

ARCHIVED REPORT

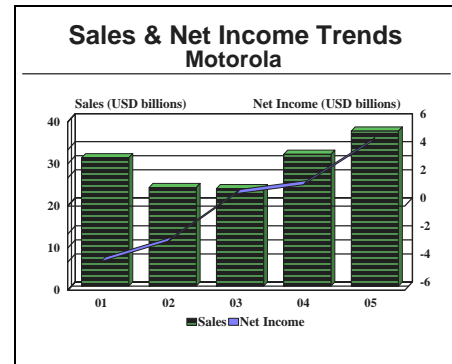
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Motorola - Archived 7/2007

Outlook

- With government sales accounting for roughly two percent of sales, this report will be archived as the company's focus is almost wholly commercial



Headquarters

Motorola Inc
1303 East Algonquin Road
Schaumburg, IL 60196
Telephone: +1 (847) 576-5000
Fax: +1 (847) 576-5372
Web site: <http://www.motorola.com>

Motorola was established in 1928 and has been associated with the radio and communications industry since that time. Following World War II, Motorola became a leading producer of television and radio

receivers and by 1948 had annual sales of \$58 million. From the early 1950s to the 1980s, management transformed Motorola from a consumer electronic products company to a global leader in high-technology commercial, industrial, and defense electronics. At present, the company's business is in wireless, broadband, and automotive communications.

As of early 2006, the company employed about 69,000 people.

Structure and Personnel

Edward J. Zander
Chairman and Chief Executive Officer
Gregory Q. Brown
Executive Vice President, President,
Government & Enterprise Mobility Solutions
Patrick J. Canavan
Senior Vice President and Director of Global
Governance
David Devonshire
Executive Vice President and Chief Financial Officer
Ruth A. Fattori
Executive Vice President, Human Resources
Ron G. Garriques
Executive Vice President
President, Mobile Devices Business
A. Peter Lawson

Executive Vice President, General Counsel and
Secretary
Daniel M. Moloney
Executive Vice President, President,
Connected Home Solutions
Patricia B. Morrison
Senior Vice President, Chief Information Officer
Adrian Nemcek
Executive Vice President, President
Networks Business
Richard N. Nottenburg
Executive Vice President and Chief Strategy Officer
Stu Reed
Executive Vice President, Integrated Supply Chain
Padmasree Warrior
Senior Vice President and Chief Technology Officer

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Product Area

Motorola is currently organized into the following sectors:

1. Mobile Devices
2. Government and Enterprise Mobility Solutions
3. Networks
4. Connected Home

Mobile Devices designs, manufactures, sells and services wireless handsets, with integrated software and accessory products.

Government and Enterprise Mobility provides mission-critical wireless communications systems for government and public safety markets; business-critical wireless devices, networks and applications focused around mobile computers and the mobile office for enterprise organizations; and electronics and telematics systems that enable automated roadside assistance, navigation and advanced safety features for automobile manufacturers. The government-oriented operation of this unit produces two-way radio, and voice and data communications products and systems. Other offerings

include: biometrics, integrated information management, computer-aided dispatch systems and records management systems.

Networks produces cellular infrastructure systems, including hardware and software, transmission systems supporting high-speed data, video and voice, and wireless broadband systems. In addition, the segment designs, manufactures, and sells embedded communications computing platforms.

Connected Home produces a wide variety of broadband products, including: digital systems and set-top boxes for cable television, Internet video and broadcast networks; high speed data products, including cable modems and cable modem termination systems, and Internet-based telephony products; hybrid fiber coaxial network transmission systems used by cable television operators; digital satellite program distribution systems; direct-to-home satellite networks and private networks for business communications; and advanced video communication products.

Facilities

The company has no dedicated aerospace or defense facilities. For a full listing of Motorola's global facilities, refer to <http://www.motorola.com/global>

Corporate Overview

Motorola's aerospace and defense business is largely dependent on DoD programs, rather than aircraft production. In terms of products, the tactical communication requirements are for small units and large production quantities.

New Products and Services

No major defense or aerospace products or services have been announced by Motorola in the past two years.

Plant Expansion/Organization Update

Motorola Realigns Businesses. In December 2004, Motorola announced a reorganization of its businesses and functions to align with the company's strategy to make Motorola the world's preeminent seamless mobility company. Motorola is now organized into four business groups, focused on personal devices, networks, government and enterprise, and connected home. The changes took effect January 1, 2005, and are detailed in the Product Area section above.

