



Q3 2012 Earnings Conference Call Wednesday, October 24, 2012

PARTICIPANTS

Corporate Participants

Shep Dunlap – Vice President-Investor Relations
Greg Brown – Chairman and Chief Executive Officer
Edward J. Fitzpatrick – Chief Financial Officer & Executive Vice President
Mark Moon – Executive Vice President, Sales and Field Operations

Other Participants

Pierre C. Ferragu – Analyst, Sanford C. Bernstein Ltd.
Kulbinder S. Garcha – Analyst, Credit Suisse Securities (USA) LLC (Broker)
Keith M. Housum – Analyst, Northcoast Research Partners LLC
Tavis Christian McCourt – Analyst, Raymond James & Associates
Craig M. Hettenbach – Analyst, Goldman Sachs & Co.
Jim Suva – Analyst, Citigroup Global Markets (United States)
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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and thank you for holding. Welcome to the Motorola Solutions Third Quarter 2012 Earnings Conference Call. Today's call is being recorded. If you have any objections, please disconnect at this time. The presentation material and additional financial tables are currently posted on the Motorola Solutions Investor Relations website. In addition, a replay of this call will be available approximately three hours after the conclusion of this call over the Internet. The website address is www.motorolasolutions.com/investor. At this time, all participants have been placed in a listen-only mode and the line will be open for your questions following the presentation.

I would now like to introduce Mr. Shep Dunlap, Vice President of Investor Relations. Mr. Dunlap, you may begin.

Shep Dunlap, Vice President-Investor Relations

Thank you and good morning. Welcome to our call to discuss third quarter results. With me this morning are Greg Brown, Chairman and CEO; Ed Fitzpatrick, Executive Vice President and CFO; and Mark Moon, Executive Vice President, Sales and Field Operations. Greg and Ed will review our third quarter results along with commentary and Mark will join us for Q&A. We have posted our earnings presentation and press release at motorolasolutions.com/investors. These materials do include a GAAP to non-GAAP reconciliation for your reference. It's important that you review these items.

A number of forward-looking statements will be made during this presentation. Forward-looking statements are any statements that are not historical facts. These forward-looking statements are based

on the current expectations of Motorola Solutions and we can give no assurance that any future results or events discussed in statements will be achieved. Any forward-looking statements represent our view only as of today and should not be relied upon as representing our views as of any subsequent date. Forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from the statements contained in this presentation.

And with that, I would like to turn the call over to Greg.

Greg Brown, Chairman & Chief Executive Officer

Thanks, Shep. Good morning and thank you all for joining us today. Q3 was another excellent quarter for Motorola Solutions as we delivered consistent revenue growth, strong earnings per share growth, expanded operating margins and continued to return capital to shareholders.

This morning we reported third quarter sales of \$2.2 billion, a 3% increase over Q3 of last year. On a GAAP basis, net earnings were \$0.72 per share from continuing operations compared to \$0.45 per share in the year ago quarter. Non-GAAP net earnings from continuing operations were \$0.84 cents per share compared to \$0.66 per share in the third quarter of last year, which represents a 27% increase.

For the remainder of this call, we will reference non-GAAP financial results unless otherwise noted.

Our Government segment revenues increased 12%, a record third quarter. This reflects growth across the segment, driven by a combination of factors including core market growth, new product introductions, international expansion, and narrow banding in the US. Operating margins in government improved 390 basis points year over year to 20.4% due to the strong top line growth, favorable sales mix and continued operating leverage as we continue to manage costs.

In our Enterprise segment, sales declined 13% from the year ago quarter, including a \$29 million decrease in iDEN. The segment continues to face headwinds, largely driven by the macroeconomic environment, fewer larger deals and anticipated foreign currency pressure. That said, we remain confident in our portfolio and excited about our new product introductions going forward.

I will now turn it over to Ed to discuss our financial results in more detail. I will then return to discuss operational highlights and provide additional commentary and perspective on our business performance.

Edward J. Fitzpatrick, Chief Financial Officer & Executive Vice President

Thanks, Greg. Q3 was another strong quarter. Revenue growth was 3%, consistent with our total company outlook with Government stronger and Enterprise weaker than we anticipated. Given the difficult compare from the year ago quarter, we are pleased with our top line performance. This growth came despite anticipated foreign currency headwinds of \$42 million, or approximately 2 percentage points.

We saw another quarter of broad-based revenue growth in our Government segment with record third quarter sales of \$1.5 billion, an increase of nearly 12% from the prior year. Operating margins in the Government segment improved 390 basis points from 16.5% to 20.4%. Strong sales, favorable mix and continued cost efficiency drove this improvement.

Enterprise sales declined 13% to \$632 million. Operating margin in the Enterprise segment declined to 12.2%, driven in part by sales mix and foreign currency headwinds. However, the largest driver was the sales decline as underlying expenses remained relatively flat on a year over year basis.

Turning to earnings. Earnings from continuing operations were \$0.84 per share compared to \$0.66 per share a year ago, a 27% increase, driven by improved operating performance and share repurchases.

Operating expenses were \$709 million or 32.9% of revenue, which represents an 80 basis point improvement from the year ago quarter. Overall, I'm pleased with our operating leverage improvement. Operating earnings for the third quarter were \$387 million or 18% of sales compared to \$359 million or 17.2% in Q3 of 2011.

Going forward, we will continue to reinvest in our business and expect to generate returns well in excess of our cost of capital, while also improving R&D and SG&A as a percentage of revenue.

Total other income and expense was a net expense of \$13 million in the quarter compared to a net expense of \$16 million in Q3, 2011. This line item was lower, primarily due to gains on investments during the quarter. Going forward, we expect this line item to be a net expense of approximately \$20 million to \$25 million, consistent with our view last quarter.

