MOTOROLA

1994 Annual Report

We are building on the skills of our **PEOPLE** and our

growing portfolio of technologies to create the platforms upon which

whole new *global* industries will be born.

On the cover *Nowhere is the spirit of creativity more evident than in Motorola's empowered Total Customer Satisfaction teams. The Motorola people on the cover represent some of the best from more than 4,500 problem-solving teams that competed in 1994. Countries represented in the worldwide finals include China, Germany, Israel, Japan, Korea, Malaysia, the Philippines, Singapore, Taiwan, the United Kingdom and the United States.*

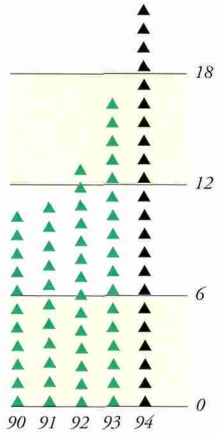
Contents

Financial Highlights

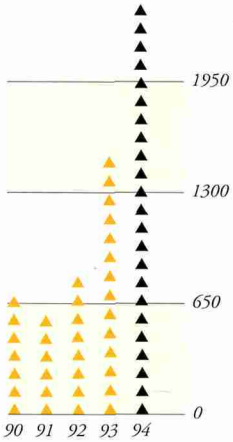
(In millions, except as noted)	*Motorola, Inc. and Consolidated Subsidiaries*	
Years ended December 31	**1994**	1993
Net sales	**$22,245**	$16,963
Earnings before income taxes	**2,437**	1,525
% to sales	**11.0%**	9.0%
Net earnings	**1,560**	1,022
% to sales	**7.0%**	6.0%
Primary net earnings per common and common equivalent share (in dollars)[1]	**2.66**	1.78
Fully diluted net earnings per common and common equivalent share (in dollars)[1]	**2.65**	1.78
Research and development expenditures	**1,860**	1,521
Fixed asset expenditures	**3,322**	2,187
Working capital	**3,008**	2,324
Current ratio	**1.51**	1.53
Return on average invested capital[2]	**17.5%**	15.3%
% of net debt to net debt plus equity[3]	**12.1%**	11.9%
Book value per common share (in dollars)[1]	**15.47**	11.50
Year-end employment (in thousands)	**132**	120

[1] *Includes adjustment for the 1994 two-for-one stock split.*
[2] *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).*
[3] *Includes short-term investments categorized as cash equivalents.*

Net Sales

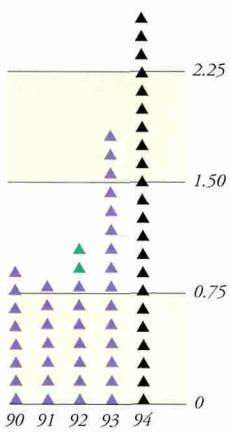


Earnings Before Income Taxes*



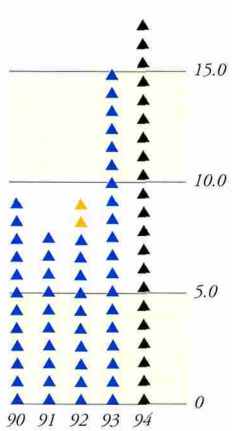
*And cumulative effect of change in accounting principle

Fully Diluted Net Earnings Per Share



■ Before cumulative effect of change in accounting principle

Return on Average Invested Capital



■ Before cumulative effect of change in accounting principle

To our stockholders and other friends Motorola's growth in sales and earnings in 1994 continued well above the company's historic growth rate. It was a year in which we saw more clearly the enormous and exciting opportunities for our entire range of communications and electronic products and services.

The world is opening up in ways that virtually no one fully anticipated a few years ago. Indeed, 1994 was a year of new challenges in meeting the needs of customers throughout the world. Motorola continues to invest in the future to anticipate those needs and to strengthen its global leadership.

At Motorola, we are building on the skills of our people and our growing portfolio of technologies to create the platforms upon which whole new global industries will be born. In doing so, we draw on the creativity and wealth of experience of our people in all cultures.

This 1994 Annual Report shows how these platforms are changing the lives of people everywhere. **As stockholders, you have invested in a company that is committed to being the most competitive in the world as it serves some of the fastest-growing markets in the world.**

Gary L. Tooker

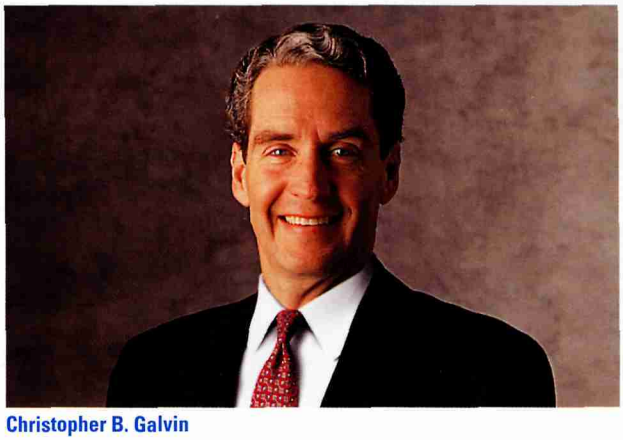
Financial Results Sales and earnings again set records, with all three of Motorola's major business segments contributing to the continuing growth. Sales increased 31% to $22.2 billion from $17.0 billion in 1993. Earnings were $1.56 billion, compared with $1.02 billion a year earlier. Fully diluted earnings per share were $2.65, up 49% from $1.78 in 1993. Net margin on sales was 7.0% for the full year 1994 compared with 6.0% a year ago. Detailed operating and financial results of our various businesses in 1994 appear on pages 20-43.

Stock Split, Dividend Increases Earnings per share in 1993 are restated for a two-for-one stock split on April 18, 1994. **An increased quarterly dividend was declared twice during the year.** The latest increase, to 10 cents per share from 7 cents, was payable Jan. 16, 1995.

Board of Directors H. Laurance Fuller, chairman, president and CEO of Amoco Corp., and John E. Pepper, Jr., president of Procter & Gamble Co., were elected to Motorola's Board of Directors. Erich Bloch and Wallace C. Doud, having reached regular retirement age, will not be standing for reelection in May of 1995.

The Future Motorola is enjoying the benefits of the expansion of wireless communications into consumer markets, as well as a worldwide increase in capital investment and the significant expansion of telecommunications infrastructure in emerging nations in Asia and throughout the world. **Our customers look to us for the tools for improving productivity.** We believe global growth in capital spending should outpace the overall rate of economic growth in 1995.

Asia should remain the fastest-growing region in the world. The economic expansion in Europe and Japan is likely to accelerate. The rate of real economic growth in Latin America also should continue. We expect the growth rate of the U.S. economy to slow, although the export outlook continues to be positive, especially for capital equipment. We see continued growth in the communications, semiconductor and computing sectors. Motorola also should benefit from strength in the automotive industry, where the electronic content of vehicles continues to increase.



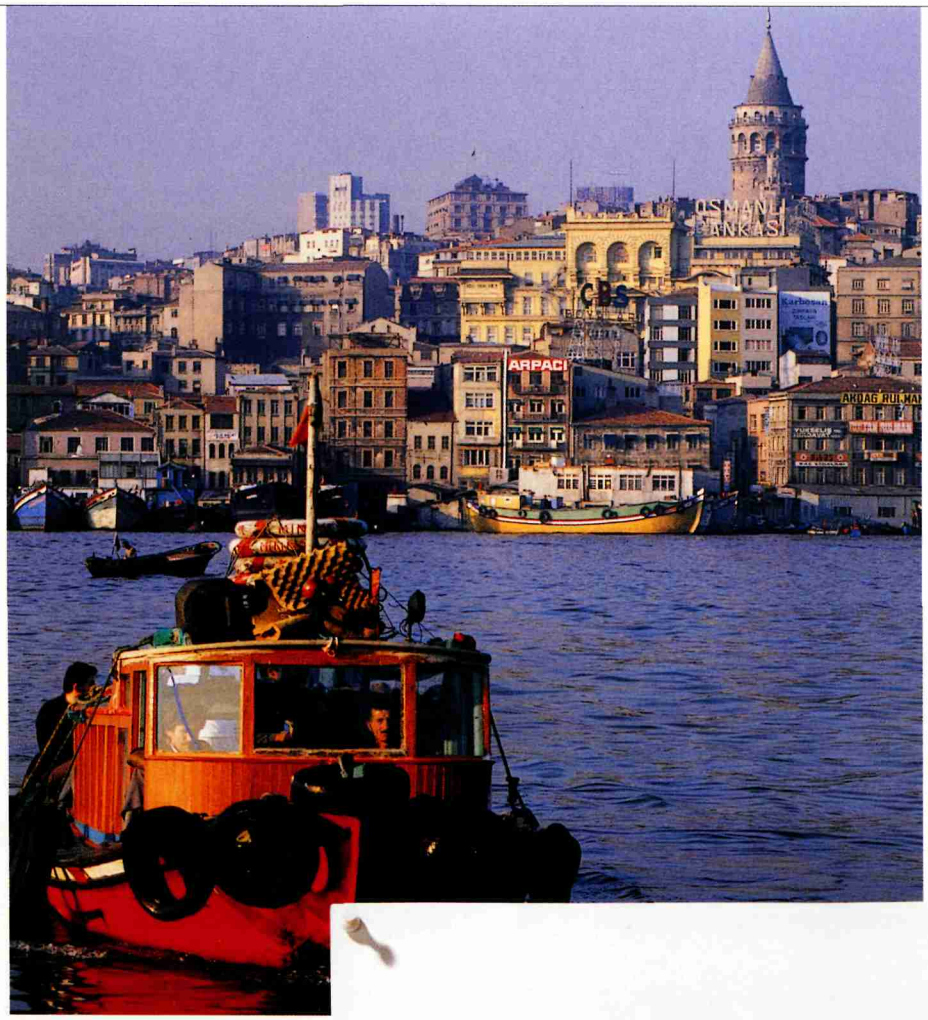
Christopher B. Galvin

Like our customers, we at Motorola are investing in enhancing the skills of our people and in the tools of productivity as we strive to meet increasing demand in a period of exciting worldwide growth. Total customer satisfaction remains our fundamental objective, and our quality and total cycle-time reduction initiatives remain the key elements in achieving superior financial results. We thank you for your continued interest in our company and your confidence in our efforts on your behalf.

Gary L. Tooker
Vice Chairman and Chief Executive Officer

Christopher B. Galvin
President and Chief Operating Officer

Istanbul, Turkey, at the crossroads of Europe and Asia, is served by a Motorola digital cellular telephone system. We have more than 30 contracts worldwide for GSM, or Global System for Mobile Communications, systems.



Motorola microcontrollers are embedded into products that are changing the way people live and work. The devices shown here are from the "Powered by Motorola" marketing communications program.

Motorola today Less than 50 years ago, the invention of the transistor ushered in the Information Age. This ultimately created the computer industry and changed forever the way we communicate. Yet the information revolution has only begun.

Since the initial development of the integrated circuit (IC), the number of transistors on a chip of silicon has doubled about every 18 months. Microprocessor **TECHNOLOGY** has advanced tenfold about every six years. As a result, a desktop computer today can be more than 1,000 times as powerful as the computer that guided the Apollo spacecraft to the moon in 1969.

The MicroTAC™ International 8200 digital cellular phone is the lightest GSM model in the world. A silent call feature notifies the user of an incoming call with a vibration rather than an audible ring.

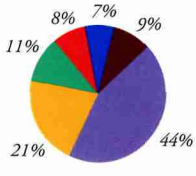
As ICs get smaller and consume less power, we are entering an era of handheld communications devices that combine two-way voice, data and image—devices that promise to redefine the way people interact with the world around them.

This digital revolution is taking place during a time in which political and economic barriers are crumbling. **The potential market for Motorola's products and services has increased fivefold in the last five years.** The end of the Cold War, coupled with a movement toward market-based economies, has brought nations representing about four-fifths of the world's population into the global marketplace.

These nations are developing an infrastructure for the Information Age. We can envision the worldwide wireless communications equipment industry growing from estimates of about $40 billion a year today to as high as $280 billion by 2010.

1994 Market Sales by Region

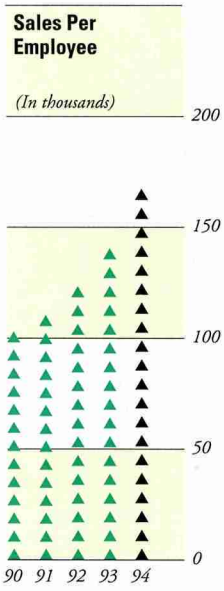
(In percentages)



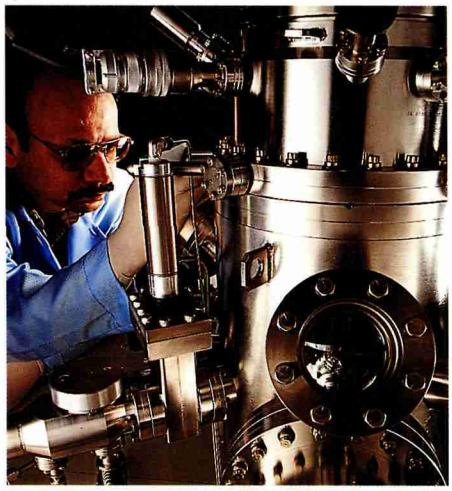
- *United States 44%*
- *Europe Region 21%*
- *Asia-Pacific Region 11%*
- *China/ Hong Kong 8%*
- *Japan Region 7%*
- *Rest of World 9%*

Motorola is seizing this opportunity and creating whole new global industries. It is a mission *without boundaries.* It is not limited by geographical barriers. It is not confined to any one specific industry, such as telecommunications or electronic components. It is not limited to market segments such as industrial or consumer. It is a mission that takes us where the customers and the technologies lead us. It builds on what we learn, and it ultimately results in new industries for a new kind of world.

Building on the Skills of Our People

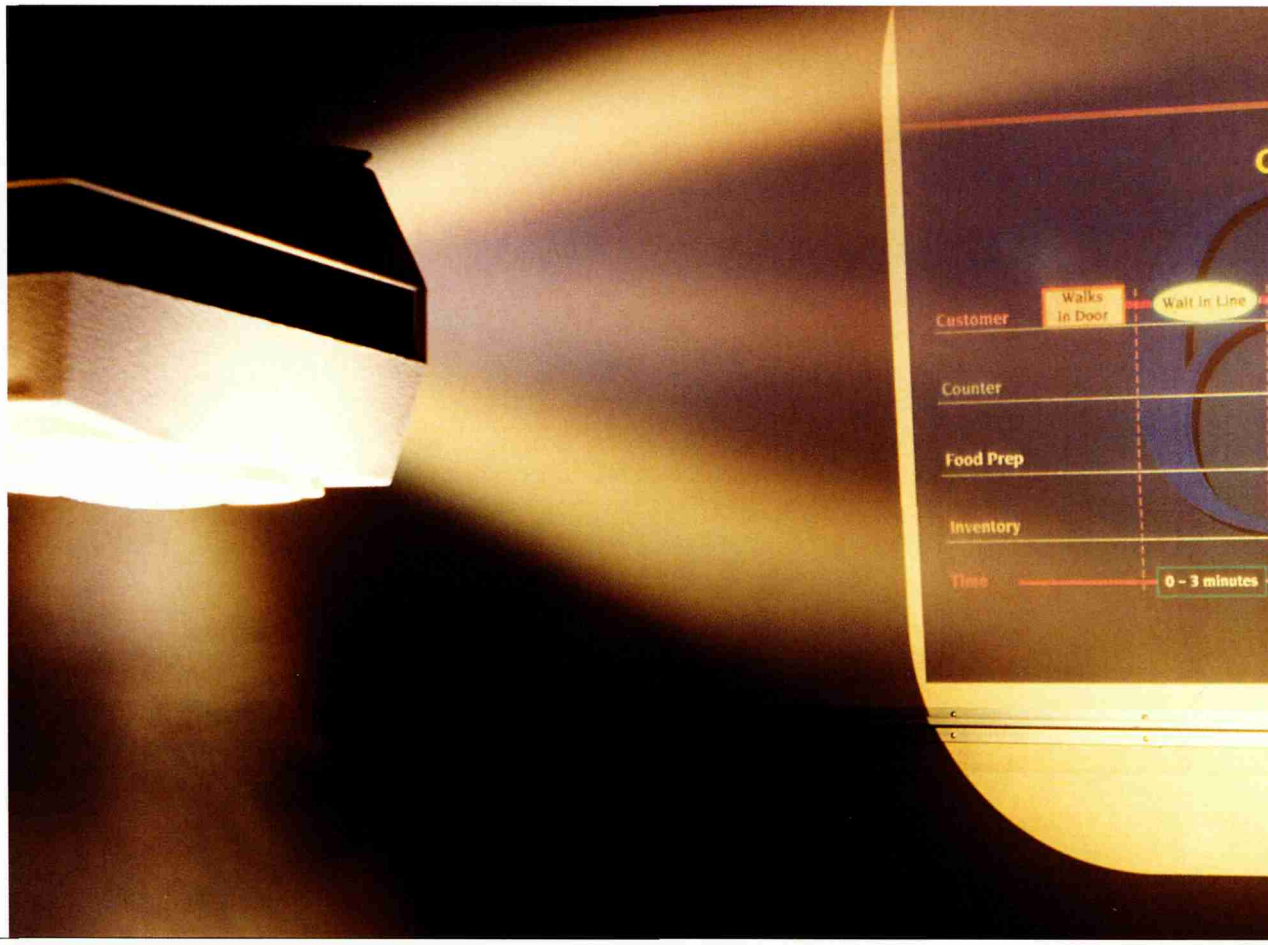


The skills of its people are Motorola's most valuable assets. To remain a leader, a technology company needs to renew itself continuously. Its people need to have the knowledge and confidence to lead that change. Motorola University acts as one of the agents of change and enables every employee throughout the world to receive at least one week of training each year.



The skills of researchers using tools like this scanning auger electron microscope help Motorola create platforms for the future.

QUALITY is the universal language of a global company, and our employees learn the fundamentals of Motorola's Six Sigma quality culture—a culture that strives to achieve perfection. Motorola's selected key suppliers, customers and distributors are part of the process, and receive training in quality and cycle-time management. Our training has resulted in improved quality in the goods received from our vendors, and, in turn, in our own products.



