



MOTOROLA



reality



2001
Summary
Annual
Report



Motorola is a global leader in providing integrated communications solutions and embedded electronic solutions. Our *Intelligence Everywhere*[™] solutions include:

- Software-enhanced wireless telephone and messaging, two-way radio products and systems, as well as networking and Internet-access products, for consumers, network operators, and commercial, government and industrial customers.
- End-to-end systems for the delivery of interactive digital video, voice and high-speed data solutions for broadband operators.
- Embedded semiconductor solutions for customers in wireless communications, networking and transportation markets.
- Integrated electronic systems for automotive, Telematics, industrial, telecommunications, computing and portable energy systems markets.

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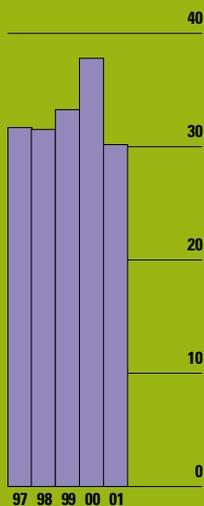
Inside Back Cover

Financial highlights

Net sales	\$30,004	\$37,580
Earnings (loss) before income taxes	(5,511)	2,231
% to sales	(18.4)%	5.9%
Net earnings (loss)	(3,937)	1,318
% to sales	(13.1)%	3.5%
Diluted earnings (loss) per common share (in dollars)	(1.78)	0.58
Research and development expenditures	4,318	4,437
Capital expenditures	1,321	4,131
Working capital	7,451	3,628
Current ratio	1.77	1.22
Return on average invested capital	(18.0)%	6.3%
Return on average stockholders' equity	(24.8)%	6.6%
% of net debt to net debt plus equity	18.4 %	27.4%
Book value per common share (in dollars)	\$ 6.07	\$ 8.49
Year-end employment (in thousands)	111	147

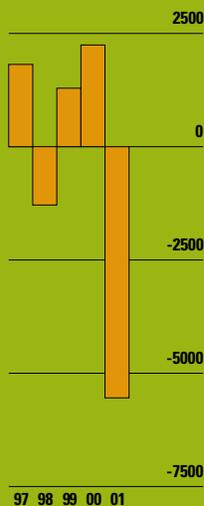
In billions

Net sales



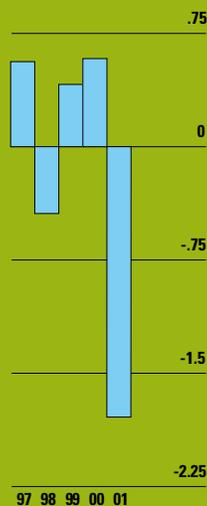
In millions

Earnings (loss) before income taxes



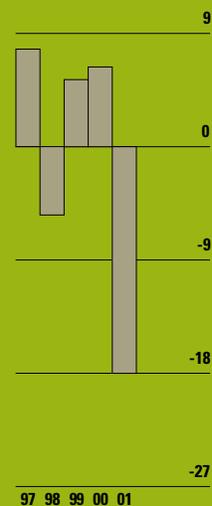
In dollars

Diluted earnings (loss) per share



In percentages

Return on average invested capital





To our stockholders and other friends

Our company is emerging from a year of tremendous struggle and rebuilding, a year of unacceptable performance for our stockholders, a year different and more difficult than any other in our history.

Like others, we inopportunately chased the dot-com and telecom boom in 2000 and built up manufacturing capacity and a global cost structure for a \$45 billion revenue company going into 2001, having achieved \$37.6 billion in revenue in 2000. Then came the reality of 2001. A telecom equipment downturn affecting both wire-line and wireless. The worst semiconductor decline in history. Dot-com busts. A U.S. recession. Appalling terrorist acts. Delays in the deployment of next-generation (3G) wireless technology. A large customer default. Sales of only \$30 billion. Major and painful corporation-wide resizing. Regrettable financial charges.

Sales decreased to \$30.0 billion compared with \$37.6 billion in 2000. We incurred a net loss of \$3.9 billion compared with net earnings of \$1.3 billion the prior year. The loss per share was \$1.78 versus earnings of \$.58 per share in 2000.

Included in the loss of 2001 were special items resulting in a net charge of \$3.3 billion after-tax, which represented approximately 80% of the total loss for the year. A portion of these charges were related to cost-reduction actions taken in 2001 as business activity weakened. These actions have been designed to adjust our costs to global market conditions and, as the market recovers, to restore a trend of improving profitability. In fact, the balance sheet at the close of 2001 was stronger than at the close of the previous year. Full financial data can be found in the proxy statement.