Our effective tax rate was 35.6% for the quarter. For the full year 2012, we expect our effective tax rate to be 34% to 35%. We still expect a cash tax rate of approximately 20% for this year, and we expect a tax cash rate to average 20% over the next several years as we utilize available tax credits.

Cash flow from operations was \$182 million during the quarter which included the impact of a \$72 million pension contribution made in late Q3 rather than early Q4 to reduce pension-related PBGC fees in 2013. Our year-to-date 2012 contributions to the pension plan were \$340 million, which satisfies the full year plan funding. This represents an incremental \$170 million of year-to-date contributions in comparison to last year when we had contributed \$170 million through the first three quarters.

Let me spend a moment on the increase in working capital. There were two main contributors to this increase. First, earning inventory balance increased sequentially which is approximately \$20 million higher than expected, due to softer Enterprise demand. And second, our receivable balance was approximately \$100 million higher sequentially. This increase was due primarily to linearity in shipments as well as linearity in billings which are more back-end loaded in part due to our Q3 ERP conversion. Having said that, it's important to note that there was no meaningful deterioration in our accounts receivable aging during the quarter. We remain very focused on working capital management. As you know this a long cycle business with significant milestone billings that can fluctuate from quarter to quarter. We remain confident that we will deliver approximately \$1 billion in cash flow from operations for full year 2012, consistent with our previous outlook.

We ended the quarter with \$3.5 billion in cash and investments and approximately \$1.9 billion in debt. We purchased \$308 million in stock during the quarter at a average price of \$47.47. This brings us to over \$3.2 billion in share repurchases which is over 70 million shares at an average price of \$45.95 since July of last year. In addition, we paid \$63 million in dividends in the quarter. Year-to-date we have returned over \$2.3 billion to shareholders by our share repurchases and dividends.

Now turning to our Q4 and full year outlook. For Q4 we expect sales growth of approximately 6% to 7% over the fourth quarter of 2011. Our outlook is for non-GAAP earnings per share of \$0.98 to \$1.03 from continuing operations based on our Q3 ending share count. This compares to non-GAAP EPS in Q4, 2011 of \$0.87 per share. Consistent with prior quarters, this outlook excludes stock-based compensation

and intangible amortization expense of approximately \$0.13 per share and items historically highlighted in our quarterly earnings releases.

We are increasing our full year sales outlook to 6% to 6.5% to reflect the recently completed Psion transaction with approximately \$60 million in revenue in Q4. This transaction is expected to negatively impact Q4 EPS by \$0.02 per share, which includes transaction related fees and purchase accounting adjustments and is reflected in the guidance for the quarter.

I will now turn it back over to Greg for business highlights from the quarter.

Greg Brown, Chairman & Chief Executive Officer

Ed, thanks. In our Government segment, sales for the quarter were \$1.5 billion, a 12% increase of Q3, 2011. We saw growth across the entire product portfolio and in North America, Latin America, and EMEA. Profitability also improved significantly with operating earnings growing to 20.4% of sales compared to 16.5% in Q3 last year.

We saw double digit growth in both systems and radio devices. Safety and security remains a priority among governments and funding for mission critical systems continues to reflect this priority. This marks the 11th consecutive quarter of year over year growth our Government segment which demonstrates the priority that mission critical communications receives in various budget conditions. State and local governments continue to face budget choices but according to a recent National League of Cities survey, a majority of financial officers believe their cities are better able to meet fiscal needs, and nearly half reported increased expenditures on public safety.

Many of the existing public safety systems have been in use for decades and will need to be replaced with next generation digital systems. However, these transitions will take place over years and on the timelines our individual customers want rather than forced migrations. This underscores the importance of our solutions which are backwards compatible and forward migratable. Customers choosing to invest in new digital systems get enhanced features such as voice clarity, text messaging and GPS and with digital's more efficient use of spectrum, additional channels means new users can be added to a system. New technology also helps first responders do their jobs better, and more efficiently.

For example, our Tactical Incident Command feature replaces traditional voice roll calls with accountability functions embedded in the radio system. Using this feature, commanders can automatically keep track of first responders on scene. The APX roll call function provides an update on each first responder's radio and when a critical situation arises, the large emergency button activates a mayday alarm signaling a first responder in distress. Another example of a cost-saving feature with many of our newer systems is that changes to radios can be programmed remotely, saving valuable time and resources previously required to perform field service on the equipment in the field.

We continue to expand our industry leading portfolio to reach new markets and incremental users. We extended our ASTRO system to include a refreshed conventional option, a system type that is commonly deployed in rural communities and the new APX 4500 is a vehicle mobile radio designed for public works, utilities and rural public safety. New form factors also make radio solutions more compelling to new and different users like the new APX 3000 designed for covert operations. This radio helps undercover officers use a high-powered concealed radio while maintaining mission critical communications.

Or the MOTOTRBO SL Series, an ultra-thin and light weight portable designed for service and hospitality industries. We now have over 24 different models on our APX radio platform and this year we've added

15 new models to the MOTOTRBO family. Platforming helps accelerate new product introductions, drive cost efficiencies, and by tiering features and pricing, we can compete in all areas from small rural agencies to large cities and from local to regional users.

I would like to also spend a moment briefly to talk about the status of narrowbanding in the US. As you may know, the FCC established a VHF and UHF narrowband requirement nearly a decade ago that applies to approximately 30% of the installed base in the US. Most of these public safety users have spent years preparing for the January 2013 deadline. Some communities are now finishing their narrowbanding projects, although more than 50 waivers have been requested by smaller jurisdictions and large metro areas, many of which have outlined the significant effort that's remaining for them. The FCC has granted extensions to several applicants ranging from several months to over three years. And while narrowbanding is a requirement impacting a portion of the market in the US, we continue to see solid international growth, driven by the compelling features and applications that our new digital solutions offer globally.

