

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

	Three Months Ended		
	June 28, 2008	March 29, 2008	June 30, 2007
Net sales	\$ 8,082	\$ 7,448	\$ 8,732
Costs of sales	5,757	5,303	6,279
Gross margin	2,325	2,145	2,453
Selling, general and administrative expenses	1,115	1,183	1,296
Research and development expenditures	1,048	1,054	1,115
Separation-related transaction costs	20	-	-
Other charges (income)	56	94	103
Intangibles amortization and IPR&D	81	83	97
Operating earnings (loss)	5	(269)	(158)
Other income (expense):			
Interest income (expense), net	(10)	(2)	32
Gains on sales of investments and businesses, net	39	19	5
Other	(85)	(9)	17
Total other income (expense)	(56)	8	54
Loss from continuing operations before income taxes	(51)	(261)	(104)
Income tax benefit	(55)	(67)	(66)
Earnings (loss) from continuing operations	4	(194)	(38)
Earnings from discontinued operations, net of tax	-	-	10
Net earnings (loss)	\$ 4	\$ (194)	\$ (28)
<u>Earnings (loss) per common share</u>			
Basic:			
Continuing operations	\$ 0.00	\$ (0.09)	\$ (0.02)
Discontinued operations	-	-	0.01
	\$ 0.00	\$ (0.09)	\$ (0.01)
Diluted:			
Continuing operations	\$ 0.00	\$ (0.09)	\$ (0.02)
Discontinued operations	-	-	0.01
	\$ 0.00	\$ (0.09)	\$ (0.01)
<u>Weighted average common shares outstanding</u>			
Basic	2,262.6	2,257.0	2,296.3
Diluted	2,269.5	2,257.0	2,296.3
Dividends paid per share	\$ 0.05	\$ 0.05	\$ 0.05

	Percentage of Net Sales*		
	June 28, 2008	March 29, 2008	June 30, 2007
Net sales	100%	100%	100%
Costs of sales	71.2%	71.2%	71.9%
Gross margin	28.8%	28.8%	28.1%
Selling, general and administrative expenses	13.8%	15.9%	14.8%
Research and development expenditures	13.0%	14.2%	12.8%
Separation-related transaction costs	0.2%	0.0%	0.0%
Other charges (income)	0.7%	1.3%	1.2%
Intangibles amortization and IPR&D	1.0%	1.1%	1.1%
Operating earnings (loss)	0.1%	-3.6%	-1.8%
Other income (expense):			
Interest income (expense), net	-0.1%	0.0%	0.4%
Gains on sales of investments and businesses, net	0.5%	0.3%	0.1%
Other	-1.1%	-0.1%	0.2%
Total other income (expense)	-0.7%	0.1%	0.6%
Loss from continuing operations before income taxes	-0.6%	-3.5%	-1.2%
Income tax benefit	-0.7%	-0.9%	-0.8%
Earnings (loss) from continuing operations	0.0%	-2.6%	-0.4%
Earnings from discontinued operations, net of tax	0.0%	0.0%	0.1%
Net earnings (loss)	0.0%	-2.6%	-0.3%

* Percents may not add up due to rounding

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(In millions, except per share amounts)

	Six Months Ended	
	June 28, 2008	June 30, 2007
Net sales	\$ 15,530	\$ 18,165
Costs of sales	11,060	13,258
Gross margin	4,470	4,907
Selling, general and administrative expenses	2,298	2,609
Research and development expenditures	2,102	2,232
Separation-related transaction costs	20	-
Other charges (income)	150	303
Intangibles amortization and IPR&D	164	287
Operating loss	(264)	(524)
Other income (expense):		
Interest income (expense), net	(12)	73
Gains on sales of investments and businesses, net	58	4
Other	(94)	16
Total other income (expense)	(48)	93
Loss from continuing operations before income taxes	(312)	(431)
Income tax benefit	(122)	(175)
Loss from continuing operations	(190)	(256)
Earnings from discontinued operations, net of tax	-	47
Net loss	\$ (190)	\$ (209)
<u>Earnings (loss) per common share</u>		
Basic:		
Continuing operations	\$ (0.08)	\$ (0.11)
Discontinued operations	-	0.02
	\$ (0.08)	\$ (0.09)
Diluted:		
Continuing operations	\$ (0.08)	\$ (0.11)
Discontinued operations	-	0.02
	\$ (0.08)	\$ (0.09)
<u>Weighted average common shares outstanding</u>		
Basic	2,260.5	2,337.1
Diluted	2,260.5	2,337.1
Dividends paid per share	\$ 0.10	\$ 0.10