We have been moving aggressively to reverse the impact of 2001 and return to profitability. Our goal is to be a great stock again. We intend to achieve superior and consistent operating performance through market share gains based on frequent new product cycles and new market opportunities. The business strategies we are following are robust and will, we believe, lead us to profitability. We instituted a 5-point plan to build shareholder value, and we're delivering on that plan:

1. An experienced management team complemented by new talent.

We have instituted a world-class leadership supply system to ensure the right managers in the right jobs at the right time.

2. Stabilized balance sheet and financial flexibility.

We generated positive operational cash flow of more than \$1.9 billion, reduced net debt by \$4 billion and improved working capital.

3. Reduced costs/manufacturing capacity.

We announced a significant workforce reduction, and a reduction in the number of manufacturing plants. We began 2001 with 147,000 employees and employed 111,000 at year-end.

We are determined to become a great stock again. Our 5-point plan to rebuild value for our investors includes an emphasis on a strengthened management team; a stabilized balance sheet and improved financial flexibility; cost and capacity reduction; growth driven by innovation; and continuous reevaluation of our strategies to ensure alignment with the direction of a dynamic high-tech environment.

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

Edward D. Breen
President and
Chief Operating Officer
(left)

4. *Growth through innovative products, software applications, customer relationships.*

We're providing our customers with the solutions they demand: a portfolio of 24 exciting new wireless telephone products; driver information systems, such as the OnStar® system; new digital cable set-top products; next-generation wireless technology; silicon-to-software solutions.

5. *Continuous reevaluation of our strategy as the high-tech environment changes.*

Examples of this include the divestiture of businesses no longer key to our strategies; acquisitions of companies that strengthen our strategic position; and the decision to license our technologies more aggressively to other companies to generate royalty income.

The changes we are making now are fundamentally different than the changes we made in the past. We've taken the tough, necessary steps to improve our cost structures, institute new efficiencies across the corporation, focus on generating profit and positive cash flow, maintain a low break even point and enhance our balance sheet.

2001 was the first year in the history of the cellular industry in which handset sales declined. Despite this, our Personal Communications Sector (PCS) retained the number-two worldwide market share, improved that market share from 15% at the end of 2000 to 17% at the end of 2001 and returned to profitability in the fourth quarter of 2001. We are the number-one handset provider in the rapidly growing China market. PCS expects further improvement in performance by driving:

- The implementation of our platform design strategy;
- Aggressive reductions in our product portfolio and parts complexity;
- Increased margins for new products; and
- Markedly improved relationships with operators.

In 2001, the wireless infrastructure industry also experienced its first year ever of decline, dropping 23%. The focus of our Global Telecom Solutions Sector (GTSS) is back to basics. As part of the drive toward operational excellence, the sector will increasingly focus on providing margin-enhancing, value-added software and services to its large installed base of customers. GTSS has won contracts and is deploying next-generation wireless technology, such as GPRS, CDMA 1X and UMTS.

While the cable equipment industry saw a softening of demand in 2001, the Broadband Communications Sector (BCS) retained a strong market share and technology position. We believe the cable equipment market will resume growth during the second half of 2002 due to significant opportunities outside of North America. The European market in particular presents significant opportunity over the next few years.

In 2001, we took tough but necessary steps throughout the corporation to improve our cost structure, institute new efficiencies and enhance our balance sheet. Meanwhile, PCS improved both its market share and profitability; GTSS continued its drive to achieve operational excellence and develop more value-added services for customers; and BCS bolstered its leadership position through acquisition.

BCS has made strategic acquisitions to strengthen its leadership role in the cable equipment industry and to support its growth strategy of building its Internet Protocol (IP) business to deploy the “triple play” of video, voice and data services on a worldwide basis.

Our Commercial, Government and Industrial Solutions Sector (CGISS) continued to maintain strong market share and technology leadership in the two-way radio market. Motorola became the first company to deliver IP technology on a digital trunking system that complies with the Project 25 U.S. public safety standard for digital radio communications. We also began shipping new-generation portable and mobile radios compatible with Project 25 and TETRA, the European standard for digital radio communications.

CGISS divested non-strategic elements of its business and intensified its focus on growth opportunities in integrated communications and information solutions. As government-funded programs for Homeland Security become solidified, Motorola is very well positioned to participate.

In our Semiconductor Products Sector (SPS), we have implemented a new business model intended to improve substantially its long-term financial performance. We are sharpening the focus of the sector on the wireless communications, networking and transportation markets, which we believe have a tremendous future. This business model, which we refer to as “Asset Light,” consists of three major elements:

1. An increased focus on proprietary, higher-value products providing silicon-to-software solutions;
2. A new more efficient approach in manufacturing to reduce fixed asset expenditures. We have already announced and begun to implement factory closures and consolidations.
3. A much more aggressive approach to licensing intellectual property. Included in this initiative are patent cross-licenses, process technology licenses and agreements with partners to commercialize manufacturing invention and know-how that we have created.