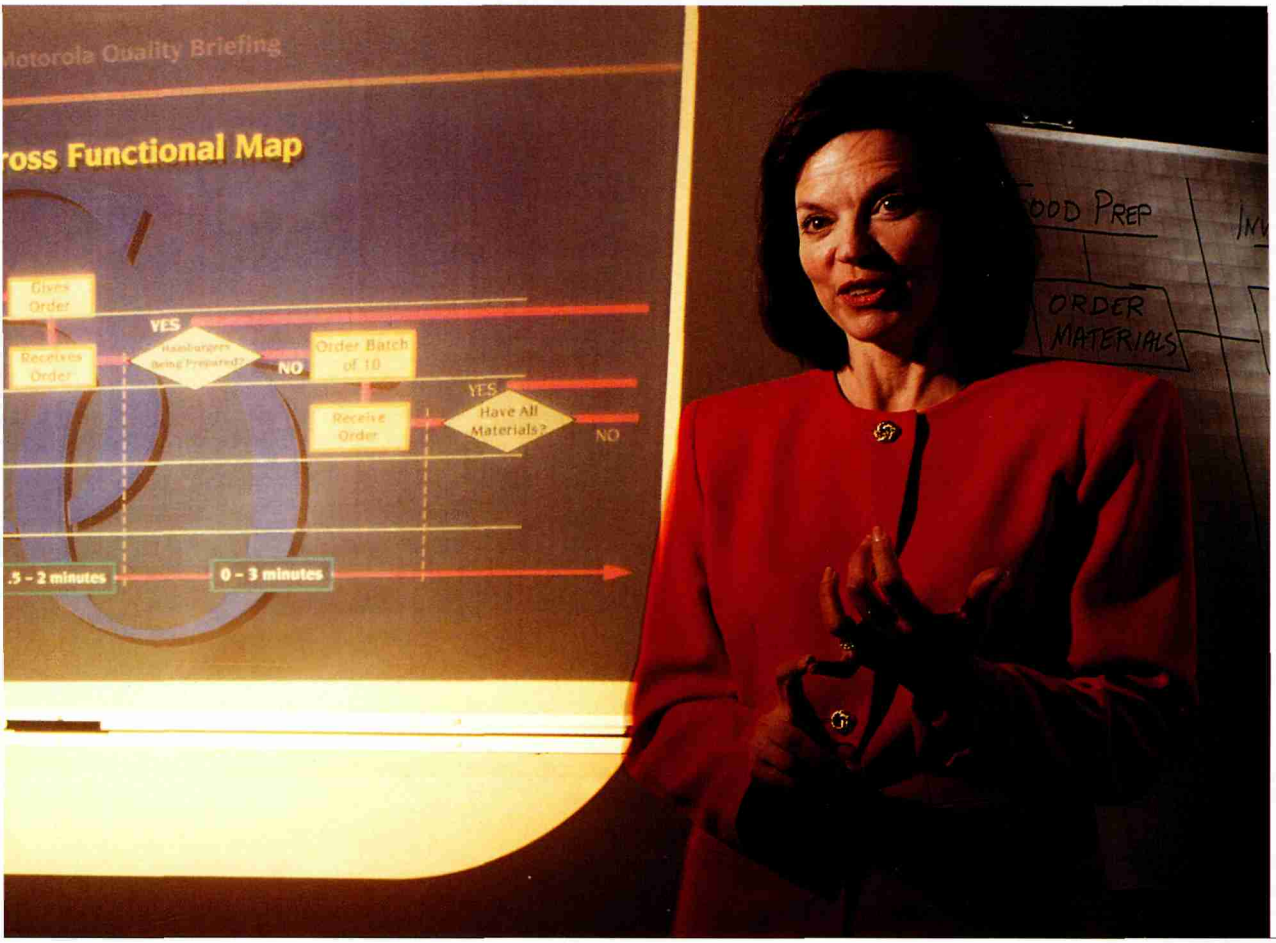
Motorola's employees, customers and suppliers learn about quality improvement and cycle-time reduction by mapping the processes of best-in-class companies. The example shown here comes from the fast-food industry.

People on the factory floor study computer-aided design, robotics and customized manufacturing. Programmable Automation Literacy (PAL) laboratories provide a hands-on learning environment for operators in facilities throughout the world. The accelerating rate of technological change makes the knowledge set of the average engineer obsolete in 2½ to 5 years, and the need for lifelong learning has accelerated accordingly. **Anticipating future job requirements and keeping skills up to date requires a major investment—one that is worthwhile and necessary.**

The creative skills of Motorola people brought about the PowerStack™ Series E server, based on the PowerPC™ microprocessor. It can be used as a stand-alone local-area network server or for departmental applications for multi-user or client-server computing. The Series E enclosure snaps together using no screws, jumpers or cables, making the system highly reliable and modular for ease of upgradeability.

Software is at the core of Motorola's products and services and is the foundation of its business, manufacturing and design systems. Enhancing software skills is a top priority. New software centers are opening throughout the world, including India, China and Australia.

Motorola's *training* curriculum includes culture and language, as well as efforts focused on entering emerging markets. We define the skills of our people broadly, and we seek to enhance their ability to serve customers as effectively as possible. People are intellectual assets that appreciate in value over time. Continuous training is the most effective way to maximize that investment.



The PowerPC™ 620 microprocessor is the first 64-bit implementation of the PowerPC architecture. Designed for servers and high-end workstations, the chip is software-compatible with today's 32-bit applications.

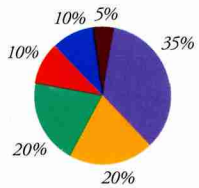
Building on Technology Platforms Motorola's strategy for growth begins with the semiconductor. The approach is a balanced one in terms of regional strength, technological diversity and customer partnerships that focus on value-added products.

The portfolio ranges from discrete transistors to the most advanced microprocessors. It enables Motorola to mix and match different technologies on a single chip to produce combinational capabilities for its **CUSTOMERS.** As the world moves to digital systems that require more semiconductor content, the arenas of computing, communications and consumer electronics converge.

Wireless communications is one of the fastest-growing markets for semiconductors. Products such as pagers, cellular telephones and personal communicators require low power consumption, efficient packaging, information compression and advanced system architectures. **These demands drive our semiconductor business to develop the technologies that are reshaping the electronics industries,** resulting in the most advanced power and signal devices, sensors, microcontrollers, fast static random access memories and digital-analog components.

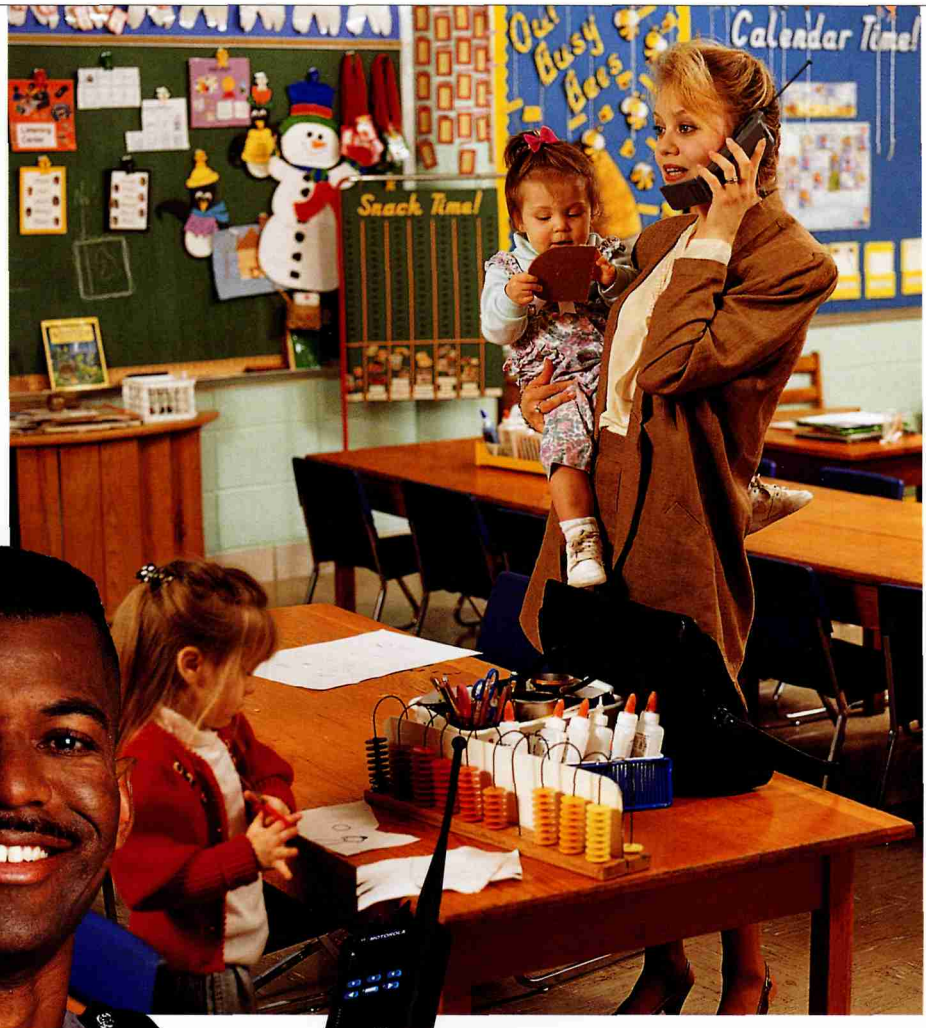
In emerging economies, the pent-up demand for wireless communications stems from inadequate wireline networks. New portions of the radio frequency (RF) spectrum are being made available to serve these needs, and digital technologies enable these frequencies to be used much more efficiently. Deregulation in Europe, Japan and emerging nations is accelerating the creation of new, competing systems. This, in turn, is helping to drive down costs for equipment and services, creating broad appeal in *consumer markets.*

1994 Semiconductor End Market Sales Mix
(In percentages)

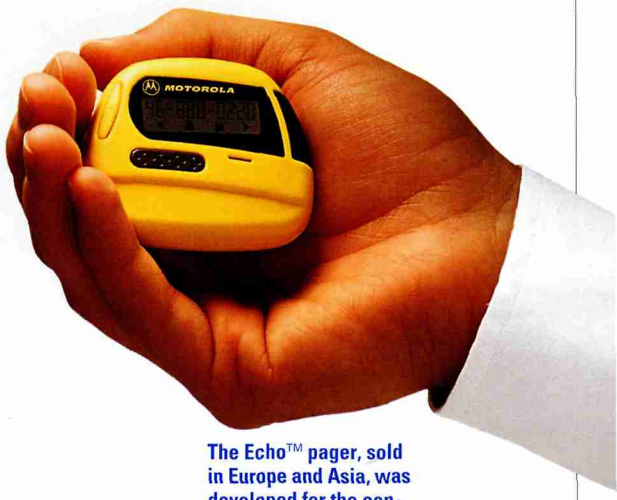


A Florida Highway Patrol trooper uses a Motorola Saber® portable radio to communicate on the state's new Astro™ two-way trunked radio system. The all-digital statewide system will link five state public safety agencies from Key West to the Florida Panhandle.

Despite the rapid growth of cellular telephone and paging in recent years, each of these services is used by only about 1% of the world's population. New licenses for cellular and personal communications systems are being issued throughout the world. In addition, the IRIDIUM® global communications system promises to offer wireless services anywhere on the globe, any time.



Cellular telephones have been a rapidly growing consumer product in recent years, as new technology drives down costs and improves performance.



The Echo™ pager, sold in Europe and Asia, was developed for the consumer market. Users have a choice of four models and ten colors.

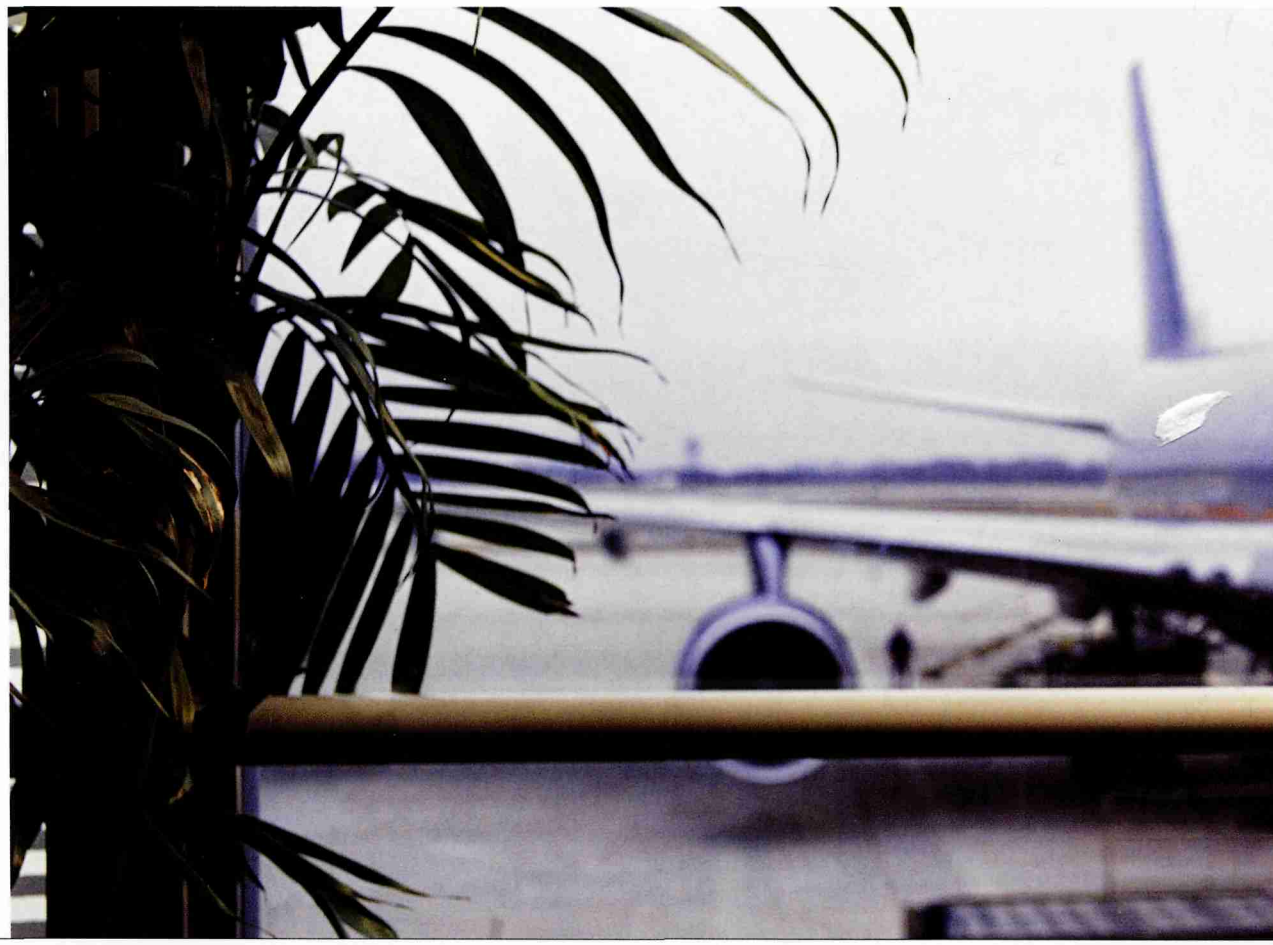
The LINGO™ portable communicator is capable of accessing four wireless communications services: Voice Dispatch, Wireless Phone, Alpha Numeric Messaging and Data. It is used on networks based on the Motorola Integrated Radio System.

Creating Whole New Industries In the past, improvements in radio frequency technology helped launch industries such as two-way land-mobile radio, paging and cellular telephone. Today, software, battery, low-power semiconductor, digital signal processing, satellite, fuzzy logic and neural network technologies are among the developments that promise to help launch new generations of industries.

No one can predict the future. But we can allow ourselves to imagine the kinds of products and services that will change the way we live and improve the way we do business.

Improved information access in the home and office will make people more *productive.* **Wireless services will enable millions of workers on the move to have the same tools as those who are at their desks.** As computers become more prevalent in education, wireless local-area networks will connect classrooms without internally wired telephone systems.

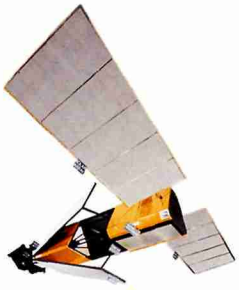
In the home, wireless networks will control everything from security, lighting and heating to sprinkler systems and stereos. Wireless applications extend to health care—for remote monitoring



The Envoy™ wireless communicator promises to help create a whole new industry by enabling mobile professionals to exchange Internet messages, send faxes, check flight schedules and manage appointments, addresses and other personal information from wherever they happen to be—even an airport lounge. This handheld device uses Motorola two-way wireless communications and thus requires no phone line or external connection to access information.

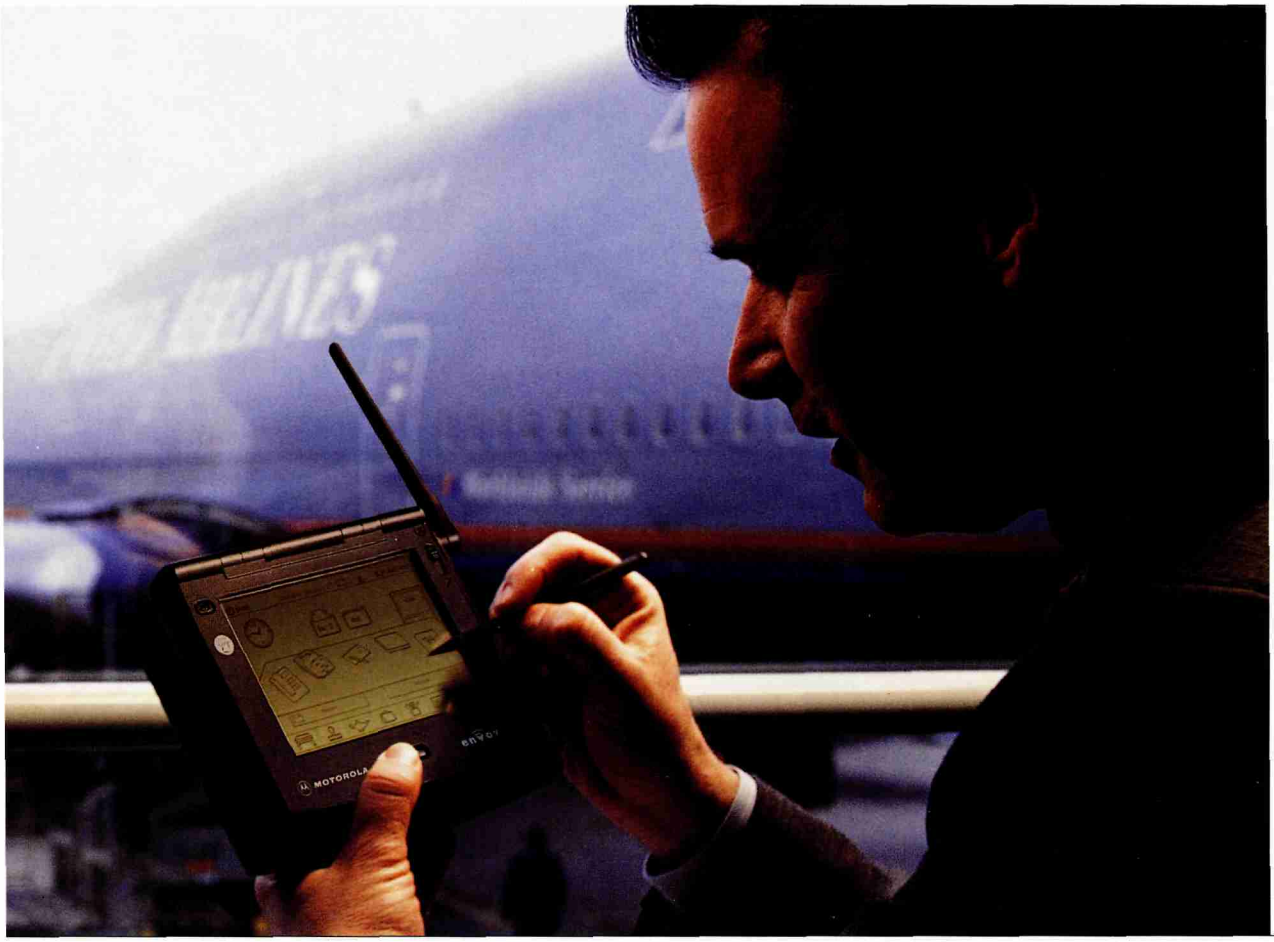
of patients, for example, and immediate response in the event of a crisis. High-resolution medical imagery and data will be transmitted from paramedics to hospitals. To improve industrial productivity, wireless systems track personnel, inventories and vehicles. Efforts to conserve energy and control pollution are all made easier by **WIRELESS** communications. With tools such as fuzzy logic, neural networks and speech recognition, we can envision powerful forms of communication taking place in the palm of your hand. A person speaking English in New York may one day be able to call Moscow on a portable phone, and the message would be heard in Russian through built-in, instantaneous translation.