	Percentage of Net Sales*	
	June 28, 2008	June 30, 2007
Net sales	100%	100%
Costs of sales	71.2%	73.0%
Gross margin	28.8%	27.0%
Selling, general and administrative expenses	14.8%	14.4%
Research and development expenditures	13.5%	12.3%
Separation-related transaction costs	0.1%	0.0%
Other charges (income)	1.0%	1.7%
Intangibles amortization and IPR&D	1.1%	1.6%
Operating loss	-1.7%	-2.9%
Other income (expense):		
Interest income (expense), net	-0.1%	0.4%
Gains on sales of investments and businesses, net	0.4%	0.0%
Other	-0.6%	0.1%
Total other income (expense)	-0.3%	0.5%
Loss from continuing operations before income taxes	-2.0%	-2.4%
Income tax benefit	-0.8%	-1.0%
Loss from continuing operations	-1.2%	-1.4%
Earnings from discontinued operations, net of tax	0.0%	0.3%
Net loss	-1.2%	-1.2%

* Percents may not add up due to rounding

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

	June 28, 2008	March 29, 2008	June 30, 2007
Assets			
Cash and cash equivalents	\$ 2,757	\$ 2,693	\$ 2,770
Sigma Fund	3,856	3,890	4,858
Short-term investments	595	465	1,063
Accounts receivable, net	4,495	4,770	5,492
Inventories, net	2,758	2,941	3,016
Deferred income taxes	1,882	1,951	1,930
Other current assets	3,876	3,773	2,680
Total current assets	20,219	20,483	21,809
Property, plant and equipment, net	2,575	2,577	2,586
Sigma Fund	555	673	-
Investments	746	801	952
Deferred income taxes	3,074	2,679	2,157
Goodwill	4,358	4,517	4,589
Other assets	2,212	2,403	2,520
Total assets	\$ 33,739	\$ 34,133	\$ 34,613
Liabilities and Stockholders' Equity			
Notes payable and current portion of long-term debt	\$ 145	\$ 174	\$ 1,775
Accounts payable	3,806	3,660	3,493
Accrued liabilities	7,623	7,942	7,608
Total current liabilities	11,574	11,776	12,876
Long-term debt	3,971	4,074	2,590
Other liabilities	2,990	3,103	4,184
Stockholders' equity	15,204	15,180	14,963
Total liabilities and stockholders' equity	\$ 33,739	\$ 34,133	\$ 34,613
Financial Ratios*:			
Days Sales Outstanding (including net Long-term receivables)	50	58	57
Cash Conversion Cycle	34	46	50
ROIC	3%	3%	13%
Net Cash	\$ 3,647	\$ 3,473	\$ 4,326

* Defined in the Financial Ratios Definitions table

Motorola, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In millions)

	Three Months Ended		
	June 28, 2008	March 29, 2008	June 30, 2007
Operating			
Net earnings (loss)	\$ 4	\$ (194)	\$ (28)
Less: Earnings from discontinued operations	-	-	10
Earnings (loss) from continuing operations	4	(194)	(38)
Adjustments to reconcile earnings (loss) from continuing operations to net cash provided by (used for) operating activities:			
Depreciation and amortization	212	204	227
Deferred income taxes	(192)	(278)	(194)
Other, net	166	58	99
Changes in operating assets and liabilities, net	14	(133)	(129)
Net cash provided by (used for) operating activities from continuing operations	204	(343)	(35)
Investing			
Acquisitions and investments, net	(34)	(140)	(106)
Proceeds from sales of investments and businesses	132	21	11
Capital expenditures	(120)	(111)	(178)
Proceeds from sales of Sigma Fund investments, net	156	631	559
Other, net	(130)	152	(243)
Net cash provided by investing activities from continuing operations	4	553	43
Financing			
Issuance of common stock	76	6	166
Purchase of common stock	-	(138)	-
Other, net	(146)	(283)	(144)
Net cash provided by (used for) financing activities from continuing operations	(70)	(415)	22
Effect of exchange rate changes on cash and cash equivalents from continuing operations	(74)	146	3
Net cash provided by (used for) discontinued operations	-	-	-
Net increase (decrease) in cash and cash equivalents	64	(59)	33
Cash and cash equivalents, beginning of period	2,693	2,752	2,737
Cash and cash equivalents, end of period	\$ 2,757	\$ 2,693	\$ 2,770

Motorola, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In millions)