In the highly competitive automotive market, our Integrated Electronic Systems Sector (IESS) enjoys a strong market share in driver information systems, known as Telematics, that make cars smarter and safer. The Energy Systems Group within IESS provides energy system solutions for a wide variety of portable products.

What's relevant?

The summary annual report that follows shows examples of how – in reality – right now – our businesses are doing some spectacular things with our customers that give us a glimpse of the opportunity we have for profitable growth in exciting arenas.

As CGISS focuses its growth strategy on integrated communications, as SPS implements its new “Asset Light” business model, as IESS works to build upon its leadership in Telematics, Motorola is, across the entire organization, intensely focused on what’s most pressing and relevant right now: becoming as successful financially as it is technologically.

As we progress through 2002, a new reality continues to evolve. The role of sophisticated, flexible and reliable communications has never been more important. What's relevant to society? Simplicity. Safety. Security. Innovation. Leadership. Quality. The ability to protect. The ability to respond. Motorola *Intelligence Everywhere*[™] solutions are making things smarter and life better all over the world.

Over the course of our history, Motorola has enjoyed wave after wave of growth in the marketplace, moving from a privately owned startup to a globally acknowledged industry leader. We have helped to define the way the world communicates. And now, we intend to become as financially successful as we are technologically successful.

We are setting ambitious goals to ensure that Motorola is well positioned to take advantage of the resumption of strength in our marketplaces. We are confident that the invigorating actions we are now taking will reward our stockholders. We think you're going to like the leaner, more responsive company we've become.

Leadership transition

In closing, we would like to take special note of the transition of Bob Growney on December 31, 2001 from his position as president and chief operating officer to vice chairman of the Board of Directors and his pending retirement from Motorola effective March 31, 2002.

It has been a special privilege for this senior leadership team to work with Bob. We all have benefited greatly from his wisdom and counsel. We thank him for the thoughtful and significant contributions he has made during his 35-year Motorola career and look forward to building on his long record of achievement as we enter the next stage of our company's development.

Our business strategies and new course of action are designed to enhance the shareholder value of this great company. We enter 2002 leaner, more agile, and more fiscally sound. We respect the monumental challenges we face. With renewed commitment, we are a leadership team that is fiercely dedicated to the ideas, energy, innovation and stamina it will take to move Motorola forward. From the extraordinary challenges of 2001, we rebuild and renew.



Robert L. Growney
Vice Chairman

A handwritten signature in dark ink, appearing to read "Christopher B. Galvin". The signature is fluid and cursive.

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

A handwritten signature in dark ink, appearing to read "Edward D. Breen". The signature is cursive and somewhat stylized.

Edward D. Breen
President and
Chief Operating Officer

At a glance

Broadband Communications Sector

David E. Robinson
Executive Vice President, President,
Broadband Communications Sector

As the world's leading supplier of digital cable set-tops and cable modems, Motorola's Broadband Communications Sector (BCS) provides end-to-end systems for the delivery of interactive digital video, voice and high-speed data solutions for broadband operators.

Commercial, Government and Industrial Solutions Sector

Robert L. Barnett
Executive Vice President, President,
Commercial, Government and Industrial
Solutions Sector

The Commercial, Government and Industrial Solutions Sector (CGISS) is a trusted integrator of communication and information solutions for work teams in business and government enterprises. Our solutions enhance and transform operations by delivering rapid, mobile intelligence to meet mission-critical needs.

Global Telecom Solutions Sector

Adrian Nemcek
Senior Vice President, President,
Global Telecom Solutions Sector

The Global Telecom Solutions Sector (GTSS) delivers the infrastructure, network services and software that meet the needs of operators worldwide today, while providing a migration path to next-generation networks that will enable them to offer innovative, revenue-generating applications and services to their customers.

Integrated Electronic Systems Sector

Thomas J. Lynch
Executive Vice President, President,
Integrated Electronic Systems Sector

The Integrated Electronic Systems Sector (IESS) provides a broad range of embedded systems and products for the automotive, industrial, Telematics, telecommunications and portable energy systems markets.

Personal Communications Sector

Mike S. Zafirovski
Executive Vice President, President,
Personal Communications Sector

The Personal Communications Sector (PCS) designs, manufactures, sells and services wireless subscriber and server equipment including: wireless handheld devices for cellular and iDEN® integrated digital-enhanced networks, advanced messaging devices, personal two-way radios and a broad range of mobile data services, servers and software solutions, with related software and accessory products.

