



1993

*Our wireless communications*

**ANNUAL**

*systems, semiconductors and*

**REPORT**

*advanced electronic products*

*are transforming the way*

*people live and work through-*

*out the world.*

## **About The Company**

Motorola is one of the world's leading providers of wireless communications, semiconductors and advanced electronic systems and services. Major equipment businesses include cellular telephone, two-way radio, paging and data communications, personal communications, automotive, defense and space electronics and computers. Communication devices, computers and millions of consumer products are powered by Motorola semiconductors. Motorola was a winner of the first Malcolm Baldrige National Quality Award, in recognition of its superior company-wide management of quality processes.

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# FINANCIAL HIGHLIGHTS

(In millions, except as noted)

Motorola, Inc. and Consolidated Subsidiaries

Years ended December 31	1993	1992
Net sales	<b>\$16,963</b>	\$13,303
Earnings before income taxes and cumulative effect of change in accounting principle	<b>1,525</b>	800
% to sales	<b>9.0%</b>	6.0%
Net earnings before cumulative effect of change in accounting principle	<b>1,022</b>	576
% to sales	<b>6.0%</b>	4.3%
Net earnings	<b>1,022</b>	453
% to sales	<b>6.0%</b>	3.4%
Fully diluted net earnings per common and common equivalent share (in dollars) <sup>1,2</sup>		
Net earnings per share before cumulative effect of change in accounting principle	<b>3.55</b>	2.09
Net earnings per share	<b>3.55</b>	1.66
Research and development expenditures	<b>1,521</b>	1,306
Fixed asset expenditures <sup>3</sup>	<b>2,129</b>	1,387
Working capital	<b>2,324</b>	1,883
Current ratio	<b>1.53</b>	1.56
Return on average invested capital before cumulative effect of change in accounting principle <sup>4</sup>	<b>15.3%</b>	9.4%
Return on average invested capital <sup>4</sup>	<b>15.3%</b>	7.5%
% of net debt to net debt plus equity <sup>5</sup>	<b>11.9%</b>	15.2%
Book value per common share (in dollars) <sup>1</sup>	<b>23.00</b>	19.07
Year-end employment (in thousands)	<b>120</b>	107

<sup>1</sup>Includes adjustment for the 1992 two-for-one stock split. See also note 9 to consolidated financial statements.

<sup>2</sup>Primary earnings per common and common equivalent share were one cent higher than fully diluted for 1993 and 1992.

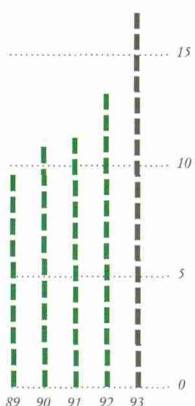
<sup>3</sup>Expenditures do not include amounts for equipment leased to others.

<sup>4</sup>Average invested capital is defined as stockholders' equity plus long and short-term debt less short-term investments (includes short-term investments categorized as cash equivalents).

<sup>5</sup>Includes short-term investments categorized as cash equivalents.

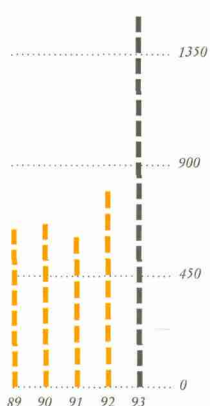
## NET SALES

(In billions) ..... 20



## EARNINGS BEFORE INCOME TAXES\*

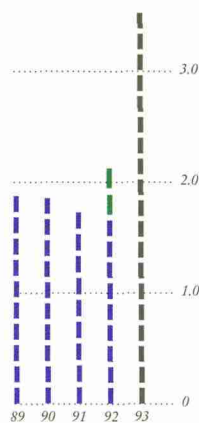
(In millions) ..... 1800



\* And cumulative effect of change in accounting principle

## FULLY DILUTED NET EARNINGS PER SHARE

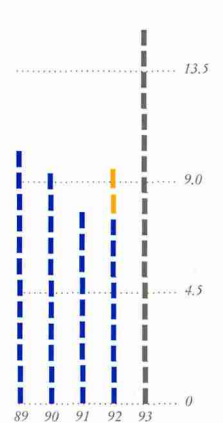
(In dollars) ..... 4.0



■ Before cumulative effect of change in accounting principle

## RETURN ON AVERAGE INVESTED CAPITAL

(In percentages) ..... 18.0

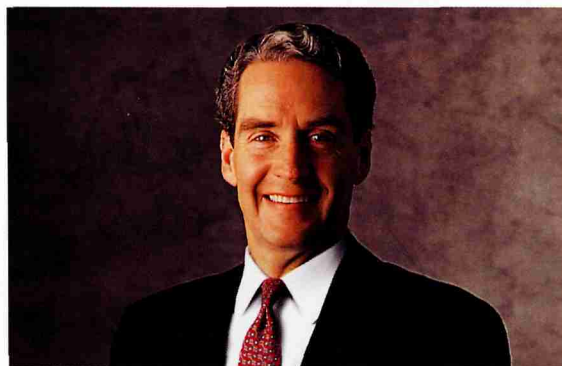


■ Before cumulative effect of change in accounting principle

*Gary L. Tooker  
Vice Chairman and  
Chief Executive Officer*



*Christopher B. Galvin  
President and Chief  
Operating Officer*



Many of Motorola's long-term investments in technology continued to contribute to the corporation's financial results in 1993. It was a year of strong growth in which sales approached \$17 billion and net profits reached \$1 billion for the first time. To build on this success, we are reinvesting for the future. We believe that the wireless communications revolution is just beginning.

As stockholders, you have invested in a company with a distinctive culture that incorporates an obsession with quality, uncompromising ethics and respect for people. These values create the foundation for our success. They have helped us to create new technology platforms and to open new markets throughout the world.

In the pages that follow, we would like to share the excitement over the way in which our semiconductors, wireless communications products, systems and services, and advanced electronic products are transforming the way people live and work throughout the world.

### **Financial Results**

Sales and earnings set records as strong growth continued throughout our major businesses. Sales increased 28% to approximately \$17.0 billion from \$13.3 billion in 1992. Earnings were \$1.02 billion, or \$3.55 per share on a fully diluted basis, compared with \$576 million, or \$2.09 per share on the same basis a year earlier, before the 1992 cumulative effect of a change in accounting principle involving postretirement benefits other than pensions. Net margin on sales was 6.0%, compared with 4.3% a year ago. Detailed operating and financial results of our various businesses in 1993 appear on pages 18-37.

### **Stock Split, Dividend Increase**

Earnings per share for 1993 are before a 2-for-1 stock split in the form of a 100% stock dividend, to be distributed April 18, 1994 to stockholders of record March 15, 1994. The quarterly dividend on the pre-split shares was increased to 14 cents a share from 11 cents, an increase of approximately 27%.

### **Management and Board of Directors**

Motorola's Board of Directors elected Gary L. Tooker Vice Chairman and Chief Executive Officer. Christopher B. Galvin was elected President and Chief Operating Officer. In addition, the Board decided to make the Chairman of the Board's position separate from management. William J. Weisz was elected to that position.

Mr. Tooker and Mr. Galvin form a two-person Chief Executive Office. The senior officer of the Corporation is the Chief Executive Officer and total responsibility to manage the company's affairs is vested in the Chief Executive Office.

Mr. Weisz, formerly Vice Chairman of the Board and a former Chief Executive Officer of Motorola, had been Acting Chairman of the Board since the resignation of George Fisher

in October 1993. Under the new structure, the Chairman of the Board is not an employee of the company. The focus of the position is to direct the affairs of the Board and to be the primary interface between the Board and the Chief Executive Office. Mr. Tooker had been President and Chief Operating Officer and Acting Chief Executive Officer since Mr. Fisher's resignation. Mr. Galvin had been Senior Executive Vice President and Assistant Chief Operating Officer.

William G. Salatich did not stand for reelection to the Board of Directors in 1993. Walter E. Massey, Provost and Senior Vice President, Academic Affairs, of the University of California System, was elected to the Board at the Annual Meeting.

### **Our Key Publics**

This Annual Report is addressed primarily to our stockholders, and we are committed to making your long-term ownership of Motorola a worthwhile investment. We also serve at least four other publics—our customers, our suppliers, our employees and our communities. By focusing on these publics, we best serve our stockholders.

Our ultimate measure of success is expressed in our overriding corporate objective, total customer satisfaction. To achieve this, we remain focused on continuous improvement in quality, customer service and cycle time reduction. We also strive to build long-term partnerships with another key public, our suppliers. Early supplier involvement and schedule sharing are examples of how we attempt to earn their unwavering support.

Our employees represent our most valuable asset, and our success depends on our ability to nurture the finest work force in the world. Our investment in training and education is essential to continuing the productivity improvements we have seen in recent years. We appreciate the dedication of all our people who have made it possible.

Our key beliefs—respect for the dignity of people and uncompromising integrity—provide the basis for our service to our fifth key public, the communities in which we live and work.

### **The Future**

Motorola's customers are investing in products and systems to make them more productive as the global economy expands. We see solid growth potential in developing markets such as China, which have been open to us for only a few years. The broader Asia-Pacific region has been a major area of growth for Motorola for a number of years, and we expect that to continue.

Growth in the U.S. exceeded our expectations in late 1993. We believe that steady, sustainable growth can continue in North America. Economic expansion in this region should enhance Motorola's success in communications, automotive and consumer markets, among others. Likewise, when economies begin to recover in Europe and Japan, we expect to see our customers investing in tools for greater productivity.

We believe that the best way to achieve superior financial performance is to quickly transform our most advanced technologies into products that exceed the expectations of our customers.



*William J. Weisz  
Chairman of the Board*

A handwritten signature in cursive script that reads "Gary L. Tooker".

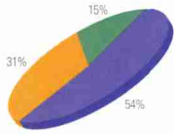
Gary L. Tooker  
Vice Chairman and Chief Executive Officer

A handwritten signature in cursive script that reads "Christopher B. Galvin".

Christopher B. Galvin  
President and Chief Operating Officer

**1993 SALES  
PRODUCT  
PORTFOLIO**

*(In percentages)*



■ *Wireless Communications*

■ *Semiconductors*

■ *Other*

As the worlds of computing and communications converge, we are on the verge of enabling people and machines to access and communicate information seamlessly, anywhere, anytime, and at their convenience.

Motorola is playing a significant role in making it happen.

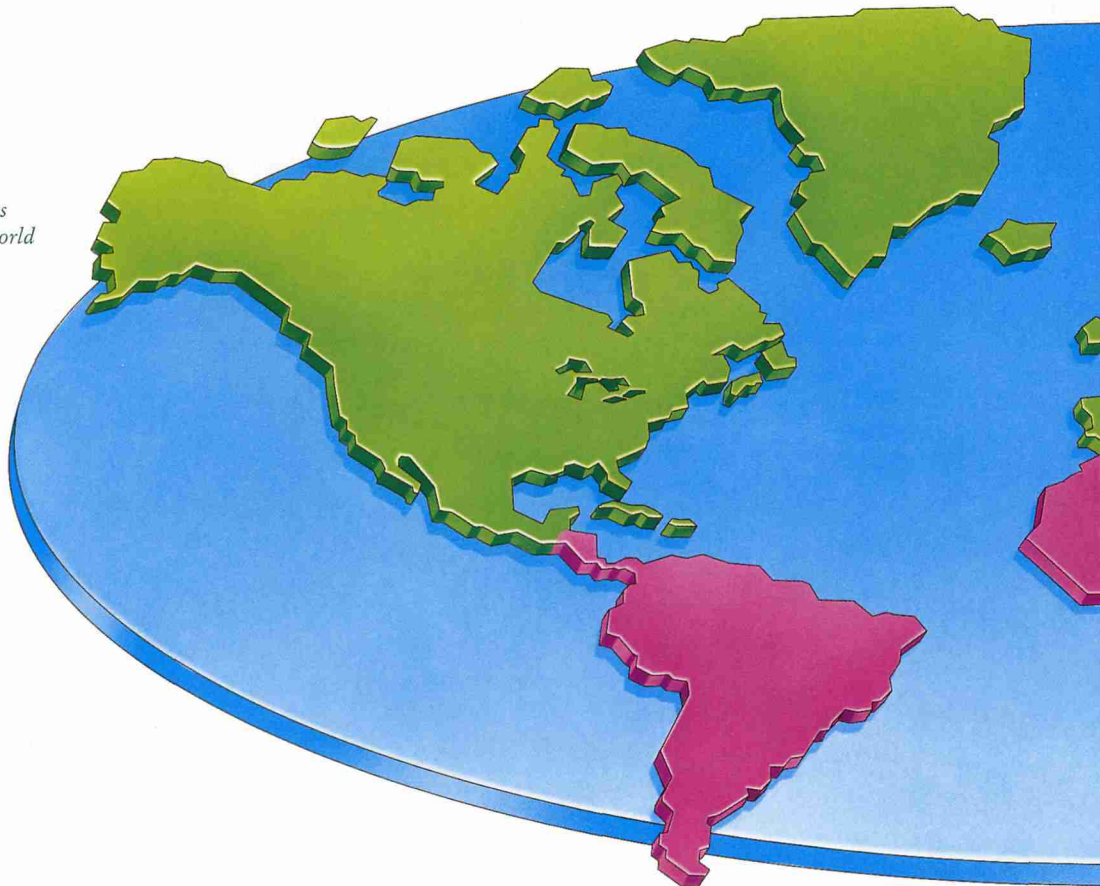
No one knows more about wireless communications than Motorola, and no one has a broader portfolio of semiconductors than Motorola. Our global leadership is built on a 65-year history of technological innovation. About 54% of our sales are in the wireless communications arena, and another 31% in semiconductors. The remainder is primarily in wireline communications, electronic control applications and computing.

We are global. Even though our businesses in the United States have been growing nicely in recent years and were

especially strong in 1993, less than 50% our sales today are to U.S. customers, compared with 65% just five years ago. About 20% of our sales are in Europe and 26% in Asia. In five years, we expect that as much as 65% of our sales could be to non-U.S. customers. Asia should continue to be the fastest-growing region.

What has brought about this extraordinary international growth? In Asia, South America, Eastern Europe and Africa, once heavily controlled economies have been giving way to more market-oriented systems. In all, more than four billion people, or four-fifths of the world's population, have begun to enter markets newly opened to our products and services. These are people hungry for communications and technologies that can increase their living standards and improve their lives. We see much of our future growth potential coming from these markets.

*Emerging markets throughout the world represent growth opportunities for Motorola.*



Prague, the Czech Republic



### THE WIRELESS WORLD

More than half the people in the world have never used a telephone. As radio communication moves from analog to digital, however, we can now envision a world in which every person could be within walking distance of a telephone, and many people will carry portable telephony devices with

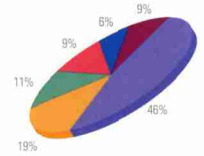
them wherever they go. These devices would convey data and images, as well as voice messages. From simple paging to sophisticated satellite systems, wireless technologies promise to give consumers a wide array of communications services at affordable prices.

As semiconductor components have become smaller and more powerful, there has been a dramatic drop in the cost of computing power. In the world of communications, this means that digital signal processing is becoming affordable, and can take place in a device small enough to be held in the palm of your hand.

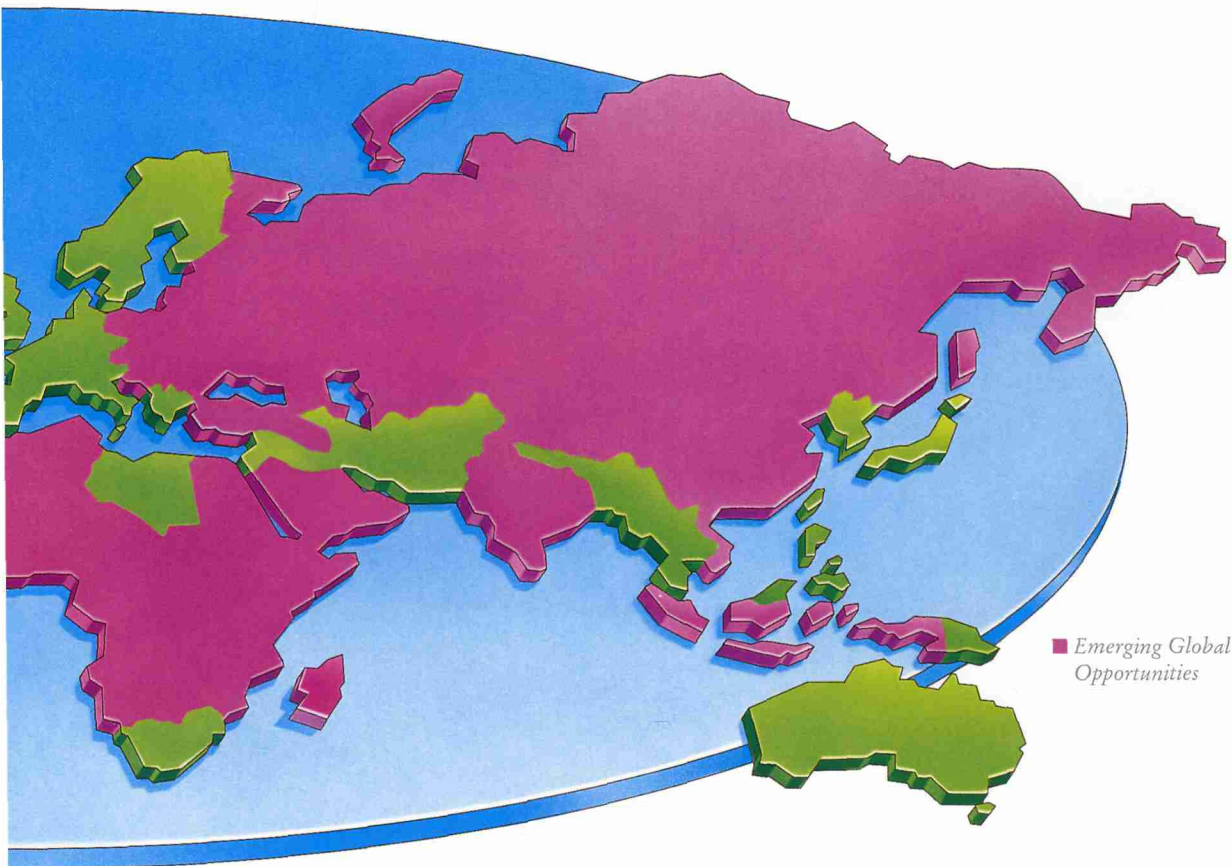
Within Motorola's wireless communications arena, about half our sales are in cellular telephony. The other half includes land-mobile radio, paging and wireless data.

