



**Linking People's Dreams  
WITH TECHNOLOGY'S PROMISE**



**MOTOROLA**

# BUILDING ON A DYNAMIC VISION FOR A DYNAMIC MARKETPLACE.

Motorola is extending human capabilities by providing integrated wireless communication and embedded electronic solutions for the individual, the workteam, the vehicle and the home.

The new Motorola develops and delivers new ways to meet people's **insatiable desire to communicate**. We are one of the leading architects of a world without wires, without borders, without limitations.

We've created a better, stronger Motorola – more market and customer-oriented, more aggressive, more integrated – in just two years.

We are strategically focused on harnessing the power of wireless, broadband and the Internet in ways that are designed to create substantial value for our customers and our stockholders.

We **focus** on three layers of the value chain that create high-growth, high-profit opportunity: • End-to-end networked communications solutions • Integrated embedded solutions, and • Solutions on a chip. In doing so, we are building on our heritage as a market maker, from car radios, two-way radios and semiconductors to wireless phones and networks.

In a world where **wireless is pervasive**, the wireless Internet offers a new world of personal networking. For business enterprises and government agencies, it offers **flexibility** to better manage their communications systems. With the convergence of voice, video and data, Motorola is focusing on broadband solutions that deliver interactive television, Internet and telephone services. In a world where **embedded systems are proliferating**, we make things smarter, simpler, safer and more synchronized.

Motorola is more focused than ever: • On the customer • On the marketplace • On developing total solutions • On high-contributed-value businesses, and away from commodity businesses, and • On our financial performance.

We are just beginning – Motorola is committed to being the link between people's dreams and technology's promise.

1.0  
billion

The projected number of wireless phone users worldwide by 2002.

W E B



W I R E S

**FREEDOM FROM WIRED CONNECTIONS** means people can access the limitless possibilities of the World Wide Web wherever they are, whenever they want.

Linking People's Dreams With Technology's Promise

Motorola's strategic focus on marketing means connecting with customers – finding out what people want and building it – and partnering with other manufacturers.

As **marketers** as well as engineers, we sense the pulse of cultures, and we anticipate where these cultures are going. No one else has our **mix of disciplines** – solutions on a chip, embedded electronic systems, Internet, wireless, broadband – increasingly integrated to share knowledge and leverage strength.

The DigitalDNA™ brand embodies the **excitement** of our **embedded technologies** – The Heart of Smart™ products. Embedded solutions are designed for specific applications – for example, a chip for wireless phones that can interpret any telecom protocol, or an embedded system that routes traffic across the Internet. We are partnering with manufacturers to blend our platforms with their needs.

Motorola is **bringing the Internet new life** by bringing it to wireless. We are developing a new Internet Protocol (IP)-based communica-

tions architecture to serve as the foundation for our



**Digital DNA**™  
from Motorola

THE **HEART** OF SMART™

50  
billion

The estimated number of smart chips to be sold globally in the next five years.

**BELOW THE SURFACE AND BEYOND** is where Motorola embedded solutions are opening exciting new worlds in every aspect of life.

end-to-end solutions “portfolio” of networks, access devices, content, applications and services. Our vision of a third-generation (3G) **wireless IP future** is becoming a reality through the **Aspira™** communications architecture, which we are creating in alliance with some of the best minds in IP and networking – including Cisco Systems and Sun Microsystems.

The Cisco alliance leverages our wireless system expertise and Cisco’s Internet and networking capability to create a peer-to-peer, distributed, **IP-based architecture**. Through the Sun alliance, we are creating a platform designed to provide an unprecedented level of wireless availability – the equivalent of near-infinite dial tone in a wireline world.

**DEVELOPING TECHNOLOGIES THAT**  
**EXPAND**  
**POSSIBILITIES FOR**  
**PEOPLE AND**  
**ENTERPRISES.**

# IN TOUCH

EVERYONE IS A NETWORK

Linking People's Dreams With Technology's Promise

Welcome to the Web without wires – a world of wireless access for the person – a world where you can call home, check the stock market, access e-mail from anywhere.

Our customers want solutions that think and link. Personal networking places users at the center of their network – where they can share and deliver experiences that foster personal and business growth, promote local and global relationships, and make communication convenient, relevant and personal. Motorola's personal networking vision provides the infrastructure, devices, content, applications and services to the user while they are at home, work, play – or anywhere in between.

Motorola has invested more in consumer research over the last few years than in the history of the company. The insights

gained have resulted in a new generation of powerful, easy-to-use wireless Internet products and services.

**YOUR MIND IS YOUR DESK** – check a fact on the Internet from a lunch meeting or e-mail a friend from the beach. Your address is wherever you happen to be.

# 200

The number of messages per day the average U.S. office worker receives.

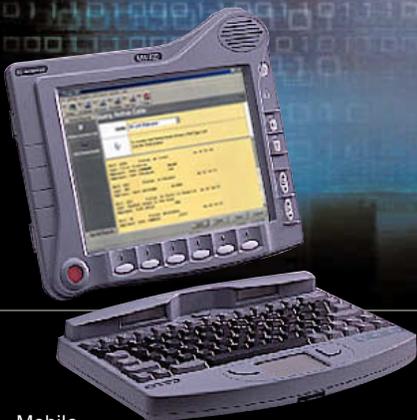
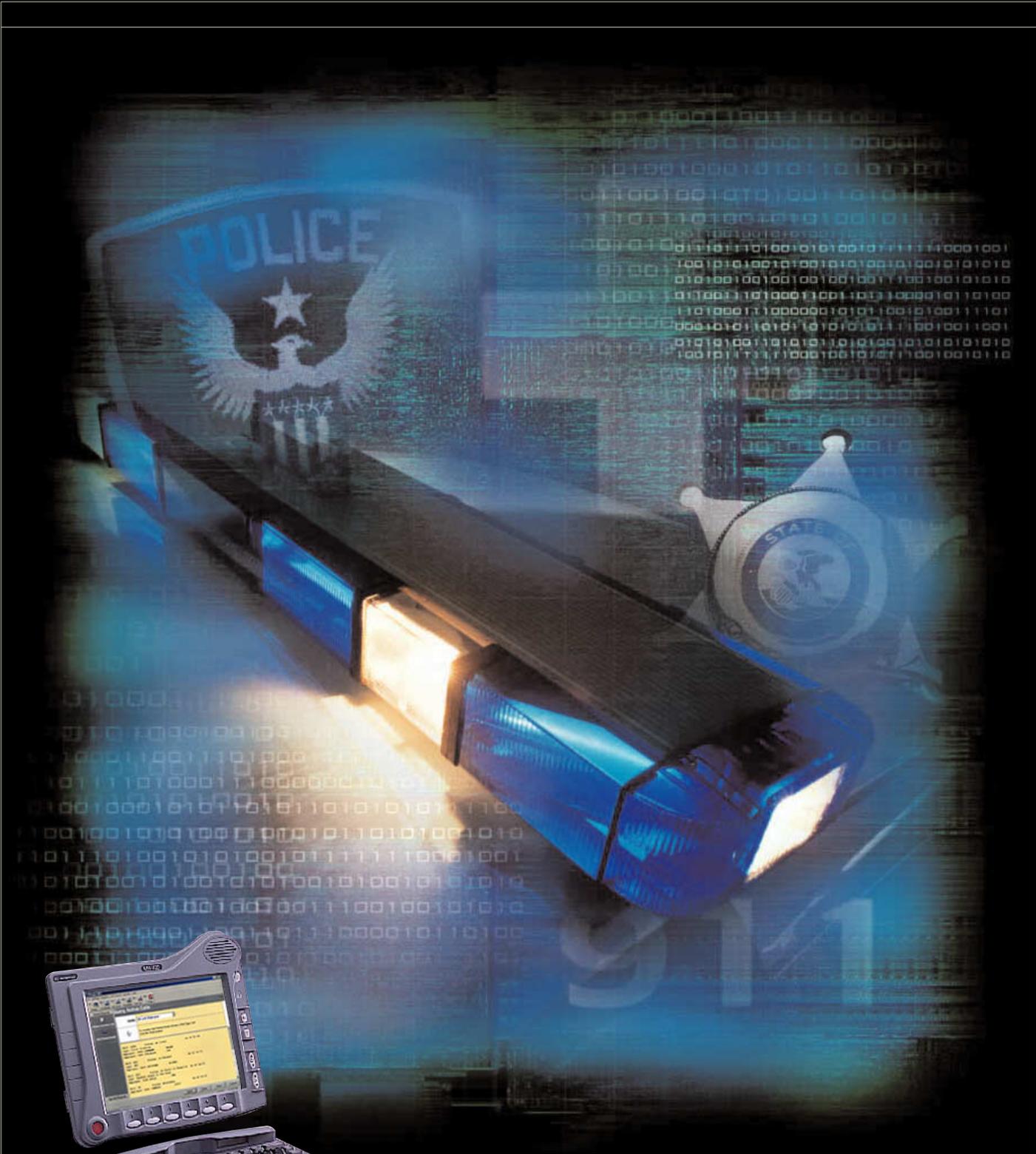