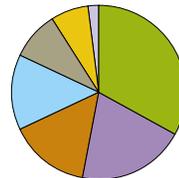
Semiconductor Products Sector

Fred Shlapak
Executive Vice President, President,
Semiconductor Products Sector

As the world's number-one producer of embedded processors, Motorola's Semiconductor Products Sector (SPS) creates DigitalDNA™ system-on-chip solutions for a connected world. Its strong focus on wireless communications and networking enables customers to develop smarter, simpler, faster and synchronized products for the person, work team, home and automobile.

In percentages

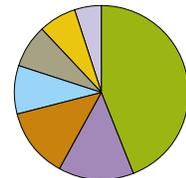
2001 net sales by business segment



- Personal Communications Segment 33%
- Global Telecom Solutions Segment 20%
- Semiconductor Products Segment 15%
- Commercial, Government and Industrial Systems Segment 14%
- Broadband Communications Segment 9%
- Integrated Electronic Systems Segment 7%
- Other Products Segment 2%

In percentages

2001 market sales by region



- United States 44%
- Europe 14%
- China 13%
- Latin America 9%
- Asia-Pacific 8%
- Other Markets 7%
- Japan 5%

“We need simplicity. We have no time for

“I want the coolest-looking phone.”

“I want to feel safe.”

“I need to check my e-mail.”

“We want a vendor/

“I want to know my exact location when I’m driving.”

what’s

Motorola’s **solving real problems** for customers, helping

"I want it affordable."

complexity."

"We need to be ahead of the curve. Always."

"I need to find my husband."

"We need to compete more effectively."

partner that supplies solutions, not just products."

"We want what we want. And we want it yesterday."

relevant?

them make things people want and need, day after day.

What's relevant to mobile phone retailers and service providers in China? Product and feature range that give their customers choice. Quality. And support. Top distributors and operators are making the freedom and convenience of personal communications a reality across China, and Motorola is there, helping them succeed.

中国移动通信
CHINA MOBILE
指定代销店

为客户服务

全心全意 服务最美





The freedom of personal communications means the same thing in China that it does all over the world: the ability to stay in touch, conveniently and reliably, while on the go.



The unique and exciting new V70 mobile phone is a popular part of Motorola's product offering in China – just one of a new generation of Motorola phones that is helping gain market share worldwide.

Our unrivaled product range, powerful brand and experience in integrating complex infrastructure are keys to putting more Motorola phones in people's hands.

In China, distributors/retailers sell handsets in owned and independent retail outlets; operators primarily provide cellular service. It's simple, and separate – retailers sell product; operators sell dial tone. Motorola is committed to helping both groups win.

For distributors/retailers, giving consumers a choice is critical. Our product range is the best in the market, provided with dedicated merchandising and advertising support that enables maximum leverage of Motorola's global brand to drive sales. Quality is key as well. Motorola delivers it, with dependable performance and responsive service after the sale. Motorola is the market share leader in handsets in China.

Motorola provides infrastructure equipment and technology for operators. In China, we are number one in CDMA systems¹ and number two in GSM base stations. Our sales and orders in China for infrastructure equipment in 2001 increased versus those in 2000, during a period of weak industry demand globally.

In the wireless infrastructure arena, we bring years of experience in integrating complex technologies for operators. We combine our own technologies with those of the finest third-party suppliers to provide fully operational commercial systems that deliver value to our customers.

China's two distinct market opportunities – the coastal regions, more penetrated and mature, and the interior, with emerging infrastructure and demand – align well with Motorola's strengths. The ability to offer value-added features such as messaging, calendars and downloadable content is becoming crucial to distributors and operators. In addition, consumers simply demand dependable performance at the best cost. Motorola has the technology and product portfolio to serve both types of need in China – and all over the world.

¹ based on publicly announced awards

What's relevant to Canada's Shaw Communications and other major cable operators? Broadband that's speedier, simpler and more synchronized than ever, making it possible to build strong subscriber relationships with services and features that consumers will buy, use and keep using. Motorola delivers the technology behind it all.

Networks

Digital Cable



Switch to digital television through your current Shaw connection.



SHAW



Shaw Digital Cable



More Movies
More Sports
More Entertainment

SHAW



In the broadband home, subscribers can access a new world of entertainment and information from the comfort of their couch.



Motorola's new DCT2500 digital set-top terminals enable operators to offer more interactive services, faster performance and increased functionality – for improved graphics, “watch and surf” capabilities and more.

Motorola technology and support are helping Shaw Communications make the vision of the broadband home a reality.

Shaw Communications Inc. is Canada's top broadband operator, providing a wide range of digital communications and entertainment services to approximately 2.8 million subscribers across the country. Shaw uses a growing retail presence to successfully market a competitive array of digital broadband packages and services that connect subscribers to a whole new world of entertainment through their TV or home computer with “always on” high-speed Internet connections.