Our professional and commercial radio portfolio continues a multi-quarter trend of outstanding performance with solid double digit growth in Q3. With over 2 million devices shipped, the MOTOTRBO portfolio clearly leads the market as it transitions to digital. In fact, almost half of our professional and commercial revenues in 2012 have come from digital products, but there's still a significant opportunity ahead of us, as the global installed base of about 40 million PCR radios is still over 90% analog.

Growth in Government was across both products and services. Services represents almost 30% of segment revenues and we're currently executing on more than 700 installation and integration contracts in North America alone. Once these networks are deployed, we provide support services to these customers as well, given the mission critical nature of the systems.

As an example, in North America, we have over 3,000 support contracts with government customers. During the quarter, we had several terrific new service wins including an agreement with the state of Ohio valued at \$80 million over 14 years; a \$26 million Prince George's County, Maryland contract for five years; and a \$14 million agreement with the City of Phoenix for six years. Revenues are recognized over the life of these contracts.

Also as public safety IP networks become more complex, we are working with customers to create enhanced services offerings like a \$17 million agreement with York County, South Carolina, which is a comprehensive lifecycle services contract where we'll upgrade, maintain and monitor all of their network components, including third party equipment for seven years. Predictable fixed fee arrangements like these help customers improve their total cost of ownership, avoid budget surprises and ensures that they have our latest system features during the life of the contract.

Now moving on to the Enterprise segment. Sales in the Enterprise segment were \$632 million, a 13% decline from Q3 of 2011. Operating earnings were 12.2% of sales compared to 18.6% last year. Despite fewer large deals in the quarter, we're encouraged by continued dialogues and proposal activity among large customers planning for a technology refresh. I'm also encouraged by our backlog levels and traditional run rate business. Favorable growth drivers also remain, including increasing worker mobility, drive for operational efficiencies, demand for wireless access and expansion products.

This quarter we announced the MC67, the industry's first rugged mobile computing handheld to incorporate a dual-core OMAP processor with support for the latest generation of Microsoft Windows Embedded Handheld. The MC67 builds on the success of over 600,000 MC55 and MC65 enterprise mobile computers that are previously deployed, one of the industry's most field-proven platforms.

The compact MC67 supports bandwidth intensive applications for data capture of high resolution images, concurrent voice and data communications, location-based services and other features for field service, field sales and direct delivery. We also introduced the WAN version of the ET1 tablet for mobile task workers. Our ET1 industrial tablet has been enhanced with dual-mode WAN to bring the go-anywhere familiarity to a true enterprise class device with enhanced durability, security, and hot swappable batteries for multi-shift use.

While our core focus remains in rugged mobile computing design for line workers, we have also been investing in an important expansion category to provide new devices for users like retail sales associates and customer service personnel. For example, we have received terrific customer feedback on the MC40, our first enterprise mobile computer with a full touch screen interface, and a task specific device, our Smart Badge 1 product. These products are designed to perform tasks like scanning an item to check price and availability, reviewing product specifications and connecting managers and other employees with push-to-talk. The MC40 also enables mobile point of sale. Both of these products are now scheduled to begin shipping this quarter.

I'm also excited that we recently closed the acquisition of Psion. This investment strengthens our position in rugged mobile computing, and bolsters our strategic position in important industrial segments like manufacturing, warehousing, ports and cold storage. Together with the Psion team, we will be better positioned with improved scale, reach and leadership in the enterprise rugged mobile computing market.

One area of our Enterprise portfolio that saw continued growth was Advanced Data Capture, as favorable market trends such as the conversion to 2D imaging helped drive demand. This year we've also seen the emergence of a new driver for our data capture business as retailers that previously didn't use bar codes now adopt scanners at the store level to implement mobile coupons and customer loyalty programs. Some interesting new places where you will now see these applications include large restaurant chains and coffee companies.

Now turning to a regional sales view for the company. North America grew by 9%, while we saw declines in the other regions: Asia 2%, EMEA 3%, and in Latin America a 9% decline although that was entirely driven by iDEN.

Overall in our Government segment, we had growth across all regions except in Asia, where sales were relatively flat. The North America region saw exceptional growth in government, with double digit growth. Sales declined across all geographies in our Enterprise segment.

This past quarter, we were recognized as the official mission critical communications provider of both national political conventions. Events like these bring together a diverse set of agencies from federal, state and local levels. In Tampa and in Charlotte, our interoperable solutions met the challenges of instant and seamless communications, providing real-time information to ensure the conventions were safe for thousands of delegates and the city's populations at large. I'm also proud of our team for the recognition we recently received from Corporate Responsibility Magazine as a top ten best corporate citizen in the information technology sector.

In closing, Q3 was another excellent quarter for us with consistent revenue growth, strong earnings growth, expanded operating margins and continued return of capital to shareholders. The fundamental demand drivers for our business remain solid and we continue to invest and innovate for the future.

Shep Dunlap, Vice President-Investor Relations

Thanks, Greg. Before we begin taking questions, we want to remind callers to limit themselves to one question and one follow-up so we can accommodate as many people as possible. Operator, please remind our callers how they may ask a question.

QUESTION AND ANSWER SECTION

Operator: Thank you. Our first question will come from the site of Pierre Ferragu with Bernstein. Please go ahead.

