

# personal communications sector

*SG Cowen Global Technology Conference*

*27 march 2002*



## fernando gomez

*senior vice president & general manager  
Personal Communications Sector EMEA, Motorola*



**MOTOROLA**  
*intelligence everywhere™*



# safe-harbor statement

**“A number of forward-looking statements will be made during this conference. Forward-looking statements are any statements that are not historical facts. These forward-looking statements are based on the current expectations of Motorola and there can be no assurance that such expectations will prove to be correct. Because forward-looking statements involve risks and uncertainties, Motorola’s actual results could differ materially from these statements. Information about factors that could cause, and in some cases have caused, such differences can be found on pages F-28 through F-33 of Motorola’s Proxy Statement for the 2001 annual meeting of stockholders and in Motorola’s other SEC filings.”**

**“This presentation is being made the afternoon of March 5, 2002. The content of this presentation contains time-sensitive information that is accurate only as of the time hereof. If any portion of this presentation is rebroadcast, retransmitted or redistributed at a later date, Motorola will not be reviewing or updating the material that is contained herein.”**

following profitable H2 2001, we are playing to win in 2002.

key imperatives:

- total cost competitiveness
- compelling products and signature experiences
- we are partnering to deliver the ultimate end-user experience with applications and solutions
- technology and innovation (including software capability improvements)
- build on leadership in GPRS and 3G
- operator partnering

*our strategy balances consumerism and operator partnering and is supported by great products, solutions, and innovation.*



what is it like in  
the market?



- > **industry's channel inventory levels have normalized.**
- > **2002 industry handset shipments – expect about 420 million units, higher if economic conditions improve.**
- > **2002 Q1 industry handset shipments expected to be about 90 million units.**
- > **average selling prices (ASPs) are expected to be stable, with new models offsetting deflation.**

- > ***short-term:*** excess year-end industry inventory and weaker global economy resulted in slow H1 2001 sales.
- > progress was made in reducing industry inventories, and by end of 2001 inventories were near normal.
- > ***long-term:*** many network operators are changing focus from increasing market share and growth to improving financials due to large financial commitments for 3G licenses and network build-out.
- > handset subsidies reduced in some markets, resulting in higher retail prices and slower growth.
- > GPRS and CDMA1X momentum to accelerate through 2002.

## best opportunities for industry growth . . .

- **usa, brazil, mexico – penetration**
- **western europe – replacements**
- **china – penetration and replacements (7% GDP)**
- **korea – replacements**

*in markets such as the USA, Europe and Hong Kong, we need to think beyond penetration and replacements. ...*



what are our  
objectives?





# vision, mission and culture

## > **our vision**

to be the market leader in providing superior wireless solutions and lead the internet around the world to be wireless.

## > **our mission**

drive success by exceeding the expectations of customers, consumers, shareholders and co-workers.

## > **our culture**

customer-driven employees winning through the 4Es + 1 (eNVISION, eNERGIZE, eDGE, eEXECUTE, ETHICS) – recognizing and celebrating successes.

### objectives

1. superior customer service
2. high employee motivation
3. strong financial results
4. recognized motorola brand
5. active community involvement

### longer-term targets

1. 90%+ top 2 boxes, 25%+ share
2. 80% employee satisfaction
3. 15%+ PBT
4. top 10 in brand value
5. 200,000 hours

## > make the numbers

- cash, profit, market share, revenue

## > commitment to the long-term

- 3G
- IPR renewal
- non-device revenues

## > 2002 priorities

- deliver compelling products *AND* solutions
- total cost competitiveness
- improve quality – particularly software and ease of use
- energize and support go-to-market teams



how are we  
performing?