### 1993 MARKET SALES BY REGION

(In percentages)

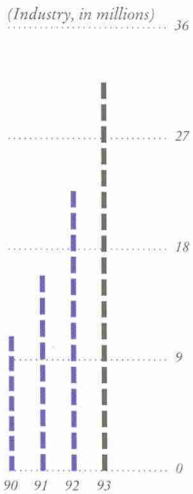


- United States
- Europe Region
- Asia-Pacific Region
- China/Hong Kong
- Japan Region
- Rest of World



Emerging Global Opportunities

**ESTIMATED  
WORLDWIDE  
CELLULAR  
SUBSCRIBERS**



Motorola is the world's largest producer of mobile and portable cellular telephones, and the second largest maker of cellular infrastructure equipment. We build on our strengths in quality, low-cost manufacturing and product design. We manufacture a wide range of subscriber equipment, including the sophisticated MicroTAC® UltraLite™, the world's lightest cellular phone, featuring an option that enables users to receive calls in a silent vibration mode.

We are participating in all major digital and analog technologies, for cellular as well as for personal communications services. Support for our Narrowband AMPS analog technology is growing throughout the world. It provides up to a 3-to-1 increase in subscriber capacity and offers both voice and digital messaging capability. We're shipping base stations for the pan-European (GSM) digital system in seven countries, plus other countries in the Middle East and Asia. Several U.S. cellular system operators have ordered infrastructure equipment for Code Division Multiple Access (CDMA) digital systems.

Cellular-based Wireless Local Loop (WiLL™) systems provide basic fixed telephony services in areas with little or no service, or as a supplement to existing wireline service. Such areas include Indonesia, India, Sri Lanka, and Russia.

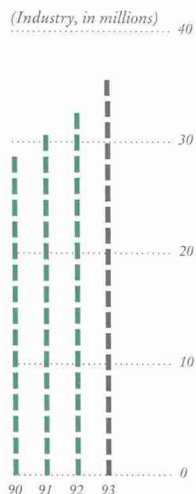
The worldwide cellular industry has continued its dramatic growth, serving an estimated 32 million subscribers world-



wide by the end of 1993. That number is expected to grow to over 100 million by the year 2000. Cellular service is already available in more than 100 countries. Emerging nations are using cellular as a substitute for inadequate wireline systems. Business people use cellular to stay in touch, while consumers are attracted to the benefits of personal safety and convenience.

Cellular and personal communications systems trace their roots to Motorola's pioneering efforts in two-way land-mobile radio technology in the 1930s. The first customers were police and other public safety agencies in the U.S., followed by the military during World War II. Today, two-way

**ESTIMATED  
WORLDWIDE  
LAND-MOBILE  
2-WAY RADIO  
SUBSCRIBERS**



*The MIRS™ technology offers four services from one subscriber unit.*



radio systems serve utility, transportation, and a wide variety of commercial markets and industrial markets, as well as government customers.

With analog and digital technologies, a broad line of voice and data products, and a global distribution and service network, Motorola is the world leader in two-way land-mobile radio. Much of the growth in recent years has come from trunking, in which a computer controls the automatic sharing of channels. This enables users to get faster access to a channel and to use two-way radios in an extended geographic area.

Our two new digital technologies, designed for different customer needs and applications, increase channel capacity and offer users improved audio quality in weak signal areas along with expanded capabilities. Our channel-splitting Astro™ digital technology, which can be used in conventional and trunked systems, is compatible and interoperable with today's analog equipment to meet the needs of private system users such as public safety agencies, utilities, and large industrial companies. The Motorola Integrated Radio System (MIRS) is a time-splitting technology that will enable users with dedicated blocks of frequencies, such as operators of shared systems, to expand capacity six times. The MIRS technology offers the potential for a new generation of integrated wireless communications services, including dispatch, telephone interconnect, short messaging and data capabilities.

We expect the two-way land-mobile industry to grow from an estimated 36 million subscribers worldwide in 1993 to more than 65 million by the year 2000, and we expect many

*The Visar™ portable two-way radio is the industry's smallest high-powered FM portable.*





*The use of pagers in China increased dramatically during 1993. Pager shown is two times actual size.*

existing subscribers to replace their old equipment. Smaller, more functional products, like the Visar™ portable, and new digital technologies give this industry exciting new potential in both business and consumer markets.

In paging, Motorola is a leader throughout most of the world. A few years ago, the growth rate of paging was expected to slow, since it was considered a mature industry, driven largely by business use. In fact, paging has continued growing rapidly. We expect the industry to grow from an estimated 50 million subscribers worldwide in 1993 to more than 150 million by the year 2000. In the United States, pagers are increasingly becoming a consumer product, sold

through retail channels. In developing countries such as China, they are becoming popular as economies expand faster than the telephone infrastructure. We believe this phenomenon will be repeated in countries such as India, Indonesia, Vietnam, and other emerging countries. Even countries such as Germany and France have very few pagers in service today.

A passion for quality and efficient, short-cycle manufacturing has enabled Motorola to transform paging into a service that is affordable for the consumer throughout the world. New pagers offer sophisticated technology in attractive, inexpensive packages.

The wireless data industry is in its infancy, and Motorola is an early leader. Our products include local and wide-area wireless data networks, mobile and portable data terminals, wireless modems and data network services. We can provide customers with complete solutions through a number of strategic alliances.

The wireless data industry has the potential for explosive growth. The estimated 380,000 subscribers worldwide in 1993 could grow to as many as 20 million by the year 2000, as applications such as electronic mail and wireless access to computerized databases become available for portable, notebook and palmtop computers, personal intelligent communicators, and personal digital assistants. More than half the personal computers sold in the next few years are expected to be portable. With at least 40% of the U.S. workforce spending much of their time out of the office, and increasing workforce mobility worldwide, the potential market for wireless data communications is limited virtually only by the imagination.

In early 1994, Motorola announced formation of the Messaging, Information and Media Sector (MIMS) to serve the end-to-end communications needs of the customer. By defining paging as a messaging business, we recognize the advent of the personal intelligent communicator, along with the customer's interest in receiving longer messages and interacting via both one-way and two-way messaging.

These messages also travel across a combination of wireline and wireless networks, and we are building on our networking expertise. In addition to the Paging and

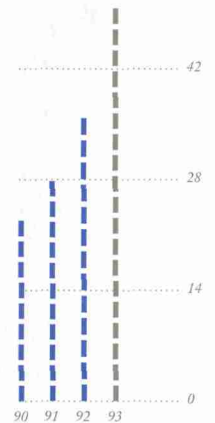
Wireless Data groups, MIMS includes the Information Systems Group (ISG), made up of our Codex Corp. and Universal Data Systems, Inc. subsidiaries. ISG provides wireline data communications products ranging from modems to backbone and network management equipment. By integrating technologies for voice, data, still image and video, Motorola can create corporate networks that operate like an information superhighway.

### SUMMARY

Despite their rapid growth thus far, cellular, two-way radio, paging and wireless data communications have extremely low levels of market penetration, with each serving less than 1% of the world's population. We estimate the total number of worldwide subscribers in all of these technologies could grow from about 70 million in 1990 to more than 300 million in the year 2000, and 900 million in 2010. Industry equipment revenues could increase from \$17 billion in 1990 to \$77 billion in 2000, and \$200 billion in 2010.

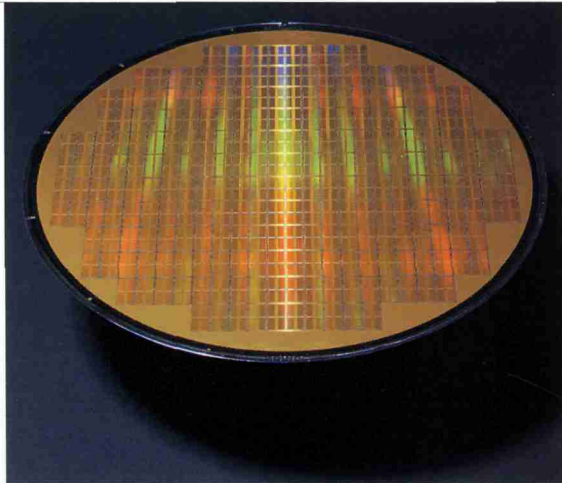
### ESTIMATED WORLDWIDE PAGING SUBSCRIBERS

(Industry, in millions) 56



*The InfoTAC™ Personal Data Communicator enables virtually any portable computing device to exchange data over wireless networks. It also functions as a stand-alone unit to receive, store and respond to E-mail messages.*

An eight-inch silicon wafer from our ultra-modern MOS-11 semiconductor facility in Austin, Texas.



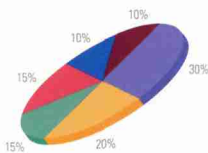
**POWERED BY MOTOROLA**

Motorola semiconductors are playing a key role in powering the Information Age. Microprocessors, microcontrollers and other devices are at the heart of communication equipment, computers, automobiles and millions of consumer products.

Motorola's technology leadership is built on the broadest semiconductor portfolio in the industry. This breadth extends to applications and geographic markets as well. We will continue to grow by continuing to provide our customers world-class service, the latest technology and world-class quality and manufacturing efficiency. This strategy has enabled us to achieve consistent financial performance and improvement in our market position in this industry. We are now the third largest producer in the world.

**1993 MOTOROLA SEMICONDUCTOR END MARKET SALES MIX**

*(Approximate, in percentages)*



- Communications
- Industrial
- Personal Computers
- Consumer
- Computers (other than PCs)
- Automotive

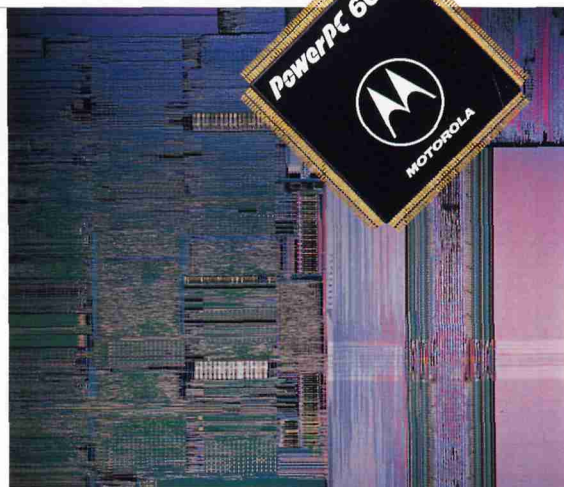
Another important element of our strategy to achieve consistency of financial performance is that we focus on value-added market share, such as microprocessors, microcontrollers and customer-specific designs. Our sales mix to end markets is generally a balanced one, led by communications, followed by industrial, personal computers, consumer, other computers and automotive. This means we should be less exposed than some other semiconductor producers to the fluctuations of any one end market or industry.

The worldwide semiconductor industry should continue to grow at its historical average growth rate of about 15% a year. Strategic alliances with world-class customers, coupled



with our global design, manufacturing and distribution network, should enable us to serve customers quickly, anywhere in the world.

We are seeing the highest growth rate in microcontrollers, a market we lead worldwide. As we look to the year 2000, we expect automotive applications to grow from today's average of 14 per vehicle to about 35—ranging from trip computers to keyless entry. Office use is expected to climb from an average of 18 to 42, in phones and pagers as well as computers. Home use, now estimated to average about 70 applications, should jump to more than 200—ranging from appliances to exercise equipment.



*The PowerPC 603™ microprocessor, for use in notebook computers and other battery-powered products, promises to create a price-performance standard. Many leading systems suppliers are designing future generations of products based on the PowerPC Architecture.*

Motorola is the partner of choice for the world's leading technology companies. In microprocessors, for example, the PowerPC Architecture™ developed in partnership with IBM and Apple Computer, promises to create the price-performance standard for computing in the mid-to-late 1990s. Its scalability means that the PowerPC™ family can be used across a spectrum of systems, from pen-based to massively parallel, with full software compatibility. Adopters of the PowerPC Architecture represent a broad spectrum of applications, in automotive and consumer products as well as in computing. Ford Motor Co., for example, will use PowerPC microprocessors for future-generation automotive powertrain controls.

PowerPC, PowerPC logo, PowerPC Architecture and PowerPC 603 are trademarks of IBM Corporation and are used by Motorola under license from IBM Corporation.

*Two Motorola microcontrollers manage a number of vital systems in Chrysler Corp.'s Jeep® Grand Cherokee, a participant in the "Powered by Motorola" marketing communications program.*

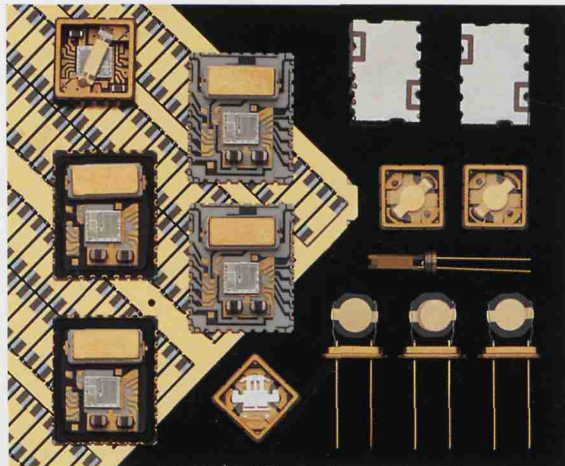
## ADVANCED ELECTRONICS

Motorola businesses extend throughout the realm of electronics. *The Government Systems and Technology Group (GSTG)* historically has served the defense industry, primarily in communications and tactical electronics. It has more recently moved into other governmental and commercial markets with products such as secure telephones. In space and satellite communications, GSTG is implementing a \$3.4 billion contract from Iridium, Inc., covering design, construction and launch of a global personal communications system.

The IRIDIUM™/SM system is to be digital, designed to permit voice, data, fax and worldwide paging. As commerce becomes increasingly global, this promises to be a valuable service for traveling business executives and government officials as well.

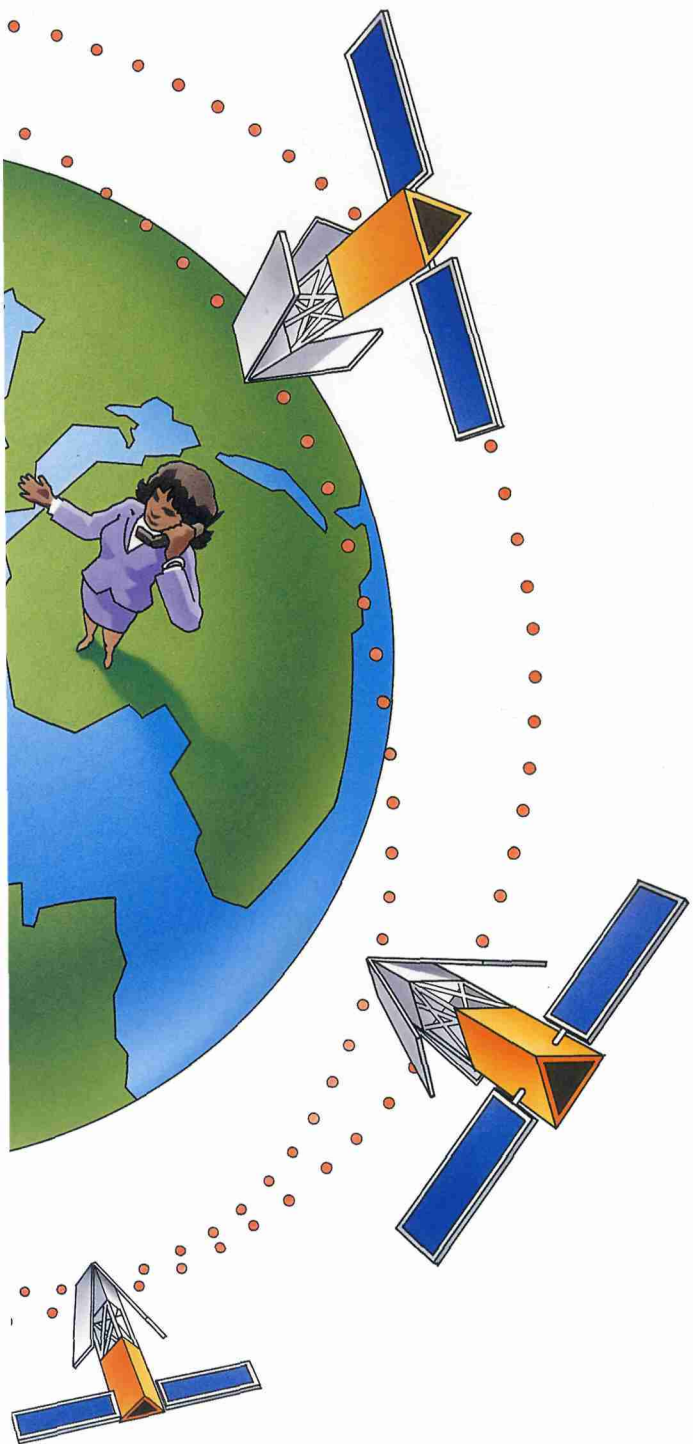
The IRIDIUM network is being designed as a constellation of 66 small satellites in low earth orbit. The project is being financed and will be operated by Iridium, Inc., a private international consortium of telecommunications and industrial companies. Motorola holds a minority interest in Iridium, Inc.

*Motorola offers a diverse portfolio of quartz and ceramic components for communication and other electronic equipment. The miniaturization of these devices has contributed to the size and weight reduction of Motorola radios.*



*As a space-based system, IRIDIUM is designed to keep people in touch virtually anywhere on earth using mobile or portable telephones or pagers.*

*IRIDIUM is a trademark and service mark of Iridium, Inc.*



*The new Series 900 family of UNIX-based systems and servers features "snap together" modularity and expandability. These computers can be employed as a multiuser system supporting more than 1,000 users, or as servers in a distributed environment. The modular stack shown measures only 17.6 inches high, 15.9 inches wide and 11.3 inches deep.*

Motorola's Automotive, Energy and Controls Group produces devices that have redefined the automobile, including powertrain, chassis and body electronics. The group is also involved in businesses such as quartz and ceramic components, electronic ballasts for fluorescent lighting, flat panel displays, batteries and chargers. It has developed an in-vehicle route guidance system for Intelligent Vehicle Highway Systems.

