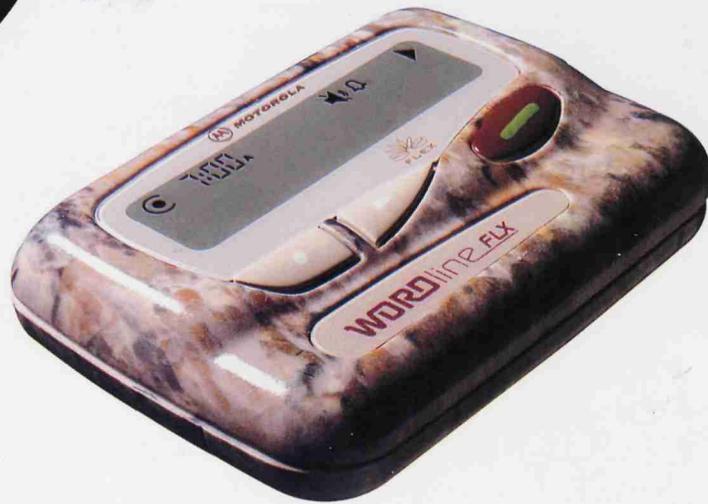




MOTOROLA



w e e n a b l e . . .

1996 summary annual report

At Motorola, we enable...

c o n s u m e r s

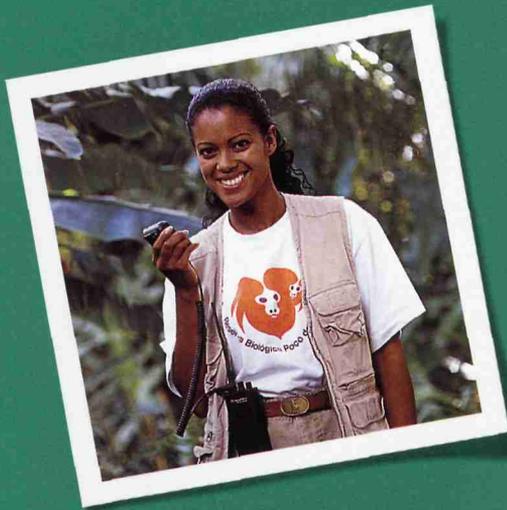
to stay in touch,

c u s t o m e r s

to delight their customers, and

i n d u s t r i e s

to be conceived and developed.



In short, Motorola enables **p e o p l e**
to do what they want to do.

The World Wildlife Fund is using two-way communications equipment supplied by Motorola to protect the earth's endangered wildlife and wildlands.

Photos: page 6, Iguazu, Argentina; page 8, Milwaukee, Wis.; page 10, Weishan, Shandong Province, China; page 12, Kronberg, Germany.

Contents

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and other friends **2**

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CEO quality awards and
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Stockholder reference
information **inside back cover**

M o t o r o l a is one of the world's leading providers

of wireless communications, semiconductors and
advanced electronic systems, components and services.

Major equipment businesses include cellular telephone,
two-way radio, paging and data communications,

personal communications, automotive, defense and

space electronics and computers. Motorola semicon-

ductors power communication devices, computers

and millions of other products.

financial highlights

(In millions, except as noted)

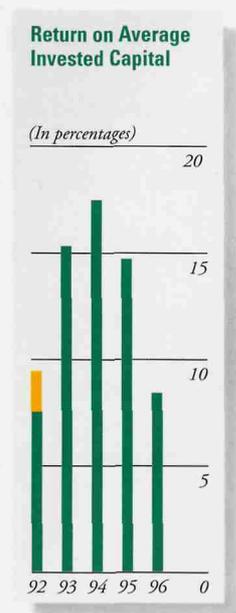
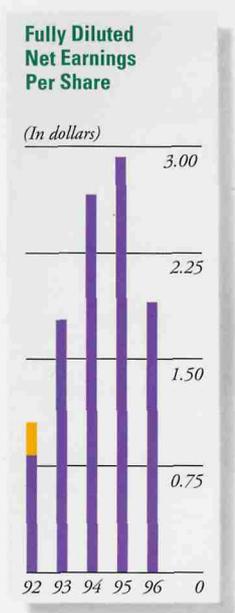
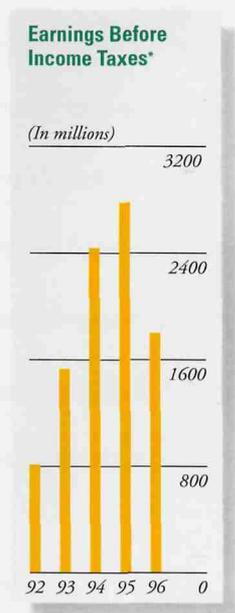
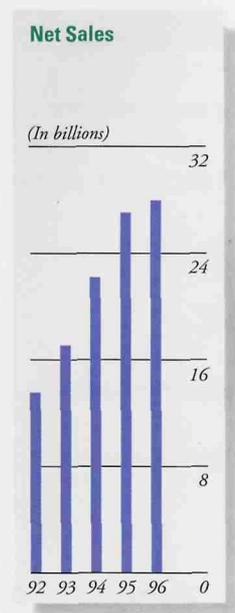
Motorola, Inc. and Consolidated Subsidiaries

Years ended December 31	1996	1995
Net sales	\$27,973	\$27,037
Earnings before income taxes	1,775	2,782
% to sales	6.3%	10.3%
Net earnings	1,154	1,781
% to sales	4.1%	6.6%
Fully diluted net earnings per common and common equivalent share (in dollars) ¹	1.90	2.93
Research and development expenditures	2,394	2,197
Fixed asset expenditures	2,973	4,225
Working capital	3,324	2,717
Current ratio	1.42	1.35
Return on average invested capital ²	8.4%	14.7%
Return on average stockholders' equity	10.0%	17.7%
% of net debt to net debt plus equity ³	13.4%	19.9%
Book value per common share (in dollars)	19.88	18.57
Year-end employment (in thousands)	139	142

¹Primary earnings per common and equivalent share were the same as fully diluted for the years ended December 31, 1996 and December 31, 1995.

²Average invested capital is defined as stockholders' equity plus long and short-term debt less short-term investments (including those short-term investments categorized as cash equivalents).

³Includes short-term investments categorized as cash equivalents.



*And cumulative effect of change in accounting principle

■ Before cumulative effect of change in accounting principle

■ Before cumulative effect of change in accounting principle



Christopher B. Galvin

Motorola's financial performance in 1996 was below the expectations of ourselves and our investors. At the same time, we focused on making changes that are designed to set the stage for an improvement in performance and a renewal of growth in profitability later in 1997.

The first centerpiece of our efforts is a renewed focus on the customer—knowing what our customers want, and serving their needs better and more quickly than any competitor. The second centerpiece of our ongoing effort is more selective and

strategic investment—in technologies and businesses where we will lead. The pages of this year's report stress the ways in which Motorola enables consumers to improve their lives in ways they might not have expected. Motorola's opportunities have never been greater.

Financial Results Sales in 1996 rose 3% to \$28.0 billion from \$27.0 billion in 1995. Earnings were \$1.15 billion, or \$1.90 per fully diluted common and common equivalent share, compared with \$1.78 billion, or \$2.93 per share, a year ago. Net margin on sales was 4.1% in 1996 and 6.6% in 1995.

The main factor contributing to the decline in earnings and slowdown in sales growth in 1996 was the recession in the semiconductor industry. Other factors included product deficiencies in certain segments of the cellular telephone and modem businesses, slower sales in the U.S. paging business in the fourth quarter, and their impact on related component products such as rechargeable batteries. As the year ended, we began to see signs of improvement in our semiconductor business as the industry cycle turns up and in our cellular phone businesses as a result of introducing leadership digital phone product in the third and fourth quarters of 1996.

During 1996 many of our businesses implemented actions to reduce operating expenses, including workforce adjustments

o p p

and reductions in work schedules and manufacturing run rates. We also deferred capital expenditures, especially in the Semiconductor Products Sector.