## 2001 financials at a glance . . .

	<u>Q1 2001</u>	<u>Q2 2001</u>	<u>Q3 2001</u>	<u>Q4 2001</u>
<b>sales</b>	<b>\$2.3B</b>	<b>\$2.5B</b>	<b>\$2.7B</b>	<b>\$3.0B</b>
<b>PBT</b>	<b>(\$402M)</b>	<b>(\$238M)</b>	<b>\$15M</b>	<b>\$189M</b>
<b>YTD operating cash flow</b>	<b>&gt;\$50M</b>	<b>&gt;\$500M</b>	<b>&gt;\$700M</b>	<b>&gt;\$1.2B</b>

# PCS highlights: 2001

- > captured \$1.5 billion+ in annualized savings from restructuring activities, and we and improved our cash flow
- > introduced 24 new products – and cut product complexity by 50%
- > shipped more than 4.1 million GPRS units
- > signed a 3G handset agreement with Hutchison – and we are on schedule for delivery in Q3 2002
- > partnered with China Unicom, enabled China's first CDMA 1X call
- > increased market share – now about 17% vs. low of 14% in late 2000/early 2001.
- > *and* delivered a profitable Q3 and Q4



major initiatives

at PCS



# major initiatives

1. strengthening PCS senior leadership team using leadership supply

2. compelling new product solutions

- reduce products/parts complexity by ~~50%~~ 75%

3. cost competitiveness

- reduce product cost by ~~20%~~ 25%
- SG&A costs flat ~~at~~ down 30%+

4. carriers and focus on consumers

5. continued investment in GPRS, applications and 3G

improved customer relationships . . .