Our Computer Group serves two related markets, UNIX-based open computer systems and single-board computers, which provide processing power and memory expansion for all types of computer systems. We are the leader in the VMEbus segment of that market. We provide a standard operating environment for use in a broad range of technical and commercial markets.

In addition to the new Series 900 family, the Motorola Series 8000 family offers single-, dual and quad-processor UNIX-based multiuser systems and servers. The group plans to develop a series of single-board computers and multiuser systems based on the higher performance members of the PowerPC family as they become available.



*Motorola's custom vehicle electronics utilize a wide range of advanced packaging technologies. Polyimide flexible substrate is designed into Detroit Diesel Corporation's DDEC III diesel engine controller.*

**SERVING THE COMMUNITY  
AND THE WORLD**

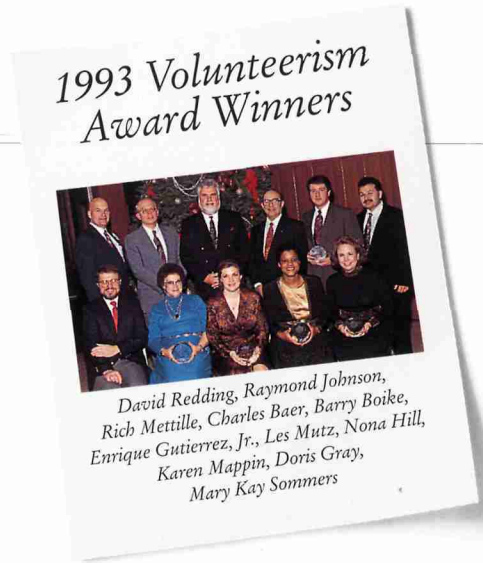
The Motorola culture is grounded in a respect for the dignity of people. It is a culture that respects our natural environment and strives to improve the surroundings in which we live and work. The measure of our success is the level of pride shown by our friends and neighbors in having Motorola as a corporate citizen of their communities.

Our people at Motorola reflect their concern for their communities and surroundings in many ways. In Austin, Texas, for example, employees created a "Discovery Pack" for children in elementary schools. For older students, Motorola has developed an Earth Generation Environmental Science Kit in partnership with the U.S. Environmental Protection Agency (EPA) and the National Audubon Society.

Our environmental concern is global. Motorola won the EPA's Stratospheric Ozone Protection Award for our efforts in Malaysia, where we provided other electronics companies



*This wheelchair racer competed in the Motorola half-marathon and relays in Schaumburg, Ill., an example of the kind of events in which employees volunteer their time and energy to raise money for charitable organizations.*

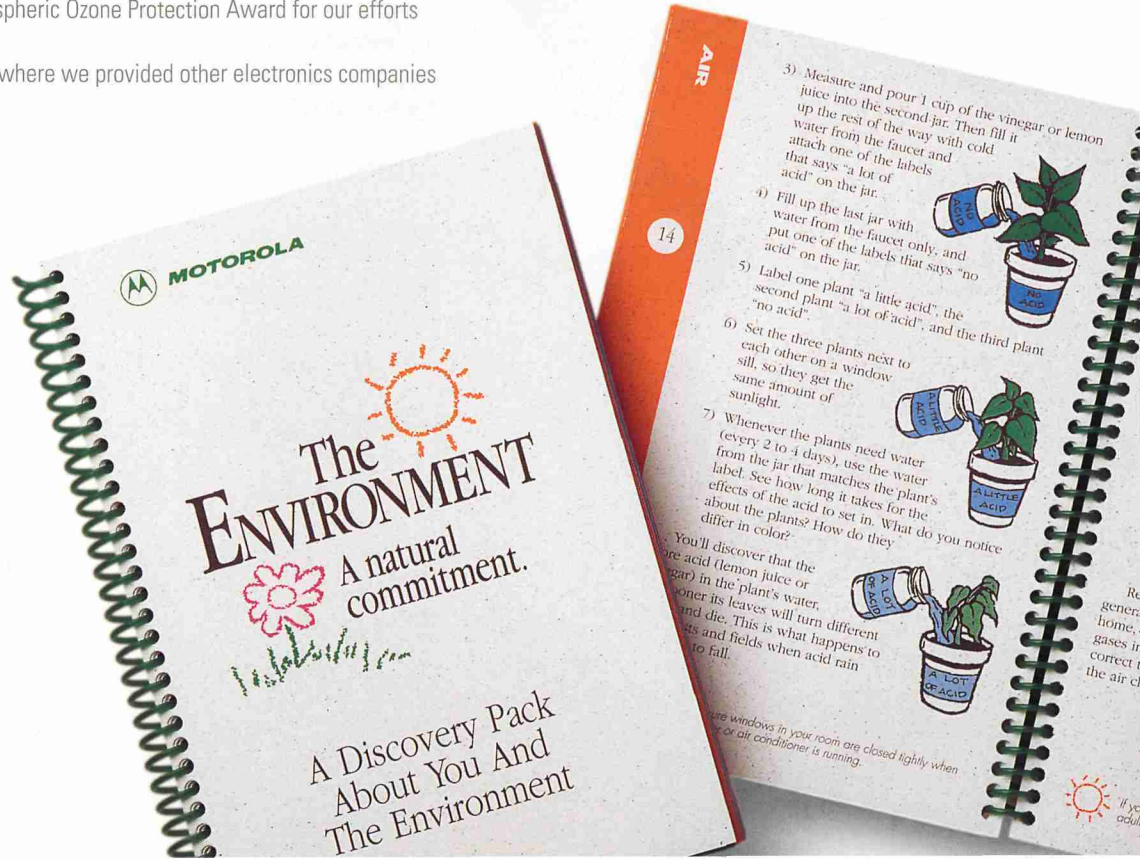


**1993 Volunteerism  
Award Winners**

- David Redding, Raymond Johnson, Rich Mettelle, Charles Baer, Barry Boike, Enrique Gutierrez, Jr., Les Mutz, Nona Hill, Karen Mappin, Doris Gray, Mary Kay Sommers

with information on how to eliminate chlorofluorocarbons (CFCs). Motorola totally eliminated CFCs from its worldwide manufacturing processes in 1993. For our employees, Motorola University has developed an eight-hour course in environmental awareness. More than 45,000 people have taken the course, which has been translated into several languages.

Motorola University also is working in partnership with business, education and community leaders to bring systemic



**The ENVIRONMENT**  
A natural commitment.

A Discovery Pack  
About You And  
The Environment

**AIR**

14

- 3) Measure and pour 1 cup of the vinegar or lemon juice into the second jar. Then fill it up the rest of the way with cold water from the faucet only, and attach one of the labels that says "a lot of acid" on the jar.
- 4) Fill up the last jar with water from the faucet only, and put one of the labels that says "no acid" on the jar.
- 5) Label one plant "a little acid", the second plant "a lot of acid", and the third plant "no acid".
- 6) Set the three plants next to each other on a window sill, so they get the same amount of sunlight.
- 7) Whenever the plants need water (every 2 to 4 days), use the water from the jar that matches the plant's label. See how long it takes for the effects of the acid to set in. What do you notice? How do they differ in color?

You'll discover that the more acid (lemon juice or vinegar) in the plant's water, the sooner its leaves will turn different colors and die. This is what happens to plants and fields when acid rain falls.

Are windows in your room are closed tightly when the air conditioner is running.



change to education in the U.S. Programs such as the Educational Leadership Institute and District Learning Leadership Teams focus on continuous improvement in curriculum, instruction and assessment.

The involvement of Motorolans extends to disaster relief. Two-way radios, pagers and communications systems played a vital role in restoring order after the bombing of the World Trade Center in New York. Cellular telephone systems helped rescue efforts after major earthquakes in India and Southern California. During the floods along the Mississippi River, rescue crews relied on two-way radios made in our Mount Pleasant, Iowa, facility, just a few miles from some of the heaviest damage.

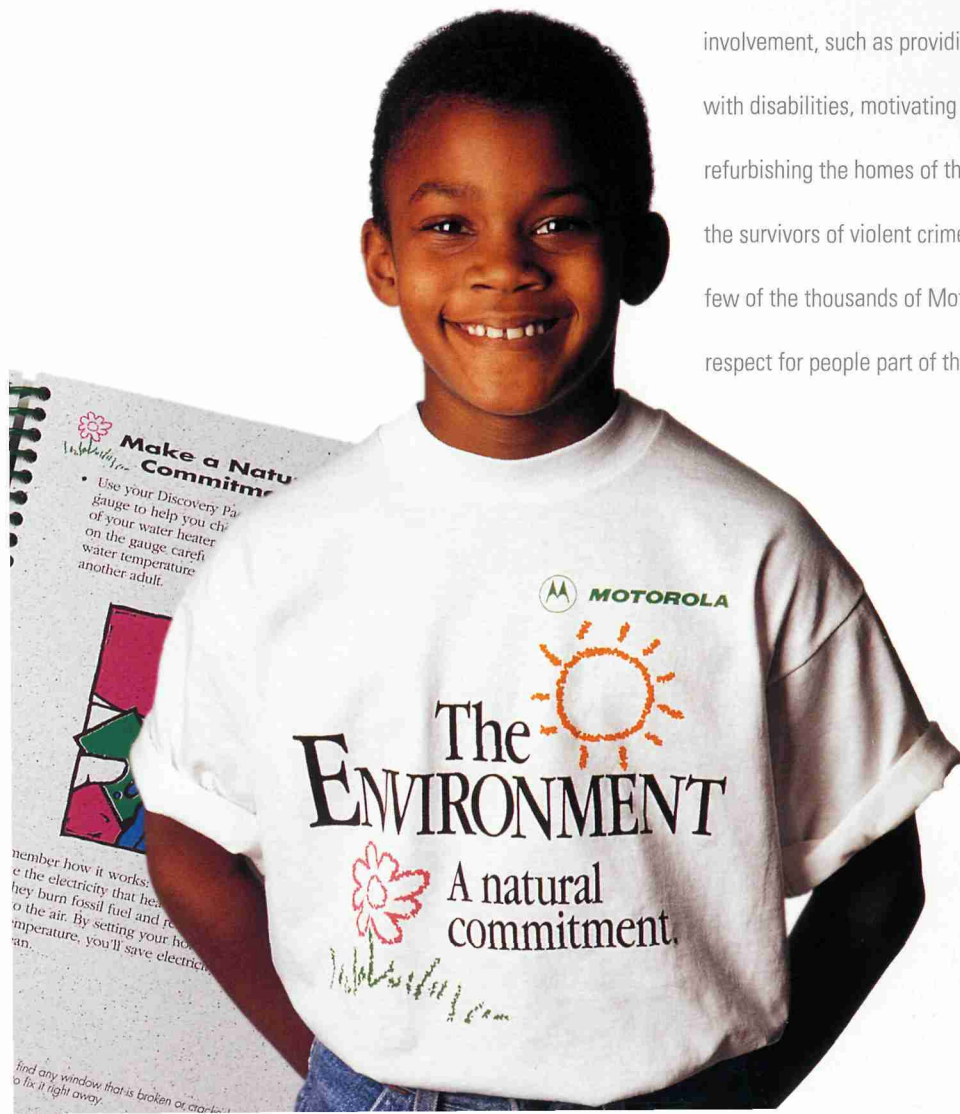
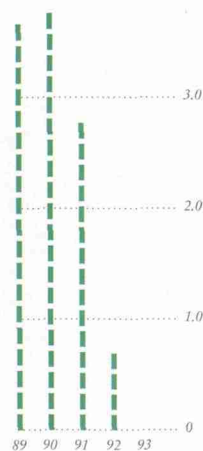


Motorola Global Positioning System equipment was used in surveys to map the extent of the flood damage in Illinois counties along the Mississippi.

Motorola employees voluntarily devote thousands of hours to projects ranging from science fairs to marathons and Special Olympics competitions. The 11 winners of the 1993 CEO Award for Volunteerism represent a wide array of involvement, such as providing assistance dogs for people with disabilities, motivating inner-city grade school children, refurbishing the homes of the elderly and poor, and assisting the survivors of violent crime. The winners represent only a few of the thousands of Motorolans who make dignity and respect for people part of their daily lives.

**CFCs USED IN MANUFACTURING PROCESSES**

(In millions of pounds) 4.0



Motorola developed the Discovery Pack to promote environmental awareness. The program helps young people understand how they can apply their academic skills to help solve environmental challenges.

**Major  
Businesses**

**Semiconductor Products Sector**

**General Systems Sector**

**Land Mobile Products Sector**

**Activities**

Designs, produces and distributes a broad line of discrete semiconductors and integrated circuits, including microprocessors, RF devices, micro-computers, memories and sensors.

Designs, manufactures and distributes RF-based cellular radiotelephones and systems, personal communications systems, computers and microcomputer boards.

Designs, manufactures and distributes analog and digital two-way radio products and systems for conventional, shared and private applications worldwide.

**Major  
Manufacturing  
Facilities**

Tianjin, China; Toulouse, France; Kwai Chung and Tai Po, Hong Kong; Manila, the Philippines; Kuala Lumpur and Seremban, Malaysia; Aizu and Sendai, Japan; Seoul, Korea; Guadalajara, Mexico; Singapore; Chung-Li, Taiwan; East Kilbride, Scotland, United Kingdom; Chandler, Mesa, Phoenix and Tempe, Arizona; Irvine, California; Austin, Texas, USA

Tianjin, China; Flensburg, Germany; Penang, Malaysia; Easter Inch and Swindon, United Kingdom; Tempe, Arizona; Arlington Heights, Grayslake and Libertyville, Illinois, USA

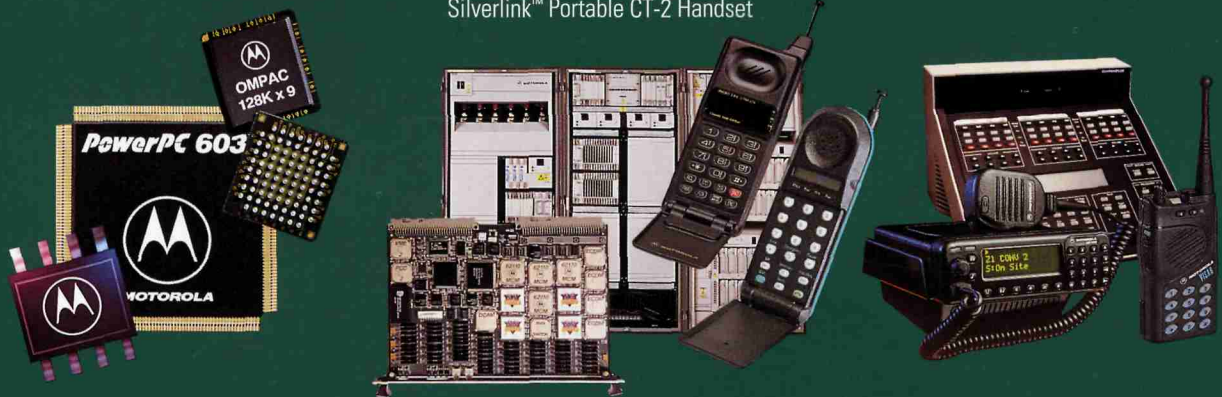
Taunusstein, Germany; Dublin, Ireland; Arad, Israel; Penang, Malaysia, Plantation, Florida; Schaumburg, Illinois; Mount Pleasant, Iowa, USA

**Representative  
Products**

Power PC 603™ Microprocessor  
Surface Mount TMOS Power Transistor  
OMPAC Packaging Technology

MVME 197 Multiprocessor  
Single-Board Computer  
SC™ 9600 Base Station System  
MicroTAC® UltraLite™ Personal  
Cellular Telephone  
Silverlink™ Portable CT-2 Handset

Mobius™ Mobile Two-Way Radio  
CommandPLUS™ Desktop Console  
VISAR™ Portable Two-Way Radio



**Organization**

Asia-Pacific Semiconductor Group  
Communications, Power and Signal  
Technologies Group  
European Semiconductor Group  
Logic and Analog Technologies Group  
Microcontroller Technologies Group  
Microprocessor and Memory  
Technologies Group  
Semiconductor Products Division, NML

Cellular Infrastructure Group  
Cellular Subscriber Group  
Computer Group  
Personal Communications Systems  
Network Ventures

Worldwide Systems Group  
Worldwide Radio Products Group  
Worldwide Network Services Group  
Communications and Electronics Group  
European Group  
International Group  
Customer Service Group

## Messaging, Information and Media Sector

Designs, manufactures and distributes a variety of messaging products, including pagers and paging systems, wireless and wireline data communications products, infrastructure equipment, systems, and services.

Mississauga, Ontario, Canada; Tianjin, China; Bangalore, India; Dublin, Ireland; Singapore; Huntsville, Alabama; Boynton Beach, Florida; Schaumburg, Illinois; Mansfield, Massachusetts; Fort Worth, Texas, USA; Vega Baja, Puerto Rico

## Government and Systems Technology Group

Specializes in research, development and production of satellite communications and electronic systems and equipment for the U.S. Department of Defense and commercial and international customers.

Chandler and Scottsdale, Arizona, USA

## Automotive, Energy and Controls Group

Designs and manufactures a broad range of electronic components, modules and integrated electronic systems and products for automotive, industrial, transportation, navigation, communication, energy systems, consumer and lighting markets.