Mergers/Acquisitions/Divestitures

Automotive Electronics Divested. In April 2006, Continental AG and Motorola jointly announced that the companies have entered into an agreement under which Continental will acquire Motorola's automotive electronics business for approximately \$1 billion in cash. The transaction includes Motorola's controls, sensor, interior electronics and telematics businesses. The acquired business will be integrated into Continental's Automotive Systems Division. The transaction is expected to be completed by the end of the first half of 2006, and is subject to customary closing and regulatory conditions. Motorola's automotive unit currently is a component of its Networks & Enterprise business. The unit employs nearly 4,500 employees.

Force Computers Acquired. In June 2004, Motorola agreed to acquire Force Computers, an embedded computing business owned by Solectron Corporation. Terms were not disclosed. Force Computers is a

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worldwide designer and supplier of open, standards-based and custom embedded computing solutions for original equipment manufacturers (OEMs) in a wide range of applications. Once the deal is closed, Force will be integrated with the Motorola Computer Group, also a global provider in the embedded computing industry. The Motorola Computer Group has about 1,000 employees worldwide. It is headquartered in Tempe, Ariz., with major operations in Southborough, Mass.; Loughborough, U.K.; Hyderabad, India; and Shanghai, China.

Semiconductor Operations Spun-off. In April 2004, Motorola separated its semiconductor operations into a separate subsidiary, Freescale Semiconductor, Inc. In July 2004, an initial public offering of a minority interest of approximately 32.5 percent of Freescale Semiconductor was completed. On December 2, 2004, Motorola completed the spin-off of Freescale Semiconductor from the company by distributing its remaining 67.5 percent equity interest in Freescale Semiconductor to Motorola shareholders. As of that date, Freescale Semiconductor became an entirely independent company.

Motorola Defense Unit Sold to GD. In October 2001, General Dynamics completed its asset purchase agreement with Motorola to acquire Motorola's Integrated Information Systems Group for \$825 million in cash and the assumption of certain liabilities. The entity is now known as General Dynamics C4 Systems, and is a part of the company's Information Systems and Technology business group.

Teaming/Competition/Joint Ventures

IBM. In 2004, IBM and Motorola Computer Group announced a plan to work together to promote highly integrated, standards-based computing platform technologies for telecommunications, based on IBM's industry leading eServer BladeCenter system. The joint announcement combines the strengths of both companies – IBM's leadership in the enterprise server market and Motorola Computer Group's leadership in communications and real-time, embedded computing technology. As part of the agreement, Motorola Computer Group plans to include IBM eServer BladeCenter, BladeCenter T and xSeries rack-optimized servers in its Application-Enabling Platform lineup. IBM plans to incorporate Motorola's Service Availability Forum (SAF) Application Interface Specification (AIS) compliant high availability software in a future version of the recently announced IBM eServer Integrated Platform for Telecommunications (IP-T).

Power and Energy Alliance Consortium. This consortium consists of Honeywell Engines and Systems, SAIC, the Massachusetts Institute of Technology, and Motorola Labs. Other consortium members include United Defense, Rockwell Science Center, the University of Pennsylvania, the University of Texas at Austin, Tufts University, the University of Maryland, Georgia Tech Research Institute, Illinois Institute of Technology, NuVant Systems LLC, Prairie View A&M University, the University of Puerto Rico, the University of New Mexico, Case Western Reserve University, the Texas Engineering Experiment Station, the Texas A&M University System, Rensselaer Polytechnic Institute, the University of Minnesota, Clark Atlanta University, and Pennsylvania State University.

In August 2001, the consortium was awarded an eight-year, \$49 million cooperative agreement by the U.S. Army's Robert Morris Acquisition Center (RMAC), RTP Division, on behalf of the U.S. Army Research Laboratory for fuel cell research. The program, called the Army Research Laboratory (ARL) Collaborative Technology Alliances (CTA) Program, is designed to stimulate scientific research.

Eaton. In June 2000, Motorola and Eaton Corporation entered into a joint agreement to design, develop, market and supply component assemblies for the automotive market. The companies have agreed to use Eaton's capabilities in automotive electromechanical actuators, pressure sensors and electronics and Motorola's DigitalDNA technology and expertise in designing and manufacturing automotive electronics and sensors to design, develop and market automotive transmission modules for original equipment manufacturers (OEMs) and all tiers worldwide.

Ericsson. Motorola and Ericsson Radio Systems signed a mutual licensing deal on digital cellular radio equipment in June 1992. Under the agreement, the two companies would license each other's current and future technology for terminal equipment and base stations adhering to the Global System for Mobile Communications (GSM). This was Motorola's third European GSM patent deal. The company has similar agreements with Philips and Alcatel.