Summary operating and financial results of our various business segments appear on page 22. Detailed results appear in the Proxy Statement, as well as on the Internet at www.motorola.com.

Management Transition Anticipating a required age-related retirement from the Motorola Board of Directors in May of 1997, William J. Weisz made a transition from chairman to vice chairman of the Board of Directors at the end of 1996. As part of Motorola's succession planning process, a subsequent series of changes took place in the Office of the Chief Executive.

Gary L. Tooker, formerly vice chairman and chief executive officer, was elected chairman of the Board. Christopher B. Galvin, formerly president and chief operating officer, succeeded Mr. Tooker as chief executive officer. Robert L. Growney succeeded Mr. Galvin as president and chief operating officer.

A number of changes also took place in Motorola's business sectors. James A. Norling succeeded Mr. Growney as president and general manager of the Messaging, Information and Media Sector. Hector Ruiz, formerly executive vice president and general manager of the Messaging Systems Products Group,



Robert L. Growney

is to become president and general manager of the Semiconductor Products Sector on May 15, 1997. He will succeed Thomas D. George, who plans to retire later in 1997.

Edward F. Staiano, formerly executive vice president of Motorola and president and general manager of the General Systems Sector, retired from Motorola and became vice chairman and chief executive officer of Iridium LLC, the private international consortium that will operate the IRIDIUM® global wireless communications network. Jack Scanlon was elected president and

o r t u n i t i e s



Gary L. Tooker

general manager of the newly created Cellular Networks and Space Sector, Robert N. Weissshappel became president and general manager of the Cellular Subscriber Sector, and Frederick T. Tucker was named president and general manager of the Automotive, Energy and Components Sector. Merle Gilmore, who assumed the role of president and general manager of the Land Mobile Products Sector a few years ago, continues to lead its superb turnaround.

Nicholas Negroponte, a founder and director of the Massachusetts Institute of Technology's Media Laboratory, was elected to Motorola's Board of Directors. Robert L. Growney was elected to the Board in February 1997.

The Future We have made a number of strategic decisions

designed to improve our financial performance. They include:

- A reinvigorated process of discontinuing those development programs that have not lived up to their promise,
- Further cost reductions in existing businesses that are not achieving adequate profitability, and
- A refocusing of investments into areas where we possess, or are cultivating, leadership core competencies.

At the end of 1996, our Semiconductor Products Sector began to experience an improved pattern of orders and sales as the worldwide semiconductor industry entered a cyclical rebound. However, higher year-over-year financial results may not be evident in SPS until later in 1997. We expect only gradual quarter-to-quarter sequential improvement in semiconductor sales and earnings during the first stages of the industry recovery. The industry's long-term outlook remains bright, and Motorola is building on a leading position in fast-growing segments such as automotive, wireless and wireline communications, multimedia, energy and environment, and interactive smartcards.

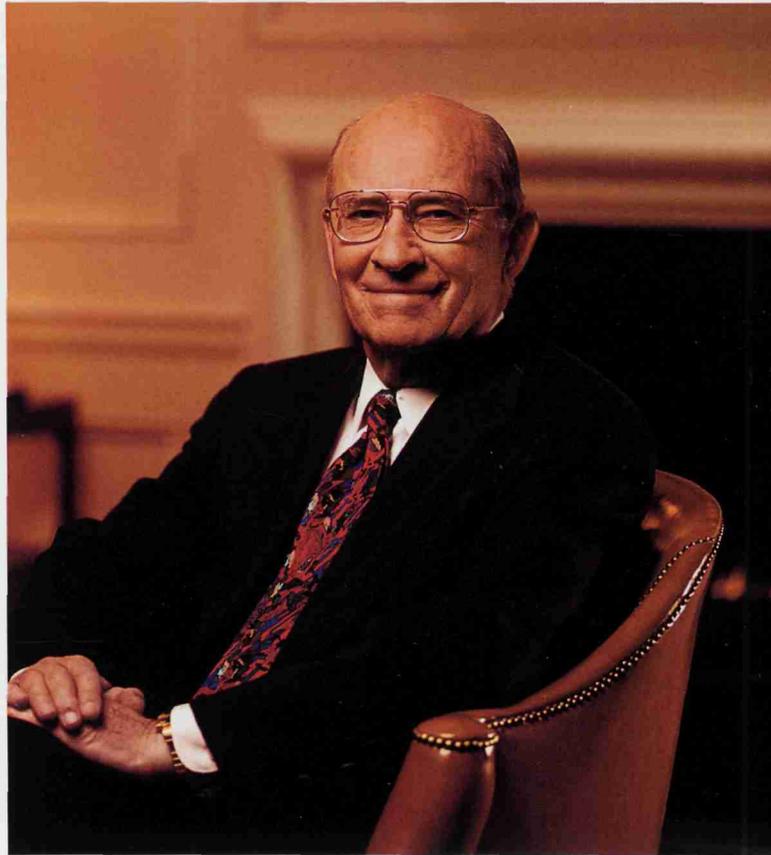
The long-term outlook for our communications businesses is as promising as ever. However, many of the factors that affected certain of our businesses should continue to have an adverse impact in early 1997. In the longer term, we should see more of the benefits of our investments in digital technologies that enable more efficient use of the radio frequency spectrum

for millions of new consumers. Despite its rapid growth, cellular phones and personal communications services are used by only about 2% of the world's population, and the industry is in its early stages. Likewise, we are just beginning to realize the potential of newer messaging services, such as two-way and voice paging. Motorola's promising integrated radio dispatch products are in the early stages of commercial deployment. We also look forward to enjoying the commercial benefits of our investments in areas such as software and cable modems and satellite technology.

Motorola is continuing to invest in programs that create platforms for future growth, such as the IRIDIUM® satellite-based communication system and flat-panel displays, without ignoring substantial investments in our core technology businesses.

The global economic outlook is healthy, especially in emerging markets where Motorola is investing heavily, such as Latin America and Asia. We see balanced growth in the developed world as well.

Although we don't anticipate positive quarter-to-quarter earnings comparisons until later in 1997, we are well into the process of improving the performance of our existing businesses, as well as building on our future technology portfolio to create new business segments. We will continue to create products and technologies that will enable people to improve the way they live and work in ways they never expected. We will lead this company to achieve long-term growth. As it has been since the founding of Motorola in 1928, the long-term Motorola investor is most often rewarded.



William J. Weisz

A handwritten signature in black ink, reading "Christopher B. Galvin".

Christopher B. Galvin
Chief Executive Officer

A handwritten signature in black ink, reading "Robert L. Gowney".