Tianjin, China; San Jose, Costa Rica; Angers, France; Dublin, Ireland; Penang, Malaysia; Singapore; Chung-Li, Taiwan; Stotfold, United Kingdom; Scottsdale, Arizona; San Jose, California; Buffalo Grove, Northbrook, Schaumburg and Vernon Hills, Illinois; Albuquerque, New Mexico; Elma, New York; Carlisle, Pennsylvania; Seguin, Texas, USA; Vega Baja, Puerto Rico

*In addition to these sectors and groups, the New Enterprises organization manages Motorola's entry into strategically relevant, emerging, high-growth and high-technology business arenas.*

*Motorola's corporate headquarters is located in Schaumburg, Illinois, USA, with a regional corporate office in Slough, United Kingdom.*

Lifestyle Plus™ Pager  
InfoTAC™ Personal Data Communicator  
UDS CELLect 14.4 PCMCIA Cellular, Data & Fax Modem  
Codex 6520 Multimedia Periphery Router

Proteus™/CM200 Rackmount Receiver and Transmitter System

Polybent™ Electronic Packaging  
Partitioned Two-chip Pressure Sensor  
Battery Charger and Batteries



Paging Products Group  
Wireless Data Group  
Information Systems Group  
Codex Corporation  
Universal Data Systems, Inc. (UDS)  
International Networks Division

Communications Division  
Diversified Technologies Division  
Satellite Communications Division  
Tactical Electronics Division

Automotive and Industrial  
Electronics Group  
Component Products Division  
Energy Products Division  
Indala Corporation  
Motorola Lighting, Inc.

*This display represents the organization of Motorola's major businesses. For industry segment reporting information, see Review of Operations and Notes to Consolidated Financial Statements.*

**Semiconductor Products Sector**

Segment sales advanced 28% to \$5.7 billion, the 20th consecutive quarter of sales growth. Orders climbed 26%, and segment operating profits were higher. Amid the convergence of computing, communications and consumer/entertainment technologies, we developed an array of advanced products to help lead this evolution and provide innovative, on-chip solutions for customers worldwide.

All major market regions posted double-digit growth, led by Asia-Pacific. Among market segments, communications set the pace for new orders, followed by automotive, personal computer/workstation, industrial and consumer. Distributor channels also posted strong increases. We also achieved double-digit growth in each of our major product groups. Microcontrollers, microprocessors, digital signal processors, mixed signal (analog-digital), logic integrated circuits, MOS gate arrays, memories, analog and communication devices led the way, with most product categories contributing.

Support for the PowerPC™ family of reduced instruction set (RISC) microprocessors expanded during the year. It is being developed as part of our technology alliance with IBM and Apple Computer. Volume production of the PowerPC 601 was begun by IBM in the third quarter. Designed for use in desktop systems, the 601 also supports high-end symmetric multiprocessing features. Initial production of the PowerPC 603, targeted for notebook computers and other battery-powered devices, was announced in October. Motorola and IBM will manufacture the 603 chip.

Development of the other two members of the PowerPC family continued on schedule, with rollout of these powerful microprocessors slated to occur in 1994. The 604 microprocessor addresses high-performance PCs, workstations, servers and graphics applications. The 620 is designed for super high performance uniprocessor and multiprocessor workstations, servers and supercomputers.

Microsoft Corp. and Motorola announced that a port of the Microsoft® Windows NT™ operating system is under way. Windows NT joins IBM's AIX® and OS/2®, Apple's Macintosh System 7®, PowerOpen™ Environment, Taligent's Object-oriented Environment and Sun Microsystems' Solaris® as PowerPC™ operating systems.

Along with Apple and IBM, a wide variety of customers announced the use of PowerPC microprocessors. They include Bull, Ford Motor Co., Harris, Kaleida Labs/Scientific Atlanta, Tadpole Technology and Thomson-CSF.

The Taiwan New PC (personal computer) Consortium, which encompasses more than 70% of the world's PC motherboard manufacturing, was launched to develop and promote PowerPC systems. In addition, six key industry

leaders formed the PowerOpen Association to provide software developers with services to support development of products based on the PowerPC architecture.

The year was highlighted by new or expanded technology relationships with key computer customers. Apple Computer chose the 33MHz version of our 68030 microprocessor for its PowerBook™ Duos and the 68040 for its new high-performance desktop computers. Low-power devices, such as our 3.3-volt 68040V microprocessor for portable and other battery-powered computing, were a big focus during the year. For example, our patented read-channel device for hard disk drives operates as low as 2.7 volts.

We became the second largest worldwide supplier of static random access memories (SRAMs), which are used in many computer systems. In addition, we introduced low-voltage logic products for the computer and communications markets.

We capitalized on rapid growth in the communications arena by introducing GaAs (gallium arsenide) RF field effect transistors for cellular phones, with more than one million units shipped during the year. We also introduced a new family of integrated processors for the personal communications wireless market, including the Dragon I™ for personal intelligent communicators. For the emerging digital information superhighway, we introduced the first 32-bit Quad Integrated Communications Controller.

In automotive markets, we continued to win key designs at Ford, General Motors and Chrysler for engine, powertrain, safety and electrical systems. Ford will use our insulated gate bipolar transistors in next-generation ignition systems. A licensing agreement with Bosch of Germany will provide that customer with microcomputers, digital signal processor architectures and wafer manufacturing techniques.

In consumer markets, in partnership with Thomson Consumer Electronics we released an industry standard closed-captioning device. Our new 1GHz amplifier family will enable cable TV providers to add hundreds of new channels. In the multimedia arena, we partnered with Scientific Atlanta and Kaleida Labs to produce the Malibu™ graphic chip set, and introduced the 68341 processor for CD-I (compact disk-interactive) Systems.

In the industrial arena, in partnership with Allen Bradley we developed a new motor control drive family using hybrid power module technology. We shipped more than 600 LonBuilder development systems to customers worldwide, with IBM, AT&T, Honeywell and Raytheon among companies that have adopted this technology and our Neuron Chip® for intelligent, distributed sense and control networks. Our leadership in Smart Card technology was underscored by production of the 100-millionth chip in our East Kilbride, Scotland, facility.

Many of the products we make are used in a wide spectrum of applications, and we expanded many popular device lines. For example, as the world's largest producer of microcontrollers, we added to the 68H05 family of customer-specified controllers and announced key additions to our HC11 and HC16 families. We continued expanding our sensor lines, with a new thrust in chemical sensors.

Expansions in our worldwide production network were announced to address the increasing demand for semiconductors. We purchased a wafer fabrication facility in

Irvine, Calif., and announced new or expanded facilities in Austin, Texas; Chandler, Mesa and Phoenix, Ariz.; Carmona, the Philippines; Tai Po, Hong Kong; East Kilbride, Scotland; Aizu and Sendai, Japan; and Tianjin, China.

Thomas D. "Tommy" George was elevated to President of the Semiconductor Products Sector, replacing James A. Norling, who was appointed President of Motorola Europe, Middle East and Africa. Murray A. Goldman was promoted to Senior Vice President and Assistant General Manager.

## **General Systems Sector**

Segment sales advanced 43% to \$5.2 billion and orders rose 42%. Segment operating profits were higher.

Sales of Motorola cellular telephones continued to show strong growth worldwide.

We introduced the world's lightest GSM digital phone. GSM is a digital protocol that allows international roaming throughout western Europe. A line of personal and portable Time Division Multiple Access (TDMA) digital cellular telephone products was introduced for the North American market.

Motorola acquired an 18% interest in Telular Corp. and formed a strategic relationship to advance the development of fixed wireless products. Motorola also acquired a 40% interest in CedeTel, S.A. de C.V., which serves customers in Monterrey, Mexico's second largest market.

The world's first integrated cellular phone and pager underwent field trials. Called the MicroTAC<sup>®</sup> RSVP<sup>™</sup>, it incorporates a numeric digital pager with silent vibrating alert in a single phone.

Our cellular infrastructure business made significant gains. Analog systems were expanded in Austria, China, Latin America, Spain and the United Kingdom. Our narrowband technology, which increases capacity and improves voice quality of existing systems, has been adopted by more than 12 major operators worldwide.

Motorola was awarded new digital cellular GSM contracts in Austria, Belgium, Pakistan, Qatar and the United Arab Emirates. We also won expansion awards and second-source supplier contracts in Germany, Portugal and the U.K. To meet the increased demand, we expanded our Swindon, U.K., manufacturing facility.

Several cellular operators in the U.S. and the Philippines awarded us contracts to supply Code Division Multiple Access (CDMA) cellular infrastructure systems. In Japan, we were awarded our third digital cellular contract to provide SC<sup>™</sup> 9600 base station equipment for Personal Digital Cellular systems. The SC 9600 offers customers multiple analog and digital air interfaces in a compact cabinet.

Several U.S. cellular operators began offering our Cellular Digital Messaging Services (CDMS). It provides customers with paging, voice mail notification and digital alphanumeric messaging capabilities. We also won three additional contracts for our PPS<sup>®</sup> 800 Personal Phone Service, which gives customers a single phone number to use at home, at work and while traveling.

We asked the Telecommunications Industry Association that our proposed Interface Specification be used as the basis for developing a standard open and common cellular industry interface between base stations and switches throughout North and South America. We have achieved full radio frequency and switch compatibility for all switches in commercial use for the GSM digital standard.

Motorola and Northern Telecom announced that the cellular infrastructure systems, sales and service activities within the joint venture, Motorola Nortel Communications Co., would return to the parent companies.

We supplied equipment for eight new CT-2 (telepoint) systems, four of which went into service during 1993. Motorola systems are now in the Netherlands, Finland, Singapore, Hong Kong, Malaysia, Thailand and China. CT-2 (second-generation cordless phone) subscriber equipment began shipping into the digital home cordless telephone market in Germany, the Netherlands, Singapore and Hong Kong. We are also engaged in tests of various microcell personal communications systems worldwide.

The Computer Group announced its Series 900 family of UNIX-based systems and servers. Based on the Motorola 88110 RISC microprocessor, they feature "snap-together" modularity and expandability. The group also introduced its highest-performance single-board computer based on the 88110.

The Series FT<sup>™</sup> family of fault-tolerant open network system platforms was announced. They are particularly suited for telecommunications applications.

**Communications Segment**

In this segment, composed of the Land Mobile Products Sector (LMPS) and the former Paging and Wireless Data Group (PWDG), sales rose 24% to \$4.8 billion and orders rose 27%. Segment operating profits were higher.

In LMPS, higher orders reflected strong worldwide demand for trunking systems and new portable two-way radios. New orders for digital Motorola Integrated Radio Systems (MIRS) totaled more than \$400 million in 1993, including an order for more than \$100 million from China that represents the largest international order in the sector's history, and orders from Nextel Communications, Inc., for MIRS equipment for its Chicago and New York systems. We received conditional acceptance of the MIRS system installed in Los Angeles for Nextel.

Motorola signed agreements in principle to sell its 800MHz Specialized Mobile Radio (SMR) systems, businesses and licenses in the U.S. to Nextel, Dial Page, Inc., and CenCall Communications, Inc., in exchange for minority ownership positions in the three SMR operators. Completion is subject to definitive agreements and regulatory approvals and approvals by stockholders of the three companies, among other items. Motorola acquired Airwave Communications Corp. of Los Angeles, an SMR operator, and acquired, or agreed to acquire, other SMR operators. Some of these agreements are conditional.

Major orders for systems using our Astro™ digital technology were received in Canada, Australia, Austria and Switzerland. Our first Astro wide-area trunking system began operating in South Florida. Orders for other large trunking systems came from Taiwan, China, Hungary, Portugal and Mexico and several states in the U.S.

We introduced the Visar™, the industry's smallest high-powered portable two-way radio at eight cubic inches. Two new Radius® portables were introduced for first-time users, and will be sold through distributors and retailers for both business and leisure time use. A new portable developed specifically for China offers telephone interconnect capabilities. A new generation of mobile and portable two-way radios for Europe supports a variety of signaling formats.

Motorola sold certain assets of its CoveragePLUS® U.S. network to Qualcomm Inc.'s OmniTRACS® business. We are working with Qualcomm for a smooth transition of CoveragePLUS customers to the OmniTRACS satellite communications network.

By forming joint ventures, we expanded our trunked radio network services in international markets. Our joint venture with Organizacion Cisneros of Venezuela began operations in Caracas and five other cities. Other joint

ventures began new shared trunked two-way radio service in Sao Paulo and Port Allegre, Brazil, and in Prague in the Czech Republic.

In the former Paging and Wireless Data Group, paging orders again set records. The Asia-Pacific region led the international growth, especially in China. Strong Latin American growth was fueled by the expansion of the Brazilian, Colombian and Mexican markets. In the United States, sales through retail stores were strong. The paging infrastructure business received major awards in the United States, Latin America, Europe and Asia.

New subscriber products include the Freespirit™ and Bravo® Encore pagers, as well as the Memo Express™, the world's first endless line feature alphanumeric pager. The Kanaco pager was developed for the new common carriers in Japan. A new manufacturing facility was opened in Fort Worth, Texas.

The new FLEX™ paging protocol underwent successful market trials. The protocol provides enhanced speed and increased subscriber capacity for pager carriers.

We introduced the first in a line of NewsCard™ credit card-sized messaging receivers for use with handheld computers. NewsCard began shipping for both Apple Computer's Newton™, Casio's Z7000™ and Tandy Corp.'s ZPDA™ Zoomer personal digital assistants. The service to Newton is provided by MobileComm and the service to Zoomer is provided by Motorola's EMBARC™ (Electronic Mail Broadcast to A Roaming Computer) messaging service.

Wireless data technology moved forward in several areas. United Parcel Service (UPS) will use Motorola packet radio modems on a new wireless packet data network in Germany. UPS is a major user of our wireless data products in the U.S. Pilot systems also were installed in Australia and Malaysia, and a Hong Kong system was upgraded.

We are developing a family of wireless personal communicators that will use operating systems from General Magic, Apple Computer and Microsoft. We also have demonstrated Mobile Networks Integration products, designed for end-to-end connectivity between the increasing varieties of both mobile computing devices and wired and wireless networks.

Motorola acquired Lexicus Corp., a developer of handwriting recognition software for pen-based computers, and invested in RadioMail Corp., a provider of wireless electronic mail services.

In January 1994, the Paging and Wireless Data Group's businesses were incorporated into the new Messaging, Information and Media Sector, as discussed on page 9.

**Government and Systems Technology Group (GSTG)**

Segment sales increased 32% to \$858 million and orders rose 54%. The group recorded a larger loss than a year ago. GSTG continued to move into commercial and international markets while maintaining its traditional Department of Defense market share.

The group continued development on several Joint Stars Light Ground Station Modules for the U.S. Army and produced a modified commercial cellular network to help communications and tracking of troops and equipment during battlefield exercises at the National Training Center in Fort Irwin, Calif.

GSTG received orders totaling \$335 million as prime contractor for the IRIDIUM™/SM global personal communica-

tions system. The program is discussed on page 12. The Diversified Technologies Division was formed to pursue new commercial businesses, including space, positioning systems, personal alarm and reporting systems, secure telecommunications and test equipment.

Amtech Corp. and GSTG formed an Intellitag Products joint venture to produce electronic toll and traffic management systems for autos and other vehicles. Along with Motorola's Automotive, Energy and Controls Group, GSTG formed the Position and Navigation Systems business to develop equipment using Global Positioning System technology.

**Automotive, Energy and Controls Group (AECG)**

Sales were up 39% and orders rose 37%. Operating profits were higher. AECG's results, which are part of the Other Products segment, include the Automotive and Industrial Electronics Group and Motorola Lighting, Inc., as well as two former Communications segment businesses, the Component Products Division and Energy Products Division. Results include a significant level of internal sales of crystals, filters and battery products to other business segments.

AECG's performance was led by strong demand for component and energy products and continued growth in the U.S. automotive market. Major orders included programs for body electronics modules, ignitions, load control receivers, quartz and ceramic components, electronic ballasts, batteries and chargers. The group announced it will manufacture PC multimedia communications hardware for BT (formerly British Telecom).

AECG is adding new or expanding facilities in Singapore; Tianjin, China; Albuquerque, N.M., and Vernon Hills, Ill. Motorola acquired Indala Corp., a manufacturer of radio frequency identification cards, tags and readers used in access control, vehicle identification and industrial automation systems. Motorola and Schlumberger Ltd. formed a joint venture to develop wireless electronics technology for remote and automated reading of utility meters.

The first vehicles equipped with Motorola's in-vehicle route guidance system were delivered for a field test of Intelligent Vehicle Highway Systems in the Chicago area. A new manufacturing facility was unveiled by Motif Inc., a joint venture of Motorola and In Focus Systems, Inc. to develop and manufacture Active Addressing™ liquid crystal display technology. Motorola Lighting, Inc., expanded its distribution network and received additional orders from major fluorescent light fixture manufacturers.

**Information Systems Group (ISG)**

Group sales declined 2% and orders were 1% lower. Operating profits were lower. The group's results are part of the Other Products segment.

Codex introduced the 6950 SoftCell™ ATM Networking Node, a software-defined communications platform that integrates data, voice, image and video over existing and emerging worldwide carrier services. Other new products included the Multimedia Periphery Router™ and a digital service unit with synchronous data compression.

Universal Data Systems (UDS) introduced two portable modems that connect directly to Motorola cellular telephones. A multiprotocol dial-up networking router also

was introduced. A combination bridge and router, the product provides dial-up networking so that organizations can link larger numbers of remote users together. UDS expanded its Canadian operation and opened new offices in the Czech Republic and Dubai.

In early 1994, a reorganization of ISG was announced as part of the creation of the Messaging, Information and Media Sector. ISG established a transmission line of business, responsible for all transmission product engineering and development, marketing and support worldwide, and a networking unit, responsible for network management systems.

**New Enterprises**

The New Enterprises organization manages our entry into strategically relevant, emerging, high-growth and high-technology worldwide business arenas. One of these companies, INFO Enterprises, Inc., provides services such as the EnGenius™ on-line source of engineering component information, and litigation support delivered to a desktop computer.

Emtek Health Care Systems is a leader in the provision of clinical information systems for critical care intensive care units, while moving to acute care and enterprise-wide electronic medical systems.

Motorola New Enterprises continually seeks to identify paradigm-shifting technologies, discontinuous business opportunities and individual entrepreneurs with vision and a passion for their enterprise.

Motorola Management's Discussion and Analysis of Financial Condition and Results of Operations includes the Financial Results section of the Letter to Stockholders on pages 2-3 and the Review of Operations on pages 18-21, in addition to

the following commentary. This commentary should be read in conjunction with the consolidated financial statements and notes, presented on pages 26-37, for a full understanding of Motorola's financial position and results of operations.