... and consumer

**segmentation**



# 5 key consumer segments targeted . . .

higher  
price

premium

corporate  
business

personal  
style

best

business

social

better

easy  
business

networked  
entertainment

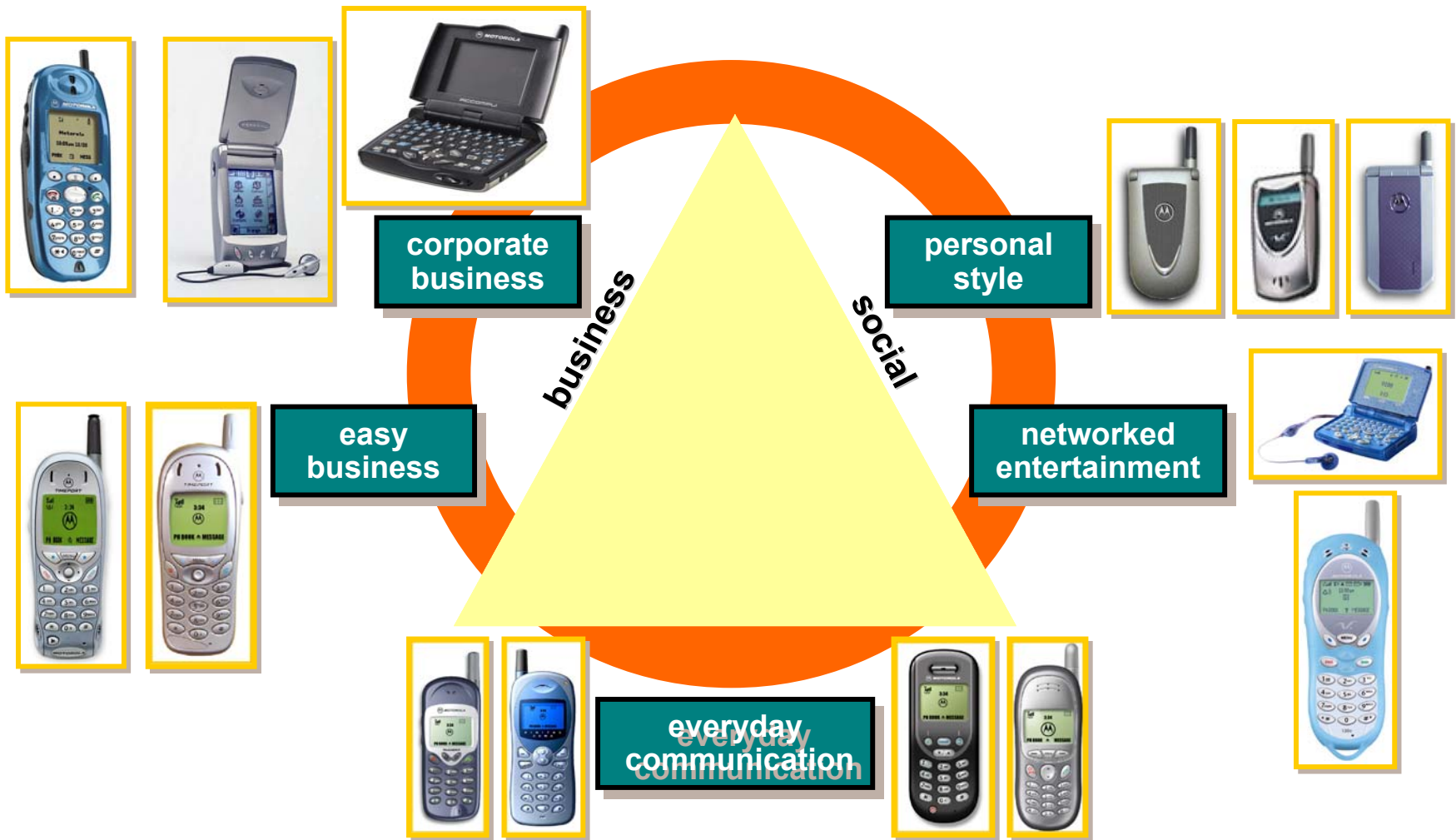
good

entry

everyday  
communication

higher  
volume

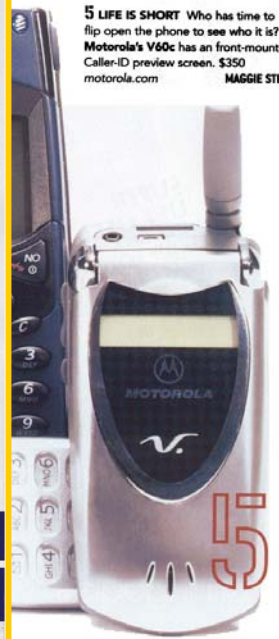
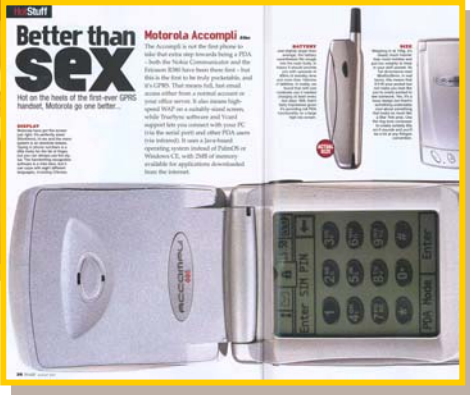
# ... to deliver certain somethings for certain someones



# as we ended 2001 ... global media began to buzz



- 1 **COLOR ME TECHNO** Sanyo's SCP-5000 has a vivid full-color screen which lets you keep a hot pic of your beau close to your...ear. \$499 sprint.com
- 2 **TOUCH ME** Ericsson's R380 delivers 2 full inches—of touch-sensitive horizontal screen, that is—to deliver e-mail, calendar, and voice capabilities in one. \$499 ericsson.com
- 3 **SMARTY-PANTS** Kyocera's Smartphone is a Palm Pilot, modem and phone combined. Browse, order in, and enjoy! \$499 sprint.com
- 4 **SILVERADO** Sanyo's SCP-6000 is shiny, sexy and absolutely anorexic, so it won't give you "the bulge" in any of the wrong places. \$299 sprint.com
- 5 **LIFE IS SHORT** Who has time to flip open the phone to see who it's? Motorola's V60c has an front-mount Caller-ID preview screen. \$350 motorola.com



at the start of 2002 ... the revolution is in full swing!