# M E S S A G E S



Timeport™  
P8167

**MOTOROLA TECHNOLOGY AND PRODUCTS ARE HELPING TO MAKE THE ERA OF THE PERSONAL NETWORK A REALITY.**



Mobile  
Workstation 520

**MOTOROLA DIGITAL SOLUTIONS  
AND SOFTWARE ARE CHANGING THE WAY  
ORGANIZATIONS COMMUNICATE, OPERATE AND SUCCEED.**

# NET-WORKTEAM

THE POWER OF MANY™

Linking People's Dreams With Technology's Promise

Motorola's mission-critical and enterprise solutions for the workteam provide businesses and government agencies with the ability to deliver the right information to the right people at the right time and enhance an organization's overall performance. Motorola's ASTRO®, Dimetra™ and iDEN® digital wireless systems help organizations to communicate rapidly, reliably and cost-effectively with colleagues, vendors and clients in order to increase productivity, reduce costs and improve quality. Our private and public communications solutions have the ability to integrate two-way radio, digital cellular phone, wireless Internet, alphanumeric messaging and data/fax capabilities.

Organizations also benefit from smart Motorola solutions ranging from embedded computer systems to smart card and

BiStatix™ technology solutions used for applications ranging from automated fare collection to tracking inventory.

GETTING THE FACTS from one point to another, instantly, is taking the public safety contributions of law enforcement to new levels.

100  
million

The estimated number of two-way radios in use worldwide by 2002.



# SMART VEHICLES

ONLINE BETWEEN THE WHITE LINES

Linking People's Dreams With Technology's Promise

In many of today's vehicles there are more chips than in any other consumer product, including a high-end PC. Motorola's smart, embedded technology is the catalyst that enables networks and smart vehicles to link to people and information. We are the leading supplier of semiconductors for the automotive industry. And to ensure a creative advantage for our customers, we plan to continue to create advanced solutions built upon these market-leading smart, embedded technologies.

Motorola's Telematics Communications Group delivers products that provide emergency calling, roadside assistance and other security and convenience services. In the future, Telematics is expected to include real-time navigation and traffic updates, a broad range of Internet services and car-to-car communications

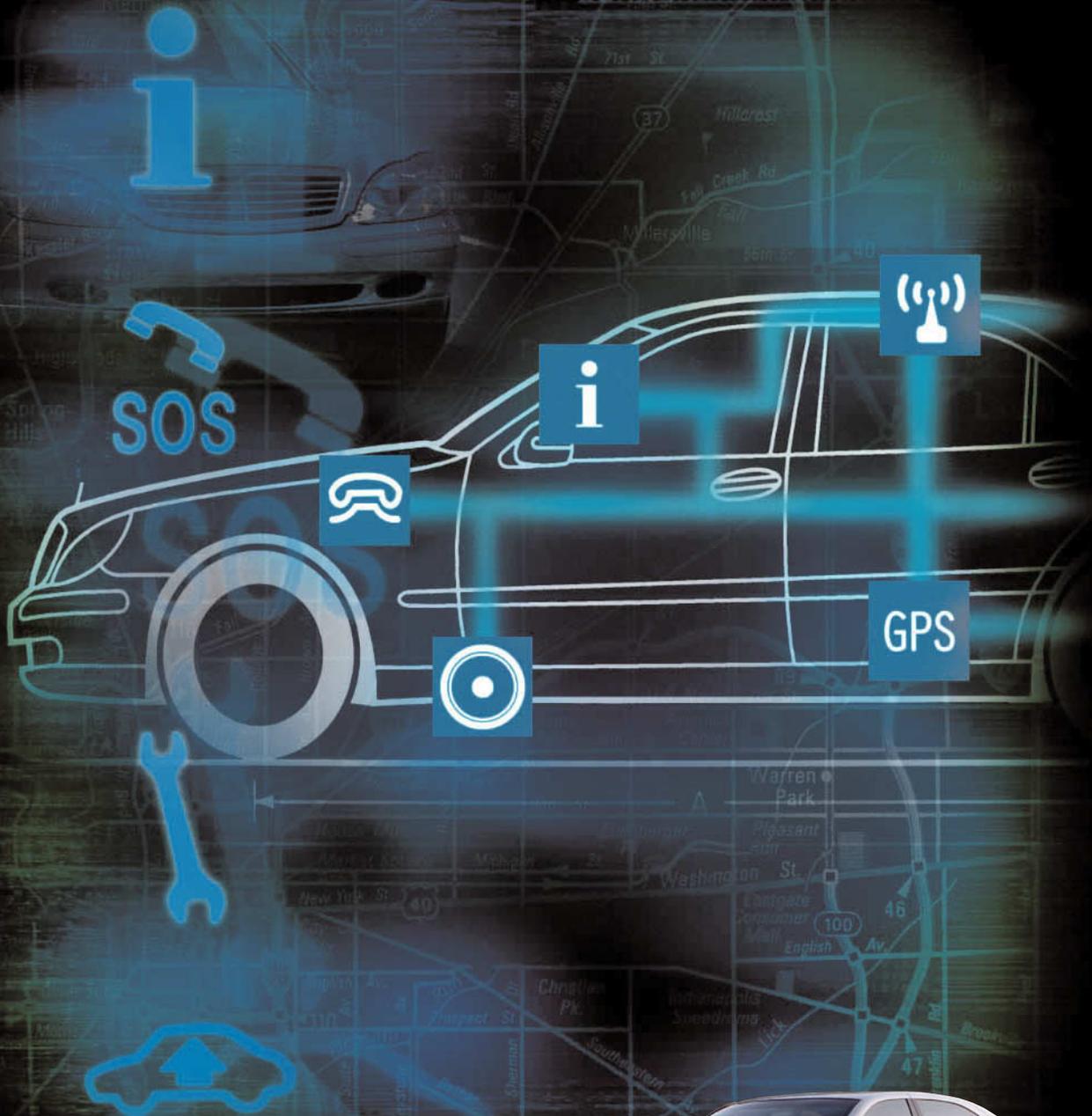
for families, as well as remote diagnostics, software upgrades and repairs to improve engine performance and fix problems.

**COMMAND CENTERS YOU CAN WASH** and drive away – that's what today's automobiles are becoming with Motorola technology.

**\$26.5**  
billion

The annual worldwide demand projected for automotive electronics by 2002.





