2000 Summary Annual Report

something big is happening

MOTOROLA

houses are talk

A broadband communications gateway, feeding information to the family PC, telephone, cable television, even the home security and climate control systems. **We're making it happen.**

ing to computers

magazines are talking

Embedded Web codes. Wireless phones and other mobile devices scanning and reading printed material, then linking to the Internet for more information or to make a purchase. Automatically, anyplace in the world. **We're making it happen.**


to wireless phones


cars are talking

to the Internet

Information and content to the vehicle through Telematics. Internet. E-mail. Diagnostics. Navigation. Smart, simple and synchronized.
We're making it happen.

intelligence everywhere™

it's already

We have entered the era in which things don't just

One company

begun

think, but **share** what they know with each other.

is at the heart of making it happen. MOTOROLA

on one hand, it's about **people**

People, and possibility. Integrated communications are enabling more and more people to create personal networks to manage their relationships, their transactions, their households, their entire lives – using handheld devices, from wherever they happen to be.

In short, people are doing more with less hassle, amplifying human capability while simplifying technological complexity.

Intelligence Everywhere™ Devices in all walks of life – in your home, in your office, in your automobile, in your pocket – are not just getting smarter, they're increasingly communicating with one another, seamlessly and effortlessly.

It's big. But it's not happening by itself. It takes engineering leadership and collaboration to make it possible. That's where Motorola comes in.


HILTON

on the other hand, it's about business

Motorola is at the heart of technology that promises to transform business.

Intelligence Everywhere™ The Web is central to making this enormous business opportunity happen, and Motorola is already there, with more than 80 percent of all Internet traffic passing through our communications processors. We expect the number of wireless phone users to reach one billion within the next 12 months. Devices of all kinds are getting smarter, evidenced by the 65 billion smart chips projected to be sold over the next five years. It all adds up to a vast marketplace for new products and services.

To make sure their products can talk to other products, manufacturers increasingly require total solutions from their technology partners. Motorola delivers just that, with a unique mix of expertise that brings wireless, broadband and the Internet together.

This is the future. Motorola's future. **It's happening.**

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

- Software-enhanced wireless telephone, two-way radio and messaging 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 the networking and computing, transportation, wireless communications and digital consumer/home networking markets.
- Embedded electronic systems for automotive, industrial, transportation, navigation, communication and energy systems markets.

Contents

Financial highlights

Dollars in millions, except as noted — Years ended December 31,	2000	1999[1]
Net sales	**$37,580**	**$33,075**
Earnings before income taxes	**2,231**	**1,283**
% to sales	**5.9%**	**3.9%**
Net earnings	**1,318**	**891**
% to sales	**3.5%**	**2.7%**
Diluted earnings per common share (in dollars)	**0.58**	**0.41**
Research and development expenditures	**4,437**	**3,560**
Capital expenditures	**4,131**	**2,856**
Working capital	**3,628**	**4,679**
Current ratio	**1.22**	**1.36**
Return on average invested capital	**6.3%**	**5.3%**
Return on average stockholders' equity	**6.6%**	**5.7%**
% of net debt to net debt plus equity	**28.1%**	**8.2%**
Book value per common share (in dollars)	**8.49**	**8.74**
Year-end employment (in thousands)	**147**	**128**

[1] The 1999 figures have been restated to reflect the merger with General Instrument Corporation and the June 1, 2000, 3-for-1 common stock split.

To our stockholders and other friends

Motorola's Accompli™ 008 wireless phone features a large touch screen display, intuitive user interface and high-speed Internet access through GPRS and WAP capability. Handwriting recognition offers users the chance to converse easily in eight languages.

Intelligence Everywhere™ **It's a powerful force that moves our business forward, in all phases of the economic cycle: Humans have an insatiable need to communicate, and they want every device they use in their daily life to be made smarter, simpler, safer and synchronized. We are executing the strategy we unveiled a year ago, a company-wide focus on harnessing the power of wireless, broadband and the Internet – a drive to use our unique collective skills to deliver embedded chip, system and end-to-end network solutions for the individual, the workteam, the vehicle and the home.**

Motorola's six business segments all recorded higher sales in 2000, and four of the six had higher operating profit margins. Stockholders, however, saw the value of their investments in Motorola stock decline dramatically after reaching an all-time high early in the year. This reflected, in part, the inability of our Personal Communications Sector to meet the expectations of management and of investors and execute its strategy crisply and effectively. Global economic uncertainty and market momentum also affected our stock price, as it did most technology companies, especially those in telecommunications. Today, we are sharpening our focus on the customer and implementing cost-reduction plans to improve financial performance in a period of slower economic growth.

Financial results Sales from ongoing operations rose 17% in 2000 to $37.6 billion from $32.0 billion in 1999. Including sales from businesses sold in 1999, sales increased 14% from $33.1 billion a year ago. Full-year net earnings from ongoing operations, excluding special items, were $1.9 billion, or 84 cents per share, up 38% from $1.4 billion, or 63 cents per share a year earlier. Including the earnings from businesses sold in 1999, net earnings were up 29% from $1.5 billion, or 67 cents per share a year ago. Including special items and net earnings from businesses sold in 1999, net earnings were $1.3 billion, or 58 cents per share, compared with $891 million, or 41 cents per share in 1999. The 1999 numbers are restated to reflect the merger with General Instrument Corporation and the 3-for-1 common stock split on June 1, 2000.

The DCT2000 digital set-top terminal is the gateway for a wealth of new interactive services such as video-on-demand, Internet access, e-mail and home shopping.

