

**Overall Recommendation**

**Buy**

Strong Sell    Hold    Strong Buy

Price (as of 3/24/06): **\$22.33**  
 Dividend Yield: **0.7%**  
 Industry: **Electronics & Instrument**

Engaged in providing integrated communications solutions and embedded electronic solutions.

## Recommendation Summary

**Earnings Momentum**

very negative    neutral    very positive

Sequential earnings for the last 4 quarters and the current quarter estimates are showing no acceleration or deceleration in quarterly growth rates which could lead to little change in earnings growth over the near term.

**Analysts' Forecasts**

very negative    neutral    very positive

Recent changes in earnings forecasts for MOT relative to other companies compare favorably. In addition, earnings were reported higher than those predicted in earlier estimates which may be a positive for future growth.

**Relative Valuation**

very negative    neutral    very positive

The relative valuation compared to other companies in the Ford Universe shows MOT to be undervalued.

**Price Momentum**

very negative    neutral    very positive

Long and short term historical price performance indicates above average performance for the next 3 months.

**Quality Rating**

very negative    neutral    very positive

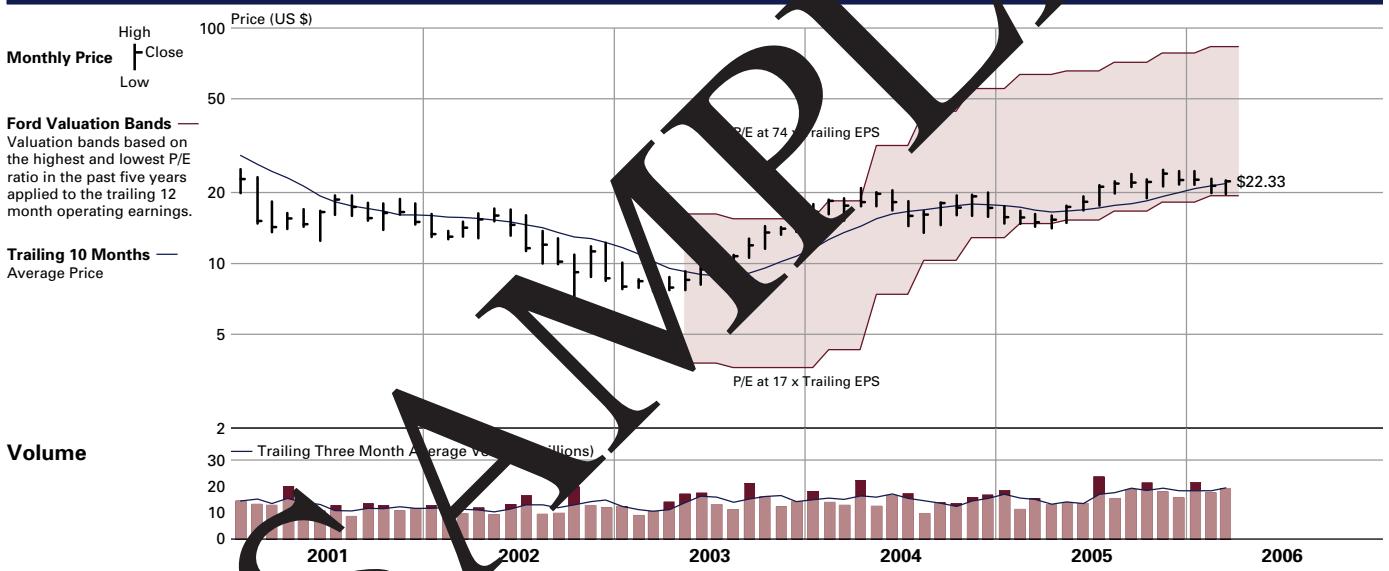
The quality rating has a direct relationship to the dispersion of performance results. MOT's good quality rating should lead to an average degree of price volatility.

**Industry Valuation**

very negative    neutral    very positive

The valuation of MOT compared to its industry shows it to be very undervalued.

## Price Performance



## Fiscal Year Fundamentals

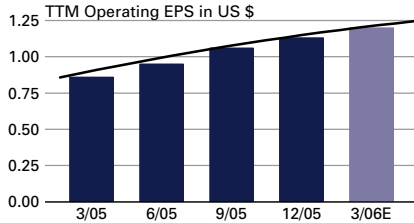
Year End	2001/12	2002/12	2003/12	2004/12	2005/12	Last 12 Months
<b>Annual Sales</b> Fiscal year sales in millions US \$ with percentage change over previous year's fiscal year sales.	\$30,004 -20.2%	\$26,679 -11.1%	\$27,058 1.4%	\$31,323 15.8%	\$36,843 17.6%	\$36,843 17.6%
<b>Annual Operating EPS</b> Fiscal year operating EPS with percentage change (actual change for negative EPS) over previous fiscal year's operating EPS.	-\$0.31 -137.3%	\$0.13 \$0.44	\$0.25 92.3%	\$0.86 244.0%	\$1.13 31.4%	\$1.13 31.4%
Net Profit on Sales	-2.3%	1.1%	2.2%	6.7%	7.7%	7.7%
Cash Flow/share	\$-0.61	\$-0.18	\$1.09	\$1.16	\$2.08	\$2.08
Book Value/share	\$6.13	\$4.88	\$5.38	\$5.50	\$6.63	\$6.63
Return on Equity	-5.1%	2.7%	4.7%	15.6%	17.0%	17.0%
Debt to Equity	65.0%	65.0%	56.0%	34.0%	23.0%	23.0%