Our relationship with Shaw represents decades of helping them offer product menus that attract and, more important, retain subscribers. Motorola is far and away the leader in digital broadband technology, providing a complete line of set-top terminals, cable modems and related products, including multimedia terminal adapters that serve as the gateway that enables bundling of services to subscribers.

Motorola's broad array of products, systems and solutions help build strong relationships with subscribers that can be expanded to include new services. As Shaw's customers' needs change, as the marketplace evolves, Motorola has the technology to help them remain at the forefront.

The convergence of video, data and voice – and the bundling of the three into one integrated, economical broadband package – represents tremendous potential worldwide. No one has the array of capabilities like Motorola to help realize that potential. As broadband telephony emerges globally, our voice-over-Internet-Protocol (VoIP) technology will provide the interface for Shaw and cable operators like them to connect devices to the home cable platform for a new world of possibility.

What's relevant to General Motors? Innovation. And leadership. Great cars and trucks with features people want, at competitive prices, have always been essential to success. Advanced electronics are increasingly integral, both in the vehicles and the plants that make them. A key "partner" with GM to develop those electronics? Motorola.



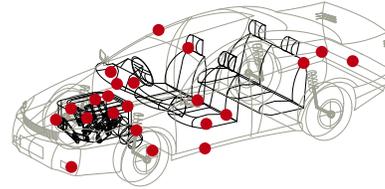
NO ENTRY
WITHOUT
BUMP CAR

5160245

CERTIFIED
STOCK



GM is enhancing vehicle appeal and building market leadership by offering the technology-driven features most relevant to buyers today.



Motorola embedded silicon solutions are omnipresent in today's vehicles. From sophisticated pressure sensors for engine and fuel system control to stability control electronics, from auto-body modules for lighting, heating and other functions to Telematics, Motorola is helping redefine automobile capability and performance.

From semiconductors and embedded solutions to wireless communications, Motorola brings all its capabilities together to meet GM's vehicle electronics and enterprise needs.

For the largest automotive manufacturer in the world, reality is an environment of unrelenting challenge and competition. GM's drive is to lead through innovation, and its longstanding relationship with Motorola enables it to tap our advanced technical expertise and 74 years of automotive experience to help it succeed.

Technology – *useful* technology that buyers value – helps sell cars and trucks. We have brought all of Motorola together to develop and deliver it: semiconductors and electronics for control modules in the powertrain and chassis; computer boards for factory automation; even wireless communication solutions to help manage a safe, secure and smooth manufacturing process.

Our unique ability to deliver deeply integrated technology reduces size, weight and cost of components, which translates to competitive advantage and enables GM to build innovation into more vehicles. Case in point: OnStar®, the industry's leading Telematics platform. Motorola has worked with GM since day one to apply GPS and cellular technology for a feature-rich offering – hands-free telephony, navigation, Internet access – that brings more than two million owners of GM vehicles much-valued peace of mind in today's emerging new reality.

The business opportunity for Motorola: Telematics rapidly is becoming prevalent, all over the world. Forecasters are projecting 10 million subscribers within the next few years, and Motorola is the leading provider of Telematics technology. But perhaps more significant is what the total Motorola/GM relationship demonstrates. A broad-based approach brings all our capabilities together for solutions that others simply can't provide, representing real value to GM and customers like them.

What's relevant to society? A new reality. Safety. Security. The ability to protect. The ability to respond. In these times, the role of sophisticated, flexible and reliable communications has never been more important. Motorola is the undisputed leader and a committed partner dedicated to delivering it.





The safety of loved ones is a basic human value, everywhere in the world. Motorola is dedicated to helping those whose life's work is to preserve and protect.



Advanced Motorola command-and-control technology for **911** systems and, increasingly, for non-emergency 311 systems is taking responsiveness, efficiency and effectiveness to new levels.

Motorola's sophisticated two-way radio communication solutions help preserve something that's never been more important: peace of mind.

The world has changed. A new reality has emerged, a "new normal" in which safety and security can no longer be taken for granted. This is a tremendous challenge not just for local, county, state and national governments, but also for businesses, institutions, airports – virtually every entity in society today.

In the "new normal," traditional notification-and-response functionality, geared to short-duration events, is no longer sufficient. Today, detection and prevention are equally if not more important, and long-duration events are a frightening new possibility. The need for interoperability and information-sharing across many users has increased exponentially. Data transmission – for fingerprints, criminal and other records, even facial recognition – will be a critical tool going forward.

Motorola has answered the call. With a dedication to understanding and meeting the unique, extremely complex needs of our customers, with technology and talent that could not be more relevant to the challenge at hand, we are hard at work helping our customers respond – bringing new capabilities like integrated voice, data and video together with the security and reliability that have made Motorola the overwhelming choice for more than 60 years.