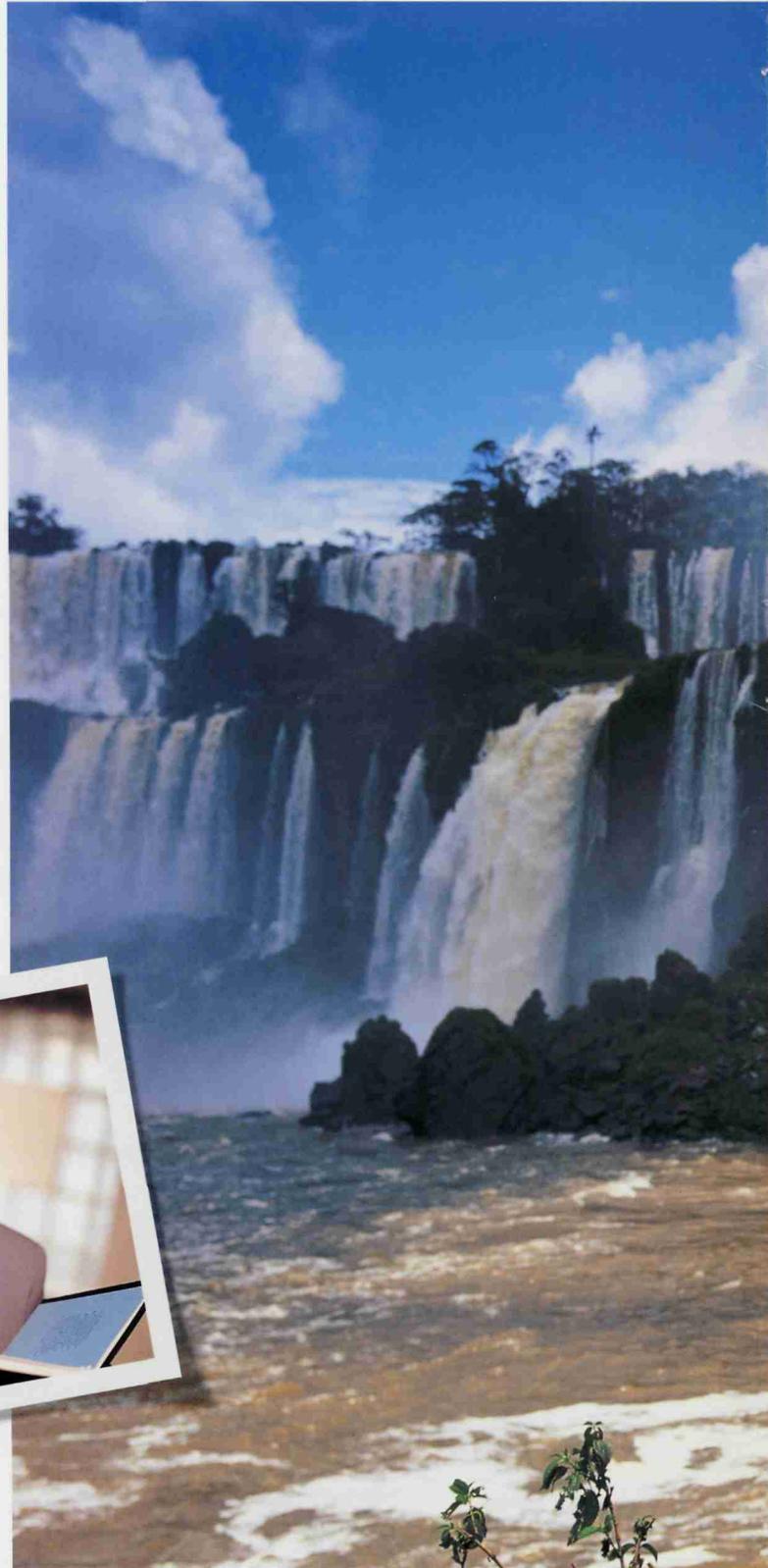
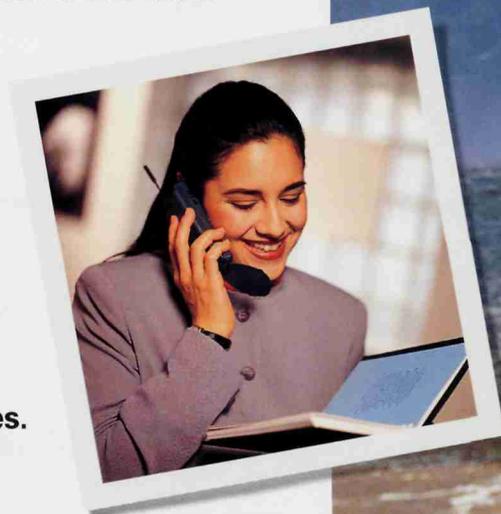
Robert L. Gowney
President and Chief Operating Officer

A handwritten signature in black ink, reading "Gary L. Tooker".

Gary L. Tooker
Chairman of the Board

f r e e d o m beyond.

Motorola provides the tools that give people the time and the freedom to explore new worlds. Motorola enables you to handle daily tasks in the most efficient way possible. You can depend on Motorola products to keep you in touch—with your family, through affordable pagers, or with your colleagues, through two-way wireless systems designed for mobile workgroups. Your telephone can be with you when you need it—a phone so light and so small that you can wear it. You can share information by fax, voice or e-mail. This gives you the time and the freedom to do the things you want to do. Imagine the possibilities.



the **h o r i z o n s**
of your experience



a c c e s s t o

you never expected to enter



w o r l d s

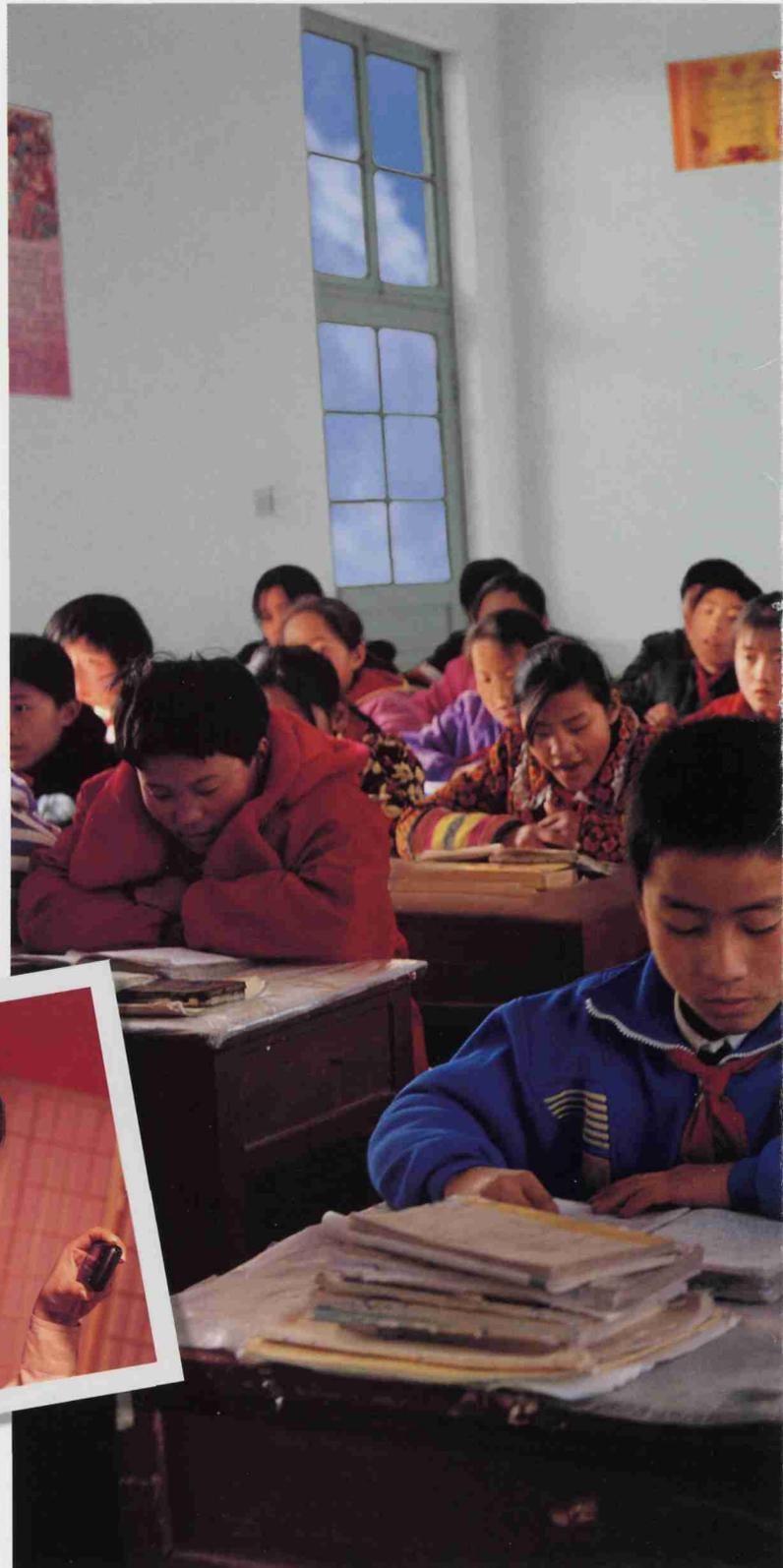
Motorola is leading you into a virtual world where you can access all the information you need. Twenty years ago, many people could hardly imagine that it would be possible to use a computer. Today, they can be part of this new world. The new information highways are paved with our silicon. Our microcontrollers are designed into devices that access the Internet with ease. Speech and handwriting recognition programs bring you to your destination without a keyboard. High-speed modems link you to the Internet

through your pager, cellular telephone or handheld computer. Motorola is creating software and pathways that promise to bring the virtual world to life.