Motorola reported special items resulting in a net charge of $481 million, including net special charges of $770 million in the Personal Communications Sector (PCS) relating to the discontinuation of older wireless telephone products as part of an ongoing product portfolio simplification strategy and the downsizing of various manufacturing operations. These items reflect some of the actions that are necessary to improve PCS financial performance. Having anticipated a softening in economic activity, we began implementing cost reductions in the third and fourth quarters of 2000, and we are taking additional actions in 2001. These actions have been designed to adjust our costs to softening global market conditions and, as the market recovers, to restore the trend of improved profitability that we had achieved over the last two years.

Sharpening customer focus, improving profitability At the beginning of 2001, we announced a new organizational structure to intensify customer satisfaction and improve profitability.

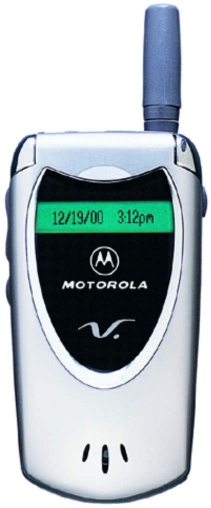
The newly formed *Global Customer Solutions Operations* (GCSO) strengthens our market position by ensuring delivery of complete customer solutions. Joseph M. Guglielmi, formerly president of the Integrated Electronic Systems Sector, is president of the new organization. GCSO is designed to reposition Motorola as the leader in customer care by directing software and content strategies, systems integration, customer support and service, marketing and branding strategies, and regional operations.

The Communications Enterprise has been phased out. The *Personal Communications Sector* now reports directly to the Office of the Chairman. Mike S. Zafirovski is president of the sector. He joined Motorola in June 2000 from General Electric Co., where he had most recently been president of GE Lighting. The new *Networks Sector* includes the Broadband Communications Sector (BCS), the Commercial, Government and Industrial Solutions Sector (CGISS), and the Global Telecom Solutions Sector (GTSS). President of the new organization is Edward D. Breen, who was chairman, president and chief executive officer of General Instrument Corporation until its merger with Motorola in January 2000. The Networks Sector also reports to the Office of the Chairman.

The Personal Communications Sector is going through a series of major transitions to improve its market share and financial performance. While sales increased 11% in 2000, the wireless phone industry grew more rapidly. Operating profit margins declined to a disappointing 3%. (All comparisons are from ongoing operations, excluding special items.) PCS canceled 44 products in 2000 as it began discontinuing analog phone and

With Motorola's V Series™ model V100 personal interactive communicator, users can select the way they want to communicate – whether it's through a phone call or a text message.

The Motorola i2000™ world phone allows users to make and receive calls from more than 70 countries, making it the ultimate communications tool for the jet-setting executive.



The Motorola V Series™ phone, model 60c combines form and function. Intuitive technology, from voice activation to Web browsing, makes it easy to use.

first-generation digital products. It also took a number of significant cost-reduction actions and entered into agreements to outsource a portion of Motorola's cellular phone and two-way pager production. PCS began the transition of its low-tier wireless telephones to platform products and is continuing that transition in mid- and high-tier products in 2001. This enables it to better leverage technical resources and maximize manufacturing and supply-chain efficiencies. As a result, it can introduce products more quickly with greater reuse of components and software – key elements in our cost-reduction strategy.

At the same time, the PCS leadership talent has been strengthened significantly with external hires and internal promotions. PCS is also improving customer relationships through dedicated, cross-functional account management teams. It is also introducing exciting new products with appealing designs and improved user interfaces. Motorola is the leader in shipping wireless telephones with General Packet Radio Service (GPRS). It provides high-speed access to Internet-based content through a handheld device in Global System for Mobile (GSM) Communications systems.

The Global Telecom Solutions Sector is supplying the next generation of wireless infrastructure systems as well as expansions of current systems. Sales grew 19% in 2000, while operating profit margins improved to 13% of sales. GTSS supplied the world's first four GPRS commercial networks. GPRS is a transitional, or 2.5G, step to third-generation (3G) systems. The sector also has enabled network operators in North America to offer packet data services using iDEN® technology, and in Japan, it has supplied nationwide voice and data networks using CDMA IS-95B. GTSS also announced 3G contracts with several customers throughout the world.

The Broadband Communications Sector was formed after completion of the merger with General Instrument in January 2000. Its sales in 2000 grew 35%, and operating profit margins improved to 16%. BCS is the leading end-to-end solutions provider to the broadband access market, with cable modems, telephony home gateways, hybrid-fiber coaxial network systems and digital set-top terminals. Besides decoding digital cable programming, these terminals also enable advanced TV services like video-on-demand, e-mail and home shopping. The intelligent home of the future could have multiple TVs, phones and personal computers offering high-speed Internet access, telephony services and advanced interactive video simultaneously, all connected to home gateways from Motorola.

Police officers can transmit photographs of missing children from their vehicles to a central dispatch center, demonstrating the powerful way integrated information and communications solutions are transforming the work of public service agencies.

BCS shipped more than 6 million digital set-top terminals in 2000, almost twice as many as in 1999. About 3 million cable modems were shipped in 2000, nearly tripling the volume from a year ago. The greatest growth potential is outside the United States, where cable penetration is lower and growing rapidly. Motorola is a leader in the emerging market for packet-based cable telephony. BCS has been selected by AT&T as its initial provider of Voice over Internet Protocol technology.

The Commercial, Government and Industrial Solutions Sector provides mission-critical and enterprise communication solutions for workteams in market segments where Motorola has always been strong – from public safety and government to transportation and commercial enterprises. Sales rose 14% in 2000, and operating margins improved to 11%. Solutions from CGISS satisfy unique needs for immediate access to information, one-to-many and group communications, customized coverage areas and call connection at the press of a button. Motorola's digital technology is based on industry and user-driven standards and has been used to connect areas and workgroups spanning an entire country.