**MOTOROLA'S EMBEDDED  
ELECTRONIC SOLUTIONS ARE CONNECTING THE VEHICLE  
AND THE DRIVER TO A NEW WORLD OF POSSIBILITIES.**

Mercedes-Benz S-Class



DCT-5000+ Digital Cable Set-top Terminal

**MOTOROLA'S VISION IS TO COMPLETE THE PICTURE AT HOME, INTEGRATING BROADBAND WITH WIRELESS ACCESS.**

# BRINGING IT HOME

THE BROADBAND LINK

Linking People's Dreams With Technology's Promise

Our merger with General Instrument Corp. on January 5, 2000 integrates the essential technologies we need to bring the potential of converged video, voice and data networking into the home. We are now a leading end-to-end solutions provider to the broadband access market, with cable modems, telephony home gateways, hybrid fiber coaxial (HFC) cable network systems, and television set-top devices that decode digital cable programming as well as enable advanced TV services like video-on-demand, e-mail and shopping. Motorola's latest generation of set-top devices uses built-in cable modems to enable interactive services ranging from high-speed Web access to home networking. The home of the future could have multiple TVs, phones and personal computers doing high-speed Internet access simultaneously – all

\$80  
billion

Estimated U.S. cable industry revenues by 2008 through deployment of digital cable, high-speed Internet access and telephony via broadband.

connected to home hubs from Motorola that provide the interfaces to broadband cable systems.



**THE PICTURE IS CLEAR** while the lines are blurring between video, voice and data in the home – creating interactive, integrated services accessible from the comfort of your couch.

Linking People's Dreams With Technology's Promise

Motorola is creating **value** for stockholders by developing **new platforms** for **future growth**. Motorola Labs has consolidated the enormous talent throughout the company's **research organizations**.

Examples of the exciting breakthroughs from Motorola Labs include the world's thinnest functional transistor using a new class of semiconductor materials called perovskites. It will enable future chips to be faster and more powerful while consuming far less power. With **new image sensor technology**, a single fingerprint could replace the personal identification number (PIN) used to gain access to information and devices in the computing, wireless communications and financial industries. Motorola is helping to develop a **biochip-based device** for rapid diagnosis of life-threatening bacterial infections. The goal is to produce an

**inexpensive, disposable microfluidics device that could perform genetic analysis in doctors' offices and hospitals.**

**WIRELESS JOY** for a grandmother can mean sharing in the excitement of a new life, in real time – being there without actually being there.

# 21,807

The number of patents Motorola holds worldwide.





3G



**MOTOROLA IS ACCELERATING ITS  
DRIVE TO LINK PEOPLE'S DREAMS  
WITH TECHNOLOGY'S PROMISE.**

Prototype videophone  
with third-generation (3G)  
wireless technology

**MOTOROLA** is a global leader in providing integrated communications solutions and embedded electronic solutions. These include:

- Software-enhanced wireless telephone, two-way radio, messaging and satellite communications products and systems, as well as networking and Internet-access products, for consumers, network operators, and commercial, government and industrial customers.
- Embedded semiconductor solutions for customers in networking, transportation, wireless communications and imaging and entertainment markets.
- Embedded electronic systems for automotive, communications, imaging, manufacturing systems, computer and industrial markets.
- Digital and analog systems and set-top terminals for broadband cable television operators.

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## FINANCIAL HIGHLIGHTS

(Dollars in millions, except as noted)  
Years Ended December 31

	1999 <sup>1,3</sup>	1998 <sup>2,3</sup>
<b>Net sales</b>	<b>\$30,931</b>	<b>\$29,398</b>
<b>Earnings (loss) before income taxes</b>	<b>1,168</b>	<b>(1,374)</b>
<b>% to sales</b>	<b>3.8%</b>	<b>(4.7)%</b>
<b>Net earnings (loss)</b>	<b>817</b>	<b>(962)</b>
<b>% to sales</b>	<b>2.6%</b>	<b>(3.3)%</b>
<b>Diluted earnings (loss) per common share</b> (in dollars)	<b>1.31</b>	<b>(1.61)</b>
<b>Research and development expenditures</b>	<b>3,438</b>	<b>2,893</b>
<b>Capital expenditures</b>	<b>2,684</b>	<b>3,221</b>
<b>Working capital</b>	<b>4,087</b>	<b>2,091</b>
<b>Current ratio</b>	<b>1.33</b>	<b>1.18</b>
<b>Return on average invested capital</b>	<b>5.5%</b>	<b>(6.2)%</b>
<b>Return on average stockholders' equity</b>	<b>5.9%</b>	<b>(7.6)%</b>
<b>% of net debt to net debt plus equity</b>	<b>10.1%</b>	<b>26.8 %</b>
<b>Book value per common share</b> (in dollars)	<b>26.67</b>	<b>20.33</b>
<b>Year-end employment</b> (in thousands)	<b>121</b>	<b>133</b>

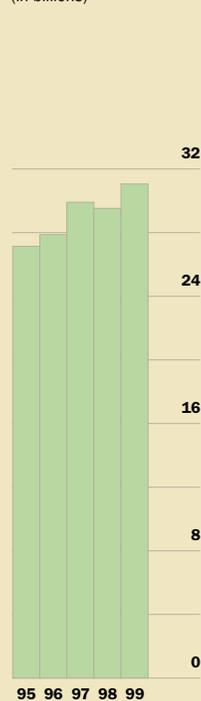
<sup>1</sup>Earnings before income taxes, net earnings and diluted earnings per common share include special charges of \$684 million pre-tax, or 77 cents per share after-tax, resulting primarily from charges related to Iridium offset by gains from the sales of investments and businesses.

<sup>2</sup>The loss before income taxes, net loss and diluted loss per common share include special charges of \$1.9 billion pre-tax, or \$2.19 per share after-tax, resulting primarily from manufacturing consolidation, cost reduction and restructuring programs.

<sup>3</sup>Excludes the impact of the merger with General Instrument.

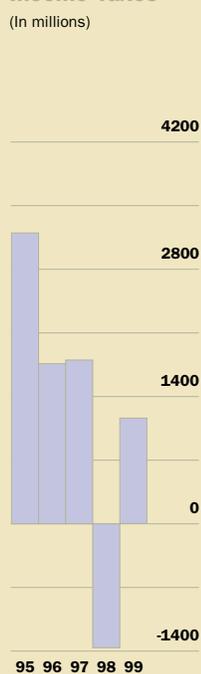
#### Net Sales

(In billions)



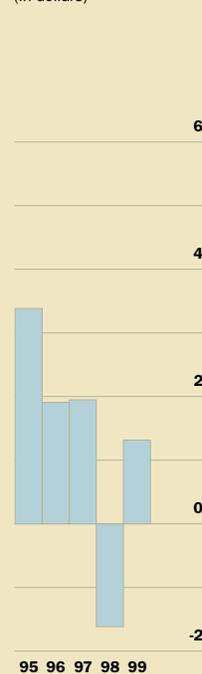
#### Earnings (loss) Before Income Taxes

(In millions)



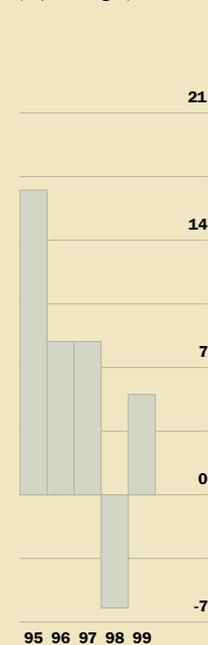
#### Diluted Earnings (loss) per Share

(In dollars)



#### Return on Average Invested Capital

(In percentages)



**This year's annual report introduces a new Motorola that is a very exciting place for investors.**

We are strategically focused on harnessing the power of wireless, broadband and the Internet to deliver end-to-end network, embedded and chip-based solutions for the individual, the workteam, the vehicle and the home. Our investments in these rapidly growing global industry segments are designed to create substantial value for our stockholders. We made notable progress in 1999, although the change process is still in its early stages, and much remains to be done.

This new Motorola is grounded in some enduring principles and solid fundamentals. In our 1998 annual report we articulated clear business and financial objectives: • Attain global leadership in our core businesses • Provide total solutions through alliances • Develop new platforms for future leadership • Achieve performance excellence. How have we done?

**GLOBAL LEADERSHIP IN CORE BUSINESSES** Creating value for stockholders begins with achieving global leadership in our core businesses. The first is end-to-end networked communications solutions. In its first year of existence, the Communications Enterprise, which aligns all of Motorola's communications businesses, has made significant progress. It shifted from product to market-focused organizations, and put customers first. It hired outside leadership talent for key positions, and reassigned thousands of engineers to higher-growth businesses. It delivered new digital phones, as promised, and improved network stability. Digital wireless telephone unit sales increased 85% in 1999. It unlocked capabilities through key alliances, and by working as one team. It began redesigning core business processes, and reduced costs through adjustments in its business portfolio.