l i f e ' s p o s

Motorola is creating the tools for the 21st century—tools that enable emerging economies to leapfrog into the global marketplace—and tools that enable students to dream about a future their parents never imagined. They can be the tools of communication—wireless telephone systems that can be installed quickly and cost effectively. They can be the tools that spring from creative software—such as Chinese handwriting recognition systems. Motorola's success is coupled with our commitment to education. In China, for example, our support helps children in remote areas receive five years of fundamental education for a more promising future.



s i b i l i t i e s

in ways that fulfill your dreams



s a f e t y and s

of home, wherever you are



e c u r i t y



In your home, your office or your car, products from Motorola contribute to your health, safety and security in hundreds of ways. Our semiconductors in pressure, motion and chemical sensors can help you detect carbon monoxide, monitor your blood pressure, or maintain the quality of the air you breathe. Controllers for electric motors reduce power consumption. The security of home can extend to your car, through systems that link satellite positioning devices and cellular phones to emergency and roadside assis-

tance services. All in all, Motorola enables you to lead a safer, more secure life in a cleaner, healthier world.

Motorola at a glance

Semiconductor Products Sector

Designs, produces and distributes a broad line of discrete semiconductors and integrated circuits, including microprocessors, RF devices, microcontrollers, digital signal processors, memories, logic and analog circuits, and sensors.

Cellular Subscriber Sector

Designs, manufactures and distributes a full range of wireless telephone products for worldwide markets.

Cellular Networks and Space Sector

Designs and manufactures equipment for wireless telephone systems, advanced electronic systems and satellite communications for commercial and government customers and is responsible for forming joint-venture telecom operating companies worldwide.

Land Mobile Products Sector

Designs, manufactures and distributes analog and digital two-way radio products and systems for applications worldwide, from on-site to wide-area communications.

Business Activities

Organization

Communications and Advanced Consumer Technologies Group
 Communications, Power and Signal Technologies Group
 Logic and Analog Technologies Group
 Microprocessor and Memory Technologies Group
 Microcontroller Technologies Group
 European Semiconductor Group
 Asia-Pacific Semiconductor Group
 Semiconductor Products Division,
 Nippon Motorola Limited

Pan American Cellular Subscriber Group
 European Cellular Subscriber Division
 Greater China and Central Asia Division
 Japan, Eastern Asia and Pacific Division

Cellular Infrastructure Group
 Network Management Group
 Space and Systems Technology Group

Radio Network Solutions Group
 Radio Products Group
 Radio Parts and Service Group
 Integrated Digital Enhanced Network (iDEN) Group
 Network Services and Strategy Group
 Emtek Health Care Systems Division
 Indala Corporation

Representative Products

68HC05-based Microcontroller used in the First Union VISA® Cash Smart Card by Schlumberger



GC-87 Cellular Telephone

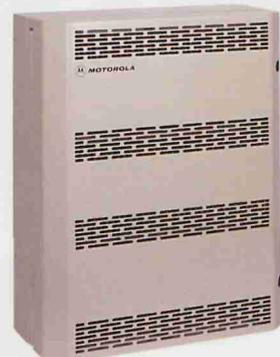


MicroTAC® SC-720 CDMA Digital Cellular Telephone



IRIDIUM® Handheld Telephone

SC™ 601 CDMA Microcell Base Station



Astro® XTS 3000™ Digital Two-Way Radio



PTX™ Trunked Portable Two-Way Radio for the Asian Markets

DSP56009 Digital Signal Processor



MC33340 Battery Fast Charge Controller



MicroTAC Select™ 3000 Cellular Telephone



iDEN™ i370 Portable Two-Way Radio



Messaging, Information and Media Sector

Designs, manufactures and distributes a variety of messaging products, including pagers and paging systems, wireless and wire-line data communications products, infrastructure equipment and systems, handwriting-recognition software products, image communications products and services, and Internet software products.

Automotive, Energy and Components Sector

Designs and manufactures a broad range of electronic components, modules and integrated electronic systems and products for automotive, industrial, transportation, navigation, communication, energy systems, consumer and lighting markets.

Motorola Computer Group

Designs, manufactures and distributes Mac® OS-compatible systems, computer board products and technical computer system platform products.

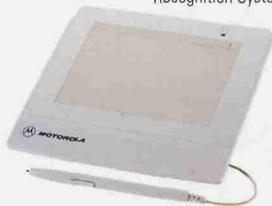
- Messaging Systems Products Group
- Information Systems Group
- Multimedia Group
- Wireless Data Group
- International Networks Division
- Lexicus Division
- Platform Software Division
- Internet Software Products Division

- Automotive and Industrial Electronics Group
- Component Products Group
- Energy Products Division
- Flat Panel Display Division
- Motorola Lighting, Inc.

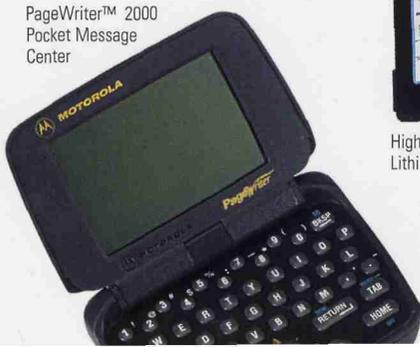
- Commercial Products Division
- Technical Products Division



CyberSURFR™ Cable Modem



WisdomPen™ Chinese Handwriting Recognition System



PageWriter™ 2000 Pocket Message Center



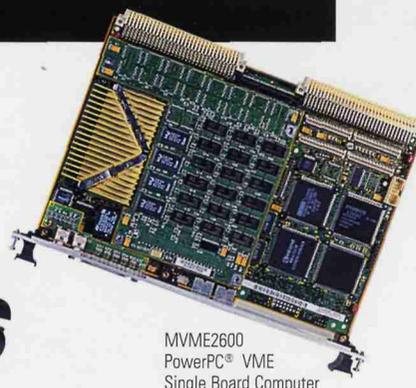
Multilayer Ceramic Integrated Circuit



Temperature Manifold Absolute Pressure Sensor



High-energy iDEN™ Lithium-ion Battery Pack



MVME2600 PowerPC® VME Single Board Computer

StarMax™ Minitower Personal Computer



1996 Net Sales by Business Segment*

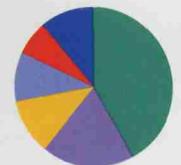
(In percentages)



- General Systems Products 40%
- Semiconductor Products 22%
- Land Mobile Products 14%
- Messaging, Information and Media Products 14%
- Other Products 10%

1996 Market Sales by Region*

(In percentages)



- United States 42%
- Europe 19%
- China/Hong Kong 11%
- Asia-Pacific 10%
- Japan 7%
- Rest of World 11%

*After internal Motorola sales eliminations

In addition to these sectors and groups, the New Enterprises organization manages Motorola's entry into strategically relevant, emerging high-growth and high-technology global business opportunities.

management's responsibility for financial statements

Motorola, Inc. and Consolidated Subsidiaries

Management is responsible for the preparation, integrity and objectivity of the consolidated financial statements and other financial information presented in this report. The accompanying condensed consolidated financial statements were prepared in accordance with generally accepted accounting principles, applying certain estimates and judgments as required.

Motorola's internal controls are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets. Such controls are based on established written policies and procedures, are implemented by trained, skilled personnel with an appropriate segregation of duties and are monitored through a comprehensive internal audit program. These policies and procedures prescribe that the Company and all its employees are to maintain the highest ethical standards and that its business practices throughout the world are to be conducted in a manner which is above reproach.