The *Semiconductor Products Sector* (SPS) provides embedded chip-level solutions, while the *Integrated Electronic Systems Sector* (IESS) focuses on embedded system-level solutions.

SPS sales from ongoing operations grew 22% in 2000, and operating profit margins improved to 8%. Semiconductor industry sales rose 37% in 2000 but peaked in the third quarter and have slowed considerably. The slowdown is being driven primarily by customers' excess inventories coupled with the slowing economy. SPS has implemented cost-reduction plans to reflect this slower-growth environment.

SPS continues to invest in advanced technologies required for future growth and profitability. It is developing feature-rich, low-cost platforms for 2.5G and 3G products. Motorola's agreement to license the microprocessor architecture from ARM Ltd. is designed to drive our sales in the wireless market. SPS is the world leader in communication processors, vital to the networking and Internet space, and the acquisition of C-Port Corporation is enabling SPS to expand that leadership to networking processors. In the transportation segment, the semiconductor content per vehicle is growing, but weaker automotive sales in North America have slowed growth. In home networking, the sector's Streamaster™ broadband multimedia gateway solution, which uses digital subscriber line (DSL) technology, achieved numerous design wins.

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

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

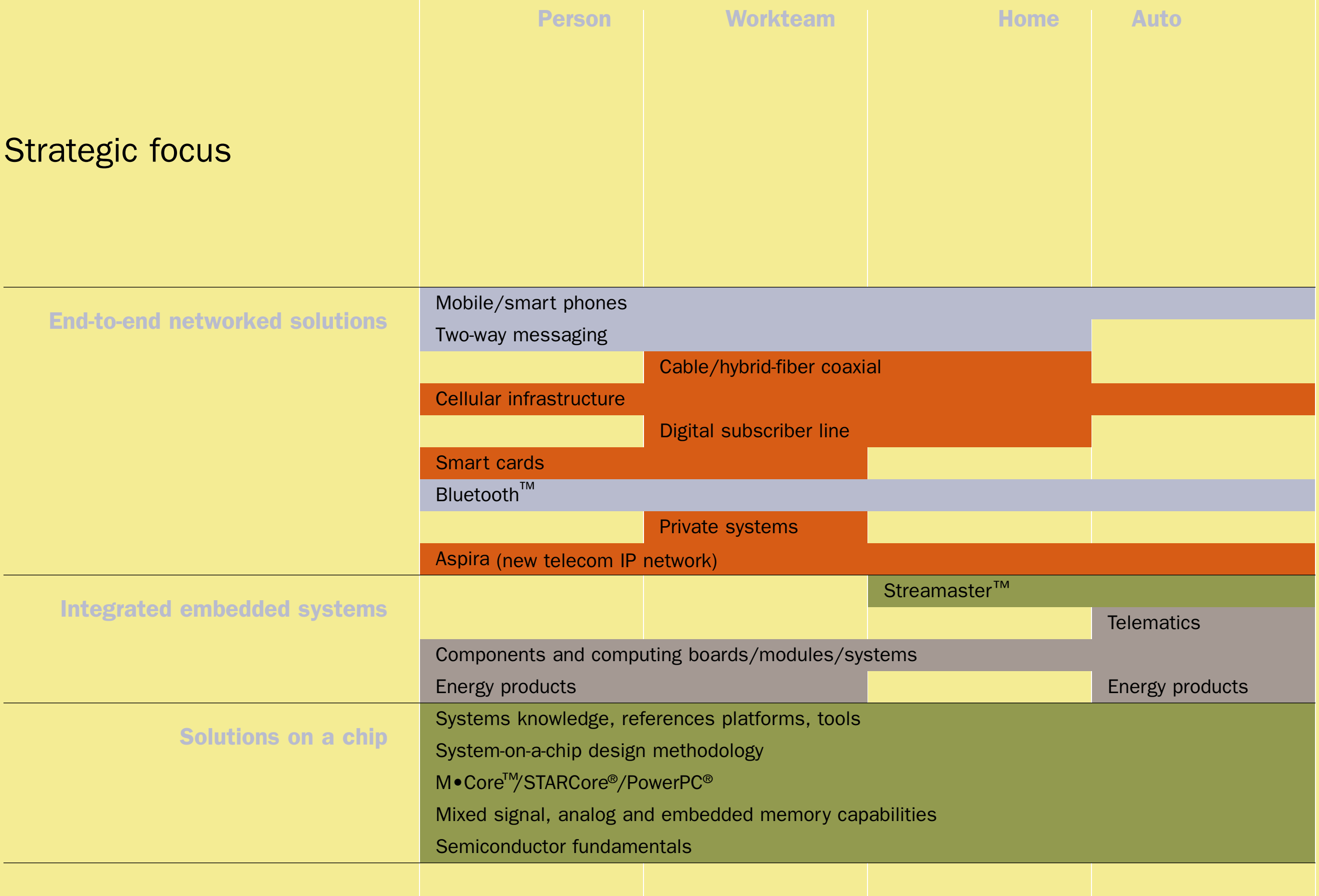
IESS focuses on automotive electronic subsystems, embedded high-availability board-level computer systems and portable energy systems. Sales increased 16% in 2000, while operating profit margin declined to 7%. IESS is investing heavily in Telematics, which began as an automotive safety and security offering and is rapidly evolving into the fundamental way to seamlessly connect the vehicle to the rest of the world. Motorola has shipped more than 1.5 million Telematics framework components since January 1999. Telematics can encompass services ranging from voice portal Internet access to navigation. The sector's Computer Group is a leader in the embedded solutions telecom market segment. Its family of products provides manufacturers with high-reliability, fault-tolerant systems for their customers who need continuous access, day or night.