**Results of Operations**

Sales increased 28% to \$17.0 billion from \$13.3 billion in 1992. Sales in 1991 were \$11.3 billion. The Semiconductor Products segment continues to be the largest business segment, reporting 31% of total sales in 1993, compared to 32% in 1992. The General Systems Products segment also continued its growth, representing 28% of total sales in 1993 compared with 26% a year ago. International market sales, as measured by the locale of the end customer, represent 54% of total sales in 1993, compared with 52% a year ago. The growth was primarily due to stronger markets in the People's Republic of China/Hong Kong, and the rest of the Asia-Pacific region.

Operating profits were \$1.94 billion. The Semiconductor Products segment again showed the most profit improvement in 1993, and the General Systems Products segment maintained its position as one of the Company's most profitable segments in 1993. The Company's profitability was primarily affected by significant volume increases driven by demand for its products. The Company continued investing in new technologies across business segments.

Net earnings in 1993 were \$1.0 billion, or \$3.56 and \$3.55 per primary and fully diluted common and common equivalent share, respectively, compared with \$576 million before the cumulative effect of change in accounting principle, or \$2.10 and \$2.09 per primary and fully diluted common and common equivalent share, respectively, a year earlier. In 1991, earnings were \$454 million, or \$1.70 and \$1.69 per primary and fully diluted common and com-

mon equivalent share, respectively. Net margin on sales was 6.0%, compared with 4.3% a year ago, before the cumulative effect of change in accounting principle.

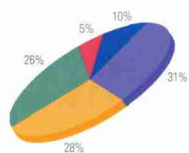
Sales in the fourth quarter were \$4.99 billion, up 35% from \$3.71 billion in the fourth quarter of 1992. Earnings in the fourth quarter were \$340 million, or \$1.15 per primary and fully diluted common and common equivalent share, compared with \$181 million, or 65 cents and 64 cents per primary and fully diluted common and common equivalent share, respectively, a year ago. Motorola routinely reviews its business strategies, organizational structure, and asset valuations, and implements changes deemed appropriate by management. Charges associated with these decisions are included in selling, general, and administrative expenses; amounts provided in the fourth quarter of 1993, principally relating to the Communications Products, General Systems Products, and Other Products segments, were larger than amounts recorded in prior periods.

The effective tax rate for 1993 of 33% is up from the 1992 rate of 28% and the 1991 rate of 26%, principally due to continued growth in countries with high tax rates.

The Company will adopt SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective January 1, 1994. The statement establishes a new accounting and reporting standard to be applied to investments in equity and debt securities. The statement requires the Company, based on its intent to hold or dispose of the securities, to categorize them into one of three separate

**1993 NET SALES BY BUSINESS SEGMENT**

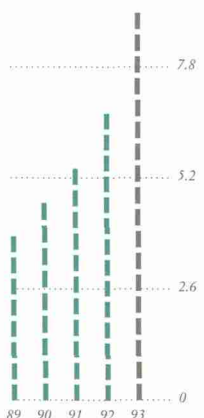
(In percentages)



- Semiconductor 31%
- General Systems Products 28%
- Communications Products 26%
- Government and Systems Technology Products 5%
- Other Products 10%

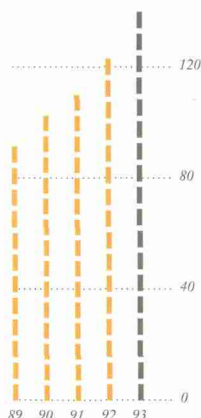
**INTERNATIONAL MARKET SALES**

(In billions)



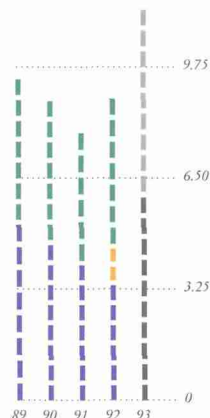
**SALES PER EMPLOYEE**

(In thousands)



**PROFIT MARGINS**

(In percentages)



- Net
- Net before cumulative effect of change in accounting principle
- Operating



groups, each receiving different accounting treatment. The impact of this change on the Company's financial position and results of operations is not expected to be material.

In recent years, a large and increasing portion of the Company's net sales, operating profits and growth have come from its international operations. As a result, the Company's business activities and its results could be significantly affected by the policies of local governments and prevailing social and economic conditions, such as unstable governments, inflation rates, monetary fluctuations, balance of payments, foreign exchange rates and trade restrictions or prohibitions.

During 1993, a significant portion of the Company's growth was in the People's Republic of China/Hong Kong. Total sales in these two countries, as measured by the locale of the end customer, were \$1.56 billion in 1993. Any possible restrictions on U.S. trade imposed by the People's Republic of China or by the United States on the People's Republic of China, for example, through its loss of Most Favored Nation trade status, could have a significant effect on the Company's growth in this region of the world.

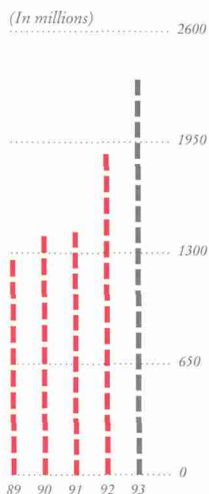
While the Company operates using many currencies, the U.S. dollar is the primary functional currency for financial reporting purposes. On January 1, 1993, the Company's operations in Japan began to use the Japanese yen as its functional currency. Beginning on January 1, 1994, the Company's European operations will begin to use an appropriate local functional currency for financial reporting purposes. The Company monitors all foreign currency exposures and generally implements strategies to reduce the impact of currency fluctuations on its financial position and results, including hedging activities.

**Strategic Investment:** The Company further advanced its strategic investment in the IRIDIUM™/SM global communications system. The system is being developed by Iridium, Inc., a private, international consortium of telecommunications and industrial companies. The Company has reduced its ownership in Iridium, Inc. from 100% to approximately 29% and intends to further reduce its ownership to not less than 15% over time. At December 31, 1993, the Company's equity investment in and commitments to make equity investments in Iridium, Inc. totaled \$231.3 million; additionally, it has committed, subject to action by the Iridium, Inc. Board, to additional equity investments totaling approximately \$60 million. Iridium, Inc. will require additional funding from various sources in order to complete the global communications system, which is expected to take place over the next five years.

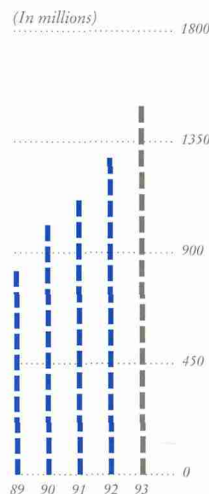
The Company has executed two contracts with Iridium, Inc., for the construction and operation of portions of the global communications system, providing for approximately \$6.3 billion in payments by the consortium over a ten year period. The Company has in turn entered into significant subcontracts for portions of the system, for which it will generally remain obligated even if Iridium, Inc. is unable to satisfy the terms of the contracts with the Company, including funding. Separately, the Company is making significant investments to produce ancillary products for the system, such as subscriber units.

**Transfer of Specialized Mobile Radio Businesses, Systems, and Licenses:** The Company has signed agreements in principle with Dial Page, Inc., CenCall Communications Corp., and NEXTEL Communications, Inc., under which the Company agreed to transfer substantially all of

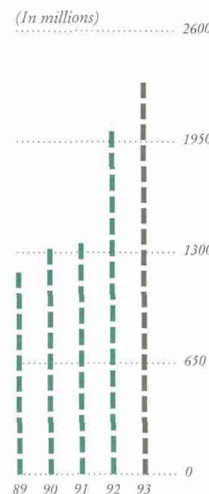
**WORKING CAPITAL**



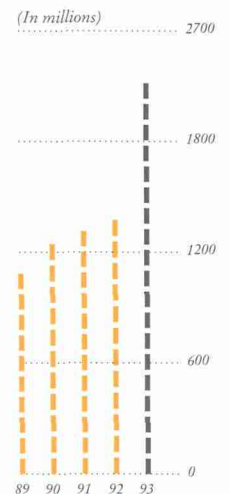
**RESEARCH AND DEVELOPMENT EXPENDITURES**



**NET CASH PROVIDED BY OPERATIONS**



**FIXED ASSET EXPENDITURES\***



\*Expenditures do not include amounts for equipment leased to others.

its 800 MHz specialized mobile radio businesses, systems and licenses in the United States, along with cash, in exchange for stock and warrants in these companies. Binding agreements to complete these transactions are subject to various conditions, including agreement on definitive documents and approvals by the Federal Communications Commission and other governmental agencies and the shareholders of each of the three companies. The Company may receive approximately 11.74 million shares of Dial Page, Inc. stock and a warrant to purchase an additional 1 million shares at specified, increasing prices; 11.5 million shares of CenCall Communications Corp. common stock and a warrant to purchase an additional 4 million shares at specified, increasing prices; and 35.5 million shares of NEXTEL Communications, Inc. common stock, subject to certain adjustments. In connection with these agreements, those companies have agreed to enter into purchase agreements to use Motorola Integrated Radio System technology on those systems. These agreements in principle provide that the Company will lend or guarantee approximately \$440 million in connection with these transactions, which may result in some concentrations of credit risk. The agreements in principle further provide that the Company will acquire certain managed licenses (or substitutes) within specified periods.

*Environmental Matters:* Regulating agencies are proposing regulations and interpreting legislation in a manner that allows retroactive imposition of remedial requirements. The Company is engaged in a number of remedial efforts, some of which have been identified as

Superfund sites under the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, or similar state laws. The Company accrues costs associated with environmental matters when they become probable and reasonably estimable. At the end of 1993, the Company has accrued liabilities for the remedial efforts of approximately \$42 million. However, due to their uncertain nature, the amounts accrued could differ, perhaps significantly, from the actual costs incurred. These amounts assume no substantial recovery of costs from any insurer. The remedial efforts include environmental cleanup costs and communication programs. These liabilities represent only the Company's share of any possible costs incurred in environmental cleanup sites, since in most cases, potentially responsible parties other than the Company may exist.

*Stock Split:* On February 1, 1994, the Board of Directors declared a two-for-one stock split, effected in the form of a 100% stock dividend, to stockholders of record on March 15, 1994, payable on April 18, 1994. On the same day, the Board of Directors approved an increase of 27% in the quarterly dividend.

*Research and Development:* Expenditures increased to \$1.52 billion in 1993, up from \$1.31 billion in 1992 and \$1.13 billion in 1991. The Company continues to invest approximately 9% of every sales dollar in product development and technological advances, and continues to believe that a strong commitment to research and development will drive long-term growth.

## Liquidity and Capital Resources

Net cash provided by operations reached a record \$2.31 billion in 1993 compared with \$1.96 billion in 1992 and \$1.36 billion in 1991.

Accounts receivable levels grew at a significantly slower pace than sales. The number of weeks that accounts receivable were outstanding was reduced to 6.1 for 1993 from 7.1 for 1992. While the Company's inventory levels also grew, the inventory turns improved to 5.8 in 1993 from 5.2 in 1992.

The Company's ratio of net debt to net debt plus equity was 11.9% for 1993 compared with 15.2% in 1992.

As of December 31, 1993, the zero coupon notes referred to as Liquid Yield Option™ Notes ("LYONs™"), due 2009, have a face value of \$744 million. During 1993, various holders of the 2009 LYONs exercised conversion rights for approximately 568,000 notes (\$216 million carrying value).

On September 27, 1993, the Company issued \$480 million principal amount at maturity of LYONs due 2013, for net cash proceeds of \$301 million. The 2013 LYONs are subordinated to all existing and future senior indebtedness of the Company, rank on a parity with the 2009 LYONs, and

may be redeemed by the holders prior to the stated maturity. The 2013 LYONs are convertible into the Company's common stock at a conversion rate of 5.589 shares per LYON.

In March 1993, the Company issued \$200 million in aggregate principal amount of 6.5% 15-year notes, which fully depleted its shelf registration statement. In 1993, the Company redeemed all of its 8% sinking fund debentures due 2007 which were then outstanding. In 1994, the Company intends to call the 11.5% Eurodollar notes due 1997.

As of December 31, 1993, the Company had domestic and international credit facilities totaling \$1.88 billion, of which \$1.48 billion remained unused. Cash generated from operations and available credit facilities provides support for short-term funding requirements.

Capital expenditures required to support current and long-term growth increased to \$2.13 billion from \$1.39 billion in 1992. The expenditures for 1994 are expected to be higher than the 1993 level. The 1991 expenditures totaled \$1.32 billion. The Semiconductor Products segment continues to comprise the largest portion of fixed asset expenditures, with 53% of all such investments.

*LYON™ is a trademark of Merrill Lynch & Co., Inc.*

Management is responsible for the preparation, integrity, and objectivity of the consolidated financial statements and other financial information presented in this report. The accompanying consolidated financial statements were prepared in accordance with generally accepted accounting principles, applying certain estimates and judgments as required.

Motorola's internal controls are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify, and maintain accountability of assets. Such controls are based on established written policies and procedures, are implemented by trained, skilled personnel with an appropriate segregation of duties, and are monitored through a comprehensive internal audit program. These policies and procedures prescribe that the Company and all its employees are to maintain the highest ethical standards and that its business practices throughout the world are to be conducted in a manner which is above reproach.

KPMG Peat Marwick, independent auditors, are retained to audit Motorola's financial statements. Their accompanying report is based on audits conducted in accordance

with generally accepted auditing standards, which includes 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 Committee, which consists entirely of independent non-management Board members. The Audit 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.



Gary L. Tooker  
Vice Chairman 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 the accompanying consolidated balance sheets of Motorola, Inc. and consolidated subsidiaries as of December 31, 1993 and 1992, and the related statements of consolidated earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1993. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Motorola, Inc. and consolidated subsidiaries at December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1993 in conformity with generally accepted accounting principles.

As discussed in notes 1, 2, and 5 to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS No. 109, "Accounting for Income Taxes," in 1992.



KPMG Peat Marwick  
Chicago, Illinois

January 13, 1994

# STATEMENTS OF CONSOLIDATED EARNINGS

(In millions, except per share amounts)

Motorola, Inc. and Consolidated Subsidiaries

Years ended December 31	1993	1992	1991
<i>Net sales</i>	<b>\$16,963</b>	\$13,303	\$11,341
<i>Costs and expenses</i>			
Manufacturing and other costs of sales	<b>10,351</b>	8,395	7,134
Selling, general, and administrative expenses	<b>3,776</b>	2,951	2,579
Depreciation expense	<b>1,170</b>	1,000	886
Interest expense, net	<b>141</b>	157	129
Total costs and expenses	<b>15,438</b>	12,503	10,728
<i>Earnings before income taxes and cumulative effect of change in accounting principle</i>	<b>1,525</b>	800	613
<i>Income taxes provided on earnings</i>	<b>503</b>	224	159
<i>Net earnings before cumulative effect of change in accounting principle</i>	<b>\$ 1,022</b>	\$ 576	\$ 454
<i>Cumulative effect of change in accounting principle, net of tax</i>	—	(123)	—
<i>Net earnings</i>	<b>\$ 1,022</b>	\$ 453	\$ 454
<i>Fully diluted net earnings per common and common equivalent share<sup>1,2</sup></i>			
Net earnings before cumulative effect of change in accounting principle	<b>\$ 3.55</b>	\$ 2.09	\$ 1.69
Cumulative effect of change in accounting principle	—	(0.43)	—
<i>Net earnings</i>	<b>\$ 3.55</b>	\$ 1.66	\$ 1.69
<i>Fully diluted average common and common equivalent shares outstanding</i>	<b>291.9</b>	283.6	279.3

<sup>1</sup>Primary earnings per common and common equivalent share were one cent higher than fully diluted for all years shown. Average primary common and common equivalent shares outstanding for 1993, 1992, and 1991 were 291.3, 282.8, and 277.8, respectively.

<sup>2</sup>Includes adjustment for the 1992 two-for-one stock split (see also note 9).  
See accompanying notes to consolidated financial statements.

# STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

(In millions, except per share amounts)

Years ended December 31	Common Stock and Additional Paid-in Capital <sup>2</sup>			Retained Earnings		
	1993	1992	1991	1993	1992	1991
Balances at January 1	<b>\$1,510</b>	\$1,343	\$1,324	<b>\$3,634</b>	\$3,287	\$2,933
Net earnings	—	—	—	<b>1,022</b>	453	454
Stock options and other <sup>1</sup>	<b>365</b>	167	19	—	—	—
Dividends declared (\$.440 per share in 1993, \$.395 in 1992, and \$.380 in 1991)	—	—	—	<b>(122)</b>	(106)	(100)
Balances at December 31	<b>\$1,875</b>	\$1,510	\$1,343	<b>\$4,534</b>	\$3,634	\$3,287

<sup>1</sup>Conversions of the zero coupon notes due 2009, with carrying values of approximately \$216 million and \$11 million, are reflected within 1993 and 1992 common stock and additional paid-in capital amounts, respectively.

<sup>2</sup>1992 stock split: An amount equal to the par value of the additional shares issued was transferred from additional paid-in capital to common stock due to the two-for-one stock split effected in the form of a 100 percent stock dividend. All references to shares outstanding and per share amounts have been adjusted on a retroactive basis (see also note 9).  
See accompanying notes to consolidated financial statements.

# CONSOLIDATED BALANCE SHEETS

(In millions, except per share amounts)

Motorola, Inc. and Consolidated Subsidiaries

December 31	1993	1992
<b>Assets</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 886	\$ 677
Short-term investments (at lower of cost or market)	358	253
Accounts receivable, less allowance for doubtful accounts (1993, \$91; 1992, \$69)	2,476	2,036
Inventories	1,864	1,321
Future income tax benefits	675	522
Other current assets	454	409
Total current assets	6,713	5,218
Property, plant, and equipment, net	5,547	4,576
Other assets	1,238	835
Total assets	\$13,498	\$10,629
<b>Liabilities and Stockholders' Equity</b>		
<i>Current liabilities</i>		
Notes payable and current portion of long-term debt	\$ 555	\$ 437
Accounts payable	1,338	1,127
Accrued liabilities	2,496	1,771
Total current liabilities	4,389	3,335
Long-term debt	1,360	1,258
Deferred income taxes	433	230
Other liabilities	907	662
<i>Stockholders' equity</i>		
Common stock, \$3 par value		
Authorized shares: 1993, 700.0; 1992, 300.0		
Issued and outstanding shares: 1993, 278.6; 1992, 269.7	836	809
Preferred stock, \$100 par value issuable in series		
Authorized shares: 0.5 (none issued)	—	—
Additional paid-in capital	1,039	701
Retained earnings	4,534	3,634
Total stockholders' equity	6,409	5,144
Total liabilities and stockholders' equity	\$13,498	\$10,629

See accompanying notes to consolidated financial statements.