KPMG Peat Marwick LLP, independent auditors, are retained to audit Motorola's financial statements. Their accompanying report is based on

audits conducted in accordance with generally accepted auditing standards, which include the consideration of the Company's internal controls to establish a basis for reliance thereon in determining the nature, timing and extent of audit tests to be applied.

The Board of Directors exercises its responsibility for these financial statements through its Audit Committee, which consists entirely of independent non-management Board members. The Audit Committee meets periodically with the independent auditors and with the Company's internal auditors, both privately and with management present, to review accounting, auditing, internal controls and financial reporting matters.



Christopher B. Galvin
Chief Executive Officer



Carl F. Koenemann
Executive Vice President
and Chief Financial Officer

independent auditors' report

The Board of Directors and Stockholders of Motorola, Inc.:

We have audited, in accordance with generally accepted auditing standards, the consolidated balance sheets of Motorola, Inc. and consolidated subsidiaries as of December 31, 1996 and 1995, and the related statements of consolidated earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1996, appearing in the appendix to the proxy statement for the 1997 Annual Meeting of Shareholders of the Corporation (not presented herein); and in our report dated January 9, 1997, also appearing in that proxy statement appendix, we expressed an unqualified opinion on those consolidated financial

statements. In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly presented, in all material respects, in relation to the consolidated financial statements from which it has been derived.

KPMG Peat Marwick LLP

KPMG Peat Marwick LLP
Chicago, Illinois

February 14, 1997

statements of consolidated earnings

<i>(In millions, except per share amounts)</i>	<i>Motorola, Inc. and Consolidated Subsidiaries</i>		
Years ended December 31	1996	1995	1994
<i>Net sales</i>	\$27,973	\$27,037	\$22,245
<i>Costs and expenses</i>			
Manufacturing and other costs of sales	18,990	17,545	13,760
Selling, general and administrative expenses	4,715	4,642	4,381
Depreciation expense	2,308	1,919	1,525
Interest expense, net	185	149	142
Total costs and expenses	26,198	24,255	19,808
<i>Earnings before income taxes</i>	1,775	2,782	2,437
<i>Income taxes provided on earnings</i>	621	1,001	877
<i>Net earnings</i>	\$ 1,154	\$ 1,781	\$ 1,560
<i>Fully diluted net earnings per common and common equivalent share^{1,2}</i>	\$ 1.90	\$ 2.93	\$ 2.65
<i>Fully diluted average common and common equivalent shares outstanding^{1,2}</i>	609.6	609.8	592.7

¹Primary earnings per common and common equivalent share were the same as fully diluted for all years shown, except in 1994 when they were one cent higher than fully diluted. Average primary common and common equivalent shares outstanding for 1996, 1995 and 1994 were 609.0, 609.7 and 591.7, respectively (which includes the dilutive effects of the convertible zero coupon notes and the outstanding stock options).

²Includes adjustments for the 1994 two-for-one stock split effected in the form of a 100 percent stock dividend.

statements of consolidated stockholders' equity

<i>(In millions, except per share amounts)</i>	Common Stock and Additional Paid-in Capital ¹			Retained Earnings		
Years ended December 31	1996	1995	1994	1996	1995	1994
Balances at January 1	\$3,524	\$3,138	\$1,875	\$7,461	\$5,917	\$4,534
Net earnings	-	-	-	1,154	1,781	1,560
Conversion of zero coupon notes	7	23	251	-	-	-
Stock issuance ²	-	-	973	-	-	-
Unrealized net gain (loss) on certain investments	(86)	328	(8)	-	-	-
Stock options exercised and other	7	35	47	-	-	-
Dividends declared (\$.46 per share in 1996, \$.40 in 1995 and \$.31 in 1994)	-	-	-	(272)	(237)	(177)
Balances at December 31	\$3,452	\$3,524	\$3,138	\$8,343	\$7,461	\$5,917

¹1994 Stock Split: An amount equal to the par value of the additional shares issued has been transferred from additional paid-in capital to common stock due to the two-for-one stock split effected in the form of a 100 percent stock dividend. All references to shares outstanding, dividends and per share amounts during 1994 have been adjusted on a retroactive basis.

²During November 1994, the Company completed a public equity offering of 17.1 million shares of common stock.

See accompanying condensed notes to consolidated financial statements.

consolidated balance sheets

(In millions, except per share amounts)

Motorola, Inc. and Consolidated Subsidiaries

December 31	1996	1995
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,513	\$ 725
Short-term investments	298	350
Accounts receivable, less allowance for doubtful accounts (1996, \$137; 1995, \$123)	4,035	4,081
Inventories	3,220	3,528
Future income tax benefits	1,580	1,222
Other current assets	673	604
Total current assets	11,319	10,510
Property, plant and equipment, less accumulated depreciation (1996, \$9,830; 1995, \$8,110)	9,768	9,356
Other assets	2,989	2,872
Total assets	\$24,076	\$22,738
Liabilities and Stockholders' Equity		
<i>Current liabilities</i>		
Notes payable and current portion of long-term debt	\$ 1,382	\$ 1,605
Accounts payable	2,050	2,018
Accrued liabilities	4,563	4,170
Total current liabilities	7,995	7,793
Long-term debt	1,931	1,949
Deferred income taxes	1,108	968
Other liabilities	1,247	1,043
<i>Stockholders' equity</i>		
Common stock, \$3 par value Authorized shares: 1996 and 1995, 1,400 Issued and outstanding shares: 1996, 593.4; 1995, 591.4	1,780	1,774
Preferred stock, \$100 par value issuable in series Authorized shares: 0.5 (none issued)	—	—
Additional paid-in capital	1,672	1,750
Retained earnings	8,343	7,461
Total stockholders' equity	11,795	10,985
Total liabilities and stockholders' equity	\$24,076	\$22,738

See accompanying condensed notes to consolidated financial statements.

statements of consolidated cash flows

<i>(In millions)</i>	<i>Motorola, Inc. and Consolidated Subsidiaries</i>		
Years ended December 31	1996	1995	1994
Operating			
Net earnings	\$ 1,154	\$ 1,781	\$ 1,560
Add (deduct) non-cash items			
Depreciation	2,308	1,919	1,525
Deferred income taxes	(160)	(55)	(177)
Amortization of debt discount and issue costs	8	12	22
Gain on disposition of investments in affiliated companies	(78)	(111)	(9)
Change in assets and liabilities, net of effects of acquisitions and dispositions			
Accounts receivable, net	101	(653)	(945)
Inventories	308	(856)	(806)
Other current assets	(69)	(100)	(328)
Accounts payable and accrued liabilities	398	1,172	1,134
Other assets	14	8	554
Other liabilities	206	148	(19)
Net cash provided by operations	4,190	3,265	2,511
Investing			
Acquisitions and advances to affiliated companies	(346)	(563)	(894)
Dispositions of investments in affiliated companies	119	252	23
Payments for property, plant and equipment	(2,973)	(4,225)	(3,320)
Other changes to property, plant and equipment, net	242	(11)	183
(Increase) decrease in short-term investments	52	(32)	40
Net cash used for investing activities	(2,906)	(4,579)	(3,968)
Financing			
Net increase (decrease) in commercial paper and short-term borrowings less than 90 days	(260)	686	517
Proceeds from issuance of debt	55	851	32
Repayment of debt	(37)	(74)	(190)
Issuance of common stock	7	71	1,102
Payment of dividends	(261)	(236)	(149)
Net cash provided by (used for) financing activities	(496)	1,298	1,312
Net increase (decrease) in cash and cash equivalents	\$ 788	\$ (16)	\$ (145)
Cash and cash equivalents, beginning of year	\$ 725	\$ 741	\$ 886
Cash and cash equivalents, end of year	\$ 1,513	\$ 725	\$ 741

Supplemental Cash Flow Information

<i>(In millions)</i>	<i>Motorola, Inc. and Consolidated Subsidiaries</i>		
Years ended December 31	1996	1995	1994
Non-Cash Activities			
Conversion of zero coupon notes	\$ 7	\$ 23	\$251
Unrealized net gain (loss) on certain investments	\$ (86)	\$336	\$ (8)

See accompanying condensed notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Consolidation and Investments: The consolidated financial statements include the accounts of the Company and all those majority-owned subsidiaries where the Company has control. The Company's non-controlled investments in entities in which it has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method. Accordingly, the Company's share of the net earnings of these entities is included in consolidated net income. The Company's non-controlled investments in other entities are carried at cost. Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," requires the carrying value of certain cost-based investments to be adjusted to fair value, which resulted in the Company recording an increase to stockholders' equity, other assets and deferred taxes of \$242 million, \$401 million and \$159 million as of December 31, 1996; and of \$328 million, \$543 million and \$215 million as of December 31, 1995.