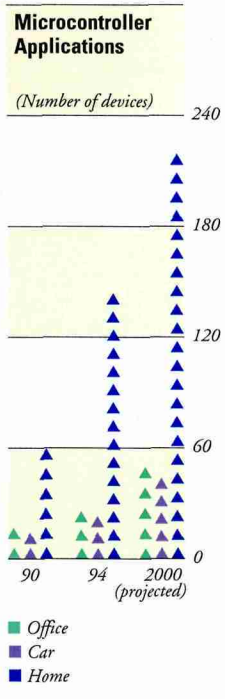
Ford Motor Co.'s new 1995 Lincoln Continental features advanced electronics developed in partnership with Ford and manufactured by Motorola, including driver's door, lighting control and seat modules and a remote keyless entry system. It also includes Motorola's newest electronic engine control module (EEC-V) and a solid-state relay.



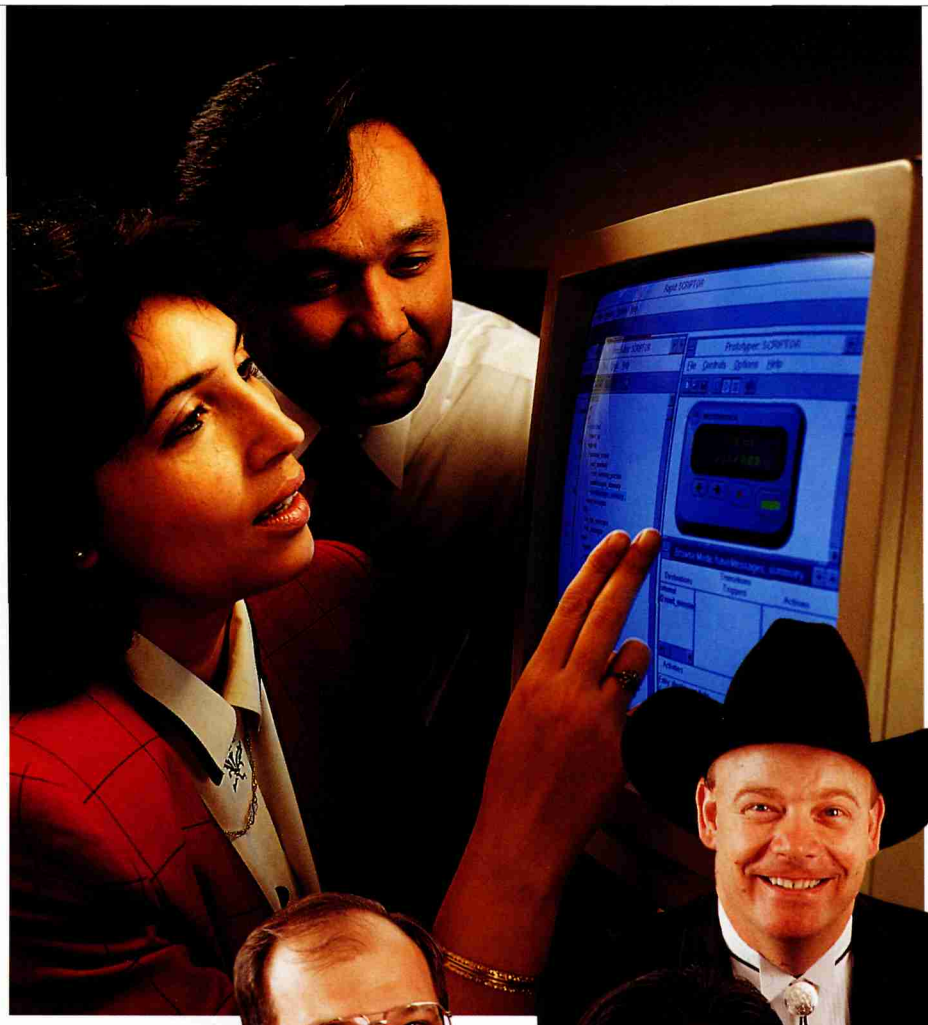
The IRIDIUM® global wireless personal communications system is designed to enable subscribers to make or receive telephone calls worldwide over handheld phones. The dual-mode phones will permit users to interconnect with their existing cellular networks, if available, in their home markets, and a constellation of 66 low-earth-orbit IRIDIUM satellites, like the one shown here, when traveling outside their home region.

These are only a few examples of how Motorola's technology platforms may change the way we live in the future and create whole new industries.





The creativity of Motorola's software engineers helps us to offer customers high-quality products as quickly as possible. This software application allows the customer to operate a prototype before the product has been manufactured, thus reducing costs and cycle time and enhancing customer satisfaction. Software is not only an integral part of Motorola's products, but is also critical in the development of those products.



Members of winning Total Customer Satisfaction teams from around the world gather for the global finals. The Motorola people shown here represent some of the best from more than 4,500 teams that competed in 1994. Countries represented in the worldwide finals include China, Germany, Israel, Japan, Korea, Malaysia, the Philippines, Singapore, Taiwan, the United Kingdom and the United States.

Drawing on Creativity from All Cultures To be the most competitive company in the markets it serves, Motorola strives to offer customers the highest quality products, as quickly as possible, at the lowest possible cost. This is a challenge that requires a degree of **CREATIVITY** that goes beyond the conventional approach to solving problems.

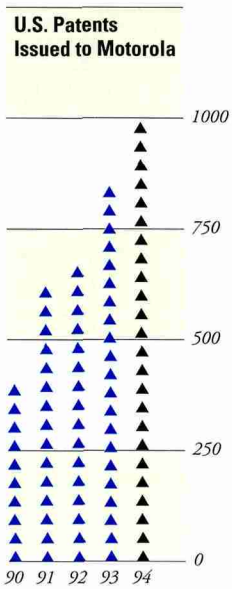
One of Motorola's key initiatives is empowerment for all, in a participative, cooperative and creative workplace. Our annual Total Customer Satisfaction (TCS) Team Competition showcases the results. The creative power of empowered teams can indeed achieve remarkable breakthroughs.

The Tango™ two-way alphanumeric pager represents creative evolution of the paging industry. Using a new, two-way paging protocol, the Tango is to be available in 1995.

More than 4,500 teams competed in 1994, representing almost 50,000 Motorola employees. A majority of teams were from outside the United States, and brought a new level of cultural diversity to problem-solving. One medal-winning team had members from four different countries. Many of the teams included suppliers, customers, service centers or dealers in addition to Motorola employees. TCS teams today are the essence of our *Six Sigma* quality culture.

The team culture also has transformed activities, ranging from product development and the filing of patents to reporting of financial information. Motorola people are committed to achieving dramatic reductions in cycle time to achieve competitive advantage and customer satisfaction.

Motorola is building on the creative strength of diverse cultures to create new global industries. The power of the global team is focused on achieving Total Customer Satisfaction.



Serving the Community Motorola is committed to being a good corporate citizen and a responsible neighbor in the communities in which we live and work. This commitment ranges from education, with an emphasis on math and science, to diversity, community renewal, human assistance and environmental programs.

Partnerships with communities are an essential part of Motorola's core strategy. Our business decisions consider the effect of our actions on our communities. Motorola people want their communities to be safe. They want to live in places where children have a chance to succeed.

The 23 winners of the CEO Award for Volunteerism were recognized for outstanding achievements in the community.

The CEO Award for Volunteerism recognizes outstanding employee achievements in the community. In 1994, 23 Motorola people from Scotland to Singapore won the award, for efforts in serving many types of needs, including those of children, the homeless, the disabled and victims of natural disasters.

Motorola's commitment extends to training and education. We recognize the importance of lifelong learning, for suppliers, customers and people in the community as

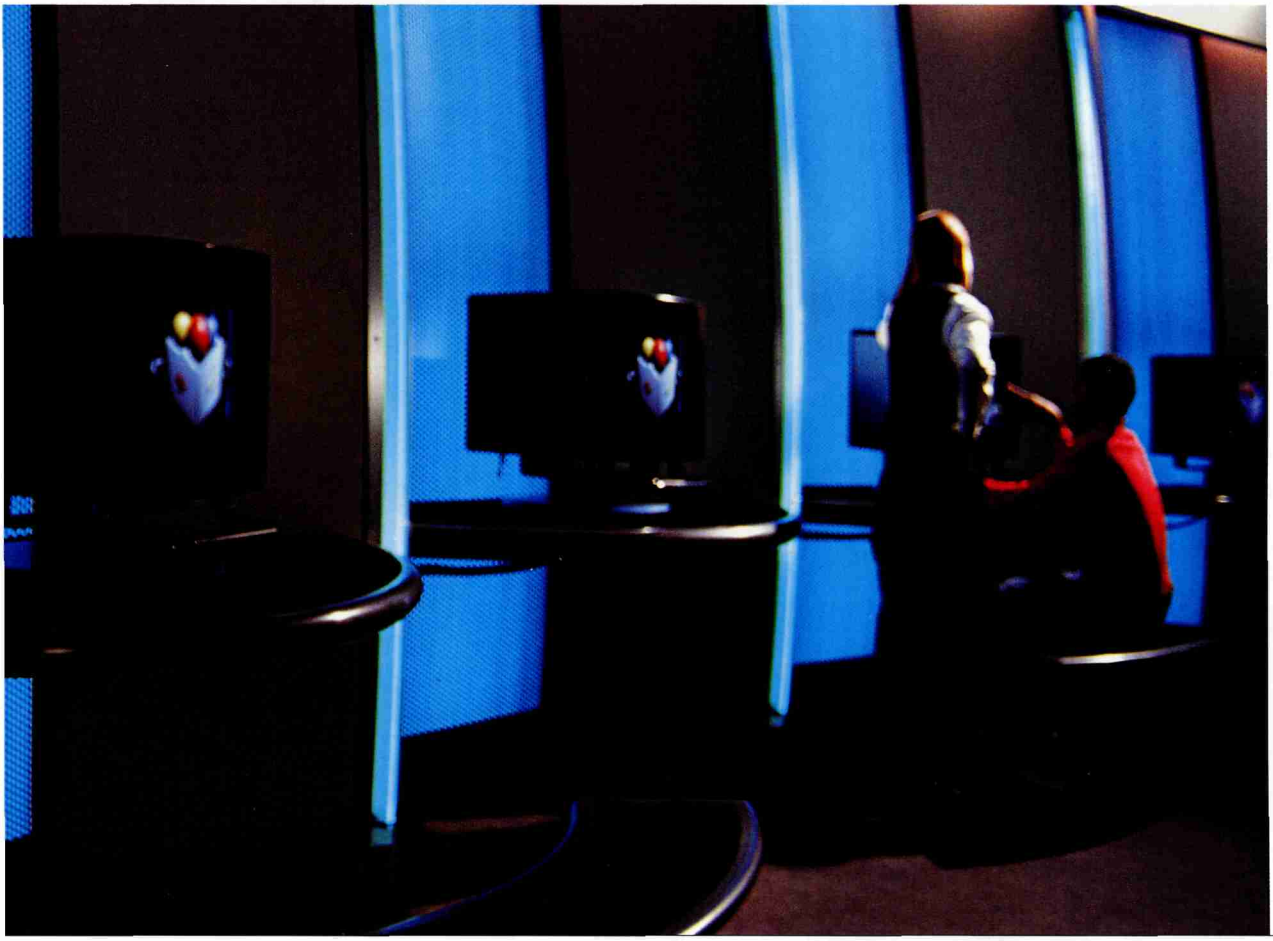
In summer "learning apprenticeship" programs and other activities, Motorola's future leaders throughout the world will develop lifelong learning skills. At the Motorola Museum of Electronics in Schaumburg, Ill., shown here, students learn basic scientific principles and discover the excitement of technology.

well as for our own employees. **We want to share the excitement of science and technology with people of all ages.**

Motorola has worked to bring systemic change and improvement to education. Our new parenting initiative also recognizes that children spend less than 10% of their time in school, and that parents are the most powerful force in the process of lifelong learning. We give our employees who are parents the opportunity to acquire the skills they need to cope with the demands of the workplace and family.

Motorola **VOLUNTEERS** have been especially active in environmental education. A team from Austin, Texas, won a CEO Environmental, Health and Safety Award for its efforts in developing and distributing the "Discovery Pack." It contains experiments and tools that can teach grade school children about air, water, wildlife and recycling. For older students, Motorola people developed an Earth Generation Environmental Science Kit in partnership with the U.S. Environmental Protection Agency (EPA) and the National Audubon Society. The kit challenges junior high school students to develop their own conclusions through experiments using a variety of learning skills.

Motorola's CEO Award for Environmental, Health and Safety was introduced in 1994 to highlight exemplary achievements. Recipients were recognized for creating and implementing global standards, reducing emissions and developing an environmental education program.



Motorola at a glance

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 other 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.

General Systems Sector

Business Activities

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

Worldwide Manufacturing Facilities

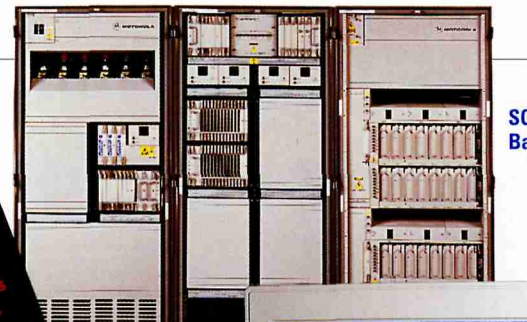
China, Tianjin; Germany, Flensburg; Israel, Arad; Malaysia, Penang; United Kingdom, Easter Inch, Swindon; USA, Arizona (Tempe), Illinois (Arlington Heights, Grayslake, Harvard, Libertyville)

Organization

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

Representative Products

MicroTAC® Elite™ Personal Cellular Telephone



SC™ 9600 Cellular Base Station System

PowerStack™ RISC PC Desk-Top Computer

Secure Clear™ Cordless Telephone

Semiconductor Products Sector

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

China, Tianjin; France, Toulouse; Germany, Munich; Hong Kong, Kwai Chung, Tai Po; the Philippines, Carmona, Manila; Malaysia, Kuala Lumpur, Seremban; Japan, Aizu, Sendai; Korea, Seoul; Mexico, Guadalajara; Singapore; Taiwan, Chung-Li; United Kingdom, East Kilbride; USA, Arizona (Chandler, Mesa, Phoenix, Tempe), California (Irvine); North Carolina (Research Triangle Park); Texas (Austin)

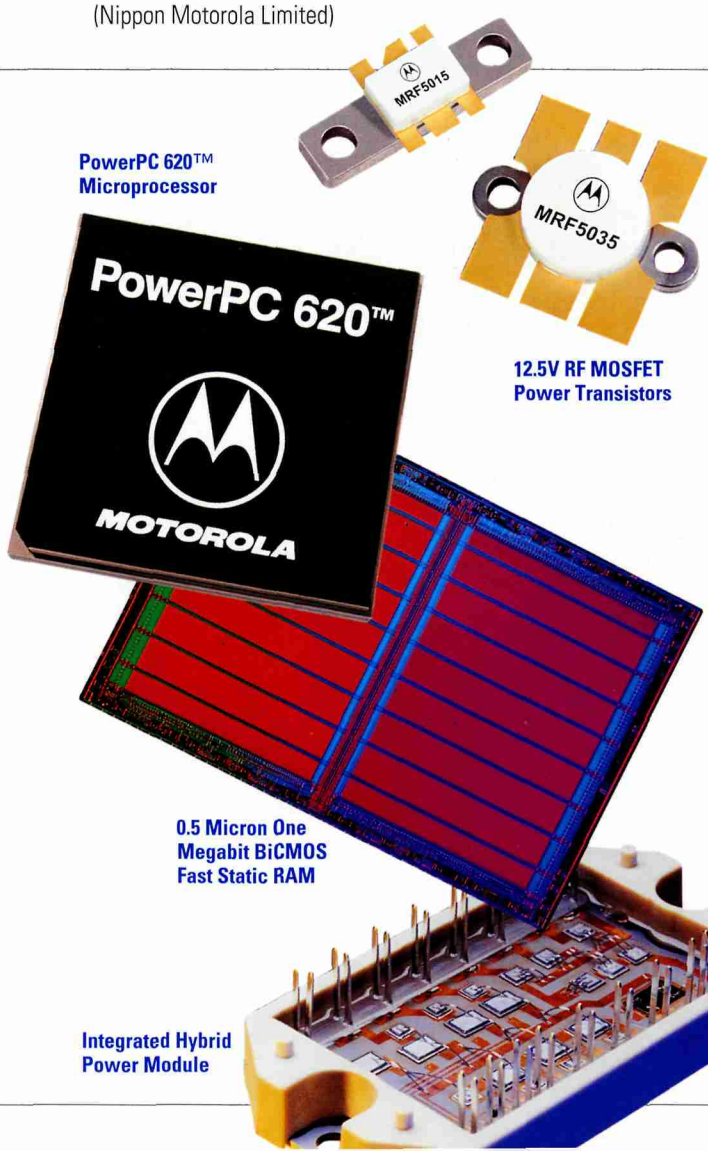
Asia-Pacific Semiconductor Group
Communications, Power and Signal Technologies Group
European Semiconductor Group
Logic and Analog Technologies Group
Microcontroller Technologies Group
Microprocessor and Memory Technologies Group
Semiconductor Products Division, NML
(Nippon Motorola Limited)

Land Mobile Products Sector

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

Germany, Taunusstein; Ireland, Dublin; Israel, Arad; Malaysia, Penang; USA, Florida (Plantation), Illinois (Schaumburg), Iowa (Mt. Pleasant)

Network Services and Business Strategies Group
Radio Network Solutions Group
Radio Parts and Service Group
Radio Products Group



PowerPC 620™ Microprocessor

12.5V RF MOSFET Power Transistors

0.5 Micron One Megabit BiCMOS Fast Static RAM

Integrated Hybrid Power Module

MTX 838™ Portable Two-Way Radio

Mobius™ Mobile Two-Way Radio

Sport SS Portable Two-Way Radio (right)

Radius SP50™ Portable Two-Way Radio (left)

VISAR® Portable Two-Way Radio

Messaging, Information and Media Sector

In addition to these sectors and groups, the New Enterprises organization manages Motorola's entry into strategically relevant, emerging high-growth and high-technology global business opportunities. Examples include investments in personal communications, energy systems, 3D and interactive multimedia, health care systems, information services, entertainment, education, the environment and software, among others.