THE UK'S LEADING MOBILE PHONE MAGAZINE

# WHAT Cellphone

MARCH 2002 £3.40

THE BIGGEST AND BEST BUYING GUIDE FOR MOBILE COMMUNICATIONS

## Head turner

SLIP A LOOK AT THE STUNNING SWIVEL-FLIP MOTOROLA V70



**Best mobile deals**  
GET A BETTER PACKAGE

**3G arrives!**  
THE FUTURE IS HERE

**The next txt**  
MESSAGES WITH PIX AND MUSIC

**Also on test**

- NOKIA 6310
- SAMSUNG SGH-R210
- MOTOROLA T192
- SIEMENS ME45

WIN! FIVE SAMSUNG SGH-A400 MOBILE

## Chicago Tribune

# Motorola heeds style call

Design guru seeks to deliver for battered cell phone unit



V70 Features: Rotating

*“Slip a look at the stunning swivel-flip Motorola V70.”*

2002

THE UNBIASED GUIDE TO MOBILE PHONES

# WHAT MOBILE

February 2002 £3.95

www.whatmobile.net

# REVOLUTION

THE REAL WORLD EXCLUSIVE! Motorola v70

FREESERVE MOVIE MAGIC

BECKER'S GRAND SLAM  
ALL IN ONE EMAIL, GPS, MP3 CAR PHONE

PRANK A PAL AT GETZED.COM

FIRST EVER 3G REVIEW

BRITAIN'S BEST MOBILE PHONE GUIDE FOR NOVICES, EXPERTS AND CHEAPSKATES

WIN ONE OF THREE POGO POCKET WEB BROWSERS PLUS A YEAR'S AIRTIME



2002

Billings out several million dollars a year in an effort to...

T720 Features: Full-color display; custom games; can be used as a PDA; Sum Price

# Newsweek

DESIGN THE COOLEST CELL PHONE WINS

Last week in Milan, Motorola announced its new line of sleek and stylish mobile phones for 2002. The aggressive design offensive comes not a minute too soon. The company has struggled with profitability since the late '90s, lost precious market share to consumer-focused Nokia and faced massive layoffs and a barrage of criticism from industry analysts who say that its products lack a recognizable brand identity. Motorola listened; these new phones are the result of a secretive design revolution that started in 1999 when the company hired former Apple computer designer Tim Parsley to head its style shop. Parsley, who led the industrial-design group at Apple in the bridge period while Steve Jobs was away, says Schaumburg, Ill.-based Motorola is poised for a comeback. "Design used to be something that was brought in at the last minute to make an engineering product look good," he says. Now "it's a competitive weapon." The best gun in his belt is clearly the key-shaped V70, which sports a clever rotating front faceplate and cutting-edge electronics crammed into a tiny package. As these products come to market (the V70 should appear in stores by May), consumers will decide whether Motorola's new arsenal has any firepower.

JENNIFER TANAKA

FEBRUARY 25, 2002 NEWSWEEK 9



# My cell phone, myself: Firms go for image-building

By James Connell  
International Herald Tribune

**HANNOVER, Germany:** Now that most Europeans have cell phones, they have been happy to hold on to them until they get lost, broken or stolen.

But when they need a replacement, the technobabble of the trade — GPRS, UMTS, 3G, mobile broadband — often makes them reach for an aspirin with one hand while the other stays firmly clasped around their wallets.

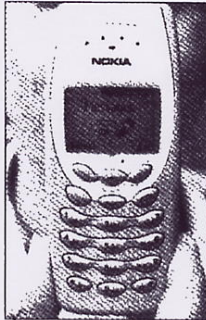
That has led phonomakers to realize that to sell phones, they need to sell the idea that phones are more fun, more useful or more of a status symbol than ever. The companies are clamoring at the CeBIT trade show in Hannover this week to prove that their brand is the most reliable, the coolest or the most elegant.

