**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 |   |