	Six Months Ended	
	June 28, 2008	June 30, 2007
Operating		
Net loss	\$ (190)	\$ (209)
Less: Earnings from discontinued operations	-	47
Loss from continuing operations	(190)	(256)
Adjustments to reconcile loss from continuing operations to net cash used for operating activities:		
Depreciation and amortization	416	446
Deferred income taxes	(470)	(375)
Other, net	224	285
Changes in operating assets and liabilities, net	(119)	(127)
Net cash used for operating activities from continuing operations	(139)	(27)
Investing		
Acquisitions and investments, net	(174)	(4,237)
Proceeds from sales of investments and businesses	153	61
Capital expenditures	(231)	(270)
Proceeds from sales of Sigma Fund investments, net	787	7,346
Other, net	22	(370)
Net cash provided by investing activities from continuing operations	557	2,530
Financing		
Issuance of common stock	82	212
Purchase of common stock	(138)	(2,360)
Other, net	(429)	(359)
Net cash used for financing activities from continuing operations	(485)	(2,507)
Effect of exchange rate changes on cash and cash equivalents from continuing operations	72	(42)
Net cash provided by (used for) discontinued operations	-	-
Net increase (decrease) in cash and cash equivalents	5	(46)
Cash and cash equivalents, beginning of period	2,752	2,816
Cash and cash equivalents, end of period	\$ 2,757	\$ 2,770

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

Summarized below are the Company's Net sales by reportable business segment for the three and six months ended June 28, 2008 and June 30, 2007.

Net Sales			
	Three Months Ended June 28, 2008	Three Months Ended June 30, 2007	% Change from 2007
Mobile Devices	\$ 3,334	\$ 4,273	-22%
Home and Networks Mobility	2,738	2,564	7%
Enterprise Mobility Solutions	2,042	1,920	6%
Segment Totals	8,114	8,757	-7%
Other and Eliminations	(32)	(25)	28%
Company Totals	\$ 8,082	\$ 8,732	-7%

Net Sales			
	Six Months Ended June 28, 2008	Six Months Ended June 30, 2007	% Change from 2007
Mobile Devices	\$ 6,633	\$ 9,681	-31%
Home and Networks Mobility	5,121	4,901	4%
Enterprise Mobility Solutions	3,848	3,637	6%
Segment Totals	15,602	18,219	-14%
Other and Eliminations	(72)	(54)	33%
Company Totals	\$ 15,530	\$ 18,165	-15%

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

Summarized below are the Company's Operating earnings (loss) by reportable business segment for the three and six months ended June 28, 2008 and June 30, 2007.

		Operating Earnings (Loss)	
		Three Months Ended June 28, 2008	Three Months Ended June 30, 2007
Mobile Devices	\$	(346)	\$ (332)
Home and Networks Mobility		245	191
Enterprise Mobility Solutions		377	303
Segment Totals		276	162
Other and Eliminations		(271)	(320)
Company Totals	\$	5	\$ (158)

		Operating Earnings (Loss)	
		Six Months Ended June 28, 2008	Six Months Ended June 30, 2007
Mobile Devices	\$	(764)	\$ (565)
Home and Networks Mobility		398	358
Enterprise Mobility Solutions		627	434
Segment Totals		261	227
Other and Eliminations		(525)	(751)
Company Totals	\$	(264)	\$ (524)

Motorola, Inc. and Subsidiaries Financial Ratios Definitions

Net Cash

Net Cash = Cash and cash equivalents + Sigma Fund (current and non-current) + Short-term investments - Note payable and current portion of long-term debt - Long-term Debt

Cash Conversion Cycle

Cash Conversion Cycle = DSO + DIO – DPO

Days sales outstanding (DSO) = (Accounts receivable + Long-term receivables) / (Three months of Net sales / 90)

Days sales in inventory (DSI) = Inventory / (Three months of Cost of sales / 90)

Days payable outstanding (DPO) = Accounts payable / (Three months of Cost of sales / 90)

Return on Invested Capital (ROIC)

Rolling ROIC =
$$\frac{(12 \text{ mth rolling Operating earnings (loss) excluding highlighted items and including Foreign currency gain/(loss)) tax affected}}{4 \text{ quarter average of (Stockholders' equity + Total debt}^* \text{ - Excess cash}^{**})}$$

* Total debt = Note payable and current portion of long-term debt + Long-term Debt

** Excess cash = Rolling 4 quarter average of (Cash and cash equivalents + Sigma Fund (current and non-current) + Short-term investments) - 5% of rolling Net sales