# STATEMENTS OF CONSOLIDATED CASH FLOWS

<i>(In millions)</i>		<i>Motorola, Inc. and Consolidated Subsidiaries</i>		
Years ended December 31		<b>1993</b>	1992	1991
<b>Operating</b>	Net earnings	<b>\$1,022</b>	\$ 453	\$ 454
	Add (deduct) non-cash items			
	Cumulative effect of change in accounting principle	—	123	—
	Depreciation	<b>1,170</b>	1,000	886
	Net change in deferred income taxes	<b>50</b>	(23)	(5)
	Amortization of debt discount and issue costs	<b>26</b>	29	27
	Change in assets and liabilities, net of effects of acquisitions and dispositions			
	Gain on disposition of investments in affiliated companies	<b>(9)</b>	(12)	(22)
	Accounts receivable, net	<b>(439)</b>	(82)	(96)
	Inventories	<b>(539)</b>	(77)	3
	Other current assets	<b>(44)</b>	(67)	12
	Accounts payable and accrued liabilities	<b>927</b>	675	154
	Other assets	<b>(95)</b>	(16)	(145)
	Other liabilities	<b>245</b>	(42)	90
	Net cash provided by operations	<b>2,314</b>	1,961	1,358
<b>Investing</b>	Acquisitions and advances to affiliated companies	<b>(408)</b>	(117)	(52)
	Dispositions of investments in affiliated companies	<b>67</b>	28	40
	Payments for property, plant, and equipment	<b>(2,187)</b>	(1,442)	(1,387)
	Other changes to property, plant, and equipment, net	<b>126</b>	59	86
	(Increase) decrease in short-term investments	<b>(105)</b>	(22)	81
	Net cash used for investing activities	<b>(2,507)</b>	(1,494)	(1,232)
<b>Financing</b>	Increase (decrease) in notes payable and current portion of long-term debt	<b>117</b>	(415)	(143)
	Increase in long-term debt	<b>292</b>	286	135
	Issuance of common stock	<b>113</b>	137	19
	Payment of dividends to stockholders	<b>(120)</b>	(100)	(100)
	Net cash provided by (used for) financing activities	<b>402</b>	(92)	(89)
<b>Increase in Cash and Cash Equivalents</b>		<b>\$ 209</b>	\$ 375	\$ 37

See accompanying notes to consolidated financial statements.

## SUPPLEMENTAL CASH FLOW INFORMATION

<i>(In millions)</i>		<i>Motorola, Inc. and Consolidated Subsidiaries</i>		
Years ended December 31		<b>1993</b>	1992	1991
<b>Non-Cash Activities</b>	Conversion of zero coupon notes due 2009	<b>\$216</b>	\$11	—
	Issuance of common stock for investment acquisition	<b>\$ 36</b>	\$19	—

See accompanying notes to consolidated financial statements.

(In millions, except as noted)

Motorola, Inc. and Consolidated Subsidiaries

## 1. Summary of Significant Accounting Policies

**Consolidation:** The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

**Cash Equivalents:** The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Contract Accounting:** The Company uses the percentage-of-completion method to recognize revenues and costs associated with most long-term contracts. For contracts involving certain technologies, profits and revenues are deferred until technological feasibility is established or customer acceptance is obtained.

**Inventories:** Inventories are valued at the lower of average cost (which approximates computation on a first-in, first-out basis) or market (i.e., net realizable value or replacement cost), less progress payments on long-term contracts.

**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, 5–50 years; machinery and equipment, 2–12 years).

**Foreign Currency Translation:** The Company principally uses the U.S. dollar as the functional currency for financial reporting. Gains and losses from remeasurement to U.S. dollars are included in net earnings. The Company enters into foreign exchange contracts to hedge its invest-

ments in foreign subsidiaries. Gains and losses on these hedges are also included in net earnings.

The Company periodically enters into foreign exchange contracts to hedge identifiable transactions. Gains and losses from these contracts are classified in earnings in the same category and accounting period as the underlying transactions.

**Earnings per Share:** The Company has considered the dilutive effects of the convertible zero coupon notes due 2009 and 2013 and the outstanding stock options in determining primary and fully diluted earnings per share.

**Income Taxes:** Effective January 1, 1992, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." SFAS No. 109 requires a change from the deferred method of accounting for income taxes of Accounting Principles Board (APB) Opinion 11 to the asset and liability method of accounting for income taxes.

**Postretirement Benefits Other Than Pensions:** Effective January 1, 1992, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." SFAS No. 106 requires that the cost of postretirement benefits be accrued during the years that employees render service. The Company implemented SFAS No. 106 by recognizing the transition obligation in the year of adoption.

**Reclassifications:** Certain amounts in prior years' financial statements and related notes have been reclassified to conform to the 1993 presentation.

## 2. Income Taxes

The Company adopted, in 1992, SFAS No. 109, "Accounting for Income Taxes." The impact of this accounting change was not material. Prior years' financial statements have not been restated to apply the provisions of SFAS No. 109.

### Components of earnings before income taxes and cumulative effect of change in accounting principle

	1993	1992	1991
United States	\$ 360	\$146	\$166
Other nations	1,165	654	447
Total	\$1,525	\$800	\$613

Income tax payments were \$286 million in 1993, \$132 million in 1992, and \$150 million in 1991.

Income taxes are generally not provided on cumulative undistributed earnings of certain non-U.S. subsidiaries. Such undistributed earnings aggregated \$2.2 billion and \$1.7 billion at December 31, 1993 and 1992, respectively.

It is intended that these earnings will be permanently reinvested in operations outside the U.S. Should these earnings be distributed, foreign tax credits would reduce the additional U.S. income tax which would be payable. In cases where taxes are provided on such undistributed earnings, those taxes are included in U.S. income taxes.

### Components of income taxes provided on earnings

	1993	1992	1991
Current:			
United States	\$133	\$ 75	\$ 54
Other nations	298	147	104
State income taxes (U.S.)	22	7	6
	453	229	164
Deferred	50	(5)	(5)
Income taxes before cumulative effect of change in accounting principle	\$503	\$224	\$159

(In millions, except as noted)

Motorola, Inc. and Consolidated Subsidiaries

At December 31, 1993, certain non-U.S. subsidiaries had loss carryforwards for income tax reporting purposes of \$59.1 million, with expiration dates starting in 1994.

*Differences between income tax expense computed at the U.S. federal statutory tax rate of 35% for 1993 and 34% for 1992 and 1991 and income taxes provided on earnings*

	1993	1992	1991
Income tax expense at statutory rate	\$534	\$272	\$208
Taxes on non-U.S. earnings	(21)	(31)	(24)
State income taxes	14	7	5
Foreign Sales Corporation	(29)	(18)	(22)
Tax credits	(4)	(2)	(7)
Other	9	(4)	(1)
Income taxes before cumulative effect of change in accounting principle	\$503	\$224	\$159

*Significant deferred tax assets (liabilities)*

December 31	1993	1992
Depreciation	\$(162)	\$(139)
Inventory reserves	196	164
Employee benefits	114	102
Capitalized items	97	72
Other deferred income	(3)	93
Net deferred tax asset	\$ 242	\$ 292

The deferred tax assets are considered realizable considering past income and evidence of future income. These include, but are not limited to, carrybacks, earnings trends, and tax planning strategies.

The Internal Revenue Service (IRS) has examined the federal income tax returns for Motorola, Inc. through 1985 and the returns have been settled through 1983. In connection with the audits for the years 1984 through 1987, the IRS has proposed adjustments to the Company's income and tax credits for those years which would result in substantial additional tax. The Company disagrees with most of the proposed adjustments and is contesting them. In the opinion of the Company's management, the final disposition of these matters, and proposed adjustments from other tax authorities, will not have a material adverse effect on the consolidated business or financial position of the Company.

### 3. Debt and Credit Facilities

#### *Long-term debt*

December 31	1993	1992
12% Eurodollar notes due 1994	\$ 68	\$ 68
11.5% Eurodollar notes due 1997	93	93
7.6% notes due 2007	300	300
8% sinking fund debentures	0	58
6.5% debentures due 2008	199	0
Zero coupon notes due 2009	294	489
Zero coupon notes due 2013	309	0
6.75% industrial revenue bonds due 2014	20	20
8.4% debentures due 2031 (redeemable at the holders' option in 2001)	200	200
Other long-term debt	42	39
	<b>1,525</b>	1,267
Less current maturities	165	9
Long-term debt	<b>\$1,360</b>	\$ 1,258

#### *Short-term debt*

December 31	1993	1992
Notes to banks	\$ 83	\$ 89
Commercial paper	293	325
Other short-term debt	14	14
	<b>390</b>	428
Add current maturities	165	9
Notes payable and current portion of long-term debt	<b>\$555</b>	\$437

The Company intends to call, in 1994, at a rate of 101%, the 11.5% Eurodollar notes due 1997. The \$93 million carrying value of the notes is included in current maturities of long-term debt.

As of December 31, 1993, the zero coupon notes due 2009, referred to as Liquid Yield Option™ Notes ("LYONs™"), have a face value at maturity of \$744 million. The 2009 LYONs were priced at a 6% yield to maturity and are convertible into 9.134 shares of Motorola common stock for each \$1,000 note. During 1993, various holders of the 2009 LYONs exercised conversion rights for approximately 568,000 notes (\$568 million face value; \$216 million carrying value). On September 27, 1993, the Company issued additional LYONs due 2013, having a face value of \$480 million at maturity, for net cash proceeds of \$301 million. The 2013 LYONs were priced to yield 2.25% to maturity and are convertible into 5.589 shares of Motorola



(In millions, except as noted)

Motorola, Inc. and Consolidated Subsidiaries

common stock for each \$1,000 note. Both LYONs issues are subordinated to all existing and future senior indebtedness of the Company, rank on a parity with each other, and may be redeemed by the holders prior to the stated maturity.

During March 1993, the Company issued \$200 million in aggregate principal amount of 6.5% fifteen year debentures. The Company also retired the 8% sinking fund debentures during 1993.

Aggregate maturities and sinking fund requirements for long-term debt, in millions, during the next five years are as follows: 1994, \$165; 1995, \$9; 1996, \$7; 1997, \$6; 1998, \$5.

The Company has domestic and international credit facilities for short-term borrowings with banks and other

external sources. It pays commitment fees of approximately 1/10% on its domestic credit facilities and generally no fees on its foreign credit facilities. Short-term credit facilities totaled \$1.88 billion at December 31, 1993, of which \$1.48 billion remain unused. Domestic credit facilities primarily support the issuance of commercial paper, while foreign credit facilities generally support working capital requirements.

The Company's finance subsidiary has outstanding floating to fixed interest rate commercial paper swaps totaling \$75 million as of December 31, 1993. These instruments mature at a rate of \$25 million per year from 1994 to 1996.

Outstanding letters of credit aggregated approximately \$189 million and \$172 million at December 31, 1993 and 1992, respectively.

## 4. Other Financial Data

### Income statement information

	1993	1992	1991
Research and development	\$1,521	\$1,306	\$1,133
Maintenance and repairs	267	236	204
Foreign currency gains (losses)	(18)	(34)	16
Interest expense, net:			
Interest expense	182	196	176
Interest income	(41)	(39)	(47)
Interest expense, net	\$ 141	\$ 157	\$ 129

The Company's cash payments for interest expense were \$126 million in 1993, \$121 million in 1992, and \$122 million in 1991.

### Balance sheet information

December 31	1993	1992
Inventories:		
Finished goods	\$ 584	\$ 413
W.I.P. and production materials	1,280	908
Total	\$1,864	\$1,321
Property, plant, and equipment:		
Land	\$ 151	\$ 115
Buildings	2,475	2,185
Machinery	6,690	5,476
Equipment leased to others	391	403
	9,707	8,179
Less accumulated depreciation	4,160	3,603
Total	\$5,547	\$4,576
Accrued liabilities:		
Compensation	\$ 491	\$ 326
Deferred revenue	223	128
Taxes other than income	137	149
Income taxes payable	158	62
Contribution to employees' profit sharing funds	107	59
Dividends payable	31	30
Other	1,349	1,017
Total	\$2,496	\$1,771

### Financial Data of Consolidated Finance Subsidiary

	1993	1992	1991
Total revenue	\$ 37	\$ 29	\$ 20
Net earnings	16	12	8
Total assets	361	295	238
Total liabilities	(298)	(248)	(203)
Stockholder's investments and advances	\$ 63	\$ 47	\$ 35

The Company's finance subsidiary purchases customer obligations under long-term contracts from the Company at net carrying value.

The finance subsidiary interest revenue is included in the Company's consolidated net sales. Interest expense of \$12 million in 1993, \$11 million in 1992, and \$8 million in 1991 is included in manufacturing and other costs of sales. In addition, long-term finance receivables of \$282 million in 1993 and \$228 million in 1992 are included in other assets.

### Fair Value of Financial Instruments

The Company's financial instruments include short-term investments, long-term receivables, notes payable, long-term debt, foreign currency contracts, and other financing commitments. The fair values of such financial instruments have been determined based on quoted market prices and market interest rates, as of December 31, 1993.

At December 31, 1993, the fair value of the convertible zero coupon notes due 2009 was \$624 million compared to the carrying value of \$294 million. Such notes, however, are callable by the Company at the carrying value at any time. The fair values of all other financial instruments were not materially different than their carrying (or contract) values.

(In millions, except as noted)

Motorola, Inc. and Consolidated Subsidiaries

**Leases**

The Company owns most of its major facilities, but does lease certain office, factory and warehouse space, land, and data processing and other equipment under principally noncancellable operating leases. Rental expense, net of sublease income, was \$152 million in 1993, \$149 million

in 1992, and \$142 million in 1991. At December 31, 1993, future minimum lease obligations, net of minimum sublease rentals, for the next five years and beyond are as follows: 1994, \$113; 1995, \$85; 1996, \$65; 1997, \$48; 1998, \$31; beyond, \$120.

**5. Employee Benefit and Incentive Plans**

**Pension Benefits**

The Company's noncontributory pension plan covers most U.S. employees after one year of service. The benefit formula is dependent upon employee earnings and years of service. The Company's policy is to fund the accrued pension cost or the amount allowable based on the full funding limitations of the Internal Revenue Code, if less.

The Company has a noncontributory supplemental retirement benefit plan for its elected officers. The plan contains provisions for funding the participants' expected retirement benefits when the participants meet the minimum age and years of service requirements.

Certain non-U.S. subsidiaries have varying types of retirement plans providing benefits for substantially all of their employees. Amounts charged to earnings for all non-U.S. plans were \$41 million in 1993, \$33 million in 1992, and \$32 million in 1991.

The Company uses a three-year, market-related asset value method of amortizing asset-related gains and losses.

Net transition amounts and prior service costs are being amortized over periods ranging from 10 to 15 years.

Benefits under all U.S. pension plans are valued based upon the projected unit credit cost method. The assumptions used to develop the projected benefit obligations for the plans for 1993 and 1992 were as follows:

	1993	1992
Discount rate for obligations	7.25%	8.5%
Future compensation increase rate	5.0%	5.5%
Investment return assumption (regular)	9.25%	9.25%
Investment return assumption (elected officers)	8.0%	8.0%

Accounting literature requires discount rates to be established based on prevailing market rates for high-quality fixed-income instruments that, if the pension benefit obligation was settled at the measurement date, would provide the necessary future cash flows to pay the benefit obligation when due. The Company has reduced the discount rate in determining the pension obligation from 8.5% to 7.25% to comply with these guidelines. As of December 31, 1993, the investment portfolio was predominantly long-term bonds and equity investments, which have historically realized annual returns at or significantly above the assumed investment return rate. The Company believes that discount rate fluctuations are short term in nature and should not adversely affect the Company's long-term obligation. If the pension assumptions were not changed from the previous year, the market value of the plan assets would have exceeded the projected benefit obligation by \$55 million at December 31, 1993.

*Components of net U.S. pension expense for the regular pension plan*

	1993	1992	1991
Service costs	\$ 92	\$ 84	\$ 69
Interest cost on projected obligation	67	55	43
Actual return on plan assets	(80)	(53)	(154)
Net amortization and deferral	(11)	(25)	89
Net pension expense	\$ 68	\$ 61	\$ 47

The net U.S. pension expense for the elected officers' supplemental retirement benefit plan was \$19 million in 1993 and \$17 million in 1992 and 1991.

*U.S. funded pension plans*

December 31	1993		1992	
	Regular	Elected Officers	Regular	Elected Officers
Actuarial present value of:				
Vested benefit obligation	\$ (754)	\$ (42)	\$ (511)	\$ (34)
Accumulated benefit obligation	(821)	(73)	(558)	(57)
Projected benefit obligation for service rendered to date	(1,117)	(82)	(774)	(67)
Plan assets at fair value, primarily bonds, stocks, and cash equivalents	991	45	849	44
Plan assets in excess of (less than) projected benefit obligation	(126)	(37)	75	(23)
Unrecognized net (gain) loss	106	36	(97)	17
Unrecognized prior service cost	1	21	1	25
Unrecognized net transition (asset) liability	(57)	8	(68)	9
Adjustment required to recognize minimum liability	-	(56)	-	(41)
Pension liability recognized in balance sheet	\$ (76)	\$ (28)	\$ (89)	\$ (13)

(In millions, except as noted)

Motorola, Inc. and Consolidated Subsidiaries

## Postretirement Health Care Benefits

In addition to providing pension benefits, the Company provides certain health care benefits to its retired employees. The majority of its domestic employees may become eligible for these benefits if they reach normal retirement age while working for the Company. During 1992, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." SFAS No. 106 requires that the cost of postretirement benefits be accrued during the years that the employees render service. Prior to 1992, costs of retiree health care were recognized as expenses when claims were paid. The Company chose to implement SFAS No. 106 by recognizing as expense in 1992 the entire accumulated postretirement benefit obligation as of January 1, 1992. The Company's policy is to fund the maximum amount allowable based on funding limitations of the Internal Revenue Code.