Cash Equivalents: The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Revenue Recognition: The Company uses the percentage-of-completion method to recognize revenues and costs associated with most long-term contracts. For contracts involving certain new technologies, revenues and profits or parts thereof are deferred until technological feasibility is established, customer acceptance is obtained and other contract-specific factors have been completed. For other product sales, revenue is recognized at the time of shipment, and reserves are established for price protection and cooperative marketing programs with distributors.

Inventories: Inventories are valued at the lower of average cost (which approximates computation on a first-in, first-out basis) or market (i.e., net realizable value or replacement cost). As of December 31, 1996, contract field inventories (inventory held by the customer for which no sale has yet been recorded) were \$222 million.

Property, Plant and Equipment: Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is recorded principally using the declining-balance method, based on the estimated useful lives of the assets (buildings and building equipment, 5-50 years; machinery and equipment, 2-12 years).

Foreign Currency Translation: The Company's European and Japanese operations and certain non-consolidated affiliates use the respective local currencies, instead of the U.S. dollar, as the functional currency. For all other operations, the Company uses the U.S. dollar as the functional currency. The effects of translating the financial position and results of

operations of local functional currency operations are included in stockholders' equity. The effects of foreign currency transactions and of remeasuring the financial position and results of non-U.S. operations into the functional currency are included in the statement of earnings.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's periodic filings with the Securities and Exchange Commission include, where applicable, disclosures of estimates, assumptions, uncertainties and concentrations in products, sources of supply and markets which could affect the financial statements and future operations of the Company.

Reclassifications: Certain amounts in prior years' financial statements and related notes have been reclassified to conform to the 1996 presentation.

2. Commitments and Contingencies

Financial: Development of the IRIDIUM® global communications system continued on schedule, as Motorola met all contractual milestones during 1996. Initial satellite launches, which were originally scheduled for January 1997, have been delayed to the second quarter of 1997.

Iridium LLC, a Delaware Limited Liability Company, negotiated a \$750 million credit facility, which Motorola guaranteed, in 1996 providing it with funding until May 1997. At that time, Iridium LLC will require further funding to continue to make contractual payments to Motorola. As of December 31, 1996, \$512 million of the credit facility had been drawn. Motorola is negotiating to increase its guarantee of Iridium LLC bank financing, and Iridium LLC is negotiating to increase its credit facility. These negotiations are expected to be completed in the first half of 1997. There can be no assurances as to the outcome of these negotiations. In addition, Iridium LLC is expected to require other financial support from various sources in order to complete the global communications system, which is expected to take place over the next two years. There also can be no assurances that Motorola or any other person will provide funding or financial support.

At the end of 1996, Motorola was a 24% equity owner and is the largest investor in Iridium LLC. A failure of Iridium LLC to obtain additional funding would materially adversely affect Motorola's investment in Iridium LLC, in several Iridium Gateway companies and in ancillary products. The Company's investment in Iridium LLC and in several Iridium Gateway companies, which is approximately \$537 million, is included in the Consolidated Balance Sheet category "Other Assets."

The Company has executed three contracts with Iridium LLC for the construction and operation of the global communications system, providing for approximately \$6.5 billion in payments to Motorola over a 10-year period which began in 1993. The Company has in turn entered into significant subcontracts for portions of the system, for which it will generally remain obligated even if Iridium LLC is unable to satisfy the terms of the contracts with the Company, including funding. Except as noted above, the Company had no significant concentrations of credit risk as of December 31, 1996.

The Company has entered into arrangements whereby the Company may increase, for an amount up to approximately \$140 million, its percentage interest in certain non-consolidated affiliates at the option of Motorola or its respective partners at various dates which do not extend beyond 1998.

Other off-balance-sheet commitments to extend or guarantee financing and recourse obligations under receivable sales arrangements which represent firm obligations at December 31, 1996 and 1995, aggregated approximately \$925 million and \$858 million, respectively. Commitments to extend or guarantee financing include commitments for customer financing and for the financing of non-consolidated affiliates. Customer financing commitments require the customer to meet certain conditions established in the financing arrangements. Commitments represent the maximum amounts available under these arrangements and may not be completely utilized.

Environmental and Legal: Under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (CERCLA, or Superfund), the Company has been designated as a potentially responsible party by the United States Environmental Protection Agency with respect to certain waste sites with which the Company may have had direct or indirect involvement. Such designations are made regardless of the extent of the Company's involvement. These claims are in various stages of administrative or judicial proceedings. They include demands for recovery of past governmental costs and for future investigations or remedial actions. In many cases, the dollar amounts of the claims have not been specified, and have been asserted against a number of other entities for the same cost recovery or other relief as was asserted against the Company. The Company accrues costs associated with environmental matters when they become probable and reasonably estimable, and these totaled \$87 million and \$86 million as of December 31, 1996 and 1995, respectively. The amount of such charges to earnings was \$29 million, \$24 million and \$20 million in 1996, 1995 and 1994, respectively. However, due to their uncertain nature, the amounts accrued could differ, perhaps significantly, from the actual costs that will be incurred. These amounts assume no substantial recovery of costs from any insurer. The remedial efforts include environmental cleanup costs and communication programs.

These liabilities represent only the Company's share of any possible costs incurred in environmental cleanup sites, since in most cases, potentially responsible parties other than the Company may exist.

The Company is a defendant in various suits, including environmental and product-related suits, and is subject to various claims which arise in the normal course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the consolidated financial position, liquidity or results of operations of the Company.

IRIDIUM® is a registered trademark and service mark of Iridium LLC.

3. Information by Industry Segment and Geographic Region

The Company operates predominantly in the wireless communication, semiconductor technology and advanced electronics industries. Operations involve the design, manufacture and sale of a diversified line of products, which include, but are not limited to, cellular phones and systems, semiconductors, including discrete semiconductors and integrated circuits; two-way radios, pagers, data communication, personal communications equipment and systems; automotive, defense and space electronic products; and computer equipment. As of December 31, 1996, manufacturing and distribution operations in any one non-U.S. country did not account for more than 10% of consolidated net sales or total assets.

Sales and operating profits by geographical area are measured by the locale of the revenue-producing operations. Operating profits (revenues less operating expenses) exclude general corporate expenses, net interest and income taxes. Intersegment and intergeographic transfers are accounted for on an arm's length pricing basis.

Identifiable assets (excluding intersegment receivables) are the Company's assets that are identified with classes of similar products or operations in each geographic area. Corporate assets primarily include cash, marketable securities, equity investments and the administrative headquarters of the Company.

In 1996, no single customer or group under common control represented 10% or more of the Company's sales. The equity in net assets of non-U.S. subsidiaries amounted to \$6.2 billion at December 31, 1996 and \$5.5 billion at December 31, 1995.