Nokia, Motorola, Sony Ericsson and the rest have new models in just about every image category:

- The Motorola V70, for example, at 83 grams (2.8 ounces) the smallest GSM phone ever, is cast as an "object of desire" targeted to the person who needs — and can afford — the latest fashionable mobile, especially in high-powered board rooms.

- The M50 from Siemens, on the other hand, is a phone for "fun, games, choice and freedom," be-

CeBIT



Nokia phones stress reliability, while Siemens "pendant phone," right, emphasizes design.

Rainer Jensen/Agence France-Press

cause customers can download serious applications as well as games. It has a distinctive racetrack oval shape and an orange background screen.

- Samsung's SGH-A400 is aimed at women. The tiny, 85-gram flip phone comes in colors such as lipstick red, pearly white and jet black, all with gold trim.

the personal icons of pop culture in the same way that running shoes were in the '80s."

Frost, who as a former branding guru for Nike knows what he is talking about, said Motorola's new line of phones seeks to answer these questions:

See PHONES, Page 7

- Sony Ericsson's T68i is pitched to the traveling business person. The T68i, an update of the T68, the first color-screen phone to hit Europe, is small, weighing 84 grams, but turns into a camera with a snap-on module.

- And Nokia's high-end business phone, the 6310i, has all the latest technology for those in the know — GPRS, HCS (high-speed circuit-switched data), Bluetooth, and Java for downloading third-party applications.

But in the end it is not about the technology, said Peter Zapf, president of Siemens' mobile phone unit.

"It's more about how to create hype in the market where people are going to be willing to pay more money for new services, new applications, new designs — for something that is different," he said.

"In a funny sort of way," said Geoffrey Frost, the head of mobile phone marketing for Motorola, "these devices formerly known as cell phones have sort of become the personal icons of pop culture in the same way that running shoes were in the '80s."

Frost, who as a former branding guru for Nike knows what he is talking about, said Motorola's new line of phones seeks to answer these questions:

motorolapreview

# Get your Moto running

Simon Rockman reports on Motorola's forthcoming products. What will come after the amazing revolutionary v70? Will the new Timeport be so simple a child could use it? What can Motorola offer to square up to Nokia's all-conquering 3330? Read on...



**Keep in shape**  
C330's swappable covers come not just in different colors, but different shapes. These three models look like completely different phones, but are all the same C330 using different faces.

Motorola hit a sticky patch recently and saw its market share tumble from 30 per cent to 13 per cent. What Mobile had been saying for some years that the American manufacturer needed to pull its socks up and learn some serious lessons about the far more advanced European market. Last year it had to take drastic action, shutting down factories, dramatically thinning out its range of products, and hiring a new broom from Apple as head of design.

The first new fruit was the v70, the stunning model with the revolving keypad cover, which What Mobile revealed in the February issue after keeping reluctantly shut for months. Now Motorola has unveiled a bigger picture. A whole range, from a sensible budget phone that offers everything a phone should, to the world's first dual mode 3G phone, meaning a model that will work with both GSM and 3G.

There are improvements in the user interface; both flip phones let you see who is calling; and there are lots of cool music features. Generally the feeling is that Motorola is back on track.

## Motorola C330

The first phone expected to arrive is the C330, a budget fun phone like the Nokia 3330. At 101x42x19mm it's small, good to hold and light at 80g.

What Mobile has long criticised the Motorola interface, which has always been counter-intuitive and long-winded despite several revamps. Now at last there are real improvements. There is a bright white 96x64 screen with four

grey scales. You can get to anywhere any of the menus with two clicks on four way navigation key. The screen still a bit small but at least it has function key buttons.

The innovative swappable covers come in different shapes, which completely change the appearance of the phone in outline as well as in color. All the phones on the left are the same model, but with different styles of swappable cover. There is one with round ends and a slim middle, another that is very square and feels quite like a flip phone, and a third has square sides and a flat top and bottom.

Additional 'themes' (colour schemes and ringtones) can also be downloaded to go with differently coloured casing.