The assumptions used to develop the accumulated postretirement benefit obligation for the retiree health care plan for 1993 and 1992 were as follows:

	1993	1992
Discount rate for obligations	7.25%	8.5%
Investment return assumption	9.25%	9.25%

Components of the expense recognized in 1993 and 1992 for the retiree health care plan were as follows:

	1993	1992
Service costs	\$ 7	\$ 7
Interest cost on projected obligation	16	14
Net retiree health care expense	\$23	\$21

## U.S. funded retiree health care plan

December 31	1993	1992
Actuarial present value of accumulated postretirement benefit obligation	\$(263)	\$(183)
Plan assets at fair value, primarily listed stocks, bonds, and cash equivalents	33	4
Unrecognized net loss	55	-
Retiree health care liability recognized in balance sheet	\$(175)	\$(179)

The health care trend rate used to determine the pre-age 65 accumulated postretirement benefit obligation was 9.89% for 1993, decreasing to 6% by the year 2000 and beyond. A flat 5% rate per year is used for the post-age 65 obligation.

Increasing the health care trend rate by one percentage point would increase the accumulated postretirement benefit obligation by \$30 million and would increase the 1993 net retiree health care expense by \$5 million. There are no significant postretirement health care benefit plans outside of the United States.

## Other Benefits

**Profit Sharing Plans:** The Company and certain subsidiaries have profit sharing plans, principally contributory, in which all eligible employees participate. The Company makes contributions to profit sharing funds in the United States and other nations, which are generally based upon percentages of pretax earnings, as defined, from those operations. Company contributions to all profit sharing plans totaled \$107 million, \$59 million, and \$45 million in 1993, 1992, and 1991, respectively.

**Management Incentive:** The Company may provide up to 7% of its annual consolidated pretax earnings, as defined in the Motorola Executive Incentive Plan, for the payment of cash incentive awards to key employees. During 1993, \$78 million was provided for incentive awards, as compared to \$29 million and \$16 million in 1992 and 1991, respectively.

**Stock Options:** Under the Company's employee stock option plans, shares of common stock have been made available for grant to key employees. The exercise price of each option granted is 100% of market value on the date of the grant.

Options exercised during 1993 were at per share prices ranging from \$15.91 to \$52.07. Options outstanding at December 31, 1993 were at per share prices ranging from \$15.57 to \$106.44.

## Shares subject to options

(In thousands of shares)	1993	1992
Options outstanding at January 1	13,009	14,990
Additional options granted	1,765	3,348
Options exercised	(3,163)	(5,250)
Options terminated, cancelled, or expired	(158)	(79)
Options outstanding at December 31	11,453	13,009
Shares reserved for future option grants	8,727	10,334
Total shares reserved	20,180	23,343
Total options exercisable	9,688	9,672

## 6. Commitments and Contingencies

**Financial:** The Company had \$1.78 billion of forward foreign exchange contracts outstanding as of December 31, 1993. Management believes that these forward contracts should not subject the Company to undue risk due to foreign exchange movements because gains and losses on these contracts should offset losses and gains on the assets, liabilities, and transactions being hedged.

As of December 31, 1993, off balance sheet commitments

aggregated \$586 million, which includes commitments to extend or guarantee financing for non-consolidated affiliates and for customer financing as well as capital funding commitments. Customer financing commitments require the customer to meet certain conditions established in the financing arrangements. Capital funding commitments are primarily related to the Company's strategic investment in the IRIDIUM<sup>TM/SM</sup> space system. Commitments represent the

(In millions, except as noted)

Motorola, Inc. and Consolidated Subsidiaries

maximum amounts available under these arrangements and may not be completely utilized.

The Company has entered into agreements in principle with NEXTEL Communications, Inc., CenCall Communications Corp., and Dial Page, Inc. to effect tax-deferred exchanges of substantially all of the 800 MHz Specialized Mobile Radio businesses, systems, and licenses owned or managed by the Company in the United States in exchange for equity interests in these companies. Binding commitments to complete these transactions are subject to a number of significant conditions including, among other items, agreement on definitive documents, all regulatory approvals, and shareholder approval of the acquiring companies. The transactions further commit the Company to acquire certain managed licenses (or substitutes) within a specified period before or after the closing. The agreements in principle provide that the Company will lend or guarantee approximately \$440 million. During 1994, the outcome of the agreements in principle noted above may result in concentrations of credit risk; however, as of December 31, 1993, the Company had no significant concentrations of credit risk.

*Environmental and Legal:* Under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (CERCLA, or Superfund), the Company

has been designated as a potentially responsible party by the United States Environmental Protection Agency with respect to certain waste sites with which the Company may have had direct or indirect involvement. Such designations are made regardless of the extent of the Company's involvement. These claims are in various stages of administrative or judicial proceedings. They include demands for recovery of past governmental costs and for future investigations or remedial actions. In many cases, the dollar amounts of the claims have not been specified, and have been asserted against a number of other entities for the same cost recovery or other relief as was asserted against the Company. The Company accrues costs associated with environmental matters when they become probable and reasonably estimable. The amount of such charges to earnings, which did not include potential reimbursements from insurance coverage, was \$36 million, \$17 million, and \$18 million in 1993, 1992, and 1991, respectively.

The Company is a defendant in various suits and is subject to various claims which arise in the normal course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the consolidated business or financial position of the Company.

**7. Information by Industry Segment and Geographic Region**

*Industry segment information*

Years ended December 31	Net Sales			Operating Profit					
	1993	1992	1991	1993	1992		1991		
Semiconductor Products	\$ 5,707	\$ 4,475	\$ 3,679	\$ 801	14.0%	\$ 464	10.4%	\$ 356	9.7%
General Systems Products	5,236	3,662	2,882	718	13.7%	420	11.5%	344	11.9%
Communications Products	4,834	3,906	3,491	354	7.3%	192	4.9%	111	3.2%
Government and Systems Technology Products	858	650	704	(17)	(2.0)%	(7)	(1.1)%	33	4.7%
Other Products	1,762	1,452	1,212	95	5.4%	77	5.3%	42	3.5%
Adjustments and eliminations	(1,434)	(842)	(627)	(11)	—	(4)	—	4	—
Industry segment totals	\$16,963	\$13,303	\$11,341	1,940	11.4%	1,142	8.6%	890	7.8%
General corporate expenses				(274)		(185)		(148)	
Interest expense, net				(141)		(157)		(129)	
Earnings before income taxes and cumulative effect of change in accounting principle				\$1,525	9.0%	\$ 800	6.0%	\$ 613	5.4%

Years ended December 31	Assets			Fixed Asset Expenditures			Depreciation Expense		
	1993	1992	1991	1993	1992	1991	1993	1992	1991
Semiconductor Products	\$ 4,507	\$ 3,618	\$ 3,196	\$1,120	\$ 666	\$ 653	\$ 529	\$ 429	\$362
General Systems Products	3,223	2,108	1,790	453	334	250	227	171	151
Communications Products	3,202	2,925	2,597	363	263	274	238	207	195
Government and Systems Technology Products	304	312	375	31	24	27	33	33	36
Other Products	957	826	755	120	101	101	89	106	88
Adjustments and eliminations	(24)	(32)	(51)	—	—	—	—	—	—
Industry segment totals	12,169	9,757	8,662	2,087	1,388	1,305	1,116	946	832
General corporate	1,329	872	713	100	54	82	54	54	54
Consolidated totals	\$13,498	\$10,629	\$9,375	\$2,187	\$1,442	\$1,387	\$1,170	\$1,000	\$886

1992 and 1991 have been reclassified to reflect the realignment of various business units.

(In millions, except as noted)

Motorola, Inc. and Consolidated Subsidiaries

## Geographic area information<sup>1</sup>

Years ended December 31	Net Sales			Operating Profit					
	1993	1992	1991	1993		1992		1991	
United States	\$12,924	\$10,232	\$ 8,802	\$ 970	7.5%	\$ 624	6.1%	\$ 452	5.1%
Other nations	10,066	8,017	6,340	1,164	11.6%	706	8.8%	501	7.9%
Adjustments and eliminations	(6,027)	(4,946)	(3,801)	(193)	—	(188)	—	(63)	—
Geographic totals	\$16,963	\$13,303	\$11,341	1,940	11.4%	1,142	8.6%	890	7.8%
General corporate expenses				(274)		(185)		(148)	
Interest expense, net				(141)		(157)		(129)	
Earnings before income taxes and cumulative effect of change in accounting principle				\$1,525	9.0%	\$ 800	6.0%	\$ 613	5.4%

December 31	Assets		
	1993	1992	1991
United States	\$ 7,731	\$ 6,297	\$5,660
Other nations	4,674	3,668	3,164
Adjustments and eliminations	(236)	(208)	(162)
Geographic totals	12,169	9,757	8,662
General corporate assets	1,329	872	713
Consolidated totals	\$13,498	\$10,629	\$9,375

<sup>1</sup>As measured by the locale of the revenue-producing operations. 1992 and 1991 have been reclassified to reflect the realignment of various business units.

The Company operates predominantly in the wireless communication, semiconductor technology, and advanced electronic industries. Operations involve the design, manufacture, and sale of a diversified line of products, which include, but are not limited to, two-way radios and pagers; cellular telephones and systems; semiconductors, including integrated circuits and microprocessor units; data communication and distributive data processing equipment and systems; and electronic equipment and industrial electronic products. Previously, Information Systems Products was reported as an industry segment. It no longer represents a significant industry segment of the Company's operations and has been combined with Other Products in the presentation. Manufacturing and distribution operations in any one foreign country do not account for more than 10% of consolidated net sales or total assets.

Operating profit (revenues less operating expenses) excludes general corporate expenses, net interest, and income taxes. Intersegment and intergeographic transfers are accounted for on an arm's length pricing basis.

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

In 1993, no single customer or group under common control represented 10% or more of the Company's sales. The equity in net assets of non-U.S. subsidiaries amounted to \$3.28 billion at December 31, 1993 and \$2.51 billion at December 31, 1992.

## 8. Stockholder Rights Plan

Each outstanding share of the Company's common stock carries with it one-half of a preferred share purchase right. Each right becomes exercisable for one-thousandth of a share of the Company's junior participating preferred stock, series A, at an exercise price of \$150 per one-thousandth of a share (subject to adjustment) if a person or group acquires 20% or more of the Company's common stock or announces a tender or exchange offer for 30% or more of the Company's common stock. If a person or group acquires 20% or more of the Company's common stock and in certain other circumstances, each right (except, in some instances, those held by an acquiror)

becomes exercisable for an amount of the Company's common stock (or that of an acquiror) having a market value of twice the exercise price. In some cases, the Board of Directors may exchange one exercisable right for two shares (subject to adjustment) of the Company's common stock (or the equivalent) and may suspend the exercisability of the rights. The rights have no voting power, expire on November 20, 1998, and may be redeemed for \$.05 per right prior to a public announcement that 20% or more of the Company's shares have been accumulated by a person or group.

(In millions, except as noted)

Motorola, Inc. and Consolidated Subsidiaries

## 9. Subsequent Events

On February 1, 1994, the Board of Directors declared a two-for-one stock split (effected in the form of a 100 percent stock dividend) and an increase in the quarterly dividend to 14 cents per pre-split share, payable April 18, 1994, to stockholders of record on March 15, 1994. Pro forma net earnings per fully diluted common and common equivalent share before cumulative effect of change in accounting principle, giving retroactive effect to the two-for-one stock split, are as follows: 1993, \$1.78; 1992, \$1.05; 1991, \$0.85.

Conversion rights outstanding on the zero coupon notes due 2009 and 2013 will increase to 18.268 common shares and 11.178 common shares, respectively, and each outstanding share of the Company's common stock will carry with it one-quarter of a preferred share purchase right.

Financial information contained elsewhere in this report has not been adjusted to reflect the impact of the 1994 common stock split.

## QUARTERLY AND OTHER FINANCIAL DATA

(In millions, except per share amounts; unaudited)

Quarterly	1993				1992				
	1st	2nd	3rd	4th	1st <sup>1</sup>	2nd <sup>1</sup>	3rd <sup>1</sup>	4th	
<b>Operating Results</b>	Net sales	\$3,626	\$3,936	\$4,408	\$4,993	\$3,055	\$3,141	\$3,396	\$3,711
	Gross profit	1,391	1,556	1,696	1,969	1,130	1,159	1,240	1,379
	Net earnings before cumulative effect of change in accounting principle	204	224	254	340	125	143	127	181
	Cumulative effect of change in accounting principle	—	—	—	—	(123)	—	—	—
	Net earnings	204	224	254	340	2	143	127	181
	Net earnings before cumulative effect of change in accounting principle as a percent of sales	5.6%	5.7%	5.8%	6.8%	4.1%	4.6%	3.7%	4.9%
	Net earnings as a percent of sales	5.6%	5.7%	5.8%	6.8%	0.1%	4.6%	3.7%	4.9%
<b>Per Share Data<sup>2,3</sup></b>	Fully diluted net earnings per common and common equivalent share								
	Net earnings before cumulative effect of change in accounting principle	\$ 0.72	\$ 0.81	\$ 0.87	\$ 1.15	\$ 0.46	\$ 0.53	\$ 0.46	\$ 0.64
	Cumulative effect of change in accounting principle	—	—	—	—	(0.44)	—	—	—
	Net earnings	\$ 0.72	\$ 0.81	\$ 0.87	\$ 1.15	\$ 0.02	\$ 0.53	\$ 0.46	\$ 0.64
	Dividends declared	\$0.110	\$0.110	\$ 0.110	\$ 0.110	\$0.095	\$0.095	\$0.095	\$0.110
	Dividends paid	\$0.110	\$0.110	\$ 0.110	\$ 0.110	\$0.095	\$0.095	\$0.095	\$0.095
	Stock prices								
High	\$67.13	\$88.63	\$105.13	\$107.50	\$40.82	\$41.32	\$45.22	\$52.72	
Low	\$48.63	\$63.25	\$ 82.50	\$ 84.75	\$32.44	\$37.10	\$37.91	\$42.57	

<sup>1</sup>The first, second, and third quarter 1992 net earnings, net earnings per common and common equivalent share, and net earnings as a percent of sales have been restated to reflect the adoption of SFAS No. 106 as of January 1, 1992. The adoption of SFAS No. 109 did not have a material effect on any quarter.

<sup>2</sup>All earnings per common and common equivalent share, dividend, and stock price data has been restated to reflect the 1992 two-for-one stock split.

<sup>3</sup>Primary earnings per common and common equivalent share were the same as fully diluted for all periods shown, except for the first and third quarters of 1993, and the fourth quarter of 1992, when they were one cent higher.

The number of stockholders of record of Motorola common stock on January 31, 1994 was 21,453.

# FIVE YEAR FINANCIAL SUMMARY

(In millions, except per share amounts and other data)

Motorola, Inc. and Consolidated Subsidiaries

Years ended December 31		1993	1992	1991	1990	1989
<b>Operating Results</b>	Net sales	<b>\$16,963</b>	\$13,303	\$11,341	\$10,885	\$ 9,620
	Manufacturing and other costs of sales	<b>10,351</b>	8,395	7,134	6,787	5,877
	Selling, general, and administrative expenses	<b>3,776</b>	2,951	2,579	2,509	2,317
	Depreciation expense	<b>1,170</b>	1,000	886	790	650
	Interest expense, net	<b>141</b>	157	129	133	130
	Total costs and expenses	<b>15,438</b>	12,503	10,728	10,219	8,974
	Earnings before income taxes and cumulative effect of change in accounting principle	<b>1,525</b>	800	613	666	646
	Income taxes provided on earnings	<b>503</b>	224	159	167	148
	Net earnings before cumulative effect of change in accounting principle	<b>\$ 1,022</b>	\$ 576	\$ 454	\$ 499	\$ 498
	Net earnings	<b>\$ 1,022</b>	\$ 453	\$ 454	\$ 499	\$ 498
	Net earnings before cumulative effect of change in accounting principle as a percent of sales	<b>6.0%</b>	4.3%	4.0%	4.6%	5.2%
	Net earnings as a percent of sales	<b>6.0%</b>	3.4%	4.0%	4.6%	5.2%
<b>Share Data</b> <sup>1,2</sup>	Fully diluted net earnings per common and common equivalent share					
	Net earnings before cumulative effect of change in accounting principle	<b>\$ 3.55</b>	\$ 2.09	\$ 1.69	\$ 1.86	\$ 1.88
	Cumulative effect of change in accounting principle	<b>—</b>	(0.43)	—	—	—
	Net earnings	<b>\$ 3.55</b>	\$ 1.66	\$ 1.69	\$ 1.86	\$ 1.88
	Fully diluted average common and common equivalent shares outstanding	<b>291.9</b>	283.6	279.3	277.9	267.4
	Dividends declared per share	<b>\$ 0.440</b>	\$ 0.395	\$ 0.380	\$ 0.380	\$ 0.380
<b>Balance Sheet</b>	Total assets	<b>\$13,498</b>	\$10,629	\$ 9,375	\$ 8,742	\$ 7,686
	Working capital	<b>2,324</b>	1,883	1,424	1,404	1,261
	Long-term debt	<b>1,360</b>	1,258	954	792	755
	Total debt	<b>1,915</b>	1,695	1,806	1,787	1,542
	Total stockholders' equity	<b>\$ 6,409</b>	\$ 5,144	\$ 4,630	\$ 4,257	\$ 3,803
<b>Other Data</b>	Current ratio	<b>1.53</b>	1.56	1.46	1.46	1.48
	Return on average invested capital before cumulative effect of change in accounting principle	<b>15.3%</b>	9.4%	7.8%	9.4%	10.3%
	Return on average invested capital	<b>15.3%</b>	7.5%	7.8%	9.4%	10.3%
	Return on average stockholders' equity before cumulative effect of change in accounting principle	<b>17.8%</b>	11.7%	10.2%	12.3%	13.9%
	Return on average stockholders' equity	<b>17.8%</b>	9.4%	10.2%	12.3%	13.9%
	Year-end employment (in thousands)	<b>120</b>	107	102	105	104

<sup>1</sup>All earnings per common and common equivalent share, dividends, and outstanding shares have been restated to reflect the 1992 two-for-one stock split.