Outlook Despite a sharp slowdown in the growth of the overall economy that began in the latter part of 2000, we expect demand for wireless, broadband, and workgroup equipment and services to grow as individuals continue to be attracted to broadband's triple play of voice, data and multimedia and the convenience of portable communication products. Growth in embedded devices has slowed in most segments, but we believe the demand for embedded systems that make our customers' products simpler, safer, smarter and more synchronized will remain strong in the long term. Business customers are assessing the recent changes in global debt markets and capital availability as they determine their near-term capital investment plans. The level of business activity for companies like Motorola over the next year will be determined largely by the success of further change in fiscal, monetary and regulatory policy worldwide. We are still in the early phase of this change in the economic cycle. Therefore, its pace and direction is not firmly predictable. Motorola has managed successfully through economic cycles in every decade since its founding in 1928. We remain more enthusiastic than ever about the benefits to society and our stockholders of wireless, broadband, Internet and embedded solutions tailored for the person, workteam, home and automobile.

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

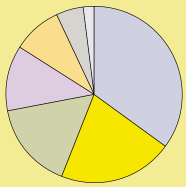
Robert L. Growney
President and
Chief Operating Officer

Strategic focus



In percentages

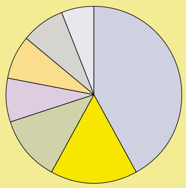
2000 net sales by business segment



- **Personal Communications Segment 35%**
- **Global Telecom Solutions Segment 21%**
- **Semiconductor Products Segment 16%**
- **Commercial, Government and Industrial Systems Segment 12%**
- **Broadband Communications Segment 9%**
- **Integrated Electronic Systems Segment 5%**
- **Other Products Segment 2%**

In percentages

2000 market sales by region



- **United States 42%**
- **Europe 16%**
- **China 12%**
- **Asia-Pacific 8%**
- **Latin America 8%**
- **Other Markets 8%**
- **Japan 6%**

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 equipment including wireless telephones, iDEN® integrated digital enhanced network, digital radio-telephones, paging and advanced messaging devices and personal two-way radios, with related software and accessory products.

Networks Sector

Edward D. Breen
Executive Vice President, President, Networks Sector

The Networks Sector (NS) is a leading provider of broadband and wireless communications products, systems and end-to-end solutions for network operators, business/government enterprises and personal/home applications. It is comprised of the Broadband Communications Sector (BCS), the Commercial, Government and Industrial Solutions Sector (CGISS) and the Global Telecom Solutions Sector (GTSS).

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, transportation, navigation, communication and energy systems markets.

Semiconductor Products Sector

Fred Shlapak
Executive Vice President, President, 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, transportation, wireless communications and digital consumer/home networking markets.

Global Customer Solutions Operations

Joseph M. Guglielmi
Executive Vice President, President, Global Customer Solutions Operations

Global Customer Solutions Operations (GCSO) strengthens our market position by ensuring delivery of complete customer solutions. GCSO is designed to reposition Motorola as the leader in customer care by directing software and content strategies, systems integration, customer support and service, marketing and branding strategies, and regional operations. GCSO includes Motorola's regional organizations, the Chief Marketing Office, the Government Relations Office, the Customer Support Management Office and the customer-facing functions of Motorola University.

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, 2000 and 1999, 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, 2000, appearing in the appendix to the proxy statement for the 2001 Annual Meeting of Stockholders of Motorola, Inc. (not presented herein); and in our report dated January 10, 2001, 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

KPMG LLP
Chicago, Illinois
January 10, 2001

Consolidated statements of operations

In millions, except per share amounts — Years ended December 31,	2000	1999	1998
Net sales	**$37,580**	**$33,075**	**$31,340**
Costs and expenses			
Manufacturing and other costs of sales	**23,628**	**20,631**	**19,396**
Selling, general and administrative expenses	**5,141**	**5,220**	**5,807**
Research and development expenditures	**4,437**	**3,560**	**3,118**
Depreciation expense	**2,352**	**2,243**	**2,255**
Reorganization of businesses	**596**	**(226)**	**1,980**
Other charges	**517**	**1,406**	**109**
Interest expense, net	**248**	**138**	**215**
Gains on sales of investments and businesses	**(1,570)**	**(1,180)**	**(260)**
Total costs and expenses	**35,349**	**31,792**	**32,620**
Earnings (loss) before income taxes	**2,231**	**1,283**	**(1,280)**
Income tax provision (benefit)	**913**	**392**	**(373)**
Net earnings (loss)	**$ 1,318**	**$ 891**	**$ (907)**
Basic earnings (loss) per common share	**$ 0.61**	**$ 0.42**	**$ (0.44)**
Diluted earnings (loss) per common share	**$ 0.58**	**$ 0.41**	**$ (0.44)**
Basic weighted average common shares outstanding	**2,170.1**	**2,119.5**	**2,071.1**
Diluted weighted average common shares outstanding	**2,256.6**	**2,202.0**	**2,071.1**

See accompanying condensed notes to consolidated financial statements.

