

**Motorola, Inc. and Subsidiaries**  
**Consolidated Statements of Operations**  
(In millions, except per share amounts)

	<b>Quarter Ended July 3 , 2004</b>	<b>Quarter Ended June 28, 2003</b>
Net sales	\$ 8,700	\$ 6,163
Costs of sales	5,531	4,155
Gross margin	<u>3,169</u>	<u>2,008</u>
Selling, general and administrative expenses	1,321	937
Research and development expenditures	990	951
Reorganization of businesses	(21)	(42)
Freescale separation costs	41	-
Other charges (income)	(7)	(9)
Operating earnings	<u>845</u>	<u>171</u>
Other income (expense):		
Interest expense, net	(60)	(59)
Gains on sales of investments and businesses	15	28
Other	-	(28)
Total other expense	<u>(45)</u>	<u>(59)</u>
Earnings before income taxes	800	112
Income tax expense (benefit)	1,003	(7)
Net earnings (loss)	<u>\$ (203)</u>	<u>\$ 119</u>
<u>Net earnings (loss) per common share</u>		
Basic	\$ (0.09)	\$ 0.05
Diluted	\$ (0.09)	\$ 0.05
<u>Weighted average common shares outstanding</u>		
Basic	2,351.7	2,319.6
Diluted	2,351.7	2,337.0
Dividends paid per share	\$ 0.04	\$ 0.04

	<b>Six Months Ended July 3 , 2004</b>	<b>Six Months Ended June 28, 2003</b>
Net sales	\$ 17,261	\$ 12,206
Costs of sales	11,224	8,222
Gross margin	<u>6,037</u>	<u>3,984</u>
Selling, general and administrative expenses	2,465	1,834
Research and development expenditures	1,957	1,898
Reorganization of businesses	(41)	21
Freescale separation costs	50	-
Other charges (income)	(61)	(70)
Operating earnings	<u>1,667</u>	<u>301</u>
Other income (expense):		
Interest expense, net	(127)	(152)
Gains on sales of investments and businesses	196	307
Other	(20)	(87)
Total other income	<u>49</u>	<u>68</u>
Earnings before income taxes	1,716	369
Income tax expense	1,310	81
Net earnings	<u>\$ 406</u>	<u>\$ 288</u>
<u>Net earnings per common share</u>		
Basic	\$ 0.17	\$ 0.12
Diluted	\$ 0.17	\$ 0.12
<u>Weighted average common shares outstanding</u>		
Basic	2,345.1	2,316.1
Diluted	2,432.9	2,332.5
Dividends paid per share	\$ 0.08	\$ 0.08

**Motorola, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
(In millions)

ASSETS	July 3, 2004	December 31, 2003
Cash and cash equivalents	\$ 8,667	\$ 7,877
Short-term investments	138	139
Accounts receivable, net	5,143	4,436
Inventories, net	2,816	2,792
Deferred income taxes	1,140	1,678
Other current assets	1,323	985
Total current assets	<u>19,227</u>	<u>17,907</u>
Property, plant and equipment, net	4,613	5,164
Investments	3,205	3,335
Deferred income taxes	2,995	3,349
Other assets	2,131	2,343
Total assets	<u>\$ 32,171</u>	<u>\$ 32,098</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Notes payable and current portion of long-term debt	\$ 352	\$ 896
Accounts payable	3,182	2,789
Accrued liabilities	6,104	5,748
Total current liabilities	<u>9,638</u>	<u>9,433</u>
Long-term debt	6,697	6,675
Other liabilities	2,712	2,815
Company-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely company- guaranteed debentures	-	486
Stockholders' equity	<u>13,124</u>	<u>12,689</u>
Total liabilities and stockholders' equity	<u>\$ 32,171</u>	<u>\$ 32,098</u>

**Motorola, Inc. and Subsidiaries**  
**Segment Information**  
(In millions)

Summarized below are the Company's net sales by reportable segment for the quarters and six months ended July 3, 2004 and June 28, 2003.

	<b>Segment Net Sales</b>		
	<b>Quarter Ended July 3, 2004</b>	<b>Quarter Ended June 28, 2003</b>	<b>% Change from 2003</b>
Personal Communications Segment	\$ 3,883	\$ 2,331	67%
Semiconductor Products Segment	1,461	1,115	31%
Global Telecom Solutions Segment	1,443	1,046	38%
Commercial, Govt, and Industrial Solutions Segment	1,124	996	13%
Integrated Electronic Systems Segment	656	516	27%
Broadband Communications Segment	567	430	32%
Other Products Segment	91	78	17%
Adjustments & Eliminations	(525)	(349)	50%
Segment Totals	\$ 8,700	\$ 6,163	41%

	<b>Segment Net Sales</b>		
	<b>Six Months Ended July 3, 2004</b>	<b>Six Months Ended June 28, 2003</b>	<b>% Change from 2003</b>
Personal Communications Segment	\$ 7,964	\$ 4,778	67%
Semiconductor Products Segment	2,857	2,266	26%
Global Telecom Solutions Segment	2,760	1,998	38%
Commercial, Govt, and Industrial Solutions Segment	2,144	1,859	15%
Integrated Electronic Systems Segment	1,310	1,037	26%
Broadband Communications Segment	1,055	851	24%
Other Products Segment	173	157	10%
Adjustments & Eliminations	(1,002)	(740)	35%
Segment Totals	\$ 17,261	\$ 12,206	41%

**Motorola, Inc. and Subsidiaries**  
**Segment Information**  
(In millions)

Summarized below are the Company's operating earnings (loss) by reportable segment for the quarters and six months ended July 3, 2004 and June 28, 2003.

	<b>Segment Operating Earnings (Loss)</b>	
	<b>GAAP Results</b>	
	<b>Quarter Ended July 3, 2004</b>	<b>Quarter Ended June 28, 2003</b>
Personal Communications Segment	\$ 394	\$ 91
Semiconductor Products Segment	55	(125)
Global Telecom Solutions Segment	208	19
Commercial, Govt, and Industrial Solutions Segment	183	114
Integrated Electronic Systems Segment	44	45
Broadband Communications Segment	20	5
Other Products Segment	(9)	(16)
Adjustments & Eliminations	-	3
Segment Totals	895	136
General Corporate	(50)	35
Operating Earnings	<u>\$ 845</u>	<u>\$ 171</u>

	<b>Segment Operating Earnings (Loss)</b>	
	<b>GAAP Results</b>	
	<b>Six Months Ended July 3, 2004</b>	<b>Six Months Ended June 28, 2003</b>
Personal Communications Segment	\$ 792	\$ 205
Semiconductor Products Segment	162	(246)
Global Telecom Solutions Segment	327	48
Commercial, Govt, and Industrial Solutions Segment	361	176
Integrated Electronic Systems Segment	87	70
Broadband Communications Segment	44	18
Other Products Segment	(34)	(16)
Adjustments & Eliminations	-	(8)
Segment Totals	1,739	247
General Corporate	(72)	54
Operating Earnings	<u>\$ 1,667</u>	<u>\$ 301</u>