<sup>2</sup>Primary earnings per common and common equivalent share were one cent higher than fully diluted for all years shown, except in 1990, when they were the same. Average primary common and common equivalent shares outstanding for 1993, 1992, 1991, 1990, and 1989 were 291.3, 282.8, 277.8, 277.9, and 266.6, respectively.

*William J. Weisz*  
Chairman of the Board;  
formerly Officer of the Board  
and CEO, Motorola, Inc.

*Erich Bloch*  
Distinguished Fellow at the  
Council on Competitiveness;  
formerly Director of the National  
Science Foundation

*David R. Clare*  
Retired; formerly President,  
Johnson & Johnson

*Wallace C. Doud*  
Retired; formerly Vice President,  
International Business Machines  
Corporation

*Christopher B. Galvin*  
President and Chief Operating  
Officer, Motorola, Inc.

*Robert W. Galvin*  
Chairman of the Executive Committee  
of the Board, Motorola, Inc.

*John T. Hickey*  
Retired; formerly Executive  
Vice President and Chief Financial  
Officer, Motorola, Inc.

*Anne P. Jones*  
Partner, Sutherland, Asbill & Brennan  
law firm; formerly member of the  
Federal Communications Commission

*Donald R. Jones*  
Retired; formerly Executive  
Vice President and Chief Financial  
Officer, Motorola, Inc.

*Walter E. Massey*  
Provost and Senior Vice President,  
Academic Affairs,  
University of California System

*John F. Mitchell*  
Vice Chairman of the Board and  
Officer of the Board, Motorola, Inc.

*Thomas J. Murrin*  
Dean of Duquesne University's  
School of Business Administration

*Samuel C. Scott III*  
Corporate Vice President,  
CPC International, Inc. and  
President of Corn Products

*Gary L. Tooker*  
Vice Chairman and Chief Executive  
Officer, Motorola, Inc.

*Gardiner L. Tucker*  
Retired; formerly Vice President  
for Science and Technology,  
International Paper Company

*B. Kenneth West*  
Chairman of the Board, Harris  
Bankcorp, Inc.; formerly Chief Execu-  
tive Officer, Harris Bankcorp, Inc.

**Director Emeritus**

*Elmer H. Wavering*  
Formerly Vice Chairman and Chief  
Operating Officer, Motorola, Inc.

**ELECTED OFFICERS OF MOTOROLA, INC.**

<i>As of December 31, 1993</i>	<i>Years of Age Service</i>					
<b>Corporate</b>			<b>Law</b>			
<i>*Gary L. Tooker</i>	54	31	<i>Richard H. Weise</i>	58	25	<i>*Richard W. Heimlich</i> 52 11
Vice Chairman and Chief Executive Officer			Senior Vice President, General Counsel and Secretary			Corporate Vice President and Executive Director, Asia Pacific
<i>*Christopher B. Galvin</i>	43	21	<i>Robert F. Falkner</i>	53	14	<i>Chi-Sun Lai</i> 57 23
President and Chief Operating Officer			Corporate Vice President and Assistant General Counsel			Corporate Vice President and General Manager, Motorola China Limited
<i>Robert W. Galvin</i>	71	53	<i>Joseph R. Haack</i>	58	20	<b>Japan Group</b>
Chairman of the Executive Committee of the Board			Corporate Vice President and Assistant General Counsel			<i>Arnold S. Brenner</i> 56 34
<i>John F. Mitchell</i>	65	40	<i>A. Peter Lawson</i>	47	13	Executive Vice President and General Manager, Japan Group
Vice Chairman of the Board and Officer of the Board			Corporate Vice President and Assistant General Counsel			<i>Toshiaki Irie</i> 60 9
<b>Finance</b>			<b>Europe</b>			Senior Vice President and Chairman, Nippon Motorola Limited
<i>Carl F. Koenemann</i>	55	23	<i>*James A. Norling</i>	51	28	<i>*Motohiro Kitajima</i> 50 24
Executive Vice President and Chief Financial Officer			President, Motorola-Europe, Middle East and Africa and Executive Vice President, Motorola, Inc.			Corporate Vice President and General Manager, Semiconductor Products Division, Nippon Motorola Limited
<i>Garth L. Milne</i>	51	14	<i>Parviz Mokhtari</i>	52	11	<i>Isamu Kuru</i> 54 3
Senior Vice President and Treasurer			Corporate Vice President and Director, Eastern Europe			Corporate Vice President and President, Nippon Motorola Limited
<i>*Ray Dybala</i>	45	14	<b>International-Asia and Americas</b>			<i>*Ian McCrae</i> 57 13
Corporate Vice President and Director of Taxes			<i>*Richard W. Younts</i>	54	26	Corporate Vice President and Deputy General Manager, Semiconductor Products Division, Nippon Motorola Limited
<i>Kenneth J. Johnson</i>	58	22	Executive Vice President and Corporate Executive Director, International-Asia and Americas			<i>*Paul Rode</i> 50 24
Corporate Vice President, Controller and Director of Audit						Corporate Vice President and Controller, Nippon Motorola Limited
<i>Benny L. Smothermon</i>	54	17				
Corporate Vice President and Director, International Finance						



**Corporate Ventures**

\*Gordon J. Comerford 57 19  
Senior Vice President and Director,  
Iridium Program Office

Bernard R. Smedley 57 17  
Senior Vice President and Director,  
Advanced Radio Networks

**Human Resources**

James Donnelly 54 24  
Executive Vice President and  
Motorola Director, Human Resources

\*Dave Pulatie 52 29  
Senior Vice President and Director,  
Change Management, Human Resources

Theodore Saltzberg 66 37  
Senior Vice President and  
Director, Software Programs,  
Motorola University

A. William Wiggenhorn 49 13  
Senior Vice President, Training and  
Education and President, Motorola University

Robert M. Placko 43 19  
Corporate Vice President and Director,  
Strategic Human Resources Management

Dave Wooldridge 62 19  
Corporate Vice President and Director,  
Partnership Center

**Corporate Staff**

\*Keith J. Bane 54 20  
Senior Vice President and Motorola  
Director, Strategy, Technology and  
External Relations

William V. Braun 58 35  
Senior Vice President and Motorola  
Director, Research and Development

Richard Buetow 62 35  
Senior Vice President and  
Motorola Director, Quality

\*James W. Gillman 60 20  
Senior Vice President and  
Motorola Director, Patents,  
Trademarks and Licensing

John E. Major 48 15  
Senior Vice President and Motorola  
Director, Spectrum, Standards, and  
Software Management

\*Mauro J. Walker 58 22  
Senior Vice President and  
Motorola Director, Manufacturing

\*Quirino Balzano 53 19  
Corporate Vice President and Director,  
Advanced Design Support Systems

James D. Burge 59 35  
Corporate Vice President and  
Motorola Director, Government  
Affairs/Human Resources

Veronica A. Haggart 44 9  
Corporate Vice President and Motorola  
Director, Government Relations

\*James J. Mikulski 59 28  
Corporate Vice President, Technical  
Staff and Director, Corporate Systems  
Research Laboratories

\*Ralph Ponce de Leon 60 21  
Corporate Vice President and  
Motorola Director, Supply and  
Environmental Management

\*William Spencer 47 17  
Corporate Vice President and  
Motorola Director, Strategy

**Semiconductor Products Sector**

\*Thomas D. George 53 14  
President and General Manager,  
Semiconductor Products Sector and  
Executive Vice President, Motorola, Inc.

\*Murray A. Goldman 56 24  
Senior Vice President and Assistant  
General Manager, Semiconductor  
Products Sector

Andre Borrel 57 26  
Senior Vice President and General  
Manager, Communications, Power  
and Signal Technologies Group

\*R. Gary Daniels 56 27  
Senior Vice President and General  
Manager, Microcontroller  
Technologies Group

Larry L. Gartin 50 26  
Senior Vice President and  
Director, Sector Finance

Gary M. Johnson 49 26  
Senior Vice President and  
General Manager, Logic and  
Analog Technologies Group

Geno Ori 56 31  
Senior Vice President and  
Director, Environmental Affairs

Paul J. Shimp 54 29  
Senior Vice President and Director,  
Sector Quality and Support Operations

\*Fred Shlapak 50 23  
Senior Vice President and  
General Manager, European  
Semiconductor Group

C. D. Tam 49 25  
Senior Vice President and  
General Manager, Asia/Pacific  
Semiconductor Products Group

Charles E. Thompson 64 24  
Senior Vice President and Sector  
Director, World Marketing

\*Barry Waite 45 11  
Senior Vice President and  
General Manager, Microprocessor  
and Memory Technologies Group

Thomas A. Beaver 51 29  
Corporate Vice President and Director,  
Marketing and Sales, Computing &  
Personal Communications

\*Brian Bedford 48 17  
Corporate Vice President and Director,  
Sector Human Resources

\*George Bennett 54 14  
Corporate Vice President and General  
Manager, MOS and Memory Division,  
European Semiconductor Group

Peter M. Bingham 50 15  
Corporate Vice President and  
General Manager, MOS Digital-  
Analog IC Division

\*Bertrand Cambou 39 10  
Corporate Vice President and Director,  
Sector Technology

\*Weldon D. Douglas 56 33  
Corporate Vice President and Chief of  
Staff, World Marketing

\*Carlos Genardini 47 24  
Corporate Vice President and Assistant  
General Manager, Asia/Pacific  
Semiconductor Group

\*Jim George 51 17  
Corporate Vice President and  
General Manager, DSP Division

Thomas G. Gunter 46 21  
Corporate Vice President and  
General Manager, High-Performance  
Microprocessor Division

\*Steve P. Hanson 45 22  
Corporate Vice President and  
Assistant General Manager,  
European Semiconductor Group

\*Brian O. Hilton 51 26  
Corporate Vice President and Director,  
Americas Sales and Worldwide Distribution

Thomas W. Lorig 51 20  
Corporate Vice President and  
Sector Controller

\*Ronald N. Racino 60 30  
Corporate Vice President and Director  
of Manufacturing Final Operations,  
Microprocessor and Memory  
Technologies Group

\*L.J. Reed 49 25  
Corporate Vice President and  
Director, ASIC Division

William J. Seifert 53 32  
Corporate Vice President and General  
Manager, Power Products Division

Scott L. Shumway 56 33  
Corporate Vice President and Director,  
Sector Quality

\*Gene Stouder 44 7  
Corporate Vice President and Director  
of Manufacturing, Microcontroller  
Technologies Group

\*Bill Walker 50 24  
Corporate Vice President and Director  
of Manufacturing, Microprocessor and  
Memory Technologies Group

**General Systems Sector**

Edward F. Staiano 57 20  
President and General Manager,  
General Systems Sector and Executive  
Vice President, Motorola, Inc.

John W. Battin 57 29  
Senior Vice President,  
Personal Communications

John P. Salcius 50 27  
Senior Vice President and  
Assistant General Manager,  
Cellular Subscriber Group

John M. Scanlon 51 3  
Senior Vice President and General  
Manager, Cellular Infrastructure Group

Robert N. Weissshappel 49 23  
Senior Vice President and General  
Manager, Cellular Subscriber Group

\*James A. Bernhart 61 34  
Corporate Vice President and Director,  
Worldwide Distribution Strategies,  
Cellular Subscriber Group

Don Burns 51 21  
Corporate Vice President and  
General Manager, European  
Cellular Subscriber Division

Richard D. Chandler 55 33  
Corporate Vice President and General  
Manager, Cellular Products Division,  
Cellular Infrastructure Group

*Larry F. Conlee Corporate Vice President and General Manager, Pan American Cellular Subscriber Group	46	22	Paul L. Fowler Corporate Vice President and General Manager, Worldwide Systems Group	50	23	*Frank Lloyd Corporate Vice President and General Manager, Information Systems Group	50	20
William D. Connor Corporate Vice President and Director, Sector Information Technology	63	24	Terrence W. Jaron Corporate Vice President and General Manager, Western Division	52	21	Gerald Murray Corporate Vice President and General Manager, Worldwide Distribution, Codex	58	15
Stephen P. Earhart Corporate Vice President and Director, Sector Finance	45	15	Wayne H. Leland Corporate Vice President and Director, Sector Spectrum and Standards	50	28	*James G. Roseland Corporate Vice President and Director, Sector Finance	50	25
Jerry Giacchino Corporate Vice President and General Manager, Telepoint Systems Division	52	25	Harry M. Mankodi Corporate Vice President and General Manager, Customer Service Group	53	25	*Les Shroyer Corporate Vice President and Director, Network Products	49	9
*Glenn A. Gienko Corporate Vice President and Director, Sector Human Resources	41	16	Dale J. Mischynski Corporate Vice President and General Manager, Worldwide Network Services Group	51	27	*James A. Wagner Corporate Vice President and President, UDS	48	27
H. Anthony Hennen Corporate Vice President and General Manager, RF and Cellsite Development	54	22	Perry A. Noakes Corporate Vice President and General Manager, Worldwide Radio Products Group	42	23	Francis T. Wapole Corporate Vice President and President, ARDIS	49	27
David Hughes Corporate Vice President and General Manager, GSM Product Division	51	14	*James A. Sarallo Corporate Vice President and General Manager, Private Systems Division	51	30	*Janiece Webb Corporate Vice President and General Manager, International Networks Division	40	15
*Wolf Pavlok Corporate Vice President and General Manager, Iridium Division, Cellular Subscriber Group	47	24	*Dennis J. Sester Corporate Vice President and Director, Quality and Customer Satisfaction	51	25	<b>Government &amp; Systems Technology Group</b> David G. Wolfe Executive Vice President and General Manager, Government & Systems Technology Group	58	29
Daniel C. Przybylski Corporate Vice President and Director, Latin American Operations, Cellular Subscriber Group	50	25	Richard D. Severns Corporate Vice President and Director, Sector Finance	48	22	James R. Baum Senior Vice President and Assistant General Manager, Government & Systems Technology Group	63	36
Wayne Sennett Corporate Vice President and Director, Worldwide Sales Operations, Motorola Computer Group	50	9	*Larry D. Shockley Corporate Vice President and Assistant General Manager, European Group	55	29	*Robert Bigony Senior Vice President and Director of Strategic Marketing	52	27
*Suzette Steiger Corporate Vice President and General Manager, U.S. Markets Division, Pan American Cellular Subscriber Group	50	9	*Bruce M. Stone Corporate Vice President and General Manager, European Group	45	23	*Durrell W. Hillis Corporate Vice President and General Manager, Satellite Communications Division	53	30
<b>Land Mobile Products Sector</b> Morton L. Topfer President and General Manager, Land Mobile Products Sector and Executive Vice President, Motorola, Inc.	57	22	*James P. Widick Corporate Vice President and General Manager, Systems Integration	46	27	*Napoleon Hornbuckle Corporate Vice President and General Manager, Diversified Technologies Division	52	29
Merle L. Gilmore Senior Vice President and Assistant General Manager, Land Mobile Products Sector	45	23	Michael K. Worthington Corporate Vice President and General Manager, Americas Division	48	22	W. Franklin Langford Corporate Vice President and Director, Group Finance	49	15
Stanley A. DeCasma Senior Vice President and Assistant General Manager, Communications and Electronics Group	48	25	<b>Messaging, Information &amp; Media Sector</b> *Robert L. Growney President and General Manager, Messaging, Information & Media Sector and Executive Vice President, Motorola, Inc.	51	27	David M. Neuer Corporate Vice President and Director, International Operations	52	31
*Robert V. Janc Senior Vice President and Director, Sector Research	51	17	Hector Ruiz Senior Vice President and General Manager, Paging Products Group	48	15	*Erling Rasmussen Corporate Vice President and General Manager, Communications Division	51	27
*Ferdinand C. Kuznik Senior Vice President and General Manager, Communications and Electronics Group	52	3	*William H. Bang Corporate Vice President and Director of Distribution, Americas Paging Products Group	64	29	<b>Automotive Energy &amp; Controls Group</b> Frederick T. Tucker Executive Vice President and General Manager, Automotive Energy & Controls Group	53	28
William V. Beaulieu Corporate Vice President and General Manager, Japan-Pacific Division	56	25	S. Michael Corrigan Corporate Vice President and Director, Human Resources	50	15	Gerald Brunning Corporate Vice President and General Manager, Component Products Division	53	29
*Daniel J. Coombes Corporate Vice President and General Manager, Shared Systems Division	46	20	Walter L. Davis Corporate Vice President, Member of Technical Staff and Director of Applied Research	53	28	*David Melka Corporate Vice President and General Manager, Automotive and Industrial Electronics Group	54	24
Richard G. Day Corporate Vice President and General Manager, Southern Division	49	27	Rudolph DeMichele, Jr. Corporate Vice President and Director of Operations, Codex	59	16	*John J. Pelland Corporate Vice President and Assistant General Manager, Automotive and Industrial Electronics Group	50	20
			Jerome C. Leonard Corporate Vice President and General Manager, Strategic Programs	56	32			

\*Assumed new title or advanced in rank since previous annual report.

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**Transfer Agent,  
Registrar, Dividend  
Disbursing Agent  
and Dividend  
Reinvestment Agent** Harris Trust and Savings Bank  
Corporate Trust Operations Division  
P.O. Box 755  
311 West Monroe Street  
14th Floor  
Chicago, IL 60690  
(312) 461-2339

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**Investor Relations** Security analysts, investment professionals and shareholders should direct their business-related inquiries to: Investor Relations, Motorola, Inc.  
Corporate Offices  
1303 East Algonquin Road  
Schaumburg, IL 60196  
Or call: (708) 576-4973

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**Common Stock** Motorola common stock is listed on the New York, Chicago, London and Tokyo Stock Exchanges.

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**Annual Meeting of Stockholders** The annual meeting will be held on May 3, 1994. A notice of the meeting, together with a form of proxy and a proxy statement, will be mailed to stockholders on or about March 22, 1994, at which time proxies will be solicited by the Board of Directors.

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**Form 10-K** After the close of each fiscal year, Motorola submits a report on Form 10-K to the Securities and Exchange Commission containing certain additional information concerning its business. A copy of this report may be obtained without charge by addressing your request to: Secretary, Motorola, Inc.  
Corporate Offices  
1303 East Algonquin Road  
Schaumburg, IL 60196

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**Auditors** KPMG Peat Marwick  
303 East Wacker Drive  
Chicago, IL 60601

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