Consolidated balance sheets

In millions, except per share amounts — December 31,	2000	1999
Assets		
Current assets		
Cash and cash equivalents	$ 3,301	$ 3,537
Short-term investments	354	699
Accounts receivable, net	7,092	5,627
Inventories, net	5,242	3,707
Deferred income taxes	2,294	3,247
Other current assets	1,602	768
Total current assets	19,885	17,585
Property, plant and equipment, net	11,157	9,591
Investments	5,926	9,039
Other assets	5,375	4,274
Total assets	$42,343	$40,489
Liabilities and stockholders' equity		
Current liabilities		
Notes payable and current portion of long-term debt	$ 6,391	$ 2,504
Accounts payable	3,492	3,285
Accrued liabilities	6,374	7,117
Total current liabilities	16,257	12,906
Long-term debt	4,293	3,089
Deferred income taxes	1,504	3,719
Other liabilities	1,192	1,598
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely company-guaranteed debentures	485	484
Stockholders' equity		
Preferred stock, $100 par value issuable in series Authorized shares: 0.5 (none issued)	–	–
Common stock, $3 par value Authorized shares: 2000 and 1999, 4,200 Issued and outstanding: 2000 – 2,191.2; 1999 – 2,139.3	6,574	6,418
Additional paid-in capital	1,188	–
Retained earnings	9,727	8,757
Non-owner changes to equity	1,123	3,518
Total stockholders' equity	18,612	18,693
Total liabilities and stockholders' equity	$42,343	$40,489

See accompanying condensed notes to consolidated financial statements.

In millions, except per share amounts

Consolidated statements of stockholders' equity

		Non-owner Changes to Equity				
	Common Stock and Additional Paid-in Capital	Fair Value Adjustment to Available For Sale Securities, Net of Tax	Foreign Currency Translation Adjustments	Minimum Pension Liability Adjustment	Retained Earnings	Comprehensive Earnings (Loss)
Balances at January 1, 1998	$4,861	$ 552	$(240)	$ (38)	$9,352	
Net loss					(907)	(907)
Conversion of zero coupon notes	3					
Fair value adjustment to available for sale securities, net		(73)				(73)
Change in foreign currency translation adjustments			34			34
Minimum pension liability adjustment				38		38
Issuance of common stock	443					
Stock options and other	176					
Dividends declared ($0.16 per share)					(288)	
Balances at December 31, 1998	$5,483	$ 479	$(206)	$ –	$8,157	$ (908)
Net earnings					891	891
Conversion of zero coupon notes	9					
Fair value adjustment to available for sale securities, net		3,351				3,351
Change in foreign currency translation adjustments			(33)			(33)
Minimum pension liability adjustment				(73)		(73)
Issuance of common stock	188					
Gain on sale of subsidiary stock	82					
Stock options and other	656					
Dividends declared ($0.16 per share)					(291)	
Balances at December 31, 1999	$6,418	$ 3,830	$(239)	$ (73)	$8,757	$ 4,136
Net earnings					1,318	1,318
Conversion of zero coupon notes	6					
Fair value adjustment to available for sale securities, net		(2,294)				(2,294)
Change in foreign currency translation adjustments			(100)			(100)
Minimum pension liability adjustment				(1)		(1)
Issuance of common stock	714					
Stock options and other	624					
Dividends declared ($0.16 per share)					(348)	
Balances at December 31, 2000	$7,762	$ 1,536	$(339)	$ (74)	$9,727	$(1,077)

See accompanying condensed notes to consolidated financial statements.

Consolidated statements of cash flows

In millions — Years ended December 31,	2000	1999	1998
Operating			
Net earnings (loss)	$ 1,318	$ 891	$ (907)
Adjustments to reconcile net earnings (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	2,522	2,360	2,331
Iridium charges	–	2,119	360
Charges for reorganization of businesses	1,483	(226)	1,980
Acquired in-process research and development charges	332	67	109
Gains on sales of investments and businesses	(1,570)	(1,180)	(260)
Deferred income taxes	239	(443)	(933)
Change in assets and liabilities, net of effects of acquisitions and dispositions:			
Accounts receivable	(1,471)	(135)	(243)
Inventories	(2,305)	(678)	249
Other current assets	(532)	(16)	35
Accounts payable and accrued liabilities	(666)	361	(669)
Other assets and liabilities	(514)	(980)	(757)
Net cash provided by (used for) operating activities	(1,164)	2,140	1,295
Investing			
Acquisitions and investments	(1,912)	(632)	(820)
Proceeds from dispositions of investments and businesses	1,433	2,556	383
Capital expenditures	(4,131)	(2,856)	(3,313)
Proceeds from dispositions of property, plant and equipment	174	468	507
Sales (purchases) of short-term investments	345	(496)	164
Net cash used for investing activities	(4,091)	(960)	(3,079)
Financing			
Net proceeds from (repayment of) commercial paper and short-term borrowings	3,884	(403)	1,627
Proceeds from issuance of debt	1,190	501	773
Repayment of debt	(5)	(47)	(293)
Issuance of preferred securities of subsidiary trust	–	484	–
Issuance of common stock	383	544	53
Payment of dividends	(333)	(291)	(288)
Net cash provided by financing activities	5,119	788	1,872
Effect of exchange rate changes on cash and cash equivalents	(100)	(33)	34
Net increase (decrease) in cash and cash equivalents	$ (236)	$ 1,935	$ 122
Cash and cash equivalents, beginning of year	$ 3,537	$ 1,602	$ 1,480
Cash and cash equivalents, end of year	$ 3,301	$ 3,537	$ 1,602
Cash flow information			
Cash paid during the year for:			
Interest	$ 348	$ 266	$ 287
Income taxes	$ 130	$ 301	$ 398

See accompanying condensed notes to consolidated financial statements.