The second of our core competencies is providing embedded electronic solutions. During 1999, we sold our Semiconductor Components Group to focus on our four key embedded

chip markets. After a difficult 1998, the Semiconductor Products Sector completed its restructuring, achieved nearly a \$1 billion reduction in its breakeven point, and returned to profitability. Our Integrated Electronic Systems Sector, which repositioned itself around embedded systems, recorded improved results. The sector sold its non-semiconductor components group and now focuses on systems solutions in the automotive, communications and computer markets. The Telematics Communications Group had significantly higher sales.

**TOTAL SOLUTIONS THROUGH ALLIANCES** A second objective to create value is to provide total solutions for our customers by forming alliances. Many of these key alliances are enabling Motorola to bring the Internet new life by bringing it to wireless, as discussed on pages 3-4. The Wireless Application Protocol (WAP) standardizes the way a wireless telephone accesses and displays Internet content. Motorola led the development of the WAP Forum, which is now backed by more than 175 of the world's leading telecommunications and software companies.

Our merger with General Instrument Corporation integrates the essential broadband technologies we need to bring the vast potential of converged video, voice and data networking into the home, as discussed on pages 11-12. The merger, valued at approximately \$17 billion, was completed January 5, 2000. Through the merger, Motorola also acquired majority ownership of Next Level Communications, Inc., which provides broadband systems based on digital subscriber line (DSL) technology.

With the formation of SpectraPoint Wireless, Motorola, in alliance with Cisco Systems, entered the market for broadband access through Local Multipoint Distribution Service (LMDS), which uses point-to-point microwave systems.

**PLATFORMS FOR FUTURE LEADERSHIP** A third objective to create value for stockholders is developing new platforms for future growth. This means building open extensible architectures upon which other companies can build and add value. These range from the platforms such as Aspira™ that make us a central player in third-generation wireless systems to the



**Christopher B. Galvin,**  
Chairman of the Board and  
Chief Executive Officer  
(right)

**Robert L. Growney,**  
President and  
Chief Operating Officer  
(left)

DigitalDNA™ platforms designed to make us leaders in the embedded electronics marketplace. These include the M•CORE™ family of low-power, low-cost processors; the PowerPC™ architecture used in more than 1,000 designs for networking, telecom, automotive and industrial control as well as desktop applications, and the StarCore™ digital signal processing alliance with Lucent Technologies.

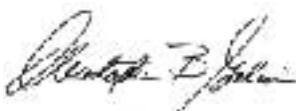
**PERFORMANCE EXCELLENCE** Our fourth objective for creating value is performance excellence. We improved our performance during 1999, both in terms of service to our customers and in financial results. These results, however, are well short of our goals, and the year 2000 will be one of renewed emphasis on comprehensive core process improvements and rigorous focus on the Performance Excellence System.

Sales in 1999 rose 5% to \$30.9 billion from \$29.4 billion in 1998. Full-year earnings, excluding special items, were \$1.3 billion, or \$2.08 per share, compared with \$347 million, or 58 cents per share, a year earlier. Including special items, earnings were \$817 million, or \$1.31 per share, compared with a loss of \$1.0 billion, or \$1.61 per share, in 1998. Several Motorola businesses have been sold since the beginning of 1998. Sales from ongoing operations in 1999 rose 9% to \$30.0 billion from \$27.6 billion in 1998.

Our objective is to consistently achieve attractive financial returns by selecting and investing in a forward-looking business portfolio that provides self-funding revenue growth potential of 15% or more over the long run. We intend to do this with a strong balance sheet, which gives us operational and financial flexibility. We have made progress. For example, our net debt/net debt plus equity ratio improved to 10.1% in 1999 from 26.8% in 1998. Detailed financial results appear in the 2000 Proxy Statement, which is on our website at [www.motorola.com](http://www.motorola.com).

Performance Excellence is resulting in significant changes in the way Motorola does business. We have challenged the orthodoxies and dogmas of the past. We replaced the isolated product teams with broad architectures and platform approaches to creating end-to-end solutions. The business-unit focus has evolved into a market focus and a consumer focus. Performance Excellence balances our traditional emphasis on financial results with measures of customer and employee satisfaction, market share and other dynamic indicators. They range from strategic planning, customer and market focus and human resources to process management and business results. The criteria are used to assess every business, identify gaps and fix problems. Management compensation is tied to results.

**THE FUTURE** As we begin a new century, we are confident that we can continue to improve on our ability to reach the objectives that create value at an attractive rate for our stockholders. We intend to build on what we have done best since the founding of the corporation – linking people’s dreams with technology’s promise. We intend to listen even more attentively to those dreams and respond even more creatively. We intend to differentiate, simplify and reinvent industries made possible by technology’s promise. We intend to extend human capabilities as we harness the power of wireless, broadband and the Internet to deliver end-to-end network, embedded and chip-based solutions for the individual, the workteam, the vehicle and the home.



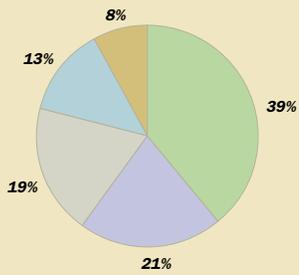
**Christopher B. Galvin**  
Chairman of the Board and Chief Executive Officer



**Robert L. Gowney**  
President and Chief Operating Officer

### 1999 Net Sales by Business Segment\*

(In percentages)

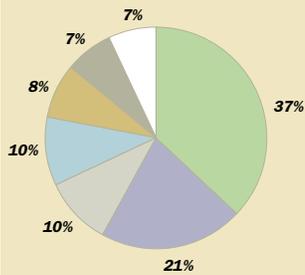


- **Personal Communications Segment**
- **Network Systems Segment**
- **Semiconductor Products Segment**
- **Commercial, Government and Industrial Systems Segment**
- **Other Products Segment**

\*Excludes the impact of the merger with General Instrument.

### 1999 Market Sales by Region\*

(In percentages)



- **United States**
- **Europe**
- **China**
- **Asia-Pacific**
- **Latin America**
- **Japan**
- **Other Markets**

\*Excludes the impact of the merger with General Instrument.

## MOTOROLA AT A GLANCE

**COMMUNICATIONS ENTERPRISE** The Communications Enterprise (CE) aligns all of Motorola's communications businesses into an actively managed and coordinated unit to provide integrated communications solutions to a variety of customers and consumers around the world. The CE is made up of seven major business units and comprises more than 70% of Motorola's global business.

**Merle L. Gilmore**  
Executive Vice President,  
President, Communications  
Enterprise

**Broadband Communications Sector**  
*Organization:*  
Advanced Network Systems  
Digital Network Systems  
Internet Protocol  
Network Systems  
Satellite and Broadcast  
Network Systems  
Transmission Network Systems

**Commercial, Government and Industrial Solutions Sector**  
*Organization:*  
Global Marketing & Sales Group  
Global Technology  
Development Group  
Smartcard Solutions  
Supply Chain Operations Group  
Systems Solutions Group

**Network Solutions Sector**  
*Organization:*  
CDMA Systems Group  
Core Networks Group  
Customer Solutions Group  
e-Business and Operations  
Fixed Wireless Systems Group

Network Systems Group  
Strategic Marketing Group  
Value-Added Services

**Personal Communications Sector**  
*Organization:*  
Americas Group  
Asia Pacific Group  
Europe, Middle East  
and Africa Group  
Personal Networks Group  
Technology and Product  
Realization Group

**Global Telecom Solutions Group**  
**Internet and Networking Group**  
**Network Management Group**

**SEMICONDUCTOR PRODUCTS SECTOR** As the world's No. 1 producer of embedded processors, Motorola's Semiconductor Products Sector (SPS) offers multiple DigitalDNA™ technologies which enable its customers to create "smart" products and new business opportunities in the networking and computing, wireless communications, transportation and imaging and entertainment markets.