<Q – Pierre Ferragu – Sanford C. Bernstein Ltd.>: Thank you. I have a question on the evolution of your operating expenses. They were down \$20 million sequentially and like \$2 million year on year. I was wondering first if currency played a significant role in there. And then if you can give us as much visibility as you've got on what are the parts moved and how much of that is sustainable or more of a one-off. And then when we are looking to next year, as you integrate Psion, I would assume that there would be a high level of operational synergies there, and so I'm wondering how it's going to impact directionally your OpEx. And then more broadly if you could give us some color on how you are managing OpEx at the moment on a day to day basis, if you have ongoing cost optimization, and how you are thinking about operating cost reallocation as the time goes.

<A – Ed Fitzpatrick – Motorola Solutions, Inc.>: Okay, so there was – you snuck in a bunch of questions in there Pierre. I think we got most of them. But if not, we will come back to you. On the costs in the quarter, FX had a slight impact as we talked about. Top line was \$42 million of FX impact. At the spending line, it was a few million dollars, probably \$4 million or \$5 million offset that as a benefit. So the bottom line, when we guided at the beginning of the quarter, really the net impact on earnings was effectively in line with what we expected. The top line was a bit higher than what we expected. If you remember we talked about \$35 million of impact on the top line. So costs from FX, relatively minor in the quarter and they were relatively stable, which is very much in line with the way we talked to you about our spending, that we're going to – spending may remain relatively stable, but we have done a lot of work to ensure that we are spending it in the right place, in other words, taking down in certain areas that are not as critical and ramping up where we think we need to and from an innovation perspective and from a go-to-market perspective. So savings really on the G&A side, so we will continue to go after that.

<A – Greg Brown – Motorola Solutions, Inc.>: Pierre, as it relates to Psion as we mentioned, we expect \$60 million, approximately \$60 million of revenue in Q4. The guidance we're giving you of \$0.98 to \$1.03 EPS in Q4 also obviously incorporates Psion which is probably a negative \$0.02 in Q4, which includes the transaction fees and purchase accounting adjustments. Going forward, we are excited about the ability to integrate Psion into the enterprise mobile computing product group. There will be synergies, but nothing we're going to share at this point. I think we will incorporate that and give you a little bit more color in the January earnings call.

And as it relates to operating expense management, we as a team, we're pleased with what we got done in Q3. We thought we did a pretty effective job around disciplined cost management. Now that said, we will continue to invest where we need to, in R&D and maybe sales coverage and other areas where we think warrant the investment. But having said that, we will watch operating expenses carefully and prudently going into next year and we will philosophically look for R&D and SG&A as a percentage of revenue to continue to improve over time.

<A – Shep Dunlap – Motorola Solutions, Inc.>: Did that get everything that you asked, Pierre?

<Q – Pierre Ferragu – Sanford C. Bernstein Ltd.>: I think you got absolutely everything.

<A – Greg Brown – Motorola Solutions, Inc.>: Thanks, Pierre.

<Q – Pierre Ferragu – Sanford C. Bernstein Ltd.>: Thank you.

Operator: We'll go next to the site of Kulbinder Garcha with Credit Suisse. Please go ahead.

<Q – Kulbinder Garcha – Credit Suisse Securities (USA) LLC (Broker)>: Hi, yes just a question on, Greg, on the narrowbanding effect. I think last quarter you said it was 2 to 3 points of growth. I missed whether you mentioned what the impact has been year-to-date. And I guess just on a wider comment, what confidence can you give us as we're getting closer to 2013 that you are not borrowing sales from next year on the Government side given that you are so much above the normalized revenue growth rate in that business. Many thanks.

<A – Greg Brown – Motorola Solutions, Inc.>: Yes and Kulbinder, so again first of all, when we give you what we think around growth for the quarter, it's an estimate. But this quarter for Q3, we think of the 12% Government growth, approximately 3% of that was narrowbanding driven. Remember as I mentioned earlier, narrowbanding for UHF/VHF is 30% of the installed base in terms of kind of proportionately sizing it. As I mentioned, there's currently 50 plus waivers that are filed with the FCC where customers will go beyond the January, 2013 deadline. My view is that number will go up and many of these waivers will be granted, which my view means it won't necessarily be a cliff as we go from 2012 to 2013.

I think kind of moving back, Kulbinder, there's no question narrowbanding helps, however more broadly, the overall demand drivers for the business, new features, better efficiency, the aging of the installed base, and quite frankly our Government growth outside of the US, which has been pretty robust, we think that will continue. That's obviously incorporated in the 6% to 6.5% growth for Q4, but we expect Government to perform. Continue to expect strong, almost double digit performance in Q4.

<Q – Kulbinder Garcha – Credit Suisse Securities (USA) LLC (Broker)>: Great. And just one other question on the margins in Government. As you hit these record highs, I guess is there anything temporary? Is that just mix-wise that's driving it or is this just maybe the effect of the portfolio introduction that you guys have been introducing over the last year coming through?

<A – Greg Brown – Motorola Solutions, Inc.>: I think it's a combination, Kulbinder. I think part of it is the portfolio where we have deepened and broadened both the APX and TETRA product portfolio which expands the addressable market available to us and makes us more competitive at different price points. I also think that it's my sense that state and local governments and while not in great shape, of course, are incrementally improving. And as I mentioned earlier, we are getting just a little bit more positive indications from our customers that they are willing to spend a little bit more on public safety. And we have always said quarter in and quarter out, that we think it remains a very high priority within these budgets and that not all government spending is equal and I think our results reflect that.

<Q – Kulbinder Garcha – Credit Suisse Securities (USA) LLC (Broker)>: Thank you.

<A – Greg Brown – Motorola Solutions, Inc.>: Thanks, Kulbinder.

Operator: And we'll go next to the site of Keith Housum with Northcoast Research. Please go ahead.