On the back is a star shape like the flowers you drew with a compass in maths when you were supposed to be listening. This is the large speaker for the polyphonic ring tones. This is an area where Motorola has leaptfrogged Nokia. Though Nokia completely dominates the world of downloadable ring tones, the sound of the rings is pretty limited compared to all the sophisticated audio capabilities other manufacturers have started to offer.

Motorola supports the monophonic iMelody, but there is also polyphonic MIDI. MIDI (musical instrument digital interface) is the standard for transferring music between electronic instruments. Just as a musician who plays a piano and a harpsichord can use the same sheet music to produce something which sounds very different but is the same notes, MIDI tells the instrument what not to play and it does so in its own voice.

The C330 has 10 standard voices

**“A whole range, from a sensible budget phone that offers everything a phone should, to the world's first dual mode 3G phone, meaning a model that will work with both GSM and 3G”**



consumer experience

**design**

# motorola design criteria ... rich minimalism

*distinctive motorola forms*



*consistent design details*



*consistent physical interface*



*consistent use of product graphics*

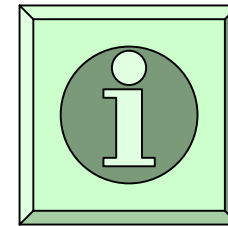


*consistent color, material and finish*





an experience trajectory . . .



# the head-turning V70 ... "HYPNOMOTO"



## Bands:

- GSM 900/1800 MHz GPRS
- GSM 1900 MHz GPRS

Physical and Digital  
Personalization

Talk Time: Up to 190 Minutes



# the T720: giant color screen plus! ...“MIGHTYMOTO”



**GSM/GPRS, CDMA**

**Physical and Digital  
Personalization**

**Talk Time: Up to 168 Minutes**



# the C330 ...change is good: "MIXMOTO"



**GSM/GPRS**

**Physical and Digital Personalization**

**Talk Time: Up to 330 Minutes**



# the A388 ... surf. organize. play. ... "GIZMOMOTO"



**GSM/GPRS**

**Physical and Digital Personalization**

**Talk Time: Up to 270 Minutes**

# the sleek and stylish V60i ... "DIVAMOTO"



**GSM/GPRS, CDMA, TDMA**

**Physical and Digital Personalization**

**Talk Time: Up to 240 Minutes**



# the v66i: express yourself! . . . “CANDYMOTO”



**GSM/GPRS**

**Physical and Digital Personalization**

**Talk Time: Up to 240 Minutes**





what will drive our  
ongoing progress?



*design – user interface – accessories – applications*



# enhanced and evolving synergy™ user interface . . .



# synergy 2.0 UI enhancements

## graphical front-end and iconic treatment

- > bundling applications
- > highly graphical interaction

## tabs and transients

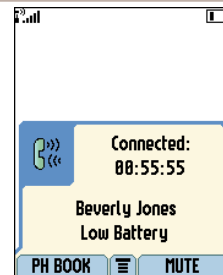
- > represent intermediate steps through functionality, layered content

## enhanced title and scroll bar

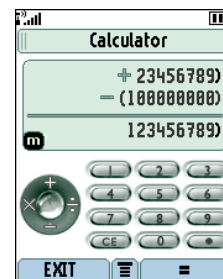
- > consistent location reference
- > added functionality (categories); flexible scrolling
- > higher resolution, indicates relative position in list while scrolling

