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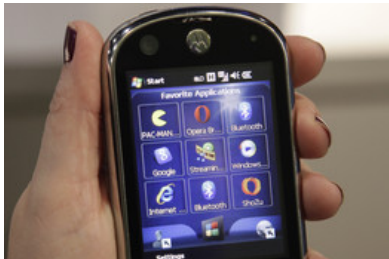
By SARA SILVER

Updated May 1, 2009 11:59 p.m. ET

Motorola Inc. burned through \$1.3 billion in cash in the first quarter, as the credit crunch crimped the telecom-equipment maker's ability to sell off accounts receivable, while cellphone sales plunged.

In reporting its financial results Thursday, the Schaumburg, Ill., company said it is trying to make up for declining sales in most of its businesses with faster cost cuts, but those, too, have drained cash for severance payments and other restructuring charges.

Co-Chief Executive Greg Brown predicted that the company, whose total cash dropped to \$6.1 billion from \$7.4 billion at the end of 2008, would consume less cash in the second quarter and generate cash in the second half. But that depends on seasonal improvement in certain businesses and doing a better job of managing its cash reserves. Since December, the company has scrapped its dividend, frozen pensions and stopped contributing to retirement plans.



The company is rolling out new phones, such as its MOTOSURF A3100. Associated Press

"The businesses will improve. We will also implement further improvements to working capital and we will be prudent with our cash overall," Mr. Brown said in an interview Thursday.

Motorola posted a first-quarter net loss of \$228 million, or 10 cents a share, compared with a loss of \$190 million, or nine cents a share, a year earlier. Results included a charge of seven cents a share related to cost cuts. Sales retreated 28%

to \$5.37 billion, well below what Wall Street expected.

Motorola's shares fell 7.2% to close at \$5.53 on the New York Stock Exchange Thursday.

Motorola is trying to turn around its Mobile Devices unit amid the biggest sales decline in the cellphone market since the modern industry began in 1983. Cellphone shipments world-wide dropped 13% in the first quarter, to 245 million units, according to the research firm Strategy Analytics, as carriers lowered inventories and consumers held back on new purchases.

The company's Mobile Devices unit saw sales drop to \$1.8 billion, down 45% from a year earlier, and its operating loss reached \$509 million, widening from a loss of \$418 million in the year-earlier quarter but narrower than the \$595 million it lost in the prior quarter.

Co-Chief Executive Sanjay Jha said the company is on track to roll out new high-speed devices based on the Android software of Google Inc. in time for the all-important Christmas sales season in the U.S. and Latin America, and another set for China in time for the Lunar New Year.

"Everything rides on the phones they are going to release in Q4," said analyst Ed Snyder

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of Charter Equity Research.

Mr. Jha declined to give details on why consumers would choose Motorola's smart phones over the BlackBerry devices of [Research in Motion](#) Ltd. , or the iPhone of [Apple](#) Inc., which have bucked the trend of declining sales. In an interview, he said the company would be spending later this year to launch its products and to rebuild the Motorola brand.

"It's a long shot, since the competition's pretty tough, but it's their only shot," said analyst Mark McKechnie of Broadpoint American Technologies.

Motorola postponed plans to make the unit a separate company while it hemorrhages cash.

The other parts of Motorola fared better but also saw pressure from the weakening economy. The segment that makes cable set-top boxes and telecom network gear saw sales fall 16% and earnings drop by a quarter, while the unit making public-safety radio and hand-held scanners posted an 11% decline in revenue amid a 38% decline in earnings.

Looking ahead, the company projected a second-quarter loss of three to five cents a share.

—Roger Cheng contributed to this article.

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