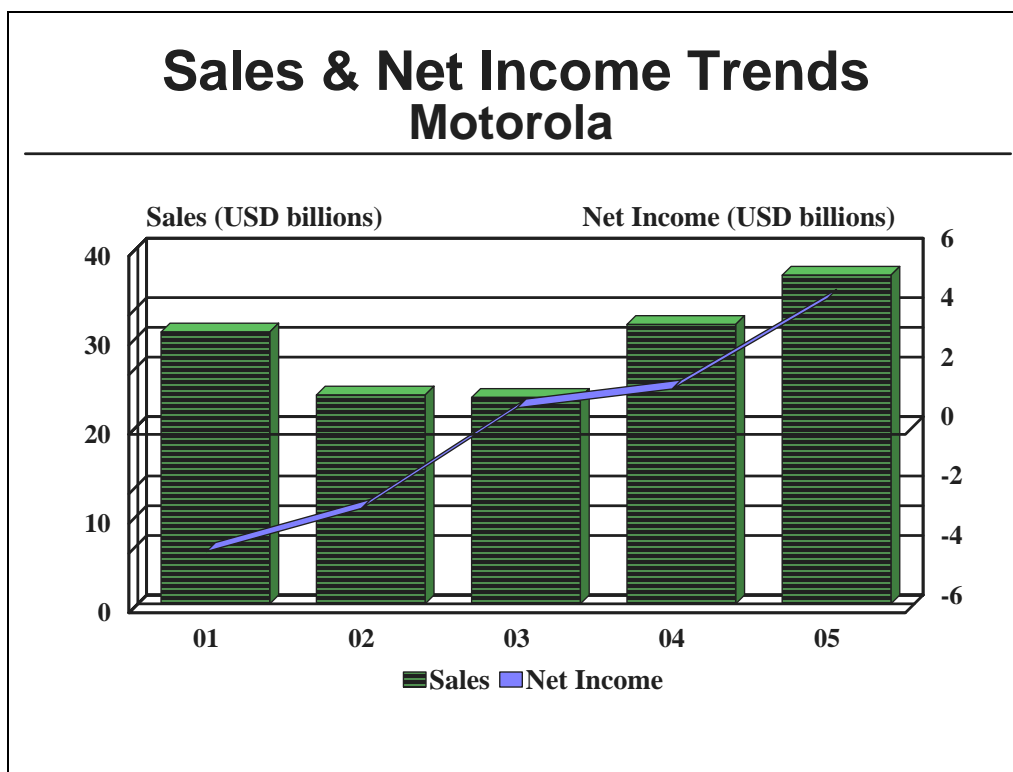
Motorola, IBM, and Apple Computer. Together, these three companies will design, manufacture, and market a family of Reduced Instruction Set Computer (RISC) microprocessors called PowerPC. Based on IBM's RISC/System 6000 architecture, this family will target applications ranging from personal computers to high-end servers. IBM and Motorola established a design center in Austin, Texas, to develop PowerPC architecture (PowerPC is a trademark of IBM).

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Financial Results/Corporate Statistics

Sales for 2005 increased 18 percent to \$36.8 billion, compared with \$31.3 billion in 2004. The company posted record net income of \$4.58 billion for the year, compared to \$1.53 billion for 2004. The large jump in income for 2005 was due not only to increased sales but to a \$1.4 billion gain on an equity investment in Nextel and a \$500 million increase due to a settlement relating to Telsim. The loss in 2001 was attributed to special items totaling \$3.3 billion during the year, primarily relating to cost reductions. Listed below are the historical financial results for the past several years. Debt/Equity ratio is calculated from the company's long-term debt divided by shareholder equity.

Y/E December 31	2000	2001	2002	2003	2004	2005
(USD millions)						
Net Sales	38,136	30,486	23,422	23,155	31,323	36,843
Percent Gov't	2.0	2.3	1.6	2.2	2.0	2.0
Net Income	1,318	-3,937	-2,485	893	1,532	4,578
R&D Expenditures	4,467	4,275	2,774	2,799	3,060	3,680
Debt/Equity Ratio	.23	.61	.63	.52	.34	.22

