**MOTOROLA, INC. FORM 10-Q**

**Condensed Consolidated Statements of Operations   
(In millions, except per share amounts)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  | **Three Months Ended** | | | | |  | **Nine Months Ended** | | | | |  |
|  | |  | **September 28, 2002** | |  | **September 29, 2001** | |  | **September 28, 2002** | |  | **September 29, 2001** | |  |
|  | |  |  | |  |  | |  |  | |  |  | |  |
| Net sales | |  | $ | 6,371 |  | $ | 7,392 |  | $ | 19,133 |  | $ | 22,561 |  |
| Costs of sales | |  |  | 4,126 |  |  | 5,476 |  |  | 12,892 |  |  | 17,304 |  |
|  | Gross Margin |  |  | 2,245 |  |  | 1,916 |  |  | 6,241 |  |  | 5,257 |  |
| Selling, general and administrative expenses | |  |  | 1,017 |  |  | 1,121 |  |  | 3,200 |  |  | 3,576 |  |
| Research & development expenses | |  |  | 961 |  |  | 1,037 |  |  | 2,797 |  |  | 3,295 |  |
| Reorganization of businesses | |  |  | 11 |  |  | 133 |  |  | 1,677 |  |  | 993 |  |
| Other charges (income) | |  |  | (85 | ) |  | 1,408 |  |  | 827 |  |  | 1,579 |  |
|  | Operating earnings (loss) |  |  | 341 |  |  | (1,783 | ) |  | (2,260 | ) |  | (4,186 | ) |
| Other income (expense): | |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Interest expense, net |  |  | (92 | ) |  | (140 | ) |  | (300 | ) |  | (305 | ) |
|  | Gains on sales of investments and businesses |  |  | 37 |  |  | 542 |  |  | 72 |  |  | 1,898 |  |
|  | Other |  |  | (71 | ) |  | (838 | ) |  | (1,238 | ) |  | (1,065 | ) |
| Total other income (expense) | |  |  | (126 | ) |  | (436 | ) |  | (1,466 | ) |  | 528 |  |
|  | Earnings (loss) before taxes |  |  | 215 |  |  | (2,219 | ) |  | (3,726 | ) |  | (3,658 | ) |
| Income tax expense (benefit) | |  |  | 104 |  |  | (811 | ) |  | (1,067 | ) |  | (958 | ) |
| Net earnings (loss) | |  | $ | 111 |  | $ | (1,408 | ) | $ | (2,659 | ) | $ | (2,700 | ) |
| - | |  |  | |  |  | |  |  | |  |  | |  |
| *Earnings (loss) per cmn share* | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic | |  | $ | 0.05 |  | $ | (0.64 | ) | $ | (1.17 | ) | $ | (1.23 | ) |
|  | |  |  | |  |  | |  |  | |  |  | |  |
| Diluted | |  | $ | 0.05 |  | $ | (0.64 | ) | $ | (1.17 | ) | $ | (1.23 | ) |
|  | |  |  | |  |  | |  |  | |  |  | |  |
| *Weighted average common shares outstanding* | |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic | |  |  | 2,295.8 |  |  | 2,217.1 |  |  | 2,274.5 |  |  | 2,204.7 |  |
|  | |  |  | |  |  | |  |  | |  |  | |  |
| Diluted | |  |  | 2,308.2 |  |  | 2,217.1 |  |  | 2,274.5 |  |  | 2,204.7 |  |
|  | |  |  | |  |  | |  |  | |  |  | |  |
| Dividends per share | |  | $ | 0.04 |  | $ | 0.04 |  | $ | 0.12 |  | $ | 0.12 |  |

**Condensed Consolidated Balance Sheets   
(In millions)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  | **September 28, 2002** | |  | **December 31, 2001** | |  |
| **Assets** | |  |  |  |  |  |  |  |
| Cash and cash equivalents | |  | $ | 6,284 |  | $ | 6,082 |  |
| Short-term investments | |  |  | 86 |  |  | 80 |  |
| Accounts receivable, net | |  |  | 4,123 |  |  | 4,583 |  |
| Inventories, net | |  |  | 2,869 |  |  | 2,756 |  |
| Deferred income taxes | |  |  | 2,274 |  |  | 2,633 |  |
| Other current assets | |  |  | 941 |  |  | 1,015 |  |
|  | Total current assets |  |  | 16,577 |  |  | 17,149 |  |
| Property, plant and equipment, net | |  |  | 6,391 |  |  | 8,913 |  |
| Investments | |  |  | 1,545 |  |  | 2,954 |  |
| Deferred income taxes | |  |  | 2,794 |  |  | 1,152 |  |
| Other assets | |  |  | 2,914 |  |  | 3,230 |  |
|  | Total assets |  | $ | 30,221 |  | $ | 33,398 |  |
| **Liabilities and Stockholders' Equity** | |  |  |  |  |  |  |  |
| Notes payable and current portion of long-term debt | |  | $ | 1,457 |  | $ | 870 |  |
| Accounts payable | |  |  | 2,364 |  |  | 2,434 |  |
| Accrued liabilities | |  |  | 5,696 |  |  | 6,394 |  |
|  | Total current liabilities |  |  | 9,517 |  |  | 9,698 |  |
| Long-term debt | |  |  | 7,450 |  |  | 8,372 |  |
| Other liabilities | |  |  | 1,457 |  |  | 1,152 |  |
| Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely company-guaranteed debentures | |  |  | 485 |  |  | 485 |  |
|  | *Stockholders' Equity* |  |  |  |  |  |  |  |
| Preferred stock, $100 par value | |  |  | — |  |  | — |  |
| Common stock, $3 par value | |  |  | 6,905 |  |  | 6,764 |  |
| Additional paid-in capital | |  |  | 2,140 |  |  | 1,707 |  |
| Retained earnings | |  |  | 2,501 |  |  | 5,434 |  |
| Non-owner changes to equity | |  |  | (234 | ) |  | (214 | ) |
|  | |  |  | |  |  | |  |
|  | Total stockholders' equity |  |  | 11,312 |  |  | 13,691 |  |
|  | |  |  | |  |  | |  |
|  | Total liabilities and stockholders' equity |  | $ | 30,221 |  | $ | 33,398 |  |