## dedicated media viewer

## month-view for datebook and enhanced personalization



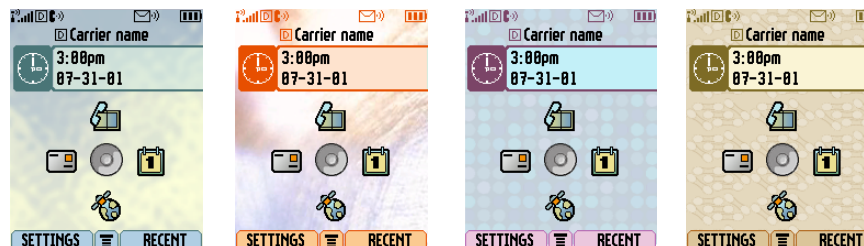
Connected call tab



Controller



Month View



# accessories – enrich the experience



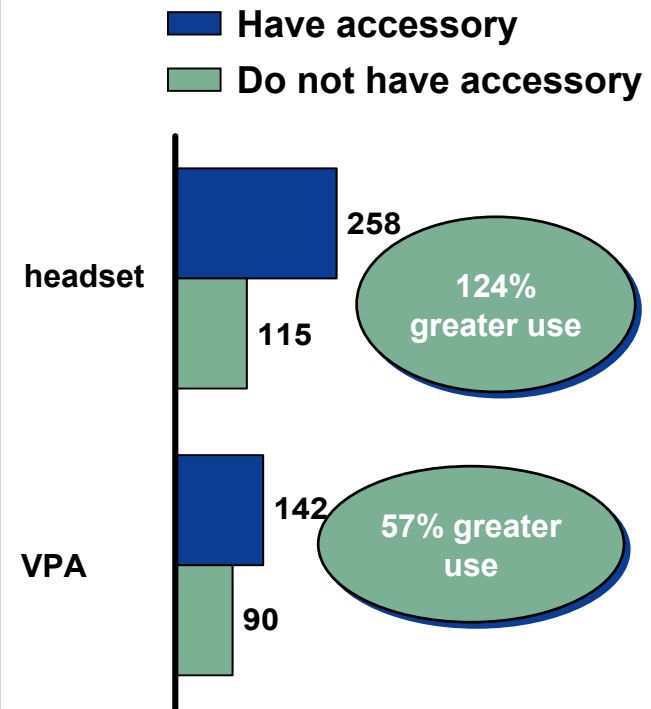
*... and enhance ARPU.*

# accessories: it's all about ARPU . . .

- > historical winners:
  - VPA
  - batteries
  - headsets,
  - interchangeable faceplates
  - easy-install car kits
- > new growth opportunities:
  - data kits
  - fm headsets
  - mp3 headsets

> *accessories correlate to higher use . . .*

> average minutes:



# increasing entertainment and content

major kick-off brands:

July/Aug



supporting quiz:

July/Aug



ringer tones:

Aug/Sept



sports brands:

Sept/Oct



PGA

charity:

Q4/01

€ £ \$



music, lifestyle, and other categories are in the queue.



- > **working with industry leaders to ensure interoperability for MMS:**
  - **support open-standard solutions to deliver rich, integrated services and content**
  - **deliver a consistent, intuitive user experience**
  - **provide enhanced revenue generating capabilities for 2.5G and 3G**
  - **provide complementary tiered experiences for users . . .**

**SMS      EMS      MMS      email**



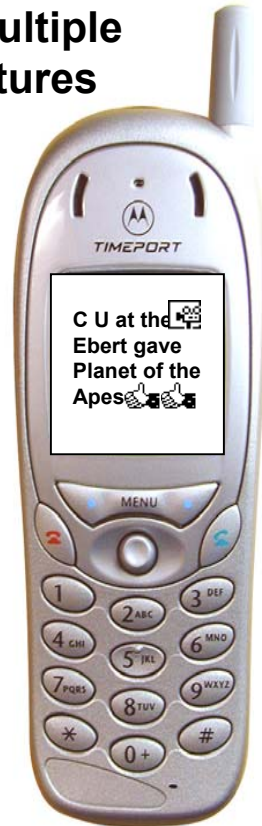
# EMS-ready as market demands . . .

expect to have largest EMS-enabled portfolio of any global handset provider during H1 2002.