**Analysis Summary**

The Ford Equity Research rating system is the product of more than thirty years of analysis of the factors that influence common stock performance. The foundation of the ratings is built on three basic characteristics: positive earnings changes, relative valuation compared to other companies, and price momentum. While identifying companies with these factors individually results in above average returns, the effect of combining them usually produces superior performance.

**Earnings Momentum Analysis**

**Ford Earnings Momentum**



**Earnings growth has shown no acceleration or deceleration.**

Ford's earnings momentum measures the acceleration or deceleration in trailing 12 month operating earnings per share growth. The lack of curvature of the plotted points in the graph on the left indicates that while MOT's earnings have increased from \$0.86 to an estimated \$1.20 over the past 5 quarters, they have shown no acceleration or deceleration in quarterly growth rates when adjusted for the volatility of earnings. This indicates little change in future earnings growth may occur.

Over thirty years of research have shown that the major catalyst of price performance is the change in the growth of earnings per share. Ford measures earnings momentum and analysts' forecast changes to get an early indication of changing earnings patterns.

**Analysts' Forecasts**

**Analysts' Earnings Forecasts**



**Reported Versus Expected**



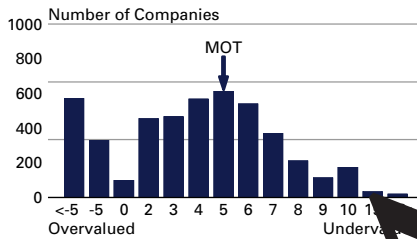
**Analysts' Forecasts are neutral.**

Recent analyst earnings forecasts for MOT have increased which indicates a rise in expected earnings growth. Relative to changes in earnings forecasts for other companies, MOT compares favorably. In addition, the company has reported earnings that were higher than those predicted in earlier estimates which may be a positive for future earnings growth.

Changes in analysts' estimates and actual reported earnings compared to forecasted estimates provide additional insight into earnings momentum. These measures combine with Ford's earnings momentum to produce better results than each independently.

**Valuation Analysis**

**Operating Earnings Yield Distribution (%)**



**Undervalued according to earnings yield.**

MOT's operating earnings yield of 5.4% ranks above 67% of the other companies in the Ford universe of stocks, indicating that it is undervalued.

Ford measures the relative valuation of each company against all other companies in our research universe. Operating earnings yield, an earnings-to-price ratio based on the last 3 quarters of operating earnings and the current quarter's estimate, has proven to be the most reliable relative valuation measure. A stock may stay undervalued or overvalued for a long period of time. For this reason it is important to combine this factor with short term catalysts such as earnings momentum or price momentum to unlock potential valuation adjustments.

**Price Momentum Analysis**

**Overall Price Momentum**



**Long Term Impact**



**Intermediate Term Impact**



**Short Term Impact**



**Very positive price momentum. Expect above average performance.**

MOT's stock price is up 49.5% in the last 12 months, down 4.9% in the past quarter and up 3% in the past month. This historical performance should lead to above average price performance in the next one to three months.

Another important catalyst, especially in regard to intermediate and short term performance, is the historical price action of the company. Long term historical performance is a good indicator of future price performance, but much more importantly, large price movements over the intermediate and short term tend to reverse themselves. Ford's price momentum measure integrates historical long and short term price changes creating ratings that are highest for stocks with strong twelve month price performance that have a price consolidation in the past quarter and especially the past month.

**Quality Rating**

**A good quality rating.**

**MOT Peers**

Company	Quality Rating	Overall Rating
<b>MOTOROLA</b>	<b>Good</b>	<b>Buy</b>
ALCATEL	Good	Hold
ERICSSON TELEFON	Average	Hold
CORNING	Average	Hold
LUCENT TECHNOL	Average	Hold
NOKIA CORP	High	Hold
NORTEL NETWORKS	Low	Hold

MOT is considered good quality based on its size, average financial leverage and average earnings volatility. Good quality companies on average exhibit an average degree of price volatility.

While not part of the overall recommendation, Ford's quality rating has been a good indicator of the potential price volatility of a company. Ford measures quality based on company size, financial leverage and the volatility of earnings. Quality may not have a direct relationship to performance, but it does have a close relationship to the dispersion of returns among individual stocks. Attractive, high quality companies can have less downside volatility in weak markets and often produce strong returns during complete market cycles.

Additional information, such as corporate actions, industry and economic factors, and general news may not have been reflected in earnings or expectations yet, and may have an impact that is not considered in the Ford Equity Research rating.