<Q – Keith Housum – Northcoast Research Partners LLC>: Good morning, gentlemen, great quarter. A question for you on LTE and as you look at it to the future. You have guys have previously said that you expect the revenue not to be material until 2014. Has anything changed in the US or abroad that would perhaps impact your thoughts there? Or if you could provide any color on your thoughts on LTE as we look at it now and into the future.

<A – Greg Brown – Motorola Solutions, Inc.>: So I think that FirstNet obviously has been formed. They had their first board meeting at the end of September. I think that process has to unfold and there's a lot of work to be determined there, and by FirstNet. That said, we feel very well positioned in LTE broadly, given the investments we made in previous periods from a product portfolio standpoint.

I would also remind you that this is clearly not just a US opportunity, it's a global opportunity. We've mentioned previously that we think LTE, as we kind of look out, is probably no more than \$100 million of revenue in the second half of 2013. I think the large dimension of that \$100 million will be more globally derived than US derived, the Middle East being a particular attractive area for discussion.

But just going back to FirstNet, I think they are going to work hard and I also think I'm confident that they will engage the public safety users in the states and put a high prioritization around the users, feature set for public safety. But that will take several months and into 2013 to play out, but in the meantime, we continue to invest. And I think we are well positioned and of course we are also well positioned with our strategic partner Ericsson.

<Q – Keith Housum – Northcoast Research Partners LLC>: All right, great. I appreciate it. Thank you.

<A – Greg Brown – Motorola Solutions, Inc.>: Thanks, Keith.

Operator: And we will go next to the site of Ehud Gelblum with Morgan Stanley. Please go ahead. Mr. Gelblum your line is open. And we will go next to the site of Tavis McCourt with Raymond James.

<Q – Tavis McCourt – Raymond James & Associates>: Hey guys, thanks for taking my question. Greg, I wonder if you could give us the backlog numbers for the quarter. And Ed, when you reference the \$1 billion of operating cash flow this year, was that a GAAP number or was that excluding the pension contribution?

<A – Greg Brown – Motorola Solutions, Inc.>: Backlog, Tavis, was relatively flat sequentially, essentially flat for both Government and Enterprise excluding iDEN. Pretty pleased with it. Did we give the figure?

<A – Ed Fitzpatrick – Motorola Solutions, Inc.>: Yes.

<A – Greg Brown – Motorola Solutions, Inc.>: It's about \$5.9 billion.

<A – Ed Fitzpatrick – Motorola Solutions, Inc.>: So effectively flat. And on the operating cash flow, Tavis, it's \$1 billion operating cash flow. That's all in. So it includes the pension contributions and the only commentary that we made really during the call was to kind of as people were looking at \$1 billion of cash flow, you divide by 4, you might expect on a straight line basis by quarter it would be about \$250 million. We are a bit lower than that, \$182 million as we mentioned, really driven primarily by the acceleration of that one pension payment of \$72 million into Q3 a few weeks early to save some PBGC fees in 2013. AR was elevated a bit as was inventory, but really as we mentioned, it's really a timing related item that we expect to close that gap and again remain confident the \$1 billion for the full year

<Q – Tavis McCourt – Raymond James & Associates>: And so just to make sure that my numbers are correct, that would presume somewhere very close to \$500 million for the fourth quarter.

<A – Ed Fitzpatrick – Motorola Solutions, Inc.>: That's right.

<Q – Tavis McCourt – Raymond James & Associates>: Okay. Hey and then final question, within your Government segment, remind me how big a percentage the private commercial radio is and is that growing faster than the Government segment as a whole right now?

<A – Ed Fitzpatrick – Motorola Solutions, Inc.>: I don't know that we've talked to the sizing of that. I think we have shown pie charts in the past. But I would say it's growing. I'd say it's relatively comparable rates with the rest.

<A – Ed Fitzpatrick – Motorola Solutions, Inc.>: That's correct. Yes.

Operator: And we'll go next to the site of Craig Hettenbach with Goldman Sachs. Please go ahead.

<Q – Craig Hettenbach – Goldman Sachs & Co.>: Yes, thank you. Greg, despite some of the weakness in Enterprise, you did mention you are encouraged by the backlog. So any commentary on that in terms of spending expectations for Q4?

<A – Greg Brown – Motorola Solutions, Inc.>: Well so I mean obviously, Enterprise was weaker than we thought, but that said if you normalize for foreign exchange, which was headwinds of about 3% and iDEN which declined 4% of the 13%, we are at about a 6% or 6.5% decline for Enterprise. Still not what we'd like it to be, but normalized for foreign exchange and iDEN. I think that there's fewer larger deals in terms of the year over year compare at the moment, but the discussions, the engagement, especially in the core verticals that we have give us reasonable confidence and comfort into the guidance that we are giving you for Q4.

I think that as we think about the full year, Craig, we think that Government segment on an annual basis will be double digit and Enterprise all in for the full year will be a mid single digit decline. But that also obviously includes the planned for decline in iDEN, and I like the fact that we are still having discussions with people and have some new products coming out this quarter and next quarter. So while we're not pleased with it, clearly we should be able to do better, I think we're managing it okay and we'll keep a close eye on it. Obviously macroeconomic headwinds impact more the Enterprise segment than our Government public safety segment. We'll keep an eye on it.

<Q – Craig Hettenbach – Goldman Sachs & Co.>: Okay, if I could have a follow-up for Ed. The company continues to be aggressive in returning cash through buybacks as well as a dividend. But on the dividend front you do have a lower payout than the overall market and just curious to get your thoughts in terms of how you view that longer term. Is that an opportunity to kind of true up and where you stand on the dividend on a go forward basis?