- small animation  
8x8



- multiple  
pictures



- large animation  
16x16



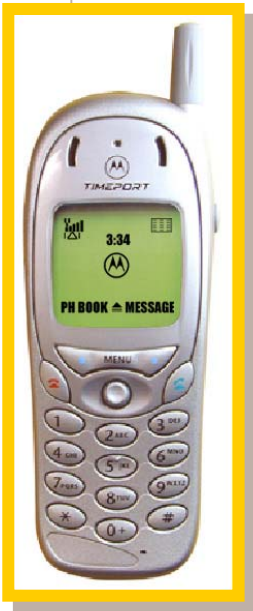
investing and innovating for the . . .

**future**

2.0 → 2.5 → 3G



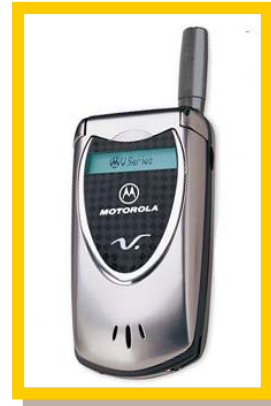
# 2001 GPRS/GSM product portfolio . . .



**timeport™  
280**



**accompli™ 009**



**v.series™ 60g**



**talkabout®  
192**



**v.series™ 66**



**accompli™ 008**

*world's most  
complete – and  
completely available  
– portfolio.*

# 2002 3G handset offering: the A820 - "UBERMOTO"



## 6 TECHNOLOGY South China Morning Post

### Motorola marks shift with 3G handset launch

Firm unifies

MOBILE PHONES  
Doug Mairne in Milan

Motorola launched five handsets yesterday and announced it would use high-speed GPRS (general packet radio) technology across its product line, a move expected to help jump-start the introduction of next-generation telephones.

The company also released its first third-generation (3G) handset, a move that put it a step ahead of its European competitors such as Nokia and Ericsson.

The world's second handset-maker said the products and upgrades to its existing phones market were a focus on design technology as Motorola reverse a difficult period in when it posted its first loss in the 1990s and saw demand for mobile phones shrink for years.

Mike Zaifovski, president of Motorola's personal communications sector (PCS), said: "who tracks our industry recognise the new direction signified by our 2002 portfolio, style, elegance, and performance and overall experience these are all the hallmarks of a renewed and refocused Motorola PCS."

Motorola introduced the handsets at its design centre in Milan. The phones feature a mix of fashion and technology, and cover the low and high end of the market.

**3G/UMTS – 3GPP compliant - GSM/GPRS & WCDMA**

**Digital Personalization**

**Multimedia functionality, including MPEG4 audio/video, MP3, games.**

**High-speed packet data**

said it was significant to see Motorola's commitment to GPRS and getting advanced handsets into widespread use.

He said: "This is the first time I've seen them making such a strong statement on GPRS. This is

a line of accessories, including an MP3 player, Bluetooth headset, Bluetooth car kit, desktop speaker



*world's FIRST UMTS handset – ready and working today!*

# 3G market opportunity

- > **around 80 3G licenses awarded in over 20 countries, over 150 still to be awarded**
- > **\$200 billion in 3G business over 4 years\***
  - **infrastructure**
  - **subscriber devices**
  - **applications and services**
- > **PCS announcements to date**
  - **Hutchison: >\$700M UMTS device contract**
    - **start shipping H2 2002**
  - **Nortel: MOU**

*\* motorola estimate*



so, what do we see

next?



## total year 2002 outlook

- > **expect sequential improvement in sales and PBT.**
- > **expect stable ASP increased as new, feature-rich products offset normal pricing cycles.**
- > **expect positive H1 PBT.**
- > **expect continued strong focus on cash.**
- > **expect to maintain / grow share achieved at end of 2001.**

> no specific PCS projection for 2002, except to say that our program will continue

and

> you can always rely on 3 things from PCS ...

- relentless pursuit of cost leadership
- passionate focus on operators and applications that consumers desire
- continued innovation and technology leadership

your turn . . .

questions?



**MOTOROLA**