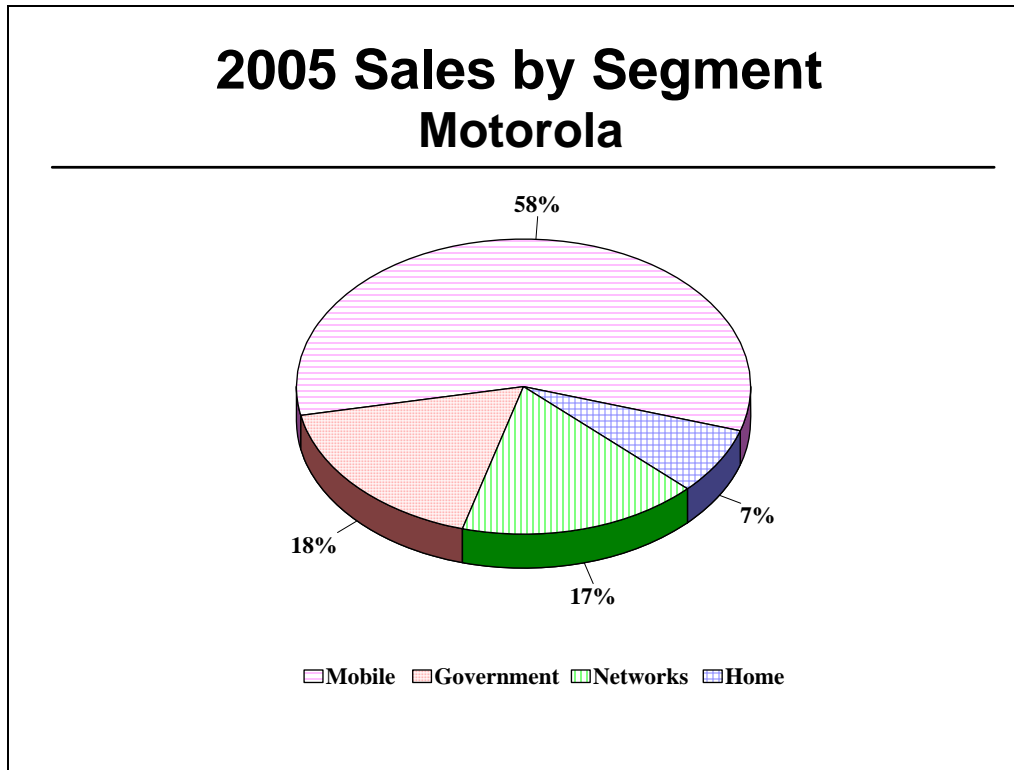


Industry Segments

A breakdown of the firm's sales and operating income over the past three years is provided below by segment.

SALES	2003	2004	2005
(USD millions)			
Mobile Devices	11,238	17,108	21,455
Government and Enterprise Mobility	5,568	6,228	6,597
Networks	4,846	6,026	6,332
Connected Home	1,745	2,214	2,765
Other & Eliminations	-242	-253	-306
TOTAL	23,155	31,323	36,843

OPERATING INCOME	2003	2001	2005
(USD millions)			
Mobile Devices	511	1728	2198
Government and Enterprise Mobility	663	842	882
Networks	148	718	990
Connected Home	48	146	185
Other & Eliminations	-97	-302	441
TOTAL	1273	3132	4696



Strategic Outlook

After struggling with almost \$6 billion from losses in 2001, Motorola has cleaned house and emerged stronger and more focused than ever.

As the company struggled to recover, it sold its Integrated Information Systems Group in order to raise cash. With the company so focused on its commercial business, holding on to the operation no longer fit in with the current wireless-focused strategy. Once the sale was announced, several companies expressed interest, including Northrop Grumman, ITT, Boeing, BAE Systems, L-3 Communications, and General Dynamics.

General Dynamics ultimately claimed the prize with an \$825 million cash offer. The deal makes GD one of the world's largest producers of ground stations for various space and reconnaissance systems, such as JSTARS and ASTOR, as well as advanced digital communications systems and encryption systems.

With the sale of this unit completed, the percentage of Motorola's defense-oriented business has stabilized at about two percent of sales. While the company no longer has any dedicated defense-oriented programs, its position as a major telecommunications provider ensures that it will receive some level of government contracts.