Information for 1994 has been reclassified to reflect the realignment of various business units. The Messaging, Information and Media Products segment includes the Paging Products and Wireless Data groups (formerly reported as part of the Communications segment) and the Information Systems Group (formerly reported as part of the Other Products segment). Land Mobile Products (formerly reported as part of the Communications segment) is a separate reportable segment. The Space and Systems Technology Group is reported as part of the Other Products segment.

condensed notes to consolidated financial statements

(In millions, except as noted)

Motorola, Inc. and Consolidated Subsidiaries

Industry segment information

Years ended December 31	Net Sales			Operating Profit					
	1996	1995	1994	1996		1995		1994	
General Systems Products	\$11,324	\$10,660	\$ 8,613	\$1,251	11.0%	\$1,266	11.9%	\$1,214	14.1%
Semiconductor Products	7,858	8,539	6,936	382	4.9%	1,218	14.3%	996	14.4%
Land Mobile Products	3,986	3,598	3,399	508	12.7%	324	9.0%	311	9.1%
Messaging, Information and Media Products	3,958	3,681	2,981	90	2.3%	310	8.4%	282	9.5%
Other Products	3,560	3,346	2,660	107	3.0%	131	3.9%	97	3.6%
Adjustments and eliminations	(2,713)	(2,787)	(2,344)	(29)	—	(48)	—	(29)	—
Industry segment totals	\$27,973	\$27,037	\$22,245	2,309	8.3%	3,201	11.8%	2,871	12.9%
General corporate expenses				(349)		(270)		(292)	
Interest expense, net				(185)		(149)		(142)	
Earnings before income taxes				\$1,775	6.3%	\$2,782	10.3%	\$2,437	11.0%

Years ended December 31	Assets			Fixed Asset Expenditures			Depreciation Expense		
	1996	1995	1994	1996	1995	1994	1996	1995	1994
General Systems Products	\$ 6,736	\$ 6,118	\$ 4,699	\$ 709	\$ 762	\$ 621	\$ 499	\$ 450	\$ 327
Semiconductor Products	7,889	7,938	5,886	1,416	2,530	1,640	1,160	909	683
Land Mobile Products	2,113	2,097	2,232	158	169	217	161	155	142
Messaging, Information and Media Products	2,506	2,527	2,087	275	357	270	243	204	167
Other Products	1,851	1,839	1,470	161	285	320	197	154	143
Adjustments and eliminations	(262)	(224)	(72)	—	—	—	—	—	—
Industry segment totals	20,833	20,295	16,302	2,719	4,103	3,068	2,260	1,872	1,462
General corporate	3,243	2,443	1,193	254	122	254	48	47	63
Consolidated totals	\$24,076	\$22,738	\$17,495	\$2,973	\$4,225	\$3,322	\$2,308	\$1,919	\$1,525

Geographic area information¹

Years ended December 31	Net Sales			Operating Profit					
	1996	1995	1994	1996		1995		1994	
United States	\$20,614	\$19,187	\$16,297	\$1,249	6.1%	\$1,681	8.8%	\$1,932	11.9%
Other nations	16,883	16,954	12,758	1,430	8.5%	1,901	11.2%	1,292	10.1%
Adjustments and eliminations	(9,524)	(9,104)	(6,810)	(370)	—	(381)	—	(353)	—
Geographic totals	\$27,973	\$27,037	\$22,245	2,309	8.3%	3,201	11.8%	2,871	12.9%
General corporate expenses				(349)		(270)		(292)	
Interest expense, net				(185)		(149)		(142)	
Earnings before income taxes				\$1,775	6.3%	\$2,782	10.3%	\$2,437	11.0%

December 31	Assets		
	1996	1995	1994
United States	\$12,797	\$12,552	\$10,750
Other nations	8,604	8,197	5,902
Adjustments and eliminations	(568)	(454)	(350)
Geographic totals	20,833	20,295	16,302
General corporate assets	3,243	2,443	1,193
Consolidated totals	\$24,076	\$22,738	\$17,495

¹As measured by the locale of the revenue-producing operations.

1994 has been reclassified to reflect the realignment of various business units.

five year financial summary

(In millions, except per share amounts and other data)

Motorola, Inc. and Consolidated Subsidiaries

Years ended December 31	1996	1995	1994	1993	1992
Operating Results					
Net sales	\$27,973	\$27,037	\$22,245	\$16,963	\$13,303
Manufacturing and other costs of sales	18,990	17,545	13,760	10,351	8,395
Selling, general and administrative expenses	4,715	4,642	4,381	3,776	2,951
Depreciation expense	2,308	1,919	1,525	1,170	1,000
Interest expense, net	185	149	142	141	157
Total costs and expenses	26,198	24,255	19,808	15,438	12,503
Earnings before income taxes and cumulative effect of change in accounting principle	1,775	2,782	2,437	1,525	800
Income taxes provided on earnings	621	1,001	877	503	224
Net earnings before cumulative effect of change in accounting principle	\$ 1,154	\$ 1,781	\$ 1,560	\$ 1,022	\$ 576
Net earnings	\$ 1,154	\$ 1,781	\$ 1,560	\$ 1,022	\$ 453
Net earnings before cumulative effect of change in accounting principle as a percent of sales	4.1%	6.6%	7.0%	6.0%	4.3%
Net earnings as a percent of sales	4.1%	6.6%	7.0%	6.0%	3.4%
Per Share Data (in dollars) ^{1,2}					
Fully diluted					
Net earnings before cumulative effect of change in accounting principle	\$ 1.90	\$ 2.93	\$ 2.65	\$ 1.78	\$ 1.05
Cumulative effect of change in accounting principle	—	—	—	—	(0.22)
Net earnings	\$ 1.90	\$ 2.93	\$ 2.65	\$ 1.78	\$ 0.83
Average common and common equivalent shares outstanding	609.6	609.8	592.7	583.7	567.1
Dividends declared	\$ 0.460	\$ 0.400	\$ 0.310	\$ 0.220	\$ 0.198
Balance Sheet					
Total assets	\$24,076	\$22,738	\$17,495	\$13,498	\$10,629
Working capital	3,324	2,717	3,008	2,324	1,883
Long-term debt	1,931	1,949	1,127	1,360	1,258
Total debt	3,313	3,554	2,043	1,915	1,695
Total stockholders' equity	\$11,795	\$10,985	\$ 9,055	\$ 6,409	\$ 5,144
Other Data					
Current ratio	1.42	1.35	1.51	1.53	1.56
Return on average invested capital before cumulative effect of change in accounting principle	8.4%	14.7%	17.5%	15.3%	9.4%
Return on average invested capital	8.4%	14.7%	17.5%	15.3%	7.5%
Return on average stockholders' equity before cumulative effect of change in accounting principle	10.0%	17.7%	21.1%	17.8%	11.7%
Return on average stockholders' equity	10.0%	17.7%	21.1%	17.8%	9.4%
Fixed asset expenditures	\$ 2,973	\$ 4,225	\$ 3,322	\$ 2,187	\$ 1,442
% to sales	10.6%	15.6%	14.9%	12.9%	10.8%
Research and development expenditures	\$ 2,394	\$ 2,197	\$ 1,860	\$ 1,521	\$ 1,306
% to sales	8.6%	8.1%	8.4%	9.0%	9.8%
Year-end employment (in thousands)	139	142	132	120	107

¹All earnings per share, dividends and outstanding shares data have been restated to reflect the 1994 and 1992 two-for-one stock splits.

²Primary earnings per common and common equivalent share were the same as fully diluted for all years shown except in 1994 when primary earnings per share were one cent higher than fully diluted. Average primary common and common equivalent shares outstanding for 1996, 1995, 1994, 1993 and 1992 were 609.0, 609.7, 591.7, 582.6 and 565.6, respectively.

directors and management board of Motorola, Inc.

Directors

Gary L. Tooker
Chairman of the Board
Motorola, Inc.

H. Laurance Fuller
Chairman of the Board and
Chief Executive Officer
Amoco Corporation

Christopher B. Galvin
Chief Executive Officer
Motorola, Inc.

Robert W. Galvin
Chairman of the Executive Committee
of the Board, Motorola, Inc.