Condensed notes to consolidated financial statements

1 Basis of presentation and summary of significant accounting policies

Basis of presentation: On January 5, 2000, Motorola, Inc. ("Motorola") completed its previously announced merger with General Instrument Corporation ("General Instrument") by exchanging 301 million shares (reflecting adjustment for the 3-for-1 common stock split described below) of its common stock for all of the common stock of General Instrument. Each share of General Instrument was exchanged for 1.725 shares (reflecting adjustment for the 3-for-1 common stock split described below) of Motorola's common stock. Motorola has accounted for the merger as a pooling-of-interests, and accordingly, all prior period consolidated financial statements have been restated to include the results of operations, financial position and cash flows of General Instrument. The effects of conforming General Instrument's accounting policies to those of Motorola were not material.

For the year ended December 31, 1999, net sales for Motorola and General Instrument were \$30.9 billion and \$2.2 billion, respectively. Net earnings for Motorola and General Instrument were \$817 million and \$74 million, respectively. For the year ended December 31, 1998, net sales for Motorola and General Instrument were \$29.4 billion and \$2.0 billion, respectively. The net loss for Motorola was \$962 million, and the net earnings for General Instrument were \$55 million. Results of operations for the year ended December 31, 2000 reflect the pooling-of-interests. Subsequent references to "Motorola, Inc." and "the Company" reflect the pooling-of-interests.

On June 1, 2000, the Company completed a 3-for-1 common stock split in the form of a 200% stock dividend. On that date, the Company distributed 1.4 billion common shares to stockholders of record on May 15, 2000. The par value of the common stock remained at \$3 per share. The effect of the stock split has been recognized retroactively in the stockholders' equity accounts as of January 1, 1998, and in all share and per share data in the consolidated financial statements and the condensed notes to the consolidated financial statements. The stockholders' equity accounts have been restated to reflect the reclassification of an amount equal to the par value of the increase in issued common shares from additional paid-in capital and retained earnings to common stock.

Principles of consolidation: The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries 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 recognizes revenue at the time of shipment, and accruals are established for price protection, returns and cooperative marketing programs with distributors. For long-term contracts, the Company uses the percentage-of-completion method to recognize revenues and costs. For contracts involving new technologies, revenues and profits or parts thereof are deferred until technological feasibility is established, customer acceptance is obtained and other contract-specific terms have been completed. In the fourth quarter of 2000, the Company adopted Staff Accounting Bulletin Number 101, "Revenue Recognition in Financial Statements" (SAB 101). The Company's adoption of SAB 101 did not have a significant impact on its consolidated financial position or results of operations.

Condensed notes to consolidated financial statements

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 primarily on a straight-line basis over periods ranging from 3 to 40 years.

Investments: Investments include available for sale securities at fair value and investments under the cost and equity methods of accounting. For the available for sale securities, any unrealized holding gains and losses, net of deferred taxes, are excluded from operating results and are recognized as a separate component of stockholders' equity until realized. The fair values of the securities are determined based on prevailing market prices.

Long-lived assets: Long-lived assets held and used by the Company and intangible assets 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 carrying 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 calculated using a discounted future cash flows analysis. 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: Many of the Company's non-U.S. operations use the respective local currencies as the functional currency. Those non-U.S. operations which do not use the local currencies use the U.S. dollar as the functional currency. The effects of translating the financial position and results of operations of local currency functional operations into U.S. dollars are included in a separate component of stockholders' equity.

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 accounting principles generally accepted in the United States of America 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 2000 presentation.

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 $153 million in 2000, $72 million in 1999 and $37 million in 1998, and is included in manufacturing and other costs of sales.

Long-term finance receivables of $2.6 billion and $1.7 billion (net of allowance for losses on commercial receivables of $233 million and $292 million, respectively) at December 31, 2000 and 1999, respectively, are included in other assets. As of December 31, 2000, approximately $1.7 billion of the $2.8 billion in gross long-term finance receivables relates to one customer.

The company provides financing to customers in connection with equipment purchases and for working capital. At December 31, 2000, the Company had outstanding unfunded commitments of $494 million.

Summary financial data of Motorola Credit Corporation

Dollars in millions	2000	1999	1998
Total revenue	**$ 265**	**$ 159**	**$ 72**
Net earnings	**147**	**53**	**21**
Total assets	**2,844**	**2,015**	**1,152**
Total liabilities	**2,417**	**1,768**	**977**
Total stockholders' equity	**427**	**247**	**175**

3 Information by segment and geographic region

Beginning with the first quarter of 2000, the Company added two operating segments for financial reporting purposes. The Broadband Communications Segment combines the operations of General Instrument Corporation with the Company's cable modem and telephony business. In addition, the Integrated Electronic Systems Sector, which was previously included in the Other Products Segment, is now reported as a separate segment. Historical segment data has been restated to reflect these changes.

During the third quarter of 2000, the Network Systems Segment changed its name to the Global Telecom Solutions Segment. This was only a name change, and there have been no changes to the financial information.

The Company's 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® radios, paging and consumer two-way radio markets. The Global Telecom Solutions Segment focuses on providing total system solutions for telecommunications carriers and operators. This segment includes the Company's cellular infrastructure and iDEN 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 Broadband Communications Segment focuses on solutions that deliver interactive television, the Internet and telephone services over wired networks. The Semiconductor Products Segment continues to focus on the design, manufacture and distribution of integrated semiconductor solutions and components. The Integrated Electronic Systems Segment focuses on design and manufacture of a broad range of electronic components, modules and integrated electronic systems and products for automotive, industrial, transportation, navigation, communication and energy systems markets. The Other Products segment is comprised primarily of the Personal Networks Group (which focuses on the development of servers, applications and Internet solutions); the Network Management Group (which holds and manages investments in wireless network operators); other corporate programs; and Next Level Communications, Inc. (a publicly traded subsidiary in which the Company has a controlling interest as a result of the merger with General Instrument).