**Frederick T. Tucker**  
Executive Vice President, Deputy  
to the Chief Executive Office,  
President, Semiconductor  
Products Sector

*Organization:*  
Imaging and Entertainment  
Solutions  
Networking and Computing  
Systems Group

Standard Embedded  
Solutions Group  
Transportation Systems Group  
Wireless Subscriber  
Systems Group

**INTEGRATED ELECTRONIC SYSTEMS SECTOR** The Integrated Electronic Systems Sector (IESS) designs and manufactures a broad range of electronic components, modules and integrated electronic systems and products for automotive, industrial, transportation, navigation, communication and energy systems markets.

**Joseph M. Guglielmi**  
Executive Vice President,  
President, Integrated Electronic  
Systems Sector

*Organization:*  
Automotive and Industrial  
Electronics Group  
Energy Systems Group

Motorola Computer Group  
Telematics Communications  
Group

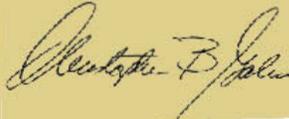
## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the preparation, integrity and objectivity of the consolidated financial statements and other financial information presented in this report. The accompanying 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 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 and Legal Committee, which consists entirely of independent non-management Board members. The Audit and Legal 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**  
Chairman of the Board and 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 subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1999, appearing in the appendix to the proxy statement for the 2000 Annual Meeting of Stockholders of the Corporation (not presented herein); and in our report dated January 17, 2000, 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 LLP**  
Chicago, Illinois  
January 17, 2000

# CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)  
Years Ended December 31

	1999	1998	1997
<b>Net sales</b>	<b>\$30,931</b>	<b>\$29,398</b>	<b>\$29,794</b>
<b>Costs and expenses</b>			
<b>Manufacturing and other costs of sales</b>	<b>19,169</b>	<b>18,043</b>	<b>17,283</b>
<b>Selling, general and administrative expenses</b>	<b>5,045</b>	<b>5,443</b>	<b>5,160</b>
<b>Restructuring and other charges</b>	<b>(226)</b>	<b>1,980</b>	<b>327</b>
<b>Research and development expenditures</b>	<b>3,438</b>	<b>2,893</b>	<b>2,748</b>
<b>Depreciation expense</b>	<b>2,182</b>	<b>2,197</b>	<b>2,329</b>
<b>Interest expense, net</b>	<b>155</b>	<b>216</b>	<b>131</b>
<b>Total costs and expenses</b>	<b>29,763</b>	<b>30,772</b>	<b>27,978</b>
<b>Earnings (loss) before income taxes</b>	<b>1,168</b>	<b>(1,374)</b>	<b>1,816</b>
<b>Income tax provision (benefit)</b>	<b>351</b>	<b>(412)</b>	<b>636</b>
<b>Net earnings (loss)</b>	<b>\$ 817</b>	<b>\$ (962)</b>	<b>\$ 1,180</b>
<b>Basic earnings (loss) per common share</b>	<b>\$ 1.35</b>	<b>\$ (1.61)</b>	<b>\$ 1.98</b>
<b>Diluted earnings (loss) per common share</b>	<b>\$ 1.31</b>	<b>\$ (1.61)</b>	<b>\$ 1.94</b>
<b>Basic weighted average common shares outstanding</b>	<b>606.4</b>	<b>598.6</b>	<b>595.5</b>
<b>Diluted weighted average common shares outstanding</b>	<b>624.7</b>	<b>598.6</b>	<b>612.2</b>

See accompanying condensed notes to consolidated financial statements.

**CONSOLIDATED  
BALANCE SHEETS**

(In millions, except per share amounts)  
December 31

	1999	1998
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,345	\$ 1,453
Short-term investments	699	171
Accounts receivable, net	5,125	5,057
Inventories	3,422	3,745
Deferred income taxes	3,162	2,362
Other current assets	750	743
<b>Total current assets</b>	<b>16,503</b>	<b>13,531</b>
Property, plant and equipment, net	9,246	10,049
Other assets	11,578	5,148
<b>Total assets</b>	<b>\$37,327</b>	<b>\$28,728</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Notes payable and current portion of long-term debt	\$ 2,504	\$ 2,909
Accounts payable	3,015	2,305
Accrued liabilities	6,897	6,226
<b>Total current liabilities</b>	<b>12,416</b>	<b>11,440</b>
Long-term debt	3,089	2,633
Deferred income taxes	3,481	1,188
Other liabilities	1,513	1,245
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely company-guaranteed debentures	484	-
<b>Stockholders' equity</b>		
Preferred stock, \$100 par value issuable in series		
Authorized shares: 0.5 (none issued)	-	-
Common stock, \$3 par value		
Authorized shares: 1999 and 1998, 1,400		
Issued and outstanding: 1999, 612.8; 1998, 601.1	1,838	1,804
Additional paid-in capital	2,572	1,894
Retained earnings	8,780	8,254
Non-owner changes to equity	3,154	270
<b>Total stockholders' equity</b>	<b>16,344</b>	<b>12,222</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$37,327</b>	<b>\$28,728</b>

See accompanying condensed notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In millions, except per share amounts)

	Non-owner Changes to Equity					Comprehensive Earnings (Loss)
	Common Stock and Additional Paid-in Capital	Fair Value Adjustment to Certain Cost-based Investments	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustment	Retained Earnings	
<b>Balances at January 1, 1997</b>	\$3,332	\$ (26)	\$(121)	\$ -	\$8,610	
<b>Net earnings</b>					1,180	1,180
<b>Conversion of zero coupon notes</b>	7					
<b>Fair value adjustment to certain cost-based investments:</b>						
<b>Reversal of prior period adjustment</b>		26				26
<b>Recognition of current period unrecognized gain</b>		533				533
<b>Change in foreign currency translation adjustments</b>			(119)			(119)
<b>Minimum pension liability adjustment</b>				(38)		(38)
<b>Stock options and other</b>	174					
<b>Dividends declared (\$ .48 per share)</b>					(286)	
<b>Balances at December 31, 1997</b>	\$3,513	\$ 533	\$(240)	\$(38)	\$9,504	\$1,582
<b>Net loss</b>					(962)	(962)
<b>Conversion of zero coupon notes</b>	3					
<b>Fair value adjustment to certain cost-based investments:</b>						
<b>Reversal of prior period adjustment</b>		(533)				(533)
<b>Recognition of current period unrecognized gain</b>		476				476
<b>Change in foreign currency translation adjustments</b>			34			34
<b>Minimum pension liability adjustment</b>				38		38
<b>Stock options and other</b>	182					
<b>Dividends declared (\$ .48 per share)</b>					(288)	
<b>Balances at December 31, 1998</b>	\$3,698	\$ 476	\$(206)	\$ -	\$8,254	\$ (947)
<b>Net earnings</b>					817	817
<b>Conversion of zero coupon notes</b>	9					
<b>Fair value adjustment to certain cost-based investments:</b>						
<b>Reversal of prior period adjustment</b>		(476)				(476)
<b>Recognition of current period unrecognized gain</b>		3,466				3,466
<b>Change in foreign currency translation adjustments</b>			(33)			(33)
<b>Minimum pension liability adjustment</b>				(73)		(73)
<b>Stock options and other</b>	703					
<b>Dividends declared (\$ .48 per share)</b>					(291)	
<b>Balances at December 31, 1999</b>	\$4,410	\$3,466	\$(239)	\$(73)	\$8,780	\$3,701

See accompanying condensed notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)  
Years Ended December 31