Robert L. Growney
President and Chief Operating Officer
Motorola, Inc.

Anne P. Jones
Consultant; formerly member of the
Federal Communications Commission

Donald R. Jones
Retired; formerly Executive Vice President
and Chief Financial Officer, Motorola, Inc.

Judy C. Lewent
Senior Vice President and
Chief Financial Officer
Merck & Co., Inc.

Walter E. Massey
President,
Morehouse College

John F. Mitchell
Vice Chairman of the Board
Motorola, Inc.

Thomas J. Murrin
Dean of Duquesne University's School
of Business Administration

Nicholas Negroponte
Director of Media Laboratory,
Massachusetts Institute of Technology

John E. Pepper, Jr.
Chairman of the Board and
Chief Executive,
Procter & Gamble Company

Samuel C. Scott III
Corporate Vice President and President
of the Corn Refining Business of CPC
International, Inc.

William J. Weisz
Vice Chairman of the Board; formerly
Chairman of the Board and Chief
Executive Officer, Motorola, Inc.

B. Kenneth West
Senior Consultant for Corporate
Governance to Teachers Insurance and
Annuity Association, College Retirement
Equities Fund; Former Chairman of the
Board and Chief Executive Officer,
Harris Bankcorp, Inc.

Dr. John A. White
Dean of Engineering,
Georgia Institute of Technology

Director Emeritus

Elmer H. Wavering
Formerly Vice Chairman and
Chief Operating Officer,
Motorola, Inc.

Management Board

Keith J. Bane
Executive Vice President,
Chief Corporate Staff Officer

Arnold S. Brenner
Executive Vice President and
General Manager, Japan Group

Christopher B. Galvin
Chief Executive Officer

Thomas D. George
Executive Vice President, Motorola, Inc.,
President and General Manager,
Semiconductor Products Sector

Glenn A. Gienko
Executive Vice President,
Director of Human Resources

Merle L. Gilmore
Executive Vice President, Motorola, Inc.,
President and General Manager,
Land Mobile Products Sector

Robert L. Growney
President and Chief Operating Officer

Carl F. Koenemann
Executive Vice President and
Chief Financial Officer

A. Peter Lawson
Senior Vice President,
General Counsel and Secretary
to the Board

James A. Norling
Executive Vice President, Motorola, Inc.,
President and General Manager,
Messaging, Information and Media Sector;
President, Motorola Europe,
Middle East and Africa

Hector de J. Ruiz
Executive Vice President, Motorola, Inc.,
Office of the President,
Semiconductor Products Sector

Jack M. Scanlon
Executive Vice President, Motorola, Inc.,
President and General Manager,
Cellular Networks and Space Sector

Frederick T. Tucker
Executive Vice President, Motorola, Inc.,
President and General Manager,
Automotive, Energy and Components Sector

Robert N. Weissshappel
Executive Vice President, Motorola, Inc.,
President and General Manager,
Cellular Subscriber Sector

Richard W. Younts
Executive Vice President,
Corporate Executive Director,
International-Asia and Americas

ceo quality awards and dan noble fellows

The Chief Executive Office Quality Award is Motorola's highest award for quality performance. Winners in 1996 were:

Corporate

University Relations Council,
Human Resources
United States
China Corporate Finance Organization
Tianjin, China
China Human Resources Team
Beijing and Tianjin, China

Cross Sector Award

Sector/Group Test Managers and
Corporate's Strategic Human Resources
Selection and Assessment
*Automotive, Energy and
Components Sector*
Atlanta, Ga.; Albuquerque, N.M.; Buffalo
Grove, Ill.; Elma, N.Y.; Northbrook, Ill.;
Seguin, Texas; Vernon Hills, Ill.

Corporate
Schaumburg, Ill.; Scottsdale, Ariz.
General Systems Sector
Arlington Heights, Ill.; Ft. Worth, Texas;
Harvard, Ill.; Libertyville, Ill.;
Scottsdale, Ariz.; Tempe, Ariz.
Land Mobile Products Sector
Mt. Pleasant, Iowa; Plantation, Fla.;
Schaumburg, Ill.
*Messaging, Information and
Media Sector*
Boynton Beach, Fla.; Ft. Worth, Texas;
Huntsville, Ala.; Mansfield, Mass.
Semiconductor Products Sector
Austin, Texas; Durham, N.C.; Irvine, Calif.;
Phoenix, Ariz.

Land Mobile Products Sector

Americas Parts Division
Schaumburg, Ill.

Messaging, Information and Media Sector

Asia Pacific Paging Subscriber Division
Singapore
International Networks Division
Worldwide

Semiconductor Products Sector

SPS Saw Technology MCOE Team
Phoenix, Ariz.; Manila, Philippines;
Tianjin, China; Silicon Harbor, Hong Kong;
Kuala Lumpur, Malaysia; Seremban,
Malaysia; Taiwan; East Kilbride, Scotland;
Guadalajara, Mexico; Korea; Aizu, Japan

The Dan Noble Fellow is the highest
honorary award that can be made to a
technologist within Motorola. It recognizes
outstanding technical creativity, innova-
tive ability and productive achievements.
It is named for Dan Noble, a visionary

technological pioneer, former Vice
Chairman of Motorola and Chairman
of its Science Advisory Board.

Fellows chosen in 1996 were:

Jim P. Phillips
Cellular Subscriber Sector
Steve Gillig
Corporate Research
Jaime Borrás
Land Mobile Products Sector
Rich Kommrusch
Automotive, Energy and
Components Sector
Rose Gibson
Cellular Networks and Space Sector
Fabio Pintchovski
Semiconductor Products Sector

stockholder reference information

Transfer Agent, Registrar, Dividend Disbursing Agent and Dividend Reinvestment Agent	Harris Trust and Savings Bank Corporate Trust Operations Division P.O. Box 755 311 West Monroe Street 14th Floor Chicago, IL 60690 USA (312) 461-2339		
Investor Relations	Security analysts, investment professionals and shareholders should direct their business-related inquiries to:	Investor Relations, Motorola, Inc. Corporate Offices 1303 East Algonquin Road Schaumburg, IL 60196 USA	Or call: (800) 262-8509 Internet address: www.motorola.com
Common Stock	Motorola common stock is listed on the New York, Chicago, London and Tokyo Stock Exchanges.		
Annual Meeting of Stockholders	The annual meeting will be held on May 6, 1997. A notice of the meeting, together with a form of proxy and a proxy statement, will be mailed to	stockholders on or about March 21, 1997, at which time proxies will be solicited by the Board of Directors.	
Proxy Statement	A copy of the Proxy Statement may be obtained without charge. Contact the Investor Relations Dept. as listed above.		
Form 10-K	After the close of each fiscal year, Motorola submits a report on Form 10-K to the Securities and Exchange Commission containing certain addi-	tional information concerning its business. A copy of this report may also be obtained without charge from Investor Relations.	
Auditors	KPMG Peat Marwick LLP 303 East Wacker Drive Chicago, IL 60601 USA		
Safe Harbor Statement	Statements which are not historical facts, including statements about renewal of growth and profitability in 1997 and the statements under the heading "The Future" are forward looking statements that involve risks and uncertainties that could cause Motorola's results to differ materially from those in any forward looking statements. These risks include: the ability of the semiconductor business to sustain a rebound worldwide and of Motorola's semiconductor business	to capitalize on that rebound and compete; continued or increased product deficiencies in certain segments of the cellular telephone and modem businesses; continued or increased competition and/or pricing pressure on Motorola's businesses, including the cellular, paging and modem businesses; continued or further weakening of demand for paging products; product and technology development and commercialization risks and uncertainties, including for new digital technologies, newer	messaging services and integrated radio dispatch products, IRIDIUM products and services and flat panel displays; steady growth in emerging markets, particularly in Asia and Latin America; the success of strategic decisions to improve financial performance; and the risks described in the Company's Securities and Exchange Commission filings, including its 1997 Proxy Statement appendix and Form 10-K for the year ended 1996.

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