The accounting policies of the segments are the same as those described in Note 1 Basis of Presentation and 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 $3.3 billion, $2.8 billion and $2.9 billion for the years ended December 31, 2000, 1999 and 1998, respectively. These sales were primarily from the Semiconductor Products Segment and the Integrated Electronic Systems Segment. Intersegment sales from the Semiconductor Products Segment were $2.0 billion for the year ended December 31, 2000, and $1.7 billion for the years ended December 31, 1999 and 1998. For these same periods, intersegment sales from the Integrated Electronic Systems Segment were $0.8 billion, $0.8 billion and $0.9 billion, respectively. Net sales by geographic region are measured by the location of the revenue-producing operations.

Domestic export sales to third parties were $1.9 billion, $2.6 billion and $3.2 billion for the years ended December 31, 2000, 1999 and 1998, respectively. Domestic export sales to affiliates and subsidiaries, which are eliminated in consolidation, were $7.3 billion, $6.7 billion and $5.1 billion for the years ended December 31, 2000, 1999 and 1998, 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 to available for sale securities and the administrative headquarters of the Company.

In 2000, 1999 and 1998, no single customer or group under common control represented 10% or more of the Company's sales.

Dollars in millions Years ended December 31

Segment information

	Net Sales			Operating Earnings (Loss) Before Taxes					
	2000	1999	1998	2000		1999		1998	
Personal Communications Segment	$13,267	$11,932	$10,132	$ (328)	(2.5)%	$ 608	5.1 %	$ (373)	(3.7)%
Global Telecom Solutions Segment	7,791	6,544	7,064	846	10.9 %	(479)	(7.3)%	819	11.6 %
Commercial, Government and Industrial Systems Segment	4,580	4,068	4,079	434	9.5 %	609	15.0 %	412	10.1 %
Broadband Communications Segment	3,416	2,532	2,177	1,251	36.6 %	294	11.6 %	169	7.8 %
Semiconductor Products Segment	7,876	7,370	7,314	163	2.1 %	619	8.4 %	(1,225)	(16.7)%
Integrated Electronic Systems Segment	2,869	2,592	2,223	184	6.4 %	192	7.4 %	155	7.0 %
Other Products Segment	1,057	804	1,211	(338)	(32.0)%	(632)	(78.6)%	(1,126)	(93.0)%
Adjustments and eliminations	(3,276)	(2,767)	(2,860)	(66)	2.0 %	(4)	0.1 %	15	(0.5)%
Segment totals	$37,580	$33,075	$31,340	2,146	5.7 %	1,207	3.6 %	(1,154)	(3.7)%
General corporate				85		76		(126)	
Earnings (loss) before income taxes				$2,231	5.9 %	$1,283	3.9 %	$(1,280)	(4.1)%

	Assets			Capital Expenditures			Depreciation Expense		
	2000	1999	1998	2000	1999	1998	2000	1999	1998
Personal Communications Segment	$ 8,287	$ 6,411	$ 5,476	$ 504	$ 450	$ 442	$ 388	$ 398	$ 422
Global Telecom Solutions Segment	6,562	7,414	6,177	355	262	345	275	260	222
Commercial, Government and Industrial Systems Segment	3,143	2,509	2,110	237	152	224	189	170	146
Broadband Communications Segment	4,134	3,346	2,191	166	175	92	87	76	58
Semiconductor Products Segment	8,762	7,872	8,232	2,407	1,505	1,783	1,134	1,131	1,178
Integrated Electronic Systems Segment	1,327	1,151	977	186	104	86	86	66	63
Other Products Segment	3,597	2,787	2,452	25	76	76	91	65	121
Adjustments and eliminations	(305)	(1,401)	(424)	–	–	–	–	–	–
Segment totals	35,507	30,089	27,191	3,880	2,724	3,048	2,250	2,166	2,210
General corporate	6,836	10,400	3,760	251	132	265	102	77	45
Consolidated totals	$42,343	$40,489	$30,951	$4,131	$2,856	$3,313	$2,352	$2,243	$2,255

Dollars in millions Years ended December 31

Condensed notes to consolidated financial statements

Segment information (continued)

	Interest Income			Interest Expense			Net Interest		
	2000	1999	1998	2000	1999	1998	2000	1999	1998
Personal Communications Segment	$ 29	$ 17	$ 21	$ 94	$ 61	$ 73	$ (65)	$ (44)	$ (52)
Global Telecom Solutions Segment	5	1	–	58	30	33	(53)	(29)	(33)
Commercial, Government and Industrial Systems Segment	–	–	2	12	15	17	(12)	(15)	(15)
Broadband Communications Segment	30	19	4	–	3	4	30	16	–
Semiconductor Products Segment	7	6	12	99	81	116	(92)	(75)	(104)
Integrated Electronic Systems Segment	3	1	1	15	11	11	(12)	(10)	(10)
Other Products Segment	9	1	5	34	21	18	(25)	(20)	(13)
Segment totals	83	45	45	312	222	272	(229)	(177)	(227)
General corporate	163	124	44	182	85	32	(19)	39	12
Consolidated totals	$ 246	$ 169	$ 89	$ 494	$ 307	$ 304	$ (248)	$ (138)	$ (215)