<A – Ed Fitzpatrick – Motorola Solutions, Inc.>: That's something that we look at perpetually, Craig. And as I've talked about in the past, that's something as we look at that, we look at that more of on an annual basis, but as all part of the capital allocation strategy. We outlined the 25% to capital expenditures, 30% to dividend and 45% to that flexible combination of share repurchase or acquisition. So that's where our current thinking is, but we will continue to look at that over time to make sure that that fits with our strategies with acquisitions and the other elements of that allocation.

Operator: And we'll go next to the site of Jim Suva with Citi. Please go ahead.

<Q – Jim Suva – Citigroup Global Markets (United States)>: Thank you, and congratulations to you and your team there at Motorola Solutions. When we look at strategically long term your big picture, I believe earlier this year you laid out some goals which I think was kind of sales growth of long term about 5% to 8%, and I believe that was for more than just this year. It was for multiple years and maybe I'm misspoken on that, but I think that was the case. And if so, given the macro climate plus the LTE D-Block changes and all of these waivers going on, should that be reassessed or are other areas picking up to make it still in that confidence range?

<A – Greg Brown – Motorola Solutions, Inc.>: I think the short answer, Jim, is well first of all, we're always going to look at it and continually reassess it periodically. But at this point, I don't see a need for those kind of goalposts, long term targets to change at this point. The dimensions may change, obviously. I think just picking up on LTE, I think LTE for us more near term will be more of an international contributor than a domestic US contributor, which is different perhaps than what we thought several quarters ago.

But in the main, I think we should be able to with the portfolio and the segments to be able to drive reasonable consistent top line growth. And whatever that growth rate is, then commensurately keep the P&L in shape where there's good operating leverage, which came through really well in Q3, with operating earnings growing 8% and revenue growing 3% and then earnings per share of course given the significant repurchase growing at 27%. So it's all about growing the business, but it's also for us all about operating leverage and investing capital with high return on invested capital to ensure a strong and superior return for shareholders.

<Q – Jim Suva – Citigroup Global Markets (United States)>: Okay, and then my follow-up would be on the M&A front, Psion seems like a great natural fit there and a lot of synergies. Are there a lot more companies out there on the M&A front? How robust is your pipeline and any changes in that given the recent economic uncertainty? Are more companies entering the pipeline, or are valuations adjusting quick enough or kind of slower? How can we think about the acquisition M&A pipeline? And thank you so much and congratulations to you and your team.

<A – Greg Brown – Motorola Solutions, Inc.>: Thanks, Jim. I think the funnel around acquisitions for us and things to evaluate remains pretty constant. To your point, some valuations are getting a little bit more attractive, but at the end of the day, I think we are pretty disciplined around this and we are certainly not going to buy things just because we have money in our wallet. It's got to be a high strategic fit, a strong return on invested capital. We have to have the ability to execute and integrate the acquisitions. Psion is ideal because it is in a space of mobile computing that we play and lead. And at the end of the day, whatever we acquire has to have a very, very, high cultural compatibility quotient. Symbol had it. Psion has it. But I would say it's a pretty steady view and stream of evaluations, but I don't think our thinking around acquisitions have changed in the last few quarters just because of the macroeconomics. It remains pretty consistent.

<Q – Jim Suva – Citigroup Global Markets (United States)>: Thank you and congratulations to your team at Motorola Solutions.

<A – Greg Brown – Motorola Solutions, Inc.>: Thanks, Jim.

Operator: And we'll go next to the site of Jeff Kvaal with Barclays. Please go ahead.

<Q – Jeff Kvaal – Barclays Capital, Inc.>: Yes Greg, could you spend a little bit more time talking about what is happening in the Enterprise side of the business? I mean the ex-iDEN revenue number last

quarter was plus 5%. Now you are talking normalized down mid single digits. Obviously the macro isn't great, but has it deteriorated that much? What are some of the drivers across the different regions that are hurting growth there? Thank you.

<A – Greg Brown – Motorola Solutions, Inc.: Yes Jeff, so again a 13% year over year decline. Normalized for FX, that takes it to about a 10% decline. You back out the \$29 million iDEN decline and forgive me, I'm just doing the formula here. It takes to us about a negative 6% to 6.5% growth for the quarter. Remember, the previous compare was robust in Enterprise. It was up 13%. And I think at the end of the day, it is really just fewer deals. We also by the way, one other thing, we are no longer pursuing as aggressively as we were what I would call low-end WLAN sales in certain parts of Asia where we were ringing the bell on top line revenue but the commensurate margin of profitability was more challenging. We have chosen to walk away from that and not compete. So we're not going to pursue revenue for revenue's sake. That was a contributor in the decline of our WLAN business.

So those are kind of the ingredients. Mobile computing is down. At the end of the day, we believe we are for the most part holding share, which is really important in these times. And as I mentioned, given the refresh in a number of new products in the Enterprise portfolio, we'll watch it closely but we think we will be able to come back a bit and start to grow again.

<Q – Jeff Kvaal – Barclays Capital, Inc.: Okay.

<A – Mark Moon – Motorola Solutions, Inc.: Jeff, just a little clarity. When Greg mentioned earlier that he felt optimistic about the funnel, when you think about regional clarity, Latin America I would remind you is up in Enterprise ex-iDEN. North America, there was two very large deals in the previous year. Absent those two large deals, it's mid to high single digit growth. EMEA is primarily due to FX. So given a comparable of approximately 20% in the prior year, we're very pleased with the performance in EMEA. And then in Asia-Pacific, as Greg just mentioned, absent or normalized for the business or the product area that we decided not to pursue in China, Asia-Pac is also high single digit growth in Enterprise. And as we look forward to fourth quarter and the guidance that we gave you, Enterprise growth in fourth quarter is mid-single digit growth. So I think that while we are not proud of 13% decline, I think that's why we are saying that we are also reasonably optimistic about where we are today.