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

This Motorola at-a-glance display represents the organization of Motorola's major business. For industry segment reporting information, see Review of Operations and Notes to Consolidated Financial Statements.

Business Activities

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.

Worldwide Manufacturing Facilities

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

Organization

Information Systems Group
Multimedia Group
Paging Products Group
Wireless Data Group
International Networks Division

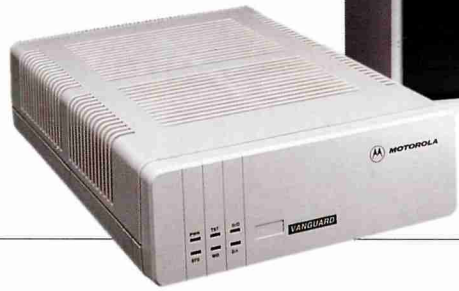
Representative Products

Ultra Express™ Pager

14.4 PCMCIA Lifestyle™ Modem

Envoy™ Wireless Personal Communicator

C-NET Paging Network Control Station



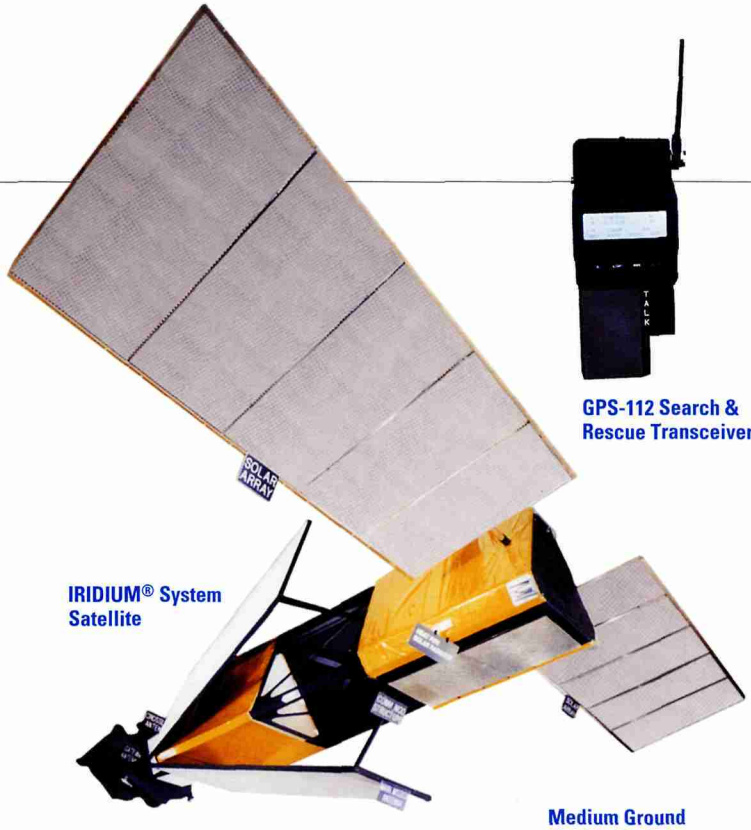
Vanguard™ 100 Frame Relay Access Device

Government and Space Technology Group

Specializes in research, development and production of electronic systems and products for U.S. government projects. The group's Satellite Communications Division is developing the IRIDIUM® satellite-based communication system.

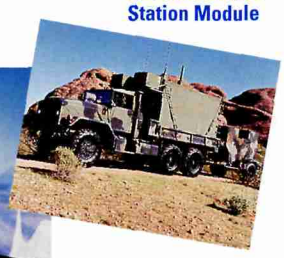
USA, Arizona (Chandler, Scottsdale)

Diversified Technologies Division
Government Electronics Division
Satellite Communications Division



IRIDIUM® System Satellite

GPS-112 Search & Rescue Transceiver



Medium Ground Station Module

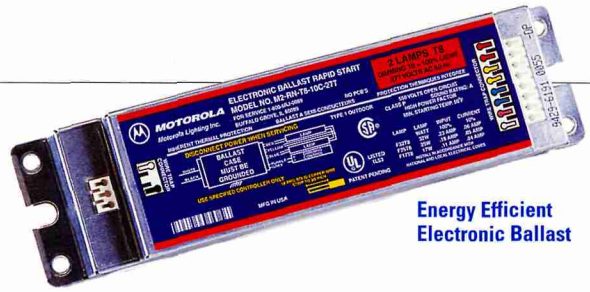
PET-2000 Portable Emergency Transceiver

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.

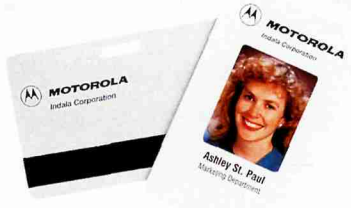
China, Tianjin; Costa Rica, San Jose; France, Angers; Ireland, Dublin; Malaysia, Penang; Singapore; Taiwan, Chung-Li; United Kingdom, Stotfold; USA, Arizona (Scottsdale), California (San Jose), Georgia (Atlanta), Illinois (Buffalo Grove, Northbrook, Schaumburg, Vernon Hills), New Mexico (Albuquerque),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

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



Energy Efficient Electronic Ballast

Automotive Body Control Modules



Lithium Ion Battery and Charger

Indala Multi-Tech Proximity Card

3D Prism Filter

Review of Operations

General Systems Sector (GSS)

Segment sales advanced 64% to $8.6 billion and orders rose 58%. Segment operating profits were higher. Worldwide cellular sales grew rapidly for both subscriber and infrastructure equipment. In the cellular industry, the number of subscribers at the end of 1994 exceeded 50 million worldwide, an increase of more than 50% from 1993.

Customers throughout the world chose Motorola's cellular infrastructure systems. Contracts for digital GSM (Global System for Mobile) Communications systems were awarded to us in Andorra, France, Hong Kong, Jordan, Kuwait, Lebanon, Lithuania, Morocco, Nigeria, Russia, South Africa, Sweden, Thailand, Turkey and the United Kingdom. We now have more than 30 contracts for GSM systems worldwide. New contracts for analog systems came from the Philippines, Kazakhstan, Russia and several countries in Africa.

In China, Motorola has been awarded more than 140 cellular infrastructure contracts for analog and digital systems in 23 of China's 27 provinces, including the country's largest GSM system in Beijing and an analog system expansion in Shanghai.

Three customers in Japan began offering digital phone service using Motorola equipment and technology. We also reached an agreement with Nippon Idou Tsushin to expand the service area for the Motorola Total Area Communication System (TACS) in the Tokyo and Nagoya areas.

In the United States, Sprint announced plans to deploy Code Division Multiple Access (CDMA) technology from Motorola in its Las Vegas, Nev., cellular system. AirTouch Communications agreed to purchase CDMA networks for use in California and Georgia, and U.S. West New Vector Group awarded a CDMA infrastructure contract for its entire Arizona network.

Motorola also has contracts to supply commercial CDMA systems in Hong Kong and the Philippines. Argentina plans to conduct the first trial of CDMA in Latin America.

We announced the INReach™ radiotelephone system, which enables a person to use a cellular phone as a desk phone extension or in place of a desk phone, within a building or campus-like setting. The new IN2™ Solution Center uses open architecture and industry standards to quickly bring to market advanced intelligent network services for the wireless industry.

Five new base stations were announced for analog and digital cellular and Personal Communications Service (PCS) standards.

New subscriber equipment included the MicroTAC® Elite™ personal cellular telephone. Weighing 3.9 ounces, it is the lightest such phone available in the world. A special edition of the MicroTAC International 8200 GSM phone, the lightest digital pocket phone, also was introduced.

To meet rapidly increasing demand, the Cellular Subscriber Group began construction of a new manufacturing, engineering and administrative facility in Harvard, Ill.

Motorola's CableComm™ technology is to be used in a trial system in which Teleport Communications Group will offer telephone service in Arlington Heights, Ill., on the same coaxial cable that carries programming on the cable television distribution network of Tele-Communications Inc. (TCI).

The Computer Group introduced a family of board-level products based on the PowerPC™ 603 and PowerPC 604 microprocessors. The group also announced entry into the PowerPC motherboard market with its Ultra™ and Atlas™ motherboards used in desktop personal computers.

The PowerStack™ family of computers, capable of supporting a variety of operating environments, was announced. Based on the PowerPC 603 and 604 microprocessors, the family will be available with IBM's AIX™ and Microsoft's Windows NT 3.5™ operating systems.

The Computer Group plans to develop products based on the new PowerPC Hardware Reference Platform specification by Apple Computer, IBM and Motorola. The new platform defines an architecture that is expected to support a number of industry operating systems and can be used by any hardware or software vendor to build compatible PowerPC-based computer products.

Semiconductor Products Sector (SPS)

Segment sales advanced 22% to $6.9 billion, achieving 24 consecutive quarters of growth. Orders rose 19% and operating profits were higher. The results reflect the sector's focus on providing customers with systems solutions based on leadership products.

Double-digit order growth was recorded in all regions except Asia-Pacific. Increases in all major market segments were paced by automotive, followed by communication, indirect distributors, computer, personal computer/workstation, industrial and consumer.

In communications, bipolar complementary metal oxide semiconductor, or BiCMOS, technology, fully emerged as a vital addition to our portfolio.

Using gallium arsenide, we introduced a chip set of three integrated circuits for cordless phone applications that will reduce power consumption, product cost and size and increase talk time. A family of advanced CMOS gate arrays was introduced for high-performance communications and computing applications.

In automotive markets, we provide 13 of the top 14 manufacturers worldwide with microcontrollers that power engine management systems. Propelling the growth of this market is the need for cleaner-burning engines and improvements in fuel economy and vehicle safety. Our new System Chip integrates all functions of a multiplex module into one chip, saving cost, space and paving the way for further power train management integration. The embedded PowerPC MC500 microcontroller series promises even greater enhancements.

In computing, support continued to build for the PowerPC family of reduced instruction set computing (RISC) microprocessors being developed with IBM and Apple Computer. Motorola is committed to making the PowerPC architecture an open industry standard. Volume production was achieved on the PowerPC 603 chip (for portable and entry-level desktop computers) and sampling of the 604 chip (for high-end desktop systems, midrange servers and high-performance graphics workstations) was under way at the end of 1994. First silicon was achieved for the first 64-bit implementation of PowerPC architecture, the 620, for servers and high-end workstations. Motorola will manufacture all three chips.

The port of Microsoft's Windows NT 3.5 "Daytona" operating system to PowerPC platforms was completed, and suites of software development tools for numerous platforms enhanced programming productivity by software and hardware vendors and original equipment manufacturers. Some 225 independent software vendors are developing hundreds of native PowerPC applications for a variety of operating systems and PowerPC platforms. More than 60 native PowerPC applications were demonstrated at the industry's fall COMDEX computer show, and in January 1995, Apple Computer announced shipment of its 500th native Power Macintosh® application.

Key consumer applications were announced, including use of embedded PowerPC microprocessors to drive CD-ROM multimedia players from Apple Computer and Bandai Co., 3DO's Interactive Multiplayer systems, and Microware's tools used to develop leading interactive television applications. Demand for cache memory in workstations and personal computers fueled rapid growth in fast static random access memories. In the networking arena, we announced OPTOBUS™, an optical link technology that allows an inexpensive fiber optic assembly to link computer systems over short distances, with a data transfer rate of 3 billion bits per second.

We added a new 32-bit product line to our 68000 family of microprocessors and unveiled the FlexCore™ system, a program to enable customers to create custom processors based on 68000 and PowerPC architectures. Microcontroller introductions included 10 versions of low-voltage, 8-bit products for telecommunication applications, and a new 8-bit family featuring a more powerful processor that offers attractive price-performance benefits.

In the consumer, entertainment and multimedia arena, we introduced a fifth generation of radio frequency (RF) amplifiers for cable television applications. The industry is adopting the 68000 and PowerPC architectures for set-top applications. Eurodec, General Instrument, Hewlett-Packard, Philips, Scientific Atlanta and Tee-Com are among our customer partners.

For audio, we announced an alliance with Dolby, Onkyo and Lucas Film to bring advanced digital sound technology to home and theater applications using our digital signal processors. We sampled a chip set developed with BT (British Telecom) that brings teleconferencing to the desktop. We provided a second-generation compact-disc-interactive (CD-I) chip set to Philips. Philips also received shipment of the world's most highly integrated color picture-in-picture integrated circuit for consumer television applications. We continued development of a high-definition television chip set that will meet proposed Federal Communications Commission standards.

In the industrial segment, we developed low-pressure sensors for appliances and in-home and building environmental controls. We continued to expand hybrid power module offerings to improve energy efficiency in motors and other equipment. In network control technology, LonBuilder™ development systems were shipped to several major customers. A second generation Neuron® Chip was introduced for LonWorks™ systems.

Communications Segment

In this segment, composed of the Land Mobile Products Sector (LMPS) and the Paging Products and Wireless Data Groups, sales rose 19% to $5.8 billion and orders rose 7%. Segment operating profits were higher.

In LMPS, new orders were higher, led by North American and European markets. Orders increased in 1994 for the Motorola Integrated Radio

System (MIRS™), which offers voice dispatch, wireless phone, text messaging and future data capabilities, as MIRS-based systems became operational in several U.S. cities and in Japan and Israel. MIRS orders were, however, weak in the fourth quarter.

LMPS received several contracts for systems using its Astro™ digital products and signed agreements with three companies to license Motorola's digital technology to develop and produce public safety communications products that comply with standards of the Association of Public Safety Communications Officials International, Inc.

The State of Michigan issued a contract for the first phase of a $187 million award for Astro digital technology for a statewide public safety communications system. Other major Astro awards were received in Switzerland and the United States.

Contracts for wide-area trunking systems were awarded in Russia and the UK. Other major orders were received in Colombia, El Salvador, Mexico and Poland. In Ecuador, Motorola formed a joint venture with Isaias Group to offer shared trunked radio services in that country.

We introduced the LINGO™ digital portable and mobile phones. Designed to operate with the MIRS system, LINGO phones provide the ability to switch from functioning as a dispatch two-way radio to a wireless phone with the touch of a button.

The new SP50 portable two-way radio, designed for price-sensitive and emerging markets, was announced at Motorola's first-ever worldwide dealer conference, which included dealer and distributor representatives from over 20 countries. The line of VISAR® portable two-way radios also was expanded with a trunked version for shared system applications in Asia. A major order for VISAR radios was received in Thailand.

LMPS continued to expand its worldwide network of distributors, dealers, and resellers in Asia, Eastern Europe, and Latin America. The sector expanded its distribution network to reach new users in the light commercial and the outdoor recreation markets. Products to serve these markets are now sold in various retail outlets and outdoor sports catalogs.

In the Paging Products Group, orders continued to set records. Strong U.S. growth was fueled by retail products such as the Memo Express™ pager, the first alphanumeric model designed for the consumer market. We announced the Pro Encore™ numeric display pager for use with the Flex™ paging protocol, which increases channel capacity five times over the current standard.

China continued to be a major market for paging. The Scriptor LX2™ and Instinct™ pagers were launched during the year. We also began producing pagers in India, where 93 licenses for paging systems have been awarded in 27 major cities.

In Europe, the "calling party pays" concept was introduced in various countries and stimulated demand at the retail level. In Japan, the Ministry of Posts and Telegraph selected Motorola's Flex coding system as the base of a standard for the next-generation paging system. Deregulation of the paging market in Japan, expected during 1995, will enable customers to own equipment for the first time.

We demonstrated two-way paging using our ReFlex™ protocol. Motorola also plans to supply equipment that will function as a portable wireless answering machine. Paging Network Inc. announced plans to introduce the VoiceNow® personal communications service based on new voice technology being developed by Motorola.

The Wireless Data Group introduced the Envoy™ wireless communicator, based on General Magic, Inc. software, and the Marco™ wireless communicator, based on Apple Computer's Newton® platform. The devices allow users to exchange messages with their work groups, access information, send wireless messages to fax machines and receive news and stock market updates.

Sprint Cellular Co. began a field trial of Motorola's CelTAC™ Cellular Digital Packet Data (CDPD) system. The field trial will allow an oil and gas company to control and monitor its wellheads through Sprint's cellular network channels.

The Personal Messenger™ 100D, a wide-area wireless data pocket-sized PC modem card, was introduced in the Asia-Pacific market. The group also introduced two new versions of the InfoTAC™ two-way messenger.

Government and Space Technology Group (GSTG)

Segment sales declined 3% to $829 million and orders rose 36%. The group recorded a larger loss than in 1993. GSTG increased its presence in the space industry while continuing its government and defense business.

Development of the IRIDIUM® global wireless personal communications system continued with all scheduled contractual milestones achieved during the year. Iridium, Inc., the global consortium of companies funding the system, completed its planned equity financing activity by raising an

additional $733 million in equity commitments. Total capital committed to the IRIDIUM system from all investors now equals $1.57 billion. Motorola owns about 26% of Iridium, Inc.

The IRIDIUM system is expected to be the first operational global wireless telecommunications network enabling subscribers to make or receive telephone calls over handheld subscriber equipment worldwide. The IRIDIUM system is expected to become commercially available worldwide by the end of 1998.

GSTG received contracts from the Federal Aviation Administration for the Portable Emergency Transceiver-2000 (PET-2000) backup ground-to-air radio and the CM-50/51 linear power amplifier. The transceivers will provide comprehensive communications if standard ground-to-air communications systems are unavailable due to power outages, natural disaster or other emergency conditions. The amplifiers will provide for air traffic control communications beyond normal ranges.

The Department of Defense awarded a contract for development of the 21st Century Land Warrior Generation II Soldier system. The Generation II Soldier is an advanced head-to-toe fighting system with data, communication and protective equipment designed for ground forces.

The Kansas Turnpike Authority selected the Motorola/Amtech Intellitag Products joint venture for installation of an electronic toll collection system. Intellitag® 2000 toll collection equipment will record and process vehicle transactions automatically.

Automotive, Energy and Controls Group (AECG)

Sales were 64% higher and orders rose 68%. Operating profits were higher. AECG's performance was led by strong demand for component and energy products for Motorola's wireless communications equipment, including quartz and ceramic components, batteries and chargers, as well as electronic ballasts. The group's results are reported as part of the "Other Products" segment.