	1999	1998	1997
<b>Operating</b>			
<b>Net earnings (loss)</b>	\$ 817	\$ (962)	\$ 1,180
<b>Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:</b>			
<b>Restructuring and other charges</b>	(226)	1,980	327
<b>Iridium charges</b>	2,119	360	178
<b>Depreciation</b>	2,182	2,197	2,329
<b>Deferred income taxes</b>	(415)	(933)	(98)
<b>Amortization of debt discount and issue costs</b>	11	11	10
<b>Gain on disposition of investments and businesses, net of acquisition charges</b>	(1,034)	(146)	(116)
<b>Change in assets and liabilities, net of effects of acquisitions and dispositions:</b>			
<b>Accounts receivable</b>	15	(238)	(812)
<b>Inventories</b>	(661)	254	(880)
<b>Other current assets</b>	(30)	31	(114)
<b>Accounts payable and accrued liabilities</b>	270	(753)	698
<b>Other assets and liabilities</b>	(1,120)	(780)	(106)
<b>Net cash provided by operating activities</b>	<b>1,928</b>	<b>1,021</b>	<b>2,596</b>
<b>Investing</b>			
<b>Acquisitions and advances to affiliates</b>	(552)	(786)	(286)
<b>Proceeds from dispositions of investments and businesses</b>	2,536	371	248
<b>Capital expenditures</b>	(2,684)	(3,221)	(2,874)
<b>Proceeds from dispositions of property, plant and equipment</b>	468	507	443
<b>(Purchases) sales of short-term investments</b>	(496)	164	(37)
<b>Net cash used for investing activities</b>	<b>(728)</b>	<b>(2,965)</b>	<b>(2,506)</b>
<b>Financing</b>			
<b>(Repayment of) proceeds from commercial paper and short-term borrowings</b>	(403)	1,627	(100)
<b>Proceeds from issuance of debt</b>	501	773	312
<b>Repayment of debt</b>	(47)	(293)	(102)
<b>Issuance of common stock</b>	481	99	137
<b>Issuance of preferred securities of subsidiary trust</b>	484	-	-
<b>Payment of dividends</b>	(291)	(288)	(286)
<b>Net cash provided by (used for) financing activities</b>	<b>725</b>	<b>1,918</b>	<b>(39)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(33)	34	(119)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 1,892</b>	<b>\$ 8</b>	<b>\$ (68)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>\$ 1,453</b>	<b>\$ 1,445</b>	<b>\$ 1,513</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,345</b>	<b>\$ 1,453</b>	<b>\$ 1,445</b>
<b>Supplemental Cash Flow Information</b>			
<b>Cash paid during the year for:</b>			
<b>Interest</b>	\$ 265	\$ 286	\$ 211
<b>Income taxes</b>	\$ 279	\$ 388	\$ 611

See accompanying condensed notes to consolidated financial statements.

## CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

**Consolidation and Investments:** The consolidated financial statements include the accounts of Motorola, Inc. and all majority-owned subsidiaries (the Company) in which it has control. The Company's investments in non-controlled entities in which it has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method. The Company's investments in other entities are carried at their historical cost. Certain of these cost-based investments are marked-to-market at the balance sheet date to reflect their fair value with the unrealized gains and losses, net of tax, included in a separate component of stockholders' equity.

**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.

**Advertising and Sales Promotion Costs:** Advertising and sales promotion costs are expensed as incurred and are included in selling, general and administrative expenses in the consolidated statements of operations.

**Inventories:** Inventories are valued at the lower of average cost (which approximates computation on a first-in, first-out basis) or market (net realizable value or replacement cost).

**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, 5-40 years; machinery and equipment, 2-12 years).

**Intangible Assets:** Goodwill and other intangible assets are recorded at cost and amortized on a straight-line basis over periods ranging from 3 to 10 years.

**Long-Lived Assets:** Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. The Company evaluates recoverability of assets to be held and used by comparing the amount of an asset to future net undiscounted cash flows to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

**Fair Values of Financial Instruments:** The fair values of financial instruments are determined based on quoted market prices and market interest rates as of the end of the reporting period.

**Foreign Currency Translation:** The Company's European and Japanese operations and certain non-consolidated affiliates use the respective local currencies 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 into U.S. dollars are included in a separate component of stockholders' equity.

# CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions)  
Years Ended December 31

**Foreign Currency Transactions:** The effects of remeasuring the non-functional currency assets or liabilities into the functional currency as well as gains and losses on hedges of existing assets or liabilities are marked-to-market, and the result is recorded within selling, general and administrative expenses in the consolidated statements of operations. Gains and losses on financial instruments that hedge firm future commitments are deferred until such time as the underlying transactions are recognized or recorded immediately when the transaction is no longer expected to occur. Foreign exchange financial instruments that hedge investments in foreign subsidiaries are marked-to-market, and the results are included in stockholders' equity. Other gains or losses on financial instruments that do not qualify as hedges are recognized immediately as income or expense.

**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.

**Reclassifications:** Certain amounts in prior years' financial statements and related notes have been reclassified to conform to the 1999 presentation.

**Recent Accounting Pronouncements:** In June 1998, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," subsequently amended by SFAS No. 137, which the Company is required to adopt in the first quarter of 2001. The Company does not expect the adoption of SFAS 133 to materially affect its consolidated financial position, liquidity or results of operations.

## 2. Motorola Credit Corporation

Motorola Credit Corporation (MCC), the Company's wholly owned finance subsidiary, is engaged principally in financing long-term commercial receivables arising out of equipment sales made by the Company to customers throughout the United States and internationally.

MCC's interest revenue is included in the Company's consolidated net sales. Interest expense totaled \$72 million in 1999, \$37 million in 1998 and \$13 million in 1997, and is included in manufacturing and other costs of sales. In addition, long-term finance receivables of \$1.7 billion and \$1.1 billion (net of allowance for losses on commercial receivables of \$292 million and \$167 million, respectively) at December 31, 1999 and 1998 are included in other assets.

### SUMMARY FINANCIAL DATA OF MOTOROLA CREDIT CORPORATION

	1999	1998	1997
<b>Total revenue</b>	\$ 159	\$ 72	\$ 29
<b>Net earnings</b>	53	21	11
<b>Total assets</b>	2,015	1,152	458
<b>Total liabilities</b>	1,768	977	367
<b>Total stockholders' equity</b>	\$ 247	\$ 175	\$ 91

### 3. Information by Segment and Geographic Region

In July 1998, the Company's communications-related businesses began realigning into the Communications Enterprise, a structure intended to enable integrated solutions and improved responsiveness to the needs of distinct customer segments. For the 1998 year-end reporting, the Company continued to use the previous segments because the Company's management made operating decisions and assessed performance based on these segments. With the completion of the realignment in 1999, the Company changed its segment reporting. Therefore, the Company has restated previously reported segment information to reflect the realignment and to conform to the management approach of Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," which the Company implemented as of January 1, 1998.

The Company's new reportable segments have been determined based on the nature of the products offered to customers. The Personal Communications Segment focuses on delivering integrated voice, video and data communications solutions to consumers. This segment includes subscriber products and accessories for cellular, iDEN<sup>®</sup> radio, paging, and satellite and consumer two-way radio markets. The Network Systems Segment focuses on providing total system solutions for telecommunications carriers and operators. This segment includes the Company's cellular infrastructure, iDEN infrastructure and satellite communications infrastructure businesses. The Commercial, Government and Industrial Systems Segment focuses on the commercial, governmental and industrial markets, providing integrated communications solutions, including infrastructure and non-consumer two-way radio products. The Semiconductor Products Segment continues to focus on the design, manufacture and distribution of integrated semiconductor solutions and components. The Other Products Segment is comprised primarily of the Integrated Electronic Systems Sector (which primarily manufactures and sells automotive and industrial electronics); the Internet and Networking Group (which focuses on the development of servers, applications and internet solutions); the Network Management Group (which continues to hold and manage investments in terrestrial and satellite-based network operators); and other corporate programs.