Need has met capability. It's estimated the United States government will spend \$1.5 trillion on Homeland Security over the next five years; states are busy deploying new communication systems to enhance readiness and performance. And the need is global. All over the world, resources are being reallocated to bolster security. Motorola has the experience and technology, and we're meeting the need now.

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 accounting principles generally accepted in the United States of America, 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 auditing standards generally accepted in the United States of America, 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 auditing standards generally accepted in the United States of America, the consolidated balance sheets of Motorola, Inc. and subsidiaries as of December 31, 2001 and 2000, 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, 2001, appearing in the appendix to the proxy statement for the 2002 Annual Meeting of Stockholders of Motorola, Inc. (not presented herein); and in our report dated January 18, 2002, 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 stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.



KPMG LLP

Chicago, Illinois

January 18, 2002

Consolidated statements of operations

	2001	2000	1999
Net sales	\$30,004	\$37,580	\$33,075
Costs and expenses			
Manufacturing and other costs of sales	21,445	23,628	20,631
Selling, general and administrative expenses	3,703	5,141	5,220
Research and development expenditures	4,318	4,437	3,560
Depreciation expense	2,357	2,352	2,243
Reorganization of businesses	1,858	596	(226)
Other charges	3,328	517	1,406
Interest expense, net	437	248	138
Gains on sales of investments and businesses	(1,931)	(1,570)	(1,180)
Total costs and expenses	35,515	35,349	31,792
Earnings (loss) before income taxes	(5,511)	2,231	1,283
Income tax provision	(1,574)	913	392
Net earnings (loss)	\$ (3,937)	\$ 1,318	\$ 891
Basic earnings (loss) per common share	\$ (1.78)	\$ 0.61	\$ 0.42
Diluted earnings (loss) per common share	\$ (1.78)	\$ 0.58	\$ 0.41
Basic weighted average common shares outstanding	2,213.3	2,170.1	2,119.5
Diluted weighted average common shares outstanding	2,213.3	2,256.6	2,202.0

Consolidated balance sheets

Assets

Current assets

Cash and cash equivalents	\$ 6,082	\$ 3,301
Short-term investments	80	354
Accounts receivable, net	4,583	7,092
Inventories, net	2,756	5,242
Deferred income taxes	2,633	2,294
Other current assets	1,015	1,602
Total current assets	17,149	19,885
Property, plant and equipment, net	8,913	11,157
Investments	2,995	5,926
Long-term deferred income taxes	1,152	—
Other assets	3,189	5,375
Total assets	\$33,398	\$42,343

Liabilities and stockholders' equity

Current liabilities

Notes payable and current portion of long-term debt	\$ 870	\$ 6,391
Accounts payable	2,434	3,492
Accrued liabilities	6,394	6,374
Total current liabilities	9,698	16,257
Long-term debt	8,372	4,293
Long-term deferred income taxes	—	1,504
Other liabilities	1,152	1,192

Company-obligated mandatorily redeemable

preferred securities of subsidiary trust holding
solely company-guaranteed debentures

485 485

Stockholders' equity

Preferred stock, \$100 par value issuable in series		
Authorized shares: 0.5 (none issued)	—	—
Common stock, \$3 par value		
Authorized shares: 2001 and 2000, 4,200		
Issued and outstanding: 2001, 2,254.0; 2000, 2,191.2	6,764	6,574
Additional paid-in capital	1,707	1,188
Retained earnings	5,434	9,727
Non-owner changes to equity	(214)	1,123
Total stockholders' equity	13,691	18,612
Total liabilities and stockholders' equity	\$33,398	\$42,343