Demand for automotive electronics products also remained strong. Major automotive orders included programs for engine control modules, body electronics and sensors. This year the group launched two families of body control modules for Ford Motor Company that include lighting, seat and door controls as well as a remote keyless entry system, and are featured on four of Ford's large luxury car platforms.

This year the group also began manufacturing PC desktop video conferencing hardware for BT (formerly British Telecom).

Indala Corp., a wholly owned subsidiary and manufacturer of radio frequency identification (RFID) cards, introduced a number of new and enhanced RFID products to the proximity and access control markets. Motorola Lighting, Inc., expanded its distribution network, signed a 10-year supply agreement with General Electric Lighting and introduced a dimming ballast that can control fluorescent lamps from 100% to 10% light output.

The joint venture formed by Motorola and Schlumberger Ltd. began field trials for its automated utility meter reading systems in North America and Europe. Motif, Inc., a joint venture of Motorola and In Focus Systems, restructured in 1994 to focus on the development of Active Addressing™ technology for liquid crystal displays.

Information Systems Group (ISG)

Group sales declined 5% and orders were 8% lower. Operating profits were lower. The group's results are reported as part of the "Other Products" segment.

ISG moved into the retail market with the launch of the Power Class™ and Lifestyle™ Series PC modem cards for small office and home office environments. They operate at up to 14.4 kilobits per second for cellular and wireline applications. ISG also introduced the industry's first V.34 modem designed for high performance in traditional corporate markets. The Motorola V.3400 won several industry awards.

A number of new digital transmission products were launched, including a hybrid modem capable of combining Integrated Services Digital Network (ISDN) data, high-speed analog modem and fax capabilities in a single platform. Also introduced were several new ISDN terminal adapters as well as a new data service unit boosting Motorola's T1 and fractional T1 capabilities. Customer response has been strong, and Ameritech has teamed with ISG, standardizing on the TA210 for its expanding ISDN service.

The Vanguard™ family of Frame Relay Access Devices (FRADs) was brought to market in 1994, strengthening Motorola's market leadership in this rapidly growing market. U.S. carriers using Vanguard FRADs in their frame relay services include USWest, MCI and Pacific Bell.

Financial Review

Motorola, Inc. and Consolidated Subsidiaries

Motorola Management's Discussion and Analysis of Financial Condition and Results of Operations include the Financial Results section of the Letter to Stockholders on pages 2-3 and the Review of Operations on pages 20-23, in addition to the following commentary. This commentary should be read in conjunction with the Consolidated Financial Statements and Notes, presented on pages 30-43, for a full understanding of Motorola's financial position and results of operations.

Results of Operations

Motorola, Inc.

1994 Compared with 1993

Sales increased 31% to $22.2 billion from $17.0 billion in 1993. International market sales, as measured by the locale of the end customer, represent 56% of total sales in 1994, compared to 54% in 1993. The highest regional growth rates were achieved in Japan, Latin America and Europe, followed by the rest of the Asia-Pacific region, China and Canada.

Segment operating profits were $2.87 billion in 1994 compared to $1.94 billion in 1993. The Company's increased profitability continued to be primarily affected during 1994 by significant volume increases combined with its efforts to contain costs.

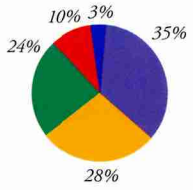
Net earnings in 1994 were $1.56 billion, or $2.65 per fully diluted common and common equivalent share, compared to $1.02 billion in 1993, or $1.78 per fully diluted common and common equivalent share. Net margin on sales was 7.0%, compared with 6.0% during 1993.

Sales in the fourth quarter of 1994 were $6.5 billion, up 29% from $5.0 billion in the fourth quarter of 1993. Earnings in the fourth quarter were $515 million, or $0.86 per fully diluted common and common equivalent share, compared with $340 million, or $0.58 cents per fully diluted common and common equivalent share during the fourth quarter of 1993.

Motorola's selling, general and administrative expenses during 1994 were $4.4 billion or 20% of sales, compared to $3.8 billion or 22% of sales in the same period a year ago. By comparison to 1993, expenditures during 1994 included a significantly lower level of expenses for charges resulting from the Company's ongoing evaluation of its operations, organizational structure and asset valuations. Motorola routinely reviews its business strategies, organizational structure and asset valuations, and implements changes deemed appropriate by management.

1994 Net Sales By Business Segment

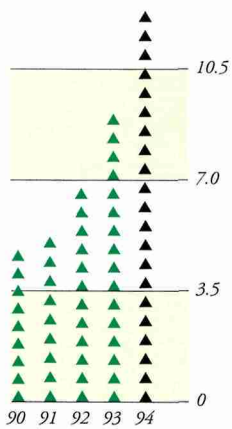
(In percentages)



- *General Systems 35%*
- *Semiconductor 28%*
- *Communications 24%*
- *Government and Space Technology 3%*
- *Other 10%*

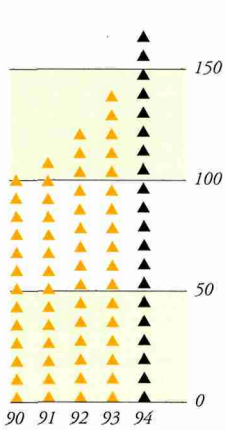
International Market Sales

(In billions)



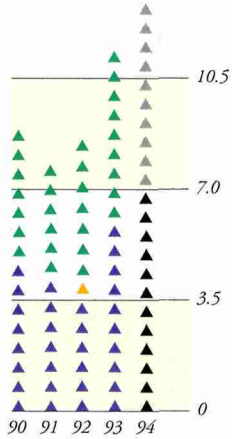
Sales Per Employee

(In thousands)



Profit Margins

(In percentages)



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

Property, plant and equipment, less accumulated depreciation, increased $1.5 billion since December 31, 1993, primarily due to the expansion of the Company's semiconductor business. Depreciation expense increased 30% in 1994 in comparison to 1993 due to increased fixed asset expenditures, and is expected to increase significantly in 1995 over 1994 levels. Fixed asset expenditures for 1994 were $3.3 billion, compared to $2.2 billion in 1993, and are expected to increase to $4.5 billion in 1995, although that amount is an estimate and may differ from the amount actually spent.

The effective tax rate for 1994 of 36% was up from the 1993 rate of 33%, principally due to comparatively more rapid profit growth in countries with high tax rates, including the United States. The Company's expectation is that this trend will continue, resulting in an expected 37% effective tax rate for 1995.

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 foreign 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.

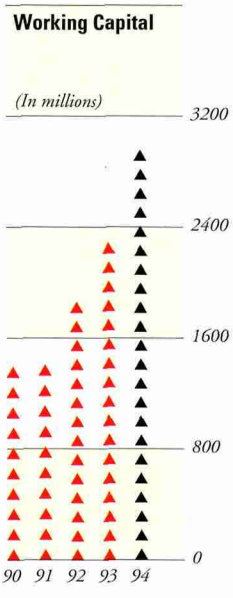
1993 Compared with 1992

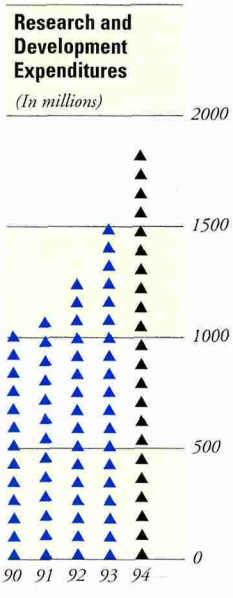
Sales increased 28% to $17.0 billion from $13.3 billion in 1992. International market sales, as measured by the locale of the end customer, represented 54% of sales in 1993, compared to 52% in 1992. During 1993, a significant portion of the Company's growth was in the People's Republic of China/ Hong Kong and the rest of the Asia-Pacific region.

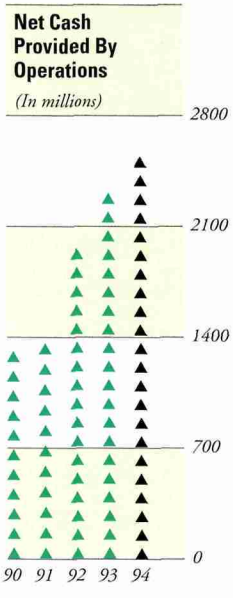
Segment operating profits were $1.94 billion, up from $1.14 billion in 1992. During 1993, the Company's profitability was primarily affected by significant volume increases driven by demand for its products.

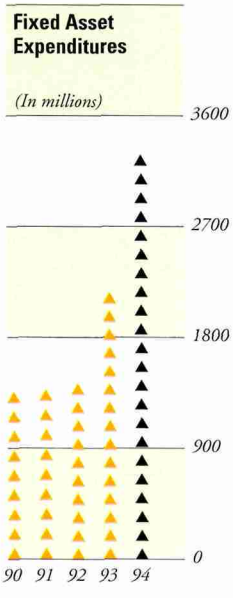
Net earnings in 1993 were $1.02 billion, or $1.78 per fully diluted common and common equivalent share, compared with $576 million before the cumulative effect of the change in accounting principle, or $1.05 per fully diluted common and common equivalent share a year earlier. During 1992, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Net margin on sales for 1993 was 6.0%, compared with 4.3% in 1992, before the cumulative effect of the change in accounting principle.









Motorola, Inc. Segments

The following commentary should be read in conjunction with the financial results of each reporting segment as detailed in note 7, "Information by Industry Segment and Geographic Region," to the Consolidated Financial Statements in this Annual Report.

General Systems Products

The General Systems Products segment primarily develops, manufactures, sells, installs and services cellular infrastructure and cellular telephone subscriber units. The Motorola Computer Group, within this segment, develops, manufactures, sells and services multi-function computer systems and board level products, together with operating systems and system enablers. The segment also includes the Network Ventures Division and Personal Communications Systems Division.

Competition is worldwide across all the segment's businesses and includes price competition. During 1994, price competition has been a contributing factor to the segment's lower gross margins, and is expected to continue into 1995. The segment continues to focus efforts on reducing the overall unit cost to counter this trend. Despite lower gross margins, the segment's operating margin increased overall during 1994 as a result of its emphasis on efficiency in its processes and its ability to control selling, general and administrative expenses. Other competitive factors in the market for the products are service, delivery, technological capability, and product quality and performance.

The segment's infrastructure sales and profit performance is becoming increasingly focused on large system orders, which increases the volatility of orders, revenues and profits recognized during any particular period. The segment's shipments of cellular telephones were extremely strong during the fourth quarter of 1994 because of holiday demand from carriers and retailers. During that quarter, the Company believes that U.S. carriers and distributors built up their Motorola cellular telephone inventory to a level several weeks in excess of their near-term requirements and that their inventories of these products should be gradually reduced to more normal levels during the early part of 1995, as reduced shipments to them by Motorola continue.

The segment's fixed costs and production facility capacity increased when compared to 1993. The segment was able to meet, during 1994, a portion of the demand for additional volume through expanded production lines, expanded work weeks and emphasis on quality and efficiencies in its production processes. During 1994, the segment began the construction of a major new facility for manufacturing cellular telephones which is expected to begin production in 1996.

Semiconductor Products

The Semiconductor Products segment manufactures a broad line of semiconductor devices for both consumer and industrial applications.

Prices for the segment's existing products continued to decline overall, an historical trend in the industry that is expected to continue. The segment's revenue growth was achieved through higher sales volumes and the introduction of new products.

When compared to 1993, segment operating profits were higher, even though gross margins were lower. The gross margins were lower because the segment has experienced higher costs during 1994 resulting from the startup costs associated with adding new manufacturing capacity, which is expected to continue into 1995. During 1994, the segment was generally able to offset higher costs by improving yields, increasing factory utilization rates, higher worker productivity and its ability to control selling, general and administrative expenses.

The segment has seen a decline in orders for the 68000 microprocessor family of products, primarily as the result of Apple Computer Corporation's transition to the PowerPC™ 601 product, which they are presently purchasing from IBM. The segment is expected to manufacture the PowerPC 603, 604 and 620 products in 1995, and sell them to a group of customers including Apple Computer Corporation.

Some of the devices produced by the Semiconductor Products segment represent the main source of supply of these devices to other operating units of Motorola. The segment has, at times, experienced capacity constraints on some key device types. The Company's ability to manufacture cellular telephones and other products may be affected by changes in the available mix of semiconductor devices supplied by this segment. If overall customer demand for semiconductors remains strong, Motorola does not expect that these capacity constraints will ease until sufficient wafer

fabrication capacity becomes available, which possibly could begin during 1995. In addition, the fourth quarter inventory build-up of cellular telephones and the weak demand for Motorola Integrated Radio Systems (MIRS™) products should moderate the rate of internal shipments of semiconductors for cellular telephones and MIRS products until the build-up is eliminated and demand for MIRS products increases.

During 1994, the segment purchased a wafer fabrication facility from Harris Corporation in Research Triangle Park, North Carolina, and has agreed to purchase an existing manufacturing facility in South Queensferry, Scotland, from Digital Equipment Corporation. The segment has announced the expansion of facilities in East Kilbride, Scotland, and Toulouse, France, and opened a new research center in Toulouse and a new design center in Sendai, Japan. In addition to the segment's factory expansion program, it is actively pursuing additional capacity through the sourcing of products from outside vendors. Because of the strong market demand, the available quantity of some products has been allocated between customers, including other Motorola operating units, from time to time.

Communications Products

The Communications Products segment is composed of the Land Mobile Products Sector and the Paging Products and Wireless Data Groups.

The business of the Land Mobile Products Sector has become increasingly focused on large system awards and their associated subscriber equipment, which could increase the volatility of orders, revenues and profits recognized during any particular period. The sector's revenue growth during 1994 was primarily driven by the introduction of MIRS products. Competition is worldwide and no single factor is dominant. Competitive factors include price, product performance, product quality, and service and systems quality and availability.

In August 1994, Motorola executed an agreement with Nextel Communications, Inc. under which Motorola will receive shares of Nextel stock in exchange for most of the segment's 800 MHz specialized mobile radio service (SMRS) businesses, systems and licenses in the continental United States. Details of the Nextel Agreement, including the various conditions to closing, and the related financing commitments, are included in note 6 to the Consolidated Financial Statements.

During the fourth quarter of 1994, sales and orders of MIRS products were weak and that weakness is expected to continue for some time due to a variety of factors, including the need by Nextel Communications, Inc. and other customers to conclude the Nextel Agreement and other transactions, as well as financing and system optimization and build-out issues.

The Paging Products and Wireless Data Groups design, manufacture and distribute paging, data and gateway communications products on a worldwide basis. The groups also have businesses which provide network services for paging and data subscribers that are wholly owned and operated, and also through domestic and international joint ventures.

The groups' 1994 revenue growth has primarily resulted from volume increases and new product deliveries. The groups do business in the competitive, global telecommunications markets. Competition is based primarily on quality, technology, service and price. Price competition, especially in paging products, is expected to continue in 1995.

Markets in the Peoples' Republic of China were the source of a significant amount of the Paging Products Group's revenue during 1994 and 1993. As the China market for paging products has matured, a seasonal pattern has developed in which orders decline in the fourth and first quarters. A significant number of new products were introduced in each of the various operations during 1994.

Government and Space Technology Products

The Government and Space Technology Group is engaged in the design, development and production of electronic systems and products for U.S. government projects. The group's Satellite Communications Division is developing the IRIDIUM® satellite-based communication system.

The group's revenues and profits have been adversely affected by the decrease in the United States federal defense budgets. The group is expanding the application of its core capabilities to support global growth opportunities within other Motorola businesses.

Competition for the IRIDIUM system is building, as at least five other companies have announced intentions to create low-earth-orbit satellite systems. On January 31, 1995 the Federal Communications Commission (FCC) issued a license to a Motorola subsidiary to construct, operate and launch the IRIDIUM system, although additional authorizations are required in the U.S. and other countries in which the IRIDIUM service is to be offered.

Other Products

The Other Products segment includes the Automotive, Energy and Controls Group where performance was led by strong demand for component and energy products for use primarily within Motorola's wireless communications businesses. The fourth quarter inventory build-up of cellular telephones and the weak demand for MIRS products should moderate the rate of internal shipment of some of the Automotive, Energy and Controls Group products used in connection with cellular telephones and MIRS products until the build-up is eliminated and demand for MIRS products increases. The Other Products segment also includes the Information Systems Group, where sales were 5% lower and operating profits were lower.

Liquidity and Capital Resources

Net cash provided by operations reached a record $2.55 billion in 1994 compared with $2.31 billion in 1993 and $1.96 billion in 1992.

During 1994, the Company experienced a significant increase in its cash requirements because of higher fixed asset expenditures, especially for the Semiconductor segment, purchased material requirements, increasing federal income tax payments and funding of the Motorola Profit Sharing and Pension trusts. During November 1994, the Company completed a public offering of 17.1 million shares of common stock. The net proceeds of $973 million from the offering were used to reduce notes payable.

On November 1, 1994, the Company's Board of Directors approved a 43% increase in the quarterly dividend on common stock. The Directors declared a regular quarterly dividend of 10 cents per share, payable on January 16, 1995 to stockholders of record on December 15, 1994. The previous dividend was 7 cents per share. The increased dividend follows a 2-for-1 stock split that was distributed on April 18, 1994. At that time, the dividend was increased to 7 cents from 5.5 cents per share.

The number of weeks that accounts receivable were outstanding increased to 6.8 for 1994 compared to 6.1 for 1993. Accounts receivable weeks for 1992 were 7.1. The main reason for the increase was a general shift towards large system orders, which tend to have higher balances and longer customer-approval processes. Inventory turns decreased slightly to 5.7 in 1994 from 5.8 in 1993.

The Company's ratio of net debt to net debt plus equity was 12.1% at December 31, 1994 compared with 11.9% in 1993 and 15.2% in 1992.

During 1994, the Company and its finance subsidiary entered into a one- and a five-year revolving domestic credit agreements totaling $1.5 billion with a group of banks. These agreements replaced $800 million of bilateral domestic credit facilities of the Company and its finance subsidiary and contain various conditions, covenants and representations. At December 31, 1994, the Company's total domestic and foreign credit facilities aggregated $2.6 billion, of which $151 million were used and the remaining amount was not drawn, but was available to back up outstanding commercial paper which totaled $745 million at December 31, 1994. Total domestic and foreign credit facilities at December 31, 1993 totaled $1.9 billion, of which $83 million were used and the remaining amount was not drawn, but was available to back up outstanding commercial paper which totaled $293 million at December 31, 1993.

During 1994, the Company filed, and had declared effective, a universal shelf registration statement with the Securities and Exchange Commission covering up to $800 million of debt and equity securities. No securities have been issued under this shelf registration.

Fixed asset expenditures required to support current and long-term growth increased to $3.3 billion from $2.2 billion in 1993. The 1992 expenditures totaled $1.4 billion. The Semiconductor Products segment continues to comprise the largest portion of fixed asset expenditures, with 49% of all such investments.