The accounting policies of the segments are the same as those described in Note 1 Summary of Significant Accounting Policies. Segment operating results are measured based on profit (loss) before income tax adjusted, if necessary, for certain segment-specific items and corporate allocations. Intersegment and intergeographic sales are accounted for on an arm's length pricing basis. Intersegment sales included in adjustments and eliminations were \$2.7 billion, \$2.8 billion and \$3.2 billion for the years ended December 31, 1999, 1998 and 1997, respectively. These sales were primarily from the Semiconductor Products Segment and the Integrated Electronic Systems Sector. Intersegment sales from the Semiconductor Products Segment were \$1.6 billion for the years ended December 31, 1999 and 1998, and \$1.8 billion for the year ended December 31, 1997. For these same periods, intersegment sales from the Integrated Electronic Systems Sector were \$0.8 billion, \$0.9 billion and \$1.0 billion, respectively. Net sales by geographic region are measured by the location of the revenue-producing operations.

Domestic export sales to third parties were \$2.4 billion, \$3.1 billion and \$4.0 billion for the years ended December 31, 1999, 1998 and 1997, respectively. Domestic export sales to affiliates were \$6.6 billion, \$5.0 billion and \$6.9 billion for the years ended December 31, 1999, 1998 and 1997, respectively.

Identifiable assets (excluding intersegment receivables) are the Company's assets that are identified with classes of similar products or operations in each geographic region. General corporate assets include primarily cash and cash equivalents, marketable securities, cost- and equity-based investments, the fair value adjustment of certain cost-based investments and the administrative headquarters of the Company.

In 1999, 1998 and 1997, no single customer or group under common control represented 10% or more of the Company's sales.

# CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions)  
Years Ended December 31

## SEGMENT INFORMATION

	Net Sales			Operating Profit (Loss) Before Taxes					
	1999	1998	1997	1999		1998		1997	
<b>Personal Communications Segment</b>	\$11,932	\$10,132	\$11,026	\$ 608	5.1 %	\$ (373)	(3.7)%	\$1,122	10.2 %
<b>Network Systems Segment</b>	6,544	7,064	6,061	(479)	(7.3)%	819	11.6 %	618	10.2 %
<b>Commercial, Government and Industrial Systems Segment</b>	4,068	4,079	4,037	609	15.0 %	412	10.1 %	345	8.5 %
<b>Semiconductor Products Segment</b>	7,370	7,314	8,003	619	8.4 %	(1,225)	(16.7)%	168	2.1 %
<b>Other Products Segment</b>	3,736	3,623	3,855	(261)	(7.0)%	(896)	(24.7)%	(318)	(8.2)%
<b>Adjustments and eliminations</b>	(2,719)	(2,814)	(3,188)	(4)	0.1 %	15	(0.5)%	(48)	1.5 %
<b>Segment totals</b>	\$30,931	\$29,398	\$29,794	1,092	3.5 %	(1,248)	(4.2)%	1,887	6.3 %
<b>General corporate</b>				76		(126)		(71)	
<b>Earnings (loss) before income taxes</b>				\$1,168	3.8 %	\$(1,374)	(4.7)%	\$1,816	6.1 %

	Assets			Capital Expenditures			Depreciation Expense		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
<b>Personal Communications Segment</b>	\$ 6,411	\$ 5,476	\$ 6,105	\$ 450	\$ 442	\$ 749	\$ 398	\$ 422	\$ 539
<b>Network Systems Segment</b>	7,414	6,177	4,655	262	345	415	260	222	249
<b>Commercial, Government and Industrial Systems Segment</b>	2,509	2,110	2,102	152	224	180	170	146	161
<b>Semiconductor Products Segment</b>	7,872	8,232	7,947	1,505	1,783	1,153	1,131	1,178	1,169
<b>Other Products Segment</b>	4,117	3,393	3,062	183	162	111	146	184	163
<b>Adjustments and eliminations</b>	(1,396)	(420)	(458)	-	-	-	-	-	-
<b>Segment totals</b>	26,927	24,968	23,413	2,552	2,956	2,608	2,105	2,152	2,281
<b>General corporate</b>	10,400	3,760	3,865	132	265	266	77	45	48
<b>Consolidated totals</b>	\$37,327	\$28,728	\$27,278	\$2,684	\$3,221	\$2,874	\$2,182	\$2,197	\$2,329

	Interest Income			Interest Expense			Net Interest		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
<b>Personal Communications Segment</b>	\$ 17	\$ 21	\$ 21	\$ 61	\$ 73	\$ 48	\$ (44)	\$ (52)	\$ (27)
<b>Network Systems Segment</b>	1	-	-	30	33	12	(29)	(33)	(12)
<b>Commercial, Government and Industrial Systems Segment</b>	-	2	4	15	17	14	(15)	(15)	(10)
<b>Semiconductor Products Segment</b>	6	12	12	81	116	71	(75)	(104)	(59)
<b>Other Products Segment</b>	2	6	2	33	30	14	(31)	(24)	(12)
<b>Segment totals</b>	26	41	39	220	269	159	(194)	(228)	(120)
<b>General corporate</b>	124	44	46	85	32	57	39	12	(11)
<b>Consolidated totals</b>	\$ 150	\$ 85	\$ 85	\$ 305	\$ 301	\$ 216	\$ (155)	\$ (216)	\$ (131)

(Dollars in millions)  
Years Ended December 31

### SPECIAL ITEMS

Income (Expense)	1999	1998	1997
	<b>Personal Communications Segment</b>	\$ 18	\$ (479)
<b>Network Systems Segment</b>	(1,272)	(167)	–
<b>Commercial, Government and Industrial Systems Segment</b>	186	(46)	10
<b>Semiconductor Products Segment</b>	331	(752)	(174)
<b>Other Products Segment</b>	(95)	(419)	(94)
<b>Segment totals</b>	(832)	(1,863)	(278)
<b>General corporate</b>	148	(6)	(28)
<b>Total special items</b>	\$ (684)	\$ (1,869)	\$ (306)

### GEOGRAPHIC AREA INFORMATION

	Net Sales			Assets			Property, Plant and Equipment, Net		
	1999	1998	1997	1999	1998	1997	1999	1998	1997
<b>United States</b>	\$ 19,956	\$ 20,397	\$ 21,809	\$ 14,135	\$ 14,932	\$ 14,000	\$ 5,142	\$ 5,294	\$ 5,661
<b>United Kingdom</b>	6,221	5,709	5,254	2,186	2,083	2,098	947	999	887
<b>Other nations</b>	20,686	12,812	12,778	13,244	8,804	7,966	2,638	3,221	2,901
<b>Adjustments and eliminations</b>	(15,932)	(9,520)	(10,047)	(2,638)	(851)	(651)	(88)	(134)	(111)
<b>Geographic totals</b>	\$ 30,931	\$ 29,398	\$ 29,794	26,927	24,968	23,413	8,639	9,380	9,338
<b>General corporate</b>				10,400	3,760	3,865	607	669	518
<b>Consolidated totals</b>				\$ 37,327	\$ 28,728	\$ 27,278	\$ 9,246	\$ 10,049	\$ 9,856

# CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share amounts)

## 4. Merger with General Instrument Corporation

On January 5, 2000, the Company and General Instrument Corporation completed their previously announced merger. The merger positions the Company as a leader in the convergence of voice, video and data technologies. The new Broadband Communications Sector will focus on solutions that deliver interactive television, the Internet and telephone services over wired networks. The new sector combines the operations of General Instrument with the cable modem and cable telephony businesses of the Company's Internet and Networking Group. Through the merger the Company also acquired a majority ownership in Next Level Communications, Inc., which completed an initial public offering in the fourth quarter of 1999. The Company issued 100.6 million shares to effect the merger and will account for the merger under the pooling-of-interests method of accounting. The following tables present capsule combined operating results for the three years ending December 31, 1999, 1998 and 1997 and capsule combined balance sheets as of December 31, 1999 and 1998 as if the merger had occurred on January 1, 1997. The Company will record a charge in the first quarter of 2000 for costs associated with the merger and expected integration costs. Full-line combined operating results and balance sheets are included in the appendix to the Company's proxy statement for the 2000 Annual Meeting of Stockholders.