Geographic area information

	Net Sales			Assets			Property, Plant and Equipment		
	2000	1999	1998	2000	1999	1998	2000	1999	1998
United States	$ 24,994	$ 21,937	$22,221	$21,284	$17,039	$16,967	$ 6,171	$5,391	$ 5,433
United Kingdom	6,227	6,316	5,829	2,367	2,235	2,125	908	948	1,000
Other nations	21,374	20,802	12,856	14,447	13,458	8,954	3,349	2,733	3,318
Adjustments and eliminations	(15,015)	(15,980)	(9,566)	(2,591)	(2,643)	(855)	(95)	(88)	(134)
Geographic totals	$ 37,580	$ 33,075	$31,340	35,507	30,089	27,191	10,333	8,984	9,617
General corporate				6,836	10,400	3,760	824	607	669
Consolidated totals				$42,343	$40,489	$30,951	$11,157	$9,591	$10,286

Five-year financial summary

Dollars in millions, except as noted — Years ended December 31	2000	1999	1998	1997	1996
Operating results					
Net sales	$37,580	$33,075	$31,340	$31,498	$29,657
Manufacturing and other costs of sales	23,628	20,631	19,396	18,532	17,854
Selling, general and administrative expenses	5,141	5,220	5,807	5,443	4,891
Research and development expenditures	4,437	3,560	3,118	2,930	2,572
Depreciation expense	2,352	2,243	2,255	2,394	2,367
Reorganization of businesses	596	(226)	1,980	327	–
Other charges	517	1,406	109	–	249
Interest expense, net	248	138	215	136	211
Gains on sales of investments and businesses	(1,570)	(1,180)	(260)	(70)	(113)
Total costs and expenses	35,349	31,792	32,620	29,692	28,031
Earnings (loss) before income taxes	2,231	1,283	(1,280)	1,806	1,626
Income tax provision (benefit)	913	392	(373)	642	568
Net earnings (loss)	$ 1,318	$ 891	$ (907)	$ 1,164	$ 1,058
Net earnings (loss) as a percent of sales	3.5%	2.7%	(2.9)%	3.7%	3.6%
Per share data (in dollars)					
Diluted earnings (loss) per common share	$ 0.58	$ 0.41	$ (0.44)	$ 0.56	$ 0.51
Diluted weighted average common shares outstanding (in millions)	2,256.6	2,202.0	2,071.1	2,091.2	2,081.0
Dividends declared[1]	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.15
Balance sheet					
Total assets	$42,343	$40,489	$30,951	$28,954	$25,665
Working capital	3,628	4,679	2,532	4,597	3,696
Long-term debt and redeemable preferred securities	4,778	3,573	2,633	2,144	1,931
Total debt and redeemable preferred securities	11,169	6,077	5,542	3,426	3,328
Total stockholders' equity	$18,612	$18,693	$13,913	$14,487	$12,843
Other data					
Current ratio	1.22	1.36	1.21	1.49	1.44
Return on average invested capital	6.3%	5.3%	(5.4)%	7.7%	7.1%
Return on average stockholders' equity	6.6%	5.7%	(6.5)%	8.5%	8.4%
Capital expenditures	$ 4,131	$ 2,856	$ 3,313	$ 2,954	$ 3,107
% to sales	11.0%	8.6%	10.6 %	9.4%	10.5%
Research and development expenditures	$ 4,437	$ 3,560	$ 3,118	$ 2,930	$ 2,572
% to sales	11.8%	10.8%	9.9 %	9.3%	8.7%
Year-end employment (in thousands)	147	128	141	158	148

The number of stockholders of record of Motorola common stock on January 31, 2001 was 55,034.

[1] Dividends declared from 1996 to 1999 were on Motorola shares outstanding prior to the General Instrument merger.

Board of Directors of Motorola, Inc.

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

Francesco Caio
Chief Executive Officer,
Netscalibur

Ronnie C. Chan
Chairman,
Hang Lung Development Co., Ltd.

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

Robert W. Galvin
Chairman of the Executive
Committee of the Board,
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Robert L. Growney
President and
Chief Operating Officer,
Motorola, Inc.

Anne P. Jones
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Communications Commission

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Morehouse College

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

B. Kenneth West
Senior Consultant for Corporate
Governance to Teachers Insurance
and Annuity Association, College
Retirement Equities Fund

Dr. John A. White
Chancellor,
University of Arkansas

Stockholder reference information

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

Computershare Investor Services
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Chicago, IL 60602 USA
(800) 704-4098
E-mail:
web.queries@computershare.com

For shareholder correspondence:
Computershare Investor Services
P.O. Box A3309
Chicago, IL 60690-3504

For transfer of stock:
Computershare Investor Services
P.O. Box 2388
Chicago, IL 60690-2388

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, London and Tokyo Stock Exchanges.

Annual meeting of stockholders

The annual meeting will be held on May 7, 2001. A notice of the meeting, together with a form of proxy and a proxy statement, will be mailed to stockholders on or about March 23, 2001, 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.

Auditors

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601 USA

Business risks

Statements that are not historical facts, including statements about the projected number of users of wireless devices; the projected number of smart chip sales; future markets and products; the impact of cost reductions; and the growth potential for cable and in “Outlook” are forward-looking and involve risks and uncertainties.

Motorola wishes to caution the reader that the factors below and those in Motorola’s 2001 Proxy Statement appendix and in its other SEC filings could cause actual results to differ materially from those in the forward-looking statements. These factors include: continued significant demand for wireless communications products and semiconductors; Motorola’s success at reducing costs by discontinuing unprofitable product lines, simplifying product portfolios and consolidating operations; continued growth in the cable industry and that industry’s ability to compete with other entertainment providers; product technology and commercialization risks; continued or increased pricing pressures on Motorola’s products, particularly wireless communications products; the impact that weakening economic conditions will have on spending by consumer and business customers; and steady growth in emerging markets.

This entire report has been printed on recycled paper.

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