IRIDIUM® is a registered trademark of Iridium, Inc.

Other Matters

Environmental Matters: Regulating agencies are proposing regulations and interpreting legislation in a manner that allows retroactive imposition of remedial requirements. A discussion of the Company's environmental matters is detailed in note 6 to the Consolidated Financial Statements.

Research and Development: Expenditures increased to $1.86 billion in 1994, up from $1.52 billion in 1993 and $1.31 billion in 1992. Over the past three years, the Company has invested 8% to 10% of every sales dollar in product development and technological advances, and continues to believe that a strong commitment to research and development is required to drive long-term growth.

Management's Responsibility for Financial Statements

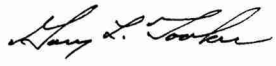
Motorola, Inc. and Consolidated Subsidiaries

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 LLP, 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, 1994 and 1993, 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, 1994. 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, 1994 and 1993, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in notes 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 LLP
Chicago, Illinois

January 9, 1995

Statements of Consolidated Earnings

(In millions, except per share amounts)		*Motorola, Inc. and Consolidated Subsidiaries*	
Years ended December 31	**1994**	1993	1992
Net sales	**$22,245**	$16,963	$ 13,303
Costs and expenses			
Manufacturing and other costs of sales	**13,760**	10,351	8,395
Selling, general and administrative expenses	**4,381**	3,776	2,951
Depreciation expense	**1,525**	1,170	1,000
Interest expense, net	**142**	141	157
Total costs and expenses	**19,808**	15,438	12,503
Earnings before income taxes and cumulative effect of change in accounting principle	**2,437**	1,525	800
Income taxes provided on earnings	**877**	503	224
Net earnings before cumulative effect of change in accounting principle	**$ 1,560**	$ 1,022	$ 576
Cumulative effect of change in accounting principle, net of tax	**–**	–	(123)
Net earnings	**$ 1,560**	$ 1,022	$ 453
Fully diluted net earnings per common and common equivalent share[1,2]			
Net earnings before cumulative effect of change in accounting principle	**$ 2.65**	$ 1.78	$ 1.05
Cumulative effect of change in accounting principle	**–**	–	(0.22)
Net earnings	**$ 2.65**	$ 1.78	$ 0.83
Fully diluted average common and common equivalent shares outstanding	**592.7**	583.7	567.1

[1] *Primary earnings per common and common equivalent share were the same as fully diluted for all years shown, except in 1994 when they were one cent higher than fully diluted. Average primary common and common equivalent shares outstanding for 1994, 1993 and 1992 were 591.7, 582.6 and 565.6, respectively (which includes the dilutive effects of the convertible zero coupon notes and the outstanding stock options).*

[2] *Includes adjustments for the 1994 and 1992 two-for-one stock splits effected in the forms of 100 percent stock dividends.*

Statements of Consolidated Stockholders' Equity

(In millions, except per share amounts)	Common Stock and Additional Paid-in Capital[1]			Retained Earnings		
Years ended December 31	**1994**	1993	1992	**1994**	1993	1992
Balances at January 1	**$1,875**	$1,510	$1,343	**$4,534**	$3,634	$3,287
Net earnings	**–**	–	–	**1,560**	1,022	453
Conversion of zero coupon notes	**251**	216	11	**–**	–	–
Stock issuance[2]	**973**	–	–	**–**	–	–
Stock options exercised and other	**80**	149	156	**–**	–	–
Dividends declared ($.310 per share in 1994, $.220 in 1993 and $.198 in 1992)	**–**	–	–	**(177)**	(122)	(106)
Balances at December 31	**$3,179**	$1,875	$1,510	**$5,917**	$4,534	$3,634

[1] *1994 and 1992 Stock Splits: An amount equal to the par value of the additional shares issued has been transferred from additional paid-in capital to common stock due to the two-for-one stock splits effected in the forms of 100 percent stock dividends. All references to shares outstanding, dividends and per share amounts have been adjusted on a retroactive basis.*

[2] *During November 1994, the Company completed a public equity offering of 17.1 million shares of common stock.*

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

(In millions, except per share amounts)	*Motorola, Inc. and Consolidated Subsidiaries*	
December 31	**1994**	1993
Assets		
Current assets		
Cash and cash equivalents	**$ 741**	$ 886
Short-term investments	**318**	358
Accounts receivable, less allowance for doubtful accounts (1994, $118; 1993, $91)	**3,421**	2,476
Inventories	**2,670**	1,864
Future income tax benefits	**928**	675
Other current assets	**847**	454
Total current assets	**8,925**	6,713
Property, plant and equipment, net	**7,073**	5,547
Other assets	**1,538**	1,238
Total assets	**$17,536**	$13,498
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable and current portion of long-term debt	**$ 916**	$ 555
Accounts payable	**1,678**	1,338
Accrued liabilities	**3,323**	2,496
Total current liabilities	**5,917**	4,389
Long-term debt	**1,127**	1,360
Deferred income taxes	**509**	433
Other liabilities	**887**	907
Stockholders' equity		
Common stock, $3 par value Authorized shares: 1994, 1,400; 1993, 700 Issued and outstanding shares: 1994, 588.0; 1993, 557.2[1]	**1,764**	836
Preferred stock, $100 par value issuable in series Authorized shares: 0.5 (none issued)	**–**	–
Additional paid-in capital	**1,415**	1,039
Retained earnings	**5,917**	4,534
Total stockholders' equity	**9,096**	6,409
Total liabilities and stockholders' equity	**$17,536**	$13,498

[1] *Includes adjustment for the 1994 two-for-one stock split effected in the form of a 100 percent stock dividend.*

See accompanying notes to consolidated financial statements.

Statements of Consolidated Cash Flows

(In millions)	*Motorola, Inc. and Consolidated Subsidiaries*		
Years ended December 31	**1994**	1993	1992
Operating			
Net earnings	**$ 1,560**	$ 1,022	$ 453
Add (deduct) non-cash items			
Cumulative effect of change in accounting principle	**–**	–	123
Depreciation	**1,525**	1,170	1000
Net change in deferred income taxes	**(177)**	50	(23)
Amortization of debt discount and issue costs	**22**	26	29
Gain on disposition of investments in affiliated companies	**(9)**	(9)	(12)
Change in assets and liabilities, net of effects of acquisitions and dispositions			
Accounts receivable, net	**(945)**	(439)	(82)
Inventories	**(806)**	(539)	(77)
Other current assets	**(328)**	(44)	(67)
Accounts payable and accrued liabilities	**1,134**	927	675
Other assets	**595**	(95)	(16)
Other liabilities	**(19)**	245	(42)
Net cash provided by operations	**2,552**	2,314	1,961
Investing			
Acquisitions and advances to affiliated companies	**(894)**	(408)	(117)
Dispositions of investments in affiliated companies	**23**	67	28
Payments for property, plant and equipment	**(3,320)**	(2,187)	(1,442)
Other changes to property, plant and equipment, net	**183**	126	59
(Increase) decrease in short-term investments	**40**	(105)	(22)
Net cash used for investing activities	**(3,968)**	(2,507)	(1,494)
Financing			
Net increase (decrease) in commercial paper and short-term borrowings less than 90 days	**517**	(38)	(345)
Proceeds from issuance of debt	**32**	521	330
Repayment of debt	**(190)**	(74)	(114)
Issuance of common stock	**1,061**	113	137
Payment of dividends	**(149)**	(120)	(100)
Net cash provided by (used for) financing activities	**1,271**	402	(92)
Net increase (decrease) in cash and cash equivalents	**$ (145)**	$ 209	$ 375
Cash and cash equivalents, beginning of year	**$ 886**	$ 677	$ 302
Cash and cash equivalents, end of year	**$ 741**	$ 886	$ 677

Supplemental Cash Flow Information

(In millions)	*Motorola, Inc. and Consolidated Subsidiaries*		
Years ended December 31	**1994**	1993	1992
Non-Cash Activities			
Conversion of zero coupon notes due 2009	**$251**	$216	$11
Issuance of common stock for investment acquisition	**$ –**	$ 36	$19

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Consolidation: The consolidated financial statements include the accounts of the Company and those majority-owned subsidiaries where the Company has control. 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.

Marketable Securities: Effective January 1, 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which decreased other assets and stockholders' equity as of December 31, 1994 by immaterial amounts.

Revenue Recognition: 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. For other product sales, revenue is recognized at the time of shipment, and reserves are established for price protection and cooperative marketing programs with distributors.

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: Effective January 1, 1994, the Company's European operations commenced using the local currency, instead of the U.S. dollar, as the functional currency. The change did not have a material effect on the Company's statement of financial position, liquidity and results of operations as of January 1, 1994. Operations in Japan continue to use the Japanese yen as the functional currency. For all other operations the Company uses the U.S. dollar as the functional currency. The effects of translating the financial position and results of operations of local functional currency operations are included in stockholders' equity. The effects of foreign currency transactions and of remeasuring the financial position and results of operations into the functional currency are included in the statement of earnings.

The Company uses financial instruments to hedge, and therefore attempt to reduce, its overall exposure to the effects of currency fluctuations on cash flows of foreign operations and investments in foreign countries. The Company's policy is not to trade these instruments for profit on the exchange rate price fluctuation alone, nor to trade in currencies for which there are no underlying exposures, nor to enter into trades for any currency to intentionally increase the underlying exposure. While these financial instruments are subject to market risks resulting from exchange rate movements, any transaction gains and losses on these instruments are generally expected to offset losses and gains on the underlying operational cash flows or investments. Gains and losses on hedges of existing assets or liabilities are marked to market on a monthly basis. Other gains or losses on financial instruments that do not qualify as hedges are recognized immediately as income or expense. Gains and losses on financial instruments which hedge firm future commitments are deferred until such time as the underlying transactions are recognized or immediately when the transaction is no longer expected to occur.

Reclassifications: Certain amounts in prior years' financial statements and related notes have been reclassified to conform to the 1994 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.

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

	1994	1993	1992
United States	**$1,140**	$ 360	$146
Other nations	**1,297**	1,165	654
Total	**$2,437**	$1,525	$800

Components of income taxes provided on earnings

	1994	1993	1992
Current:			
United States	**$ 728**	$197	$ 75
Other nations	**254**	234	147
State income taxes (U.S.)	**72**	22	7
	1,054	453	229
Deferred	**(177)**	50	(5)
Income taxes before cumulative effect of change in accounting principle	**$ 877**	$503	$ 224

Income tax payments were $962 million in 1994, $286 million in 1993 and $132 million in 1992.

Income taxes are generally not provided on cumulative undistributed earnings of certain non-U.S. subsidiaries. Such undistributed earnings aggregated $2.9 billion and $2.3 billion at December 31, 1994 and 1993, 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 have been included in U.S. income taxes.

At December 31, 1994, certain non-U.S. subsidiaries had loss carryforwards for income tax reporting purposes of $39.7 million, with expiration dates starting in 1995.

Differences between income tax expense computed at the U.S. federal statutory tax rate of 35% for 1994 and 1993 and 34% for 1992 and income taxes provided on earnings

	1994	1993	1992
Income tax expense at statutory rate	**$853**	$534	$ 272
Taxes on non-U.S. earnings	**13**	(21)	(31)
State income taxes	**46**	14	7
Foreign Sales Corporation	**(46)**	(29)	(18)
Tax credits	**(6)**	(4)	(2)
Other	**17**	9	(4)
Income taxes before cumulative effect of change in accounting principle	**$877**	$503	$ 224

Significant deferred tax assets (liabilities)

December 31	**1994**	1993
Depreciation	**$(135)**	$(134)
Deferred taxes on non-U.S. earnings	**(165)**	(108)
Inventory reserves	**255**	201
Employee benefits	**248**	193
Capitalized items	**91**	71
Other deferred income taxes	**125**	19
Net deferred tax asset	**$ 419**	$ 242

Gross deferred tax assets were $1,320 million and $993 million at December 31, 1994 and 1993, respectively. Gross deferred tax liabilities were $901 million and $751 million at December 31, 1994 and 1993, respectively.

The deferred tax assets are considered realizable considering past income and estimates 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 that year. The settlement did not result in a material adverse effect on the consolidated financial position, liquidity or results of operations of the Company. The IRS has completed its field audit of the years 1986 and 1987. In connection with these audits, the IRS has proposed adjustments to the Company's income and tax credits for those years which would result in 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 financial position, liquidity or results of operations of the Company.

3. Debt and Credit Facilities

Long-term debt

December 31	**1994**	1993
12% Eurodollar notes due 1994	**$ –**	$ 68
11.5% Eurodollar notes (retired during 1994)	**–**	93
7.6% notes due 2007	**300**	300
6.5% debentures due 2008	**199**	199
Zero coupon notes due 2009	**55**	294
Zero coupon notes due 2013	**316**	309
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	**48**	42
	1,138	1,525
Less current maturities	**11**	165
Long-term debt	**$1,127**	$1,360

Short-term debt

December 31	**1994**	1993
Notes to banks	**$147**	$ 83
Commercial paper	**745**	293
Other short-term debt	**13**	14
	905	390
Add current maturities	**11**	165
Notes payable and current portion of long-term debt	**$916**	$555

Weighted average interest rates on short-term borrowings

	1994	1993
Commercial paper	**4.6%**	3.2%
Other short-term debt	**7.5%**	7.7%

As of December 31, 1994, the outstanding zero coupon notes due 2009, referred to as Liquid Yield Option™ Notes ("LYONs"™), had a face value at maturity of $130 million. The 2009 LYONs were priced at a 6% yield to maturity and are now convertible into 18.268 shares of Motorola common stock for each $1,000 note. During 1994, various holders of the 2009 LYONs exercised conversion rights for approximately 614,000 notes ($614 million face value; $251 million net carrying value).

In 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 now convertible into 11.178 shares of Motorola 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 put back to the Company by the holders on specific dates prior to the stated maturities.

During 1993, the Company issued $200 million in aggregate principal amount of 6.5% debentures due 2008. During February 1993, the Company called, at a rate of 103.1%, $45 million of the 8% sinking fund debentures due 2007 with the remaining balance of $13 million being called at par during September 1993. During March 1994, the Company called, at a rate of 101%, its 11.5% Eurodollar notes due 1997 with a carrying value totaling $93 million.

Aggregate requirements for long-term debt maturities, in millions, during the next five years are as follows: 1995, $11; 1996, $10; 1997, $7; 1998, $6; 1999, $5.

During 1994, the Company and its finance subsidiary entered into one- and five-year revolving domestic credit agreements totaling $1.5 billion with a group of banks. These agreements replaced $800 million of bilateral domestic credit facilities of the Company and its finance subsidiary and contain various conditions, covenants and representations. At December 31, 1994, the Company's total domestic and foreign credit facilities aggregated $2.6 billion, of which $151 million were used and the remaining amount was not drawn, but was available to back up outstanding commercial paper which totaled $745 million at December 31, 1994.

During 1994, the Company filed and had declared effective a universal shelf registration statement for $800 million of debt and equity securities with the Securities and Exchange Commission. As of December 31, 1994, no securities had been issued under this universal shelf statement.

Outstanding letters of credit aggregated approximately $426 million and $189 million at December 31, 1994 and 1993, respectively.

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

4. Other Financial Data

Income Statement and Balance Sheet Information

Income statement information

	1994	1993	1992
Research and development	$1,860	$1,521	$1,306
Maintenance and repairs	276	267	236
Foreign currency losses	25	18	34
Interest expense, net:			
Interest expense	192	182	196
Interest income	(50)	(41)	(39)
Interest expense, net	$ 142	$ 141	$ 157

The Company's cash payments for interest expense were $209 million in 1994, $126 million in 1993 and $121 million in 1992.

Balance sheet information

December 31	1994	1993
Inventories:		
Finished goods	$ 699	$ 584
W.I.P. and production materials	1,971	1,280
Total	$2,670	$1,864
Property, plant and equipment:		
Land	$ 169	$ 151
Buildings	3,504	2,475
Machinery	9,728	6,690
Equipment leased to others	329	391
	13,730	9,707
Less accumulated depreciation	6,657	4,160
Total	$7,073	$5,547
Accrued liabilities:		
Compensation	$ 613	$ 491
Deferred revenue	219	223
Accrued warranties	283	166
Taxes other than income	162	137
Income taxes payable	76	158
Contribution to employees' profit sharing funds	176	107
Dividends payable	59	31
Other	1,735	1,183
Total	$3,323	$2,496

Derivative Financial Instruments

As of December 31, 1994 and 1993, the Company had net outstanding foreign exchange contracts totaling $1.2 billion and $1.0 billion, respectively. Most of the hedge contracts, which are over-the-counter instruments, were scheduled to mature within three months with the longest maturity extending out 39 months. 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. At December 31, 1994, deferred gains and losses totaled $1.2 million and $0.2 million, respectively. The following schedule shows the five largest net foreign exchange hedge positions as of December 31, 1994:

Foreign exchange net hedge positions at December 31 in millions of U.S. dollars

Buy (Sell)	1994	1993
Japanese Yen	$(578)	$(338)
British Pound Sterling	(227)	(215)
German Deutsche Mark	(162)	(143)
Italian Lira	(53)	(73)
French Franc	(41)	(44)

The Company is exposed to credit-related losses if counterparties to financial instruments fail to perform their obligations. However it does not expect any counterparties, which presently have high credit ratings, to fail to meet their obligations.

The Company's finance subsidiary has outstanding floating to fixed interest rate commercial paper swaps totaling $50 million at December 31, 1994. These instruments mature at a rate of $25 million per year in 1995 and 1996. Amounts receivable or payable and gains or losses realized under swap agreements are recognized as yield adjustments over the life of the related debt.

Fair Value of Financial Instruments

The Company's financial instruments include accounts receivable, short-term investments, long-term receivables, accounts payable, 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, 1994.

At December 31, 1994, the fair value of the convertible zero coupon notes due 2009 was $138 million compared to the carrying value of $55 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.

Finance Subsidiary

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

The finance subsidiary's interest revenue is included in the Company's consolidated net sales. Interest expense totaling $15 million in 1994, $12 million in 1993 and $11 million in 1992 is included in manufacturing and other costs of sales. In addition, long-term finance receivables of $257 million in 1994 and $282 million in 1993 are included in other assets.

Financial data of consolidated finance subsidiary

	1994	1993	1992
Total revenue	**$ 40**	$ 37	$ 29
Net earnings	**16**	16	12
Total assets	**339**	361	295
Total liabilities	**(285)**	(298)	(248)
Stockholder's investments and advances	**$ 54**	$ 63	$ 47

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 $185 million in 1994, $152 million in 1993 and $149 million in 1992. At December 31, 1994, future minimum lease obligations, net of minimum sublease rentals, for the next five years and beyond are as follows: 1995, $118; 1996, $95; 1997, $73; 1998, $49; 1999, $37; beyond, $139.

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 $68 million in 1994, $41 million in 1993 and $33 million in 1992.