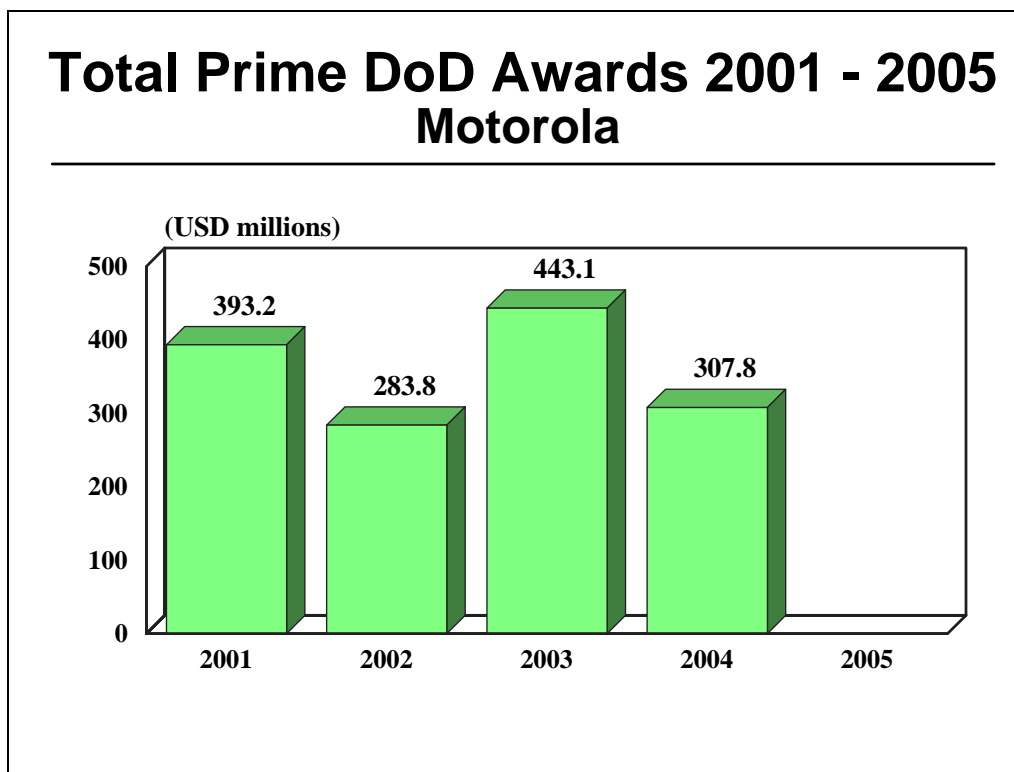
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Prime Award Summary

Department of Defense Top 100 Companies and Their Subsidiaries

The following chart and table show the rank of Motorola relative to the 100 companies receiving the largest dollar volume of prime contract awards for 2001 through 2005, along with supporting data. Also shown is the value of DoD contracts received by the company from 2001 through 2005. For more information, refer to Appendix 1, *100 Companies Receiving the Largest Dollar Volume of Prime Contract Awards*. Motorola did not make the Top 100 list in 2005.

Motorola (USD millions)	2001	2002	2003	2004	2005
Rank	42	67	57	78	-
Total DoD Awards	393.2	283.8	443.1	307.8	-



Fiscal Year 2004 - Prime Contract Awards

This table gives the total net value of awards for both the parent company and its subsidiaries for FY04. In some cases, the parent company receives no awards itself, but appears on the list because of its subsidiaries. The table also shows what percentage of the total DoD awards each company's contracts represent.

Note: 2005 data was unavailable as of press time.

Motorola - Prime Contracts - Rank 78	USD Subtotal	
Motorola, Inc	52,725,731	
Metrowerks Corporation	11,998	
Motorola Communications & Elec	255,098,667	
Motorola Satellite Communication	-20,477	
TOTAL /% of total	307,815,919	/0.13%

Source: <http://web1.whs.osd.mil/PEIDHOME/PROCSTAT/P01/fy2004/top100.htm>

Program Activity

Some important aerospace and government programs currently under way at Motorola are listed below.

Space System Programs

Iridium

This is a worldwide digital satellite-based cellular personal communications system. The Iridium system was primarily intended to provide commercial mobile service to rural areas via either hand-held mobile or transportable user units to millions of individual users throughout the world. The company's Satellite Communications Division, privately sponsored by

Motorola, led the effort to develop the Iridium system. Iridium LLC owned and operated the satellite and system control segments of the constellation. Approval to launch the satellites was granted in January 1995. Iridium began commercial operations November 1, 1998. The company filed for Chapter 11 protection under the U.S. Bankruptcy Code in August 1999. The system was subsequently shut down in April 2000. A new firm, called Iridium Satellite LLC, scooped up the \$5 billion Iridium LLC operation for \$25 million in December 2000. Motorola now acts as a supplier of handsets to Iridium Satellite LLC.

U.S. Contract Awards

Below is a listing of recent major contracts awarded to Motorola by the United States government (contracts as of press date). No contracts were awarded in 2002, 2004, or 2005.

Date	Award (USD millions)	Contract #	Description
2001			
4/19/01	11.0	DAAB07-00-C-L006	Number of upgrades of TSQ-179 from (V)1 to (V)2 configuration in FY01 increased by 19 units.
2003			
6/2/03	15.8	DCA-100-03-P-4397	Delivery and distribution of 3,000 portable and vehicular mounted mobile radios, base stations, repeaters, and towers to support the Baghdad police force.

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