<Q – Jeff Kvaal – Barclays Capital, Inc.: Okay. Great. Thank you. And then, Ed, on a follow-up, could you remind us how much of your buyback you have left? Thank you.

<A – Ed Fitzpatrick – Motorola Solutions, Inc.: I think we've – I think we have done 3 point – I think we have \$1.8 billion left of the last authorization. So about \$1.8 billion.

<Q – Jeff Kvaal – Barclays Capital, Inc.: Okay. Great. Thank you.

Operator: We're going to go on to Ehud Gelblum with Morgan Stanley. Please go ahead.

<Q – Ehud Gelblum – Morgan Stanley & Co.: Hi guys, thanks, I appreciate it, yes. So we do a lot of math on this iDEN and that seems to be a lot of the decline on a sequential basis as well. I apologize if you mentioned this before, but it looks like iDEN was down over 50% sequentially so it seems like it's almost pretty much out of the run rate and not going to impact Enterprise going forward anywhere near the extent that it did in the past. So we should actually see a softening effect on Enterprise going into next year. So I want to make sure that that math is right. I get a number somewhere in the mid-30s for where iDEN is down to.

<A – Greg Brown – Motorola Solutions, Inc.: So on iDEN, Hudy, it declined \$29 million in Q3.

<Q – Ehud Gelblum – Morgan Stanley & Co.>: That's a year over year example though, right?

<A – Greg Brown – Motorola Solutions, Inc.>: It is. We also talked on an annual basis that we thought it would be approximately \$270 million for the full year of 2012. I think it's within the range of still being that. So and I think for the quarter, in Q4, what?

<A – Ed Fitzpatrick – Motorola Solutions, Inc.>: Something a little bit less than the \$29 million is what we are thinking, something in the lower 20s.

<A – Mark Moon – Motorola Solutions, Inc.>: \$20 million.

<Q – Ehud Gelblum – Morgan Stanley & Co.>: For Q3?

<A – Greg Brown – Motorola Solutions, Inc.>: \$20 million. For Q4.

<A – Ed Fitzpatrick – Motorola Solutions, Inc.>: For Q4.

<Q – Ehud Gelblum – Morgan Stanley & Co.>: Okay, so I'm right. So it basically is inconsequential in 4.

<A – Ed Fitzpatrick – Motorola Solutions, Inc.>: It becomes a smaller piece, but the trajectory of it, Hudy, as we talked about it, it's somewhat of a similar trajectory as what we are thinking into 2013, but we will give you more specifics on that in the next quarter's release

<Q – Ehud Gelblum – Morgan Stanley & Co.>: Okay. Great. That's actually very helpful. There was a story out and I don't know if you can comment on that, but it was interesting, a day or two ago about the deal in Scandinavia perhaps being reopened and someone looking into it or someone objecting to it. I wonder if you can comment on that and is there any validity to that? Clearly there isn't, but how should we look at that story and if you have seen it.

<A – Mark Moon – Motorola Solutions, Inc.>: Yes, Hudy, this is Mark. I think as you said, there was a story out where a competitor or a potential competitor in Norway had complained about the procurement process of the contract transfer from NSN that you're aware of to Motorola. That request is directed at DNK who is the customer in Norway. The customer feels very compelled with the process that they followed and the legal aspects that they looked at. We're obviously were a piece of the contract before. Now we have taken on a prime contract responsibility. So we feel confident that we will continue to execute on the contract and move forward. And we will let the process run its course in Norway with the customer.

<Q – Ehud Gelblum – Morgan Stanley & Co.>: Okay. That's helpful. And then back to the Enterprise, and I don't mean to beat a dead horse on this. But clearly macro has a lot to do with the decline going on right now. How do you tell the difference between a cyclical and a secular issue with Enterprise? Home Depot is a huge account for you now and it was a big win. And when you walk in there, they all have Motorola handsets and it's a great integrated system. But then you walk across the street to Lowe's and they are using iPhones now. Did you compete for that Lowe's business or were you not allowed to compete because you were so big with Home Depot? And how should we be kind of viewing what Lowe's did with respect to how this business proceeds going forward?

<A – Greg Brown – Motorola Solutions, Inc.>: So I think Hudy, Mark and I will probably tag team this. But a couple of indications of the difference between cyclical and structural are, one, backlog and two, the forward looking funnel and the degree of discussion and engagement prospectively that we have with

customers. Now, I won't get into the detail per se. You are right, Home Depot is a great account, Microsoft orientation. We worked with them on several – for several years. Lowe's chose a different path. I think that my view is oftentimes whether it's Pepsi and Coke or McDonald's and Burger King or Home Depot and Lowe's, perhaps part of that decision was incorporated that if one company is going with one vendor, maybe somebody should consider going with another.

That said, we watch closely folks like Apple and how visible they are or what degree of engagement they have with customers. In the Enterprise, remember for us, I know you know this Hudy, our sweet spot is the industrial rugged mobile computing. So we are doing the heavy lifting, the blue collar, the warehouse, the back office. Yes we go into the store of course like a Home Depot but we're going into a store with a rugged application, with a Microsoft orientation, with ubiquitous push-to-talk and customized applications and a durability factor with a device that's enterprise grade versus consumer. We will continue to watch more anecdotally. I mean, Apple continues to, we see anecdotal evidence of those conversations with certain enterprise customers but it's more TBD. We feel overall pretty solid about our position. We will continue to invest in it and we will watch to ensure that we are not just breathing our own fumes here on cyclical versus structural.