Consolidated statements of cash flows

Operating

Net earnings (loss)	\$(3,937)	\$ 1,318	\$ 891
Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	2,552	2,527	2,371
Charges for reorganization of businesses and other charges	5,998	1,483	1,893
Acquired in-process research and development charges	40	332	67
Gains on sales of investments and businesses	(1,931)	(1,570)	(1,180)
Deferred income taxes	(2,273)	239	(443)
Change in assets and liabilities, net of effects of acquisitions and dispositions:			
Accounts receivable	2,445	(1,471)	(135)
Inventories	1,838	(2,305)	(678)
Other current assets	249	(532)	(16)
Accounts payable and accrued liabilities	(3,030)	(666)	361
Other assets and liabilities	25	(519)	(991)
Net cash provided by (used for) operating activities	1,976	(1,164)	2,140
Investing			
Acquisitions and investments, net	(512)	(1,912)	(632)
Proceeds from dispositions of investments and businesses	4,063	1,433	2,556
Capital expenditures	(1,321)	(4,131)	(2,856)
Proceeds from dispositions of property, plant and equipment	14	174	468
Sales (purchases) of short-term investments	233	345	(496)
Net cash provided by (used for) investing activities	2,477	(4,091)	(960)
Financing			
Net proceeds from (repayment of) commercial paper and short-term borrowings	(5,688)	3,884	(403)
Net proceeds from issuance of debt	4,167	1,190	501
Repayment of debt	(305)	(5)	(47)
Issuance of preferred securities of subsidiary trust	–	–	484
Issuance of common stock	362	383	544
Payment of dividends	(356)	(333)	(291)
Net cash provided by (used for) financing activities	(1,820)	5,119	788
Effect of exchange rate changes on cash and cash equivalents	148	(100)	(33)
Net increase (decrease) in cash and cash equivalents	\$ 2,781	\$ (236)	\$ 1,935
Cash and cash equivalents, beginning of year	\$ 3,301	\$ 3,537	\$ 1,602
Cash and cash equivalents, end of year	\$ 6,082	\$ 3,301	\$ 3,537

Cash flow information

Cash paid during the year for:

Interest	\$ 844	\$ 529	\$ 323
Income taxes	\$ 676	\$ 130	\$ 301

Segment information

Net sales

Personal Communications Segment	\$10,448		\$13,267		\$11,932	
Global Telecom Solutions Segment	6,548		7,791		6,544	
Commercial, Government and Industrial Systems Segment	4,318		4,580		4,068	
Broadband Communications Segment	2,855		3,416		2,532	
Semiconductor Products Segment	4,936		7,876		7,370	
Integrated Electronic Systems Segment	2,239		2,869		2,592	
Other Products Segment	755		1,057		804	
Adjustments and eliminations	(2,095)		(3,276)		(2,767)	
Segment totals	\$30,004		\$37,580		\$33,075	
Earnings (loss) before income taxes						
Personal Communications Segment	\$ (1,797)	(17.2)%	\$ (328)	(2.5)%	\$ 608	5.1 %
Global Telecom Solutions Segment	(1,413)	(21.6)%	846	10.9 %	(479)	(7.3)%
Commercial, Government and Industrial Systems Segment	508	11.8 %	434	9.5 %	609	15.0 %
Broadband Communications Segment	(436)	(15.3)%	1,251	36.6 %	294	11.6 %
Semiconductor Products Segment	(2,142)	(43.4)%	163	2.1 %	619	8.4 %
Integrated Electronic Systems Segment	(211)	(9.4)%	184	6.4 %	192	7.4 %
Other Products Segment	551	73.0 %	(338)	(32.0)%	(632)	(78.6)%
Adjustments and eliminations	236	11.3 %	(66)	2.0 %	(4)	0.1 %
Segment totals	(4,704)	(15.7)%	2,146	5.7 %	1,207	3.6 %
General corporate	(807)		85		76	
Earnings (loss) before income taxes	\$ (5,511)	(18.4)%	\$ 2,231	5.9 %	\$ 1,283	3.9 %

Five-year financial summary

Operating results

Net sales	\$30,004	\$37,580	\$33,075	\$31,340	\$31,498
Manufacturing and other costs of sales	21,445	23,628	20,631	19,396	18,532
Selling, general and administrative expenses	3,703	5,141	5,220	5,807	5,443
Research and development expenditures	4,318	4,437	3,560	3,118	2,930
Depreciation expense	2,357	2,352	2,243	2,255	2,394
Reorganization of businesses	1,858	596	(226)	1,980	327
Other charges	3,328	517	1,406	109	—
Interest expense, net	437	248	138	215	136
Gains on sales of investments and businesses	(1,931)	(1,570)	(1,180)	(260)	(70)
Total costs and expenses	35,515	35,349	31,792	32,620	29,692
Earnings (loss) before income taxes	(5,511)	2,231	1,283	(1,280)	1,806
Income tax provision	(1,574)	913	392	(373)	642
Net earnings (loss)	\$ (3,937)	\$ 1,318	\$ 891	\$ (907)	\$ 1,164
Net earnings (loss) as a percent of sales	(13.1)%	3.5%	2.7%	(2.9)%	3.7%
Per share data (in dollars)					
Diluted earnings (loss) per common share	\$ (1.78)	\$ 0.58	\$ 0.41	\$ (0.44)	\$ 0.56
Diluted weighted average common shares outstanding (in millions)	2,213.3	2,256.6	2,202.0	2,071.1	2,091.2
Dividends declared ¹	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16
Balance sheet					
Total assets	\$33,398	\$42,343	\$40,489	\$30,951	\$28,954
Working capital	7,451	3,628	4,679	2,532	4,597
Long-term debt and redeemable preferred securities	8,857	4,778	3,573	2,633	2,144
Total debt and redeemable preferred securities	9,727	11,169	6,077	5,542	3,426
Total stockholders' equity	\$13,691	\$18,612	\$18,693	\$13,913	\$14,487
Other data					
Current ratio	1.77	1.22	1.36	1.21	1.49
Return on average invested capital	(18.0)%	6.3%	5.3%	(5.4)%	7.7%
Return on average stockholders' equity	(24.8)%	6.6%	5.7%	(6.5)%	8.5%
Capital expenditures	\$ 1,321	\$ 4,131	\$ 2,856	\$ 3,313	\$ 2,954
% to sales	4.4 %	11.0%	8.6%	10.6 %	9.4%
Research and development expenditures	\$ 4,318	\$ 4,437	\$ 3,560	\$ 3,118	\$ 2,930
% to sales	14.4 %	11.8%	10.8%	9.9 %	9.3%
Year-end employment (in thousands)	111	147	128	141	158