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 1994 and 1993 were as follows:

	1994	1993
Discount rate for obligations	**8.50%**	7.25%
Future compensation increase rate	**5.50%**	5.00%
Investment return assumption (regular)	**9.00%**	9.25%
Investment return assumption (elected officers)	**7.75%**	8.00%

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 were settled at the measurement date, would provide the necessary future cash flows to pay the benefit obligation when due. The Company has increased the discount rate in determining the pension obligation from 7.25% to 8.50% to comply with these guidelines. As of December 31, 1994, 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.

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

	1994	1993	1992
Service costs	**$119**	$ 92	$ 84
Interest cost on projected obligation	**83**	67	55
Actual return on plan assets	**7**	(80)	(53)
Net amortization and deferral	**(113)**	(11)	(25)
Net pension expense	**$ 96**	$ 68	$ 61

The net U.S. pension expense for the elected officers' supplemental retirement benefit plan was $27 million in 1994, $19 million in 1993 and $17 million in 1992.

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.

U.S. funded pension plans

December 31	1994		1993	
	Regular	**Elected Officers**	Regular	Elected Officers
Actuarial present value of:				
Vested benefit obligation	**$ (831)**	**$(40)**	$ (754)	$(42)
Accumulated benefit obligation	**(904)**	**(76)**	(821)	(73)
Projected benefit obligation for service rendered to date	**(1,239)**	**(96)**	(1,117)	(82)
Plan assets at fair value, primarily bonds, stocks and cash equivalents	**1,090**	**56**	991	45
Plan assets less than projected benefit obligation	**(149)**	**(40)**	(126)	(37)
Unrecognized net loss	**127**	**28**	106	36
Unrecognized prior service cost	**1**	**33**	1	21
Unrecognized net transition (asset) liability	**(46)**	**7**	(57)	8
Adjustment required to recognize minimum liability	**–**	**(47)**	–	(56)
Pension liability recognized in balance sheet	**$ (67)**	**$(19)**	$ (76)	$(28)

The assumptions used to develop the accumulated postretirement benefit obligation for the retiree health care plan for 1994 and 1993 were as follows:

	1994	1993
Discount rate for obligations	**8.50%**	7.25%
Investment return assumption	**9.00%**	9.25%

Net retiree health care expenses recognized in 1994 were $26 million, $23 million in 1993 and $21 million in 1992.

U.S. funded retiree health care plan

December 31	1994	1993
Actuarial present value of accumulated postretirement benefit obligation	**$(281)**	$(263)
Plan assets at fair value, primarily listed stocks, bonds and cash equivalents	**64**	33
Unrecognized net loss	**49**	55
Retiree health care liability recognized in balance sheet	**$(168)**	$(175)

The health care trend rate used to determine the pre-age-65 accumulated postretirement benefit obligation was 9.33% for 1994, 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 $32 million as of December 31, 1994 and would increase the 1994 net retiree health care expense by $6 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 $176 million, $107 million and $59 million in 1994, 1993 and 1992, respectively.

Motorola Executive Incentive Plan: 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 1994, $129 million was provided for incentive awards, as compared to $78 million and $29 million in 1993 and 1992, respectively.

Long Range Incentive Plan: During 1994, the shareholders approved the adoption of a new Long Range Incentive Plan (LRIPL) which was established to reward participating elected officers for the Company's achieving outstanding long-range performance, based on four preestablished performance objectives measured over a four-year cycle starting in 1994. These objectives are benchmarked and evaluated against companies within industries similar to Motorola's, and with similar internal objectives. The maximum amount to be awarded to an individual participant under this plan during any cycle cannot exceed the lesser of $5 million or 200 percent of each participants' respective base salary. Payouts under the LRIPL will occur subsequent to 1997 at which time the current Long Range Incentive Program (LRIPR) will terminate. During 1994, $12 million was provided for incentive awards.

RONA Incentive Program: The RONA (Return On Net Assets employed) Incentive Program is available to eligible employees who are not participating in the Motorola Executive Incentive Plan. RONA awards are earned and paid semiannually to participants and depend, first, on the Company and, in most cases, the major business unit for which the participant works, exceeding a minimum RONA percentage (as determined by the Company) during the six-month period and, second, the extent to which such minimum percentage was exceeded. During 1994, $269 million was provided for RONA awards, as compared to $205 million and $87 million in 1993 and 1992, 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 1994 were at per share prices ranging from $7.96 to $46.16. Options outstanding at December 31, 1994 were at per share prices ranging from $7.79 to $59.81. There are approximately 8,700 total current stock option holders. All share amounts and prices have been adjusted to reflect the 1994 and 1992 two-for-one stock splits.

Shares subject to options

(In thousands, except employee data)	1994	1993	1992
Options outstanding at January 1	**22,906**	26,018	29,980
Additional options granted	**3,972**	3,530	6,696
Options exercised	**(2,654)**	(6,326)	(10,500)
Options terminated, cancelled or expired	**(120)**	(316)	(158)
Options outstanding at December 31	**24,104**	22,906	26,018
Shares reserved for future option grants	**13,602**	17,454	20,668
Total shares reserved	**37,706**	40,360	46,686
Total options exercisable	**20,137**	19,376	19,344
Approximate number of employees granted options	**7,300**	5,100	4,600

6. Commitments and Contingencies

Financial: In August 1994, Motorola signed an agreement, now expiring June 14, 1995, with Nextel Communications, Inc. under which Motorola will receive up to 59.5 million shares of Nextel in exchange for most of Motorola's 800 MHz specialized mobile radio service (SMRS) businesses, systems and licenses in the continental United States. The agreement is subject to various conditions, including regulatory approvals, approval by Nextel stockholders and approval by Nextel public debt holders or satisfaction of provisions of Nextel's debt indentures. Nextel has agreed to purchase substantial quantities of MIRS™ equipment over a five-year period, and Motorola has agreed to provide up to $260 million of secured vendor financing for such equipment and related services, conditioned upon and following the closing of the Nextel agreement. The financing would be in addition to the $260 million secured credit arrangement previously provided by Motorola to Nextel subsidiaries. Motorola has also agreed to provide up to $165 million in secured vendor financing for OneComm upon completion of the planned merger of OneComm into Nextel. Nextel has indicated that it will require additional financing in order to complete its currently planned networks and acquisitions. This funding need, delays in closing the transactions under the Nextel agreement and delays in other transactions and system optimization and build-out issues, among others, could affect sales and orders of MIRS equipment to Nextel and others. Early in 1995, the Company made a short-term loan commitment of $55 million to OneComm, secured by its MIRS equipment sold to OneComm, which will become payable upon completion of the OneComm-Nextel merger. During 1995, concentrations of credit risk may be affected by the outcome of the Nextel agreements; however, as of December 31, 1994, the Company had no significant concentrations of credit risk.

The Company further advanced its strategic investment in the IRIDIUM® global communications system. At December 31, 1994, the Company's equity investment in and commitments to make equity investments in Iridium, Inc. was approximately $413 million; additionally, it has committed, subject to action by the Iridium, Inc. Board, to additional equity investments totaling approximately $60 million. The Company's investment in Iridium, Inc. is included in the Consolidated Balance Sheet category "Other Assets." 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 four years.

The Company has executed two contracts with Iridium, Inc. for the construction and operation of the global communications system, providing for approximately $6.3 billion in payments by the consortium over a ten-year period which began in 1993. 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. On January 31, 1995, the Federal Communications Commission (FCC) issued a license to a Motorola subsidiary to construct, operate and launch the IRIDIUM system. However, other authorizations are still required for the IRIDIUM system to begin commercial service in the U.S. and in other countries in which service will be provided.

The Company has entered into arrangements with a non-consolidated affiliate whereby the Company may increase, for an amount up to approximately $420 million, its percentage interest in the affiliate at the option of the affiliate or Motorola at various dates starting during 1995 which are not to extend beyond June 1997.

Other off-balance-sheet commitments to extend or guarantee financing and recourse obligations under receivable sales arrangements which represent firm obligations at December 31,1994, aggregated approximately $273 million. Commitments to extend or guarantee financing include commitments for customer financing and for the financing of non-consolidated affiliates. Customer financing commitments require the customer to meet certain conditions established in the financing arrangements. Commitments represent the maximum amounts available under these arrangements and may not be completely utilized.

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, which totaled $70 million as of December 31, 1994. The amount of such charges to earnings, which did not include potential reimbursements from insurance coverage, was $20 million, $36 million and $17 million in 1994, 1993 and 1992, respectively. However, due to their uncertain nature, the amounts accrued could differ, perhaps significantly, from the actual costs that will be 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.

The Company is a defendant in various suits, including environmental ones, 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 financial position, liquidity or results of operations of the Company.

Notes to Consolidated Financial Statements

(In millions, except as noted) *Motorola, Inc. and Consolidated Subsidiaries*

7. Information by Industry Segment and Geographic Region

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, 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. 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. Corporate assets primarily include cash, marketable securities, equity investments and the administrative headquarters of the Company.

In 1994, 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 $4.21 billion at December 31, 1994 and $3.28 billion at December 31, 1993.

Industry segment information

	Net Sales			Operating Profit					
Years ended December 31	**1994**	1993	1992	**1994**		1993		1992	
General Systems Products	**$ 8,613**	$ 5,236	$ 3,662	**$1,214**	**14.1%**	$ 718	13.7%	$ 420	11.5%
Semiconductor Products	**6,936**	5,707	4,475	**996**	**14.4%**	801	14.0%	464	10.4%
Communications Products	**5,776**	4,834	3,906	**589**	**10.2%**	354	7.3%	192	4.9%
Government and Space Technology Products	**829**	858	650	**(55)**	**(6.6)%**	(17)	(2.0)%	(7)	(1.1)%
Other Products	**2,434**	1,762	1,452	**156**	**6.4%**	95	5.4%	77	5.3%
Adjustments and eliminations	**(2,343)**	(1,434)	(842)	**(29)**	**–**	(11)	–	(4)	–
Industry segment totals	**$22,245**	$16,963	$13,303	**2,871**	**12.9%**	1,940	11.4%	1,142	8.6%
General corporate expenses				**(292)**		(274)		(185)	
Interest expense, net				**(142)**		(141)		(157)	
Earnings before income taxes and cumulative effect of change in accounting principle				**$2,437**	**11.0%**	$1,525	9.0%	$ 800	6.0%

	Assets			Fixed Asset Expenditures			Depreciation Expense		
Years ended December 31	**1994**	1993	1992	**1994**	1993	1992	**1994**	1993	1992
General Systems Products	**$4,740**	$ 3,223	$ 2,108	**$ 621**	$ 453	$ 334	**$ 327**	$ 227	$ 171
Semiconductor Products	**5,886**	4,507	3,618	**1,640**	1,120	666	**683**	529	429
Communications Products	**4,319**	3,202	2,925	**451**	363	263	**265**	238	207
Government and Space Technology Products	**565**	304	312	**41**	31	24	**35**	33	33
Other Products	**905**	957	826	**315**	120	101	**152**	89	106
Adjustments and eliminations	**(72)**	(24)	(32)	**–**	–	–	**–**	–	–
Industry segment totals	**16,343**	12,169	9,757	**3,068**	2,087	1,388	**1,462**	1,116	946
General corporate	**1,193**	1,329	872	**254**	100	54	**63**	54	54
Consolidated totals	**$17,536**	$13,498	$10,629	**$3,322**	$2,187	$1,442	**$1,525**	$1,170	$1,000

1993 and 1992 have been reclassified to reflect the realignment of various business units.

Geographic area information[1]

	Net Sales			Operating Profit					
Years ended December 31	**1994**	1993	1992	**1994**		1993		1992	
United States	**$16,297**	$12,924	$10,232	**$1,932**	**11.9%**	$ 970	7.5%	$ 624	6.1%
Other nations	**12,758**	10,066	8,017	**1,292**	**10.1%**	1,164	11.6%	706	8.8%
Adjustments and eliminations	**(6,810)**	(6,027)	(4,946)	**(353)**	**–**	(194)	–	(188)	–
Geographic totals	**$22,245**	$16,963	$13,303	**2,871**	**12.9%**	1,940	11.4%	1,142	8.6%
General corporate expenses				**(292)**		(274)		(185)	
Interest expense, net				**(142)**		(141)		(157)	
Earnings before income taxes and cumulative effect of change in accounting principle				**$2,437**	**11.0%**	$1,525	9.0%	$ 800	6.0%

	Assets		
December 31	**1994**	1993	1992
United States	**$10,750**	$ 7,731	$ 6,297
Other nations	**5,943**	4,674	3,668
Adjustments and eliminations	**(350)**	(236)	(208)
Geographic totals	**16,343**	12,169	9,757
General corporate assets	**1,193**	1,329	872
Consolidated totals	**$17,536**	$13,498	$10,629

[1]*As measured by the locale of the revenue-producing operations.*
1993 and 1992 have been reclassified to reflect the realignment of various business units.

8. Stockholder Rights Plan

Each outstanding share of the Company's common stock carries with it one-quarter 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 rights for four 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.

Five Year Financial Summary

(In millions, except per share amounts and other data)				*Motorola, Inc. and Consolidated Subsidiaries*	
Years ended December 31	**1994**	1993	1992	1991	1990
Operating Results					
Net sales	**$22,245**	$16,963	$13,303	$11,341	$10,885
Manufacturing and other costs of sales	**13,760**	10,351	8,395	7,134	6,787
Selling, general and administrative expenses	**4,381**	3,776	2,951	2,579	2,509
Depreciation expense	**1,525**	1,170	1,000	886	790
Interest expense, net	**142**	141	157	129	133
Total costs and expenses	**19,808**	15,438	12,503	10,728	10,219
Earnings before income taxes and cumulative effect of change in accounting principle	**2,437**	1,525	800	613	666
Income taxes provided on earnings	**877**	503	224	159	167
Net earnings before cumulative effect of change in accounting principle	**$ 1,560**	$ 1,022	$ 576	$ 454	$ 499
Net earnings	**$ 1,560**	$ 1,022	$ 453	$ 454	$ 499
Net earnings before cumulative effect of change in accounting principle as a percent of sales	**7.0%**	6.0%	4.3%	4.0%	4.6%
Net earnings as a percent of sales	**7.0%**	6.0%	3.4%	4.0%	4.6%
Per Share Data (in dollars)[1,2]					
Fully diluted					
Net earnings before cumulative effect of change in accounting principle	**$ 2.65**	$ 1.78	$ 1.05	$ 0.84	$ 0.93
Cumulative effect of change in accounting principle	**–**	–	(0.22)	–	–
Net earnings	**$ 2.65**	$ 1.78	$ 0.83	$ 0.84	$ 0.93
Average common and common equivalent shares outstanding	**592.7**	583.7	567.1	558.5	555.7
Dividends declared per share	**$ 0.310**	$ 0.220	$ 0.198	$ 0.190	$ 0.190
Balance Sheet					
Total assets	**$17,536**	$13,498	$10,629	$ 9,375	$ 8,742
Working capital	**3,008**	2,324	1,883	1,424	1,404
Long-term debt	**1,127**	1,360	1,258	954	792
Total debt	**2,043**	1,915	1,695	1,806	1,787
Total stockholders' equity	**$ 9,096**	$ 6,409	$ 5,144	$ 4,630	$ 4,257
Other Data					
Current ratio	**1.51**	1.53	1.56	1.46	1.46
Return on average invested capital before cumulative effect of change in accounting principle	**17.5%**	15.3%	9.4%	7.8%	9.4%
Return on average invested capital	**17.5%**	15.3%	7.5%	7.8%	9.4%
Return on average stockholders' equity before cumulative effect of change in accounting principle	**21.0%**	17.8%	11.7%	10.2%	12.3%
Return on average stockholders' equity	**21.0%**	17.8%	9.4%	10.2%	12.3%
Fixed asset expenditures	**$ 3,322**	$ 2,187	$ 1,442	$ 1,387	$ 1,371
% to sales	**14.9%**	12.9%	10.8%	12.2%	12.6%
Research and development expenditures	**$ 1,860**	$ 1,521	$ 1,306	$ 1,133	1,030
% to sales	**8.4%**	9.0%	9.8%	10.0%	9.5%
Year-end employment (in thousands)	**132**	120	107	102	105

[1]All earnings per share, dividends and outstanding shares data have been restated to reflect the 1994 and 1992 two-for-one stock splits.

[2]Primary earnings per common and common equivalent share were the same as fully diluted for all years shown except in 1994 and 1991 when primary earnings per share were one cent higher than fully diluted. Average primary common and common equivalent shares outstanding for 1994, 1993, 1992, 1991 and 1990 were 591.7, 582.6, 565.6, 555.6 and 555.7, respectively.

Quarterly and Other Financial Data

(In millions, except per share amounts; unaudited)	1994				1993			
Quarterly	**1st**	**2nd**	**3rd**	**4th**	1st	2nd	3rd	4th
Operating Results								
Net sales	**$4,693**	**$5,439**	**$5,660**	**$6,453**	$3,626	$ 3,936	$4,408	$4,993
Gross profit	**1,785**	**2,060**	**2,121**	**2,519**	1,391	1,556	1,696	1,969
Net earnings	**298**	**367**	**380**	**515**	204	224	254	340
Net earnings as a percent of sales	**6.4%**	**6.7%**	**6.7%**	**8.0%**	5.6%	5.7%	5.8%	6.8%
Per Share Data (in dollars)[1]								
Primary net earnings per common and common equivalent share	**$ 0.51**	**$ 0.63**	**$ 0.65**	**$ 0.87**	$ 0.36	$ 0.40	$ 0.44	$ 0.58
Fully diluted net earnings per common and common equivalent share	**$ 0.51**	**$ 0.63**	**$ 0.65**	**$ 0.86**	$ 0.36	$ 0.40	$ 0.44	$ 0.58
Dividends declared	**$0.070**	**$0.070**	**$0.070**	**$0.100**	$0.055	$ 0.055	$0.055	$0.055
Dividends paid	**$0.055**	**$0.070**	**$0.070**	**$0.070**	$0.055	$ 0.055	$0.055	$0.055
Stock prices								
High	**$54.83**	**$54.00**	**$55.75**	**$61.13**	$33.56	$ 44.31	$52.56	$53.75
Low	**$43.25**	**$42.13**	**$43.38**	**$49.00**	$24.31	$ 31.63	$41.25	$42.38

[1] *All earnings per share, dividend and stock price data have been restated to reflect the 1994 two-for-one stock split.*

The number of stockholders of record of Motorola common stock on January 31, 1995 was 39,624.

Directors of Motorola, Inc.

William J. Weisz
Chairman of the Board;
formerly Vice Chairman 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

H. Laurance Fuller
Chairman of the Board, President and CEO, Amoco 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
Consultant; 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

John E. Pepper, Jr.
President, Procter & Gamble Company

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 Executive Officer, Harris Bankcorp, Inc.

Director Emeritus

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

Elected Officers of Motorola, Inc.