### CAPSULE COMBINED OPERATING RESULTS (UNAUDITED)

Years Ended December 31

	1999	1998	1997
<b>Net sales</b>	<b>\$33,075</b>	<b>\$31,340</b>	<b>\$31,498</b>
<b>Earnings (loss) before income taxes</b>	<b>1,298</b>	<b>(1,280)</b>	<b>1,806</b>
<b>Net earnings (loss)</b>	<b>\$ 900</b>	<b>\$ (907)</b>	<b>\$ 1,164</b>
<b>Basic earnings (loss) per common share</b>	<b>\$ 1.27</b>	<b>\$ (1.31)</b>	<b>\$ 1.71</b>
<b>Diluted earnings (loss) per common share</b>	<b>\$ 1.23</b>	<b>\$ (1.31)</b>	<b>\$ 1.67</b>
<b>Basic weighted average common shares outstanding</b>	<b>706.5</b>	<b>690.3</b>	<b>680.3</b>
<b>Diluted weighted average common shares outstanding</b>	<b>734.0</b>	<b>690.3</b>	<b>697.6</b>

### CAPSULE COMBINED BALANCE SHEETS (UNAUDITED)

December 31

	1999	1998
<b>Assets</b>		
<b>Total current assets</b>	<b>\$17,579</b>	<b>\$14,421</b>
<b>Property, plant and equipment, net</b>	<b>9,591</b>	<b>10,286</b>
<b>Other assets</b>	<b>13,313</b>	<b>6,244</b>
<b>Total assets</b>	<b>\$40,483</b>	<b>\$30,951</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Total current liabilities</b>	<b>12,891</b>	<b>11,889</b>
<b>Long-term debt and other liabilities</b>	<b>8,406</b>	<b>5,149</b>
<b>Total liabilities</b>	<b>21,297</b>	<b>17,038</b>
<b>Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely company-guaranteed debentures</b>	<b>484</b>	<b>—</b>
<b>Total stockholders' equity</b>	<b>18,702</b>	<b>13,913</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$40,483</b>	<b>\$30,951</b>

# FIVE-YEAR FINANCIAL SUMMARY<sup>1</sup>

(Dollars in millions, except as noted)  
Years Ended December 31

	1999	1998	1997	1996	1995
<b>Operating Results</b>					
Net sales	\$30,931	\$29,398	\$29,794	\$27,973	\$27,037
Manufacturing and other costs of sales	19,169	18,043	17,283	16,610	15,361
Selling, general and administrative expenses	5,045	5,443	5,160	4,701	4,629
Restructuring and other charges	(226)	1,980	327	–	–
Research and development expenditures	3,438	2,893	2,748	2,394	2,197
Depreciation expense	2,182	2,197	2,329	2,308	1,919
Interest expense, net	155	216	131	185	149
Total costs and expenses	29,763	30,772	27,978	26,198	24,255
Net gain on Nextel asset exchange	–	–	–	–	443
Earnings (loss) before income taxes	1,168	(1,374)	1,816	1,775	3,225
Income tax provision (benefit)	351	(412)	636	621	1,177
Net earnings (loss)	\$ 817	\$ (962)	\$ 1,180	\$ 1,154	\$ 2,048
Net earnings (loss) as a percent of sales	2.6%	(3.3)%	4.0%	4.1%	7.6%
<b>Per Share Data</b> (in dollars)					
Diluted earnings (loss) per common share	\$ 1.31	\$ (1.61)	\$ 1.94	\$ 1.90	\$ 3.37
Diluted weighted average common shares outstanding	624.7	598.6	612.2	609.0	609.7
Dividends declared	\$ 0.480	\$ 0.480	\$ 0.480	\$ 0.460	\$ 0.400
<b>Balance Sheet</b>					
Total assets	\$37,327	\$28,728	\$27,278	\$24,076	\$22,738
Working capital	4,087	2,091	4,181	3,324	2,717
Long-term debt and redeemable preferred securities	3,573	2,633	2,144	1,931	1,949
Total debt and redeemable preferred securities	6,077	5,542	3,426	3,313	3,554
Total stockholders' equity	\$16,344	\$12,222	\$13,272	\$11,795	\$10,985
<b>Other Data</b>					
Current ratio	1.33	1.18	1.46	1.42	1.35
Return on average invested capital	5.5%	(6.2)%	8.4%	8.4%	16.7%
Return on average stockholders' equity	5.9%	(7.6)%	9.4%	10.0%	20.2%
Capital expenditures	\$ 2,684	\$ 3,221	\$ 2,874	\$ 2,973	\$ 4,225
% to sales	8.7%	11.0 %	9.6%	10.6%	15.6%
Research and development expenditures	\$ 3,438	\$ 2,893	\$ 2,748	\$ 2,394	\$ 2,197
% to sales	11.1%	9.8 %	9.2%	8.6%	8.1%
Year-end employment (in thousands)	121	133	150	139	142

<sup>1</sup>Excludes the impact of the merger with General Instrument.

**BOARD OF DIRECTORS  
OF MOTOROLA, INC.**

**Christopher B. Galvin**

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Chief Executive Officer,  
Motorola, Inc.

**Ronnie C. Chan**

Chairman,  
Hang Lung Development Group

**H. Laurance Fuller**

Co-Chairman,  
BP Amoco, p.l.c.

**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**

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Commissioner of the Federal  
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**Donald R. Jones**

Retired; formerly  
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Governance to Teachers Insurance  
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Retirement Equities Fund

**Dr. John A. White**

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University of Arkansas

## STOCKHOLDER REFERENCE INFORMATION

### Stock Transfer, Registrar, Dividend Disbursing, Direct Stock Purchase and Dividend Reinvestment Agent

Harris Trust and Savings Bank  
Corporate Trust Operations Division  
P.O. Box A3504  
311 West Monroe Street  
14th Floor  
Chicago, IL 60690 USA  
(312) 360-5120  
(800) 704-4098  
Internet address:  
[www.harrisbank.com](http://www.harrisbank.com)

### Investor Relations

Security analysts, investment professionals and shareholders can find investor relations information on the Internet at [www.motorola.com/investor](http://www.motorola.com/investor).

Inquiries should be directed to:

Investor Relations, Motorola, Inc.  
Corporate Offices  
1303 East Algonquin Road  
Schaumburg, IL 60196 USA

Or call: (800) 262-8509

### 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 1, 2000. A notice of the meeting, together with a form of proxy and a proxy statement, will be mailed to stockholders on or about March 22, 2000, at which time proxies will be solicited by the Board of Directors.

### Proxy Statement

The Proxy Statement is available on the Internet at [www.motorola.com/investor](http://www.motorola.com/investor).

A copy of the Proxy Statement may be obtained without charge by contacting the Investor Relations Dept. as listed to the left.

### Form 10-K

The Form 10-K is available on the Internet at [www.motorola.com/investor](http://www.motorola.com/investor).

A copy of the Form 10-K may be obtained without charge by contacting the Investor Relations Dept. as listed to the left.

### Auditors

KPMG LLP  
303 East Wacker Drive  
Chicago, IL 60601 USA

### Business Risks

Statements that are not historical facts, including statements about the number of wireless phone users by 2002, the estimated number of smart chips to be sold in the next five years, the number of two-way radios in use worldwide by 2002, annual worldwide demand for automotive electronics by 2002, our expectations about the telematics business, estimated U.S. Cable Industry revenues by 2008, applications of next generation set-top devices, impact of new technology from Motorola Labs, goals regarding self-funding revenue growth and expectations about our future performance are forward-looking and involve risks and uncertainties.

Motorola wishes to caution the reader that the factors below and those in Motorola's 2000 Proxy Statement appendix and its other SEC filings could cause Motorola's results to differ materially from those in the forward-looking statements. These factors include: continued significant demand for wireless communications products and semiconductors; continued significant increases in electronic content in cars and trucks; continued growth in the cable industry and that industry's ability to compete with other entertainment providers; Motorola's success in partnering with other industry leaders to meet customer product and service requirements; product technology and commercialization risks; continued or increased pricing pressure on Motorola's products, particularly wireless communications products; Motorola's ability to compete as customers demand open architectures; Motorola's ability to recruit and retain highly skilled employees in a very competitive employment market; and steady growth in emerging markets.

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