¹Dividends declared from 1997 to 1999 were on Motorola shares outstanding prior to the General Instrument merger.

Directors standing for election to the Motorola, Inc. Board of Directors

Christopher B. Galvin

Chairman of the Board and
Chief Executive Officer,
Motorola, Inc.

Edward D. Breen

President and
Chief Operating Officer,
Motorola, Inc.

Francesco Caio

Chief Executive Officer,
Netscalibur

H. Laurance Fuller

Retired; formerly Co-Chairman,
BP Amoco, p.l.c.

Anne P. Jones

Consultant; formerly a
Commissioner of the Federal
Communications Commission

Judy C. Lewent

Executive Vice President and
Chief Financial Officer,
Merck & Co., Inc.

Walter E. Massey

President,
Morehouse College

Nicholas Negroponte

Chairman of Media Laboratory,
Massachusetts Institute of
Technology

John E. Pepper Jr.

Chairman of the Board,
Procter & Gamble Company

Samuel C. Scott III

Chairman of the Board and
Chief Executive Officer,
Corn Products International

Douglas A. Warner, III

Chairman of the Board,
J.P. Morgan Chase & Co.

B. Kenneth West

Senior Consultant for Corporate
Governance to TIAA-CREF

Dr. John A. White

Chancellor,
University of Arkansas

Stockholder reference information

Stock transfer, registrar, dividend disbursing, direct stock purchase and dividend reinvestment agent

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South Hackensack, NJ 07606-1915

For transfer of stock:
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Investor relations

Security analysts, investment professionals and shareholders can find investor relations information on the Internet at 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 and Tokyo Stock Exchanges.

Annual meeting of stockholders

The annual meeting will be held on May 6, 2002. A notice of the meeting, together with a form of proxy and a proxy statement, will be mailed to stockholders on or about March 28, 2002, 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.

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

Form 10-K

The Form 10-K is available on the Internet at www.motorola.com/investor.

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

Independent auditors

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601 USA

Business risks

Statements that are not historical facts, including statements about our future performance and profitability, our strategies, trends in the wireless infrastructure market, expectations for the two-way radio market and Homeland Security, use of our voice-over-Internet Protocol and the projected number of Telematics subscribers, are forward-looking and involve risks and uncertainties.

Motorola wishes to caution the reader that the factors below and those in the appendix to Motorola's Proxy Statement for the 2002 annual meeting of stockholders and in its other SEC filings could cause Motorola's actual results to differ materially from those stated in the forward-looking statements. These factors include: (i) the company's ability to effectively carry out the planned cost-reduction actions; (ii) the potential for unanticipated results from cost-reduction activities on productivity; (iii) the impact of the slowdown in the overall economy and the uncertainty of current economic conditions; (iv) the impact of ongoing tax relief, interest rate reduction and liquidity infusion efforts to stimulate the economy; (v) the decline in the telecommunications, semiconductor and broadband industries; (vi) the company's continuing ability to access the capital markets on favorable terms; (vii) demand for the company's products, including products related to new technologies; (viii) the company's ability to continue to increase profitability and market share in its wireless handset business; (ix) the company's success in the emerging 3G market; (x) the demand for vendor financing and the company's ability to provide that financing in order to remain competitive; (xi) unexpected liabilities or expenses, including unfavorable outcomes to any currently pending or future litigation, including the Iridium project; (xii) the success of alliances and agreements with other companies to develop new products and services; (xiii) difficulties in integrating the operations of newly acquired businesses and achieving strategic objectives, cost savings and other benefits; (xiv) volatility in the market value of securities held by Motorola; (xv) the impact of foreign currency fluctuation; and (xvi) the impact of changes in governmental policies, laws or regulations.



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