As of December 31, 1994	*Age*	*Years of Service*
Executive Offices		
Gary L. Tooker Vice Chairman of the Board and Chief Executive Officer	55	32
Christopher B. Galvin President and Chief Operating Officer	44	22
Robert W. Galvin Chairman of the Executive Committee of the Board	72	54
John F. Mitchell Vice Chairman of the Board and Officer of the Board	66	41
Corporate Staff		
**Keith J. Bane* Executive Vice President Chief Corporate Staff Officer	55	21
**John E. Major* Senior Vice President and Assistant Chief Corporate Staff Officer	49	16
William V. Braun Senior Vice President and Motorola Director, Corporate Research and Development	59	36
Richard Buetow Senior Vice President and Motorola Director, Quality	63	36
Jim Gillman Senior Vice President and Motorola Director, Patents, Trademarks and Licensing	61	21
Mauro J. Walker Senior Vice President and Motorola Director, Manufacturing	59	23
**Quirino Balzano* Corporate Vice President and Director, Florida EME Research Labs	54	20
**Albert R. Brashear* Corporate Vice President and Director, Corporate Communications	52	7

James D. Burge Corporate Vice President and Motorola Director, Government Affairs/Human Resources	60	36
Veronica A. Haggart Corporate Vice President and Motorola Director, Government Relations	45	10
**Neil Hagglund* Corporate Vice President and Director, Corporate Technology Planning	52	29
Jim Mikulski Corporate Vice President, Technical Staff, Director of Corporate Systems Research Labs	60	29
**Dale J. Misczynski* Corporate Vice President and Director, Quality and Standards	52	28
Ralph Ponce de Leon Corporate Vice President and Motorola Director, Supply and Environmental Management	59	29
**William Spencer* Corporate Vice President and Motorola Director, Strategy, Intelligence and Business Development	48	18

Corporate Ventures

Gordon Comerford Senior Vice President, Motorola, Inc. and Director, Iridium	58	20

Europe

Jim Norling Executive Vice President, Motorola, Inc., President, Motorola Europe, Middle East and Africa	52	29

Finance

Carl F. Koenemann Executive Vice President and Chief Financial Officer	56	24
Garth L. Milne Senior Vice President and Treasurer	52	15
Ray Dybala Corporate Vice President and Director of Taxes	46	15
Kenneth J. Johnson Corporate Vice President, Controller and Director of Audit	59	23
Benny L. Smothermon Corporate Vice President and Director, International Finance	55	18

Human Resources

James Donnelly Executive Vice President and Motorola Director, Human Resources	55	25
**Glenn A. Gienko* Senior Vice President and Assistant Motorola Director, Human Resources	42	17
Dave Pulatie Senior Vice President and Director, Change Management, Human Resources	53	30
Theodore Saltzberg Senior Vice President and Director, Software Programs, Motorola University	67	38
A. William Wiggenhorn Senior Vice President, Motorola Inc., President, Motorola University	50	14
**Pat Canavan* Corporate Vice President and Director, Global Leadership and Organizational Development	50	15
**Richard D. Chandler* Corporate Vice President and Senior Advisor for Development, Motorola University	56	34
David Wooldridge Corporate Vice President and Director, Partnership Center, Motorola University	63	20

International–Asia and Americas

Richard W. Younts Executive Vice President and Corporate Executive Director, International–Asia and Americas	55	27
**Richard W. Heimlich* Corporate Vice President and Executive Director, Asia Pacific, South Region	53	12
**P.Y. Lai* Corporate Vice President and Executive Director, Greater China Region	51	1
**Parviz Mokhtari* Corporate Vice President and Regional Director, South America	53	12

Japan Group

Arnold S. Brenner Executive Vice President and General Manager, Japan Group	57	35
Toshiaki Irie Senior Vice President and Chairman, Nippon Motorola Limited	61	10
Motohiro Kitajima Corporate Vice President and General Manager, Semiconductor Products Division, Nippon Motorola Limited	51	25
Isamu Kuru Corporate Vice President and President, Nippon Motorola Limited	55	4
Ian McCrae Corporate Vice President and Deputy General Manager, Semiconductor Products Division, Nippon Motorola Limited	58	14
Paul Rode Corporate Vice President and Controller, Nippon Motorola Limited	51	25

Law

Richard H. Weise Senior Vice President, General Counsel and Secretary	59	26
**A. Peter Lawson* Senior Vice President and Assistant General Counsel	48	14
Robert F. Falkner Corporate Vice President and Assistant General Counsel	54	15

General Systems Sector

Edward F. Staiano Executive Vice President, Motorola, Inc., President and General Manager, General Systems Sector	58	21
**John M. Scanlon* Executive Vice President and General Manager, Cellular Infrastructure Group	52	4
**Robert N. Weisshappel* Executive Vice President and General Manager, Cellular Subscriber Group	50	24
**Don Burns* Senior Vice President and General Manager, European Cellular Subscriber Division	52	22
**Stephen P. Earhart* Senior Vice President and Director, Sector Finance	46	16
**H. Anthony Hennen* Senior Vice President and General Manager, Advanced Products Division, Cellular Infrastructure Group	55	23
**Wolf Pavlok* Senior Vice President and General Manager, Pan American Cellular Subscriber Group	48	25
John P. Salcius Senior Vice President and Assistant General Manager, Cellular Subscriber Group	51	28
**John Becker* Corporate Vice President and Director, Group Engineering Operations, Motorola Computer Group	57	5
**James A. Bernhart* Corporate Vice President and Director, Worldwide Distribution Strategies, Cellular Subscriber Group	62	35
**Larry F. Conlee* Corporate Vice President, PCS Subscriber Division, Cellular Subscriber Group	47	23
William D. Connor Corporate Vice President and Director, Sector Information Technology	64	25
**Jerry Giacomino* Corporate Vice President, PCS Infrastructure Division, Cellular Subscriber Group	53	26

Elected Officers of Motorola, Inc.

**Rick Haning* Corporate Vice President and Director of Finance, Cellular Subscriber Group	44	18
**David Hughes* Corporate Vice President and General Manager, European Markets Division, Cellular Infrastructure Group	52	15
**Roger Kung* Corporate Vice President and General Manager, Greater China Cellular Subsrciber Division	47	11
**Gerry G. Lenk* Corporate Vice President and Director, Quality and Service, Cellular Subscriber Group	52	15
**J. Michael Norris* Corporate Vice President and General Manager, Network Ventures Division	49	22
**Ralphaele Pini* Corporate Vice President and Assistant General Manager, European Cellular Subscriber Group	43	19
**Robert Placko* Corporate Vice President and Sector Director, Human Resources	44	20
Daniel C. Przybylski Corporate Vice President and Director, Latin American Operations, Cellular Subscriber Group	51	26
**Wayne Sennett* Corporate Vice President and Director, Worldwide Field Operations, Motorola Computer Group	51	10
Suzette Steiger Corporate Vice President and General Manager, U.S. Markets Division, Pan American Cellular Subscriber Group	53	16

Semiconductor Products Sector

Thomas D. George Executive Vice President, Motorola, Inc., President and General Manager, Semiconductor Products Sector	54	15
**Murray A. Goldman* Executive Vice President and Assistant General Manager, Semiconductor Products Sector	57	25
**Bertrand Cambou* Senior Vice President and Director, Sector Technology	40	11
R. Gary Daniels Senior Vice President and General Manager, Microcontroller Technologies Group	57	28
Larry L. Gartin Senior Vice President and Director, Sector Finance	51	27
Gary M. Johnson Senior Vice President and General Manager, Logic and Analog Technologies Group	50	27
Geno Ori Senior Vice President and Director, Environmental Affairs	57	32
Paul J. Shimp Senior Vice President and Director, Sector Quality and Support Operations	55	30
Fred Shlapak Senior Vice President and General Manager, European Semiconductor Group	51	24
C.D. Tam Senior Vice President and General Manager, Asia/Pacific Semiconductor Group	50	26
Charles E. Thompson Senior Vice President and Sector Director, World Marketing	65	25
Barry Waite Senior Vice President and General Manager, Microprocessor and Memory Technologies Group	46	12
**Tom Beaver* Corporate Vice President and Director, World Marketing, Computing and Personal Communications	52	30
Brian Bedford Corporate Vice President and Director, Sector Human Resources	49	18
George Bennett Corporate Vice President and General Manager, East Kilbride Site, European Semiconductor Group	55	15
Peter M. Bingham Corporate Vice President and General Manager, MOS Digital and Analog Division	51	16
**Weldon D. Douglas* Corporate Vice President and Chief of Staff, World Marketing	57	34
Carlos Genardini Corporate Vice President and Assistant General Manager, Asia Pacific Semiconductor Group	48	25
**Bill George* Corporate Vice President and Director, Die Manufacturing, Communications, Power and Signal Techonologies Group	55	16
Jim George Corporate Vice President and General Manager, DSP Operation, Microcontroller Technologies Group	52	18
Thomas G. Gunter Corporate Vice President and General Manager, High Performance MPU Division; Microprocessor and Memory Technologies Group	47	22
Steve P. Hanson Corporate Vice President and Assistant General Manager, European Semiconductor Group	46	23
**Brian O. Hilton* Corporate Vice President and Director, World Marketing, Geography and Distribution	52	27
**William P. Horrigan* Corporate Vice President and Director, Sector Information Systems and Corporate Computing Centers	48	17
Thomas W. Lorig Corporate Vice President and Sector Controller	52	21
**Lou Parillo* Corporate Vice President, Technical Staff and Director, Advanced Product Research and Development Labs	52	11
L. J. Reed Corporate Vice President and General Manager, ASIC Division	50	26
**William J. Seiferth* Corporate Vice President and General Manager, Communications, Power and Signal Technologies Group	54	33
Scott L. Shumway Corporate Vice President and Director, Sector Quality	57	34
Gene Stouder Corporate Vice President and Director of Manufacturing, Microcontroller Technologies Group	45	8
**George Turner* Corporate Vice President and General Manager, Communication Semiconductor Products Division	46	23
Bill Walker Corporate Vice President and Director of Manufacturing, Microprocessor and Memory Technologies Group	51	25

Land Mobile Products Sector

**Merle Gilmore* Executive Vice President, Motorola, Inc., President and General Manager, Land Mobile Products Sector	46	24
**Stanley A. DeCosmo* Senior Vice President and Director, Sector Strategic Projects	49	26
**Paul Fowler* Senior Vice President and General Manager, Radio Products Group	51	24
**Robert Janc* Senior Vice President and Director, Research, Standards, Spectrum and Architecture, Radio Network Solutions Group	52	18
**Ferdinand C. Kuznik* Senior Vice President and General Manager, Radio Network Solutions Group	53	4

**James H. Austgen* Corporate Vice President and Director, Sector Human Resources	49	17
**Daniel J. Coombes* Corporate Vice President and General Manager, Worldwide Technology Division, Radio Network Solutions Group	47	21
**Richard G. Day* Corporate Vice President and Business Manager, Trunking/Conventional, Latin American Division, Radio Network Solutions Group	50	28
**Sam Desai* Corporate Vice President and General Manager, MIRS Subscriber Division, Radio Products Group	49	22
**Terrence W. Jaron* Corporate Vice President and General Manager, Western Sales Division, U.S. and Canada Group, Radio Networks Solutions Group	53	22
**James M. Kelly* Corporate Vice President and General Manager, Eastern Sales Division, U.S. and Canada Group, Radio Network Solutions Group	56	29
**Wayne H. Leland* Corporate Vice Presdent and Director, Spectrum and Standards, Network Services and Business Strategies Group	51	29
**Harry M. Mankodi* Corporate Vice President and General Manager, Radio Parts and Service Group	54	26
**Perry Noakes* Corporate Vice President and General Manager, Asia Pacific Division, Radio Products Group	43	24
**Jim Sarallo* Corporate Vice President and General Manager, U.S. and Canada Group, Radio Network Solutions Group	52	31
**Dennis Sester* Corporate Vice President and Director, Sector Customer Satisfaction and Quality Assurance	52	26
Richard D. Severns Corporate Vice President and Director, Sector Finance	49	23
**Bruce M. Stone* Corporate Vice President and General Manager, Americas Group, Radio Products Group	46	24
**James P. Widick* Corporate Vice President and General Manager, System Integration Division, Radio Network Solutions Group	47	28
**Michael K. Worthington* Corporate Vice President and General Manager, Latin American Division, Radio Network Solutions Group	49	23

Messaging, Information and Media Sector

Robert L. Growney Executive Vice President, Motorola, Inc., President and General Manager, Messaging, Information and Media Sector	52	28
**Hector Ruiz* Executive Vice President and General Manager, Paging Products Group	49	16
**John Battin* Senior Vice President and General Manager, Multimedia Group	58	30
Frank Lloyd Senior Vice President and General Manager, Information Systems Group	51	21
**Randy Battat* Corporate Vice President and General Manager, Wireless Data Group	36	1
**Bob Becknell* Corporate Vice President and General Manager, Asia Pacific Paging Subscriber Division	51	18
S. Michael Corrigan Corporate Vice President and Sector Director, Human Resources	51	16
**Walter L. Davis* Corporate Vice President and Director, Strategic Semiconductor Operations, Paging Products Group	54	29
**Leonard G. deBarros* Corporate Vice President and General Manager, Advanced Messaging Systems Division, Paging Products Group	47	23
Rudolph DeMichele Corporate Vice President and Director, Manufacturing Operations, Information Systems Group	60	17
James G. Roseland Corporate Vice President and Director, Sector Finance	51	26
**Les Shroyer* Corporate Vice President and General Manager, Systems Division, Wireless Data Group	50	10
**James A. Wagner* Corporate Vice President and General Manager, Transmission Products Division, Information Systems Group	49	28
Francis T. Wapole Corporate Vice President and President, ARDIS	50	28
Janiece Webb Corporate Vice President and General Manager, International Networks Division	41	21

Government and Space Technology Group

David G. Wolfe Executive Vice President and General Manager, Government and Space Technology Group	59	30
Robert Bigony Senior Vice President and Director, Strategic Marketing	53	28
**Durrell W. Hillis* Senior Vice President and General Manager, Satellite Communications Division	54	31
**Bary Bertiger* Corporate Vice President and Assistant General Manager, Satellite Communications Division	49	22
Napoleon Hornbuckle Corporate Vice President and General Manager, Diversified Technologies Division	53	30
W. Franklin Langford Corporate Vice President and Director, Group Finance	50	20
**David M. Neuer* Corporate Vice President and General Manager, Government Electronics Division	53	32
**Erling Rasmussen* Corporate Vice President and Assistant General Manager, Government Electronics Division	52	28

Automotive, Energy and Controls Group

Frederick T. Tucker Executive Vice President and General Manager, Automotive, Energy and Controls Group	54	29
**David Melka* Senior Vice President and General Manager, Automotive and Industrial Electronics Group	55	25
**Gerald Blanton* Corporate Vice President and General Manager, Energy Products Division	52	30
Gerald Brunning Corporate Vice President and General Manager, Component Products Division	54	30
**W.J. Kitchen* Corporate Vice President and Group Director, Technology and Quality	53	13
**John Owings* Corporate Vice President and Director, Group Finance	46	22
John Pelland Corporate Vice President and Assistant General Manager, Automotive and Industrial Electronics Group	51	21
**Bob Schaul* Corporate Vice President and Director, Global Markets, Automotive, Energy and Controls Group	50	29

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

CEO Quality Awards

The Chief Executive Office Quality Award is Motorola's highest award for quality performance. Winners in 1993 and 1994 were:

1993

Automotive and Industrial Electronics Group
Hermetic Regulator Line
Angers, France

Cross Sector Award
United Parcel Service Project
General Systems Sector
Schaumburg, Ill.; Tel Aviv, Israel
Information Systems Group
Huntsville, Ala.
Land Mobile Products Sector
Schaumburg, Ill. and Tel Aviv, Israel
Paging & Wireless Data Group
Vancouver, British Columbia

Human Resources
Universal Drug Testing Program
U.S. Human Resources Team
Motorola University
Worldwide Team

Information Systems Group
Motorola Codex
Canton, Mass.; Mansfield, Mass.; Mississauga, Ontario

Land Mobile Products Sector
Radius Distribution Center of America
Mt. Pleasant, Iowa
Customer Response Center Account Administration Team
Wood Dale, Ill.

Paging and Wireless Data Group
Americas' Paging Products Division, Manufacturing Quad Flat Pack
Boynton Beach, Fla.; Puerto Rico; Singapore

Semiconductor Products Sector
MOS 3 Wafer Fab
Austin, Texas
Small Signal Metal Die Bonder Automation Task Force Team
Korea
Profit 1 Assembly Site
Hong Kong
20 Lead PLCC Assembly Line
Manila, Philippines

1994

Automotive and Industrial Electronics Group
ATSTRIP Design Team
Taiwan; Costa Rica; Schaumburg, Ill.

Cross Sector
QSR Task Force, Supply Management Councils
All sectors and groups represented

Corporate
Motorola India Electronics LTD Software Center
India

Government and Space Technology Group
E-DRZ Project Program
Scottsdale, Ariz.

Semiconductor Products Sector
Motorola Electronics Taiwan
Taiwan
Motorola Korea Zener Glass Manufacturing Team
Korea
Pad Print Manufacturing Center of Excellence Team
Austin, Texas; Hong Kong; Korea; Kuala Lumpur; Manila, Philippines; Phoenix, Ariz.; Seremban, Malaysia; Taiwan
Korea Metal Finish Team
Korea

Dan Noble Fellows

The Dan Noble Fellow is the highest honorary award that can be made to a technologist within Motorola. It recognizes outstanding technical creativity, innovative ability and productive achievements. It is named for Dan Noble, a visionary technological pioneer, former Vice Chairman of Motorola and Chairman of its Science Advisory Board. Fellows chosen in 1993 and 1994 were:

1993

Gary Hess
Land Mobile Products Sector
Rich Comroe
Land Mobile Products Sector
Sanjar Ghaem
Automotive, Energy and Controls Group
Duane Rabe
General Systems Sector
Mike Burke
General Systems Sector
Bill Ooms
Corporate
John Locke
Government and Space Technology Group
Paul Sanders
Semiconductor Products Sector
Jim Thomas
Semiconductor Products Sector

1994

K. Raghunathan
Semiconductor Products Sector
Pat Carr
Semiconductor Products Sector
James Edward Greenwood
Government and Space Technology Group
Dean Norris
Government and Space Technology Group
Wei-Yean Howng
Land Mobile Products Sector
Gary Grube
Land Mobile Products Sector
Steve Jasper
Land Mobile Products Sector
Bob Schwendeman
Messaging, Information and Media Sector

Stockholder Reference Information

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	
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
Common Stock	Motorola common stock is listed on the New York, Chicago, London and Tokyo Stock Exchanges.	
Annual Meeting of Stockholders	The annual meeting will be held on May 2, 1995. A notice of the meeting, together with a form of proxy and a proxy statement, will be mailed to	stockholders on or about March 21, 1995, at which time proxies will be solicited by the Board of Directors.
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
Auditors	KPMG Peat Marwick LLP 303 East Wacker Drive Chicago, IL 60601	

This entire report has been printed on recycled paper.

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Corporate Offices
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Schaumburg, IL 60196
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**Quality means
the world to us™**