<A – Mark Moon – Motorola Solutions, Inc.>: Just a quick add, too, is that we did compete for the business. Obviously we don't want to lose any piece of the business, but I would just add that Lowe's is still a very strong customer for us. While Apple did go throughout the store associates with the units that you just mentioned that you see when you go into the store, we still do the wireless LAN network for them. We still do other aspects and we continue to work very closely with Lowe's just as we do with all of our customers

<Q – Ehud Gelblum – Morgan Stanley & Co.>: Great. Thanks. Can you give us a quick update on the Android units and your conversion to Android? Is that just a part of the portfolio or will you be keeping both Windows and Android going?

<A – Greg Brown – Motorola Solutions, Inc.>: I think you will see us do both. I mean obviously the installed base is overwhelmingly Microsoft, Windows 8. By the way, I should have mentioned Windows 8, too. I think that that is part of the pause in Enterprise spending, in part. I can't give you a quantifiable number but as Windows 8 comes closer, I think some customers wait to see what it's about and its affordability and how we incorporate it in our portfolio. Hudy, we will continue to do both Android and Microsoft. We are in very good strategic discussions with Microsoft at the highest levels and we will look to incorporate in the future some devices around Windows 8 that will support the customized apps and do comprehensive security and VPN support and integrate and optimize voice over Wi-Fi and enterprise WLAN, so we'll do both.

Operator: And we'll go next to the site of Matthew Hoffman with Cowen. Please go ahead.

<Q – Matthew Hoffman – Cowen & Co. LLC>: Thanks. Another narrow banding question. If I'm reading your comments correctly, compared to the 3 points of growth you estimate you got in the government business this quarter, next year in 2013, we should expect the effect of narrowbanding to be lower because of the wind-down of the mandate's effect, but that there are 50 municipalities out there looking for extensions, so it should be greater than zero. Is that the right way to frame that argument out? And then I will have a follow-up. Thanks.

<A – Greg Brown – Motorola Solutions, Inc.>: Basically yes, Matthew. It will be greater than zero given the 50 plus and there very well be more waivers between now and the end of the year. So yes, that's probably the right way to frame it.

<Q – Matthew Hoffman – Cowen & Co. LLC>: All right. Then can you help us think about the 50 relative to the overall addressable opportunity within the mandate, so we can help, help us size that?

<A – Greg Brown – Motorola Solutions, Inc.>: I can't. Because I can't dimensionalize or quantify the 50 or size it in the mix between rural and major metro. Maybe on the next earnings call as we exit 2012 and look forward in 2013, we'll have a better appreciation of framing it and quantifying it.

<Q – Matthew Hoffman – Cowen & Co. LLC>: Thanks for that. One quick -

<A – Mark Moon – Motorola Solutions, Inc.>: Matthew, just to give you a little bit more color on that to maybe make you feel a little more comfortable. Remind that Greg made in his comments that the narrowbanding mandate is just 30% of the user base. So even when you are talking about the residual, you still got the rest of the population of users in North America. I would also remind you that the narrowbanding mandate is not an international phenomenon and when you look at our Government growth internationally year-to-date, we are 20% plus in Latin America and mid to high single digits in Europe and in Asia. So that's why we say if you think about the fall-off from narrowbanding, certainly it's going to impact the growth in North America, but we still are seeing very strong growth internationally and in North America as a result of new product introductions, all of our offerings and the benefits that we provide to our customers.

<Q – Matthew Hoffman – Cowen & Co. LLC>: I appreciate the color. One last one, housekeeper, wireless LAN, I didn't hear you call it out on the Enterprise side. Can you just fill us in on the trends there on the wireless LAN business? Thanks.

<A – Greg Brown – Motorola Solutions, Inc.>: Wireless LAN declined for us year over year. I think I mentioned earlier in part because we chose not to pursue some lower priced, lower margin low access point opportunities primarily in Asia, actually mainly in China. But it did decline for us year over year and we would look for that to improve going forward.

<Q – Matthew Hoffman – Cowen & Co. LLC>: Thank you.

<A – Greg Brown – Motorola Solutions, Inc.>: Thanks, Matthew.

Operator: And we'll go next to the site of Ben Bollin with Cleveland Research. Please go ahead.

<Q – Ben Bollin – Cleveland Research Co.>: Thank you. Good morning.

<A – Greg Brown – Motorola Solutions, Inc.>: Good morning.

<Q – Ben Bollin – Cleveland Research Co.>: When you look at your platform investments, you talked about Windows and Android. But could you talk a little bit about how you are thinking about investments into app developments themselves, actual software to be more vertically integrated with your customers?

<A – Greg Brown – Motorola Solutions, Inc.>: So two things in that regard, Ben. We do work closely with our independent software vendors to ensure that vertically specific apps are customized, whether it's retail or transportation, logistics. In some very large accounts, we have some of those software app people doing that customization with a Motorola badge. The other thing is around app development is the acquisition we made of RhoMobile, or RhoElements. And the notion is that we over time provide an HTML5 toolkit, an SDK if you will, where app developers write to that, that's agnostic. It's indifferent to whether it's Windows 8, Android 4.0 or iOS.

So we have a common toolkit that's written at the browser level that's then supported irrespective of the underlining operating system. So we are really doing it on two levels, working customized apps organically internally and with ISV partners today, Microsoft and Android, and investing in a software element that can simplify the portability of applications and lower the cost and make it more ubiquitous over multiple operating systems. That's the twofold strategy we are pursuing.

<Q – Ben Bollin – Cleveland Research Co.>: Okay and then as a quick follow-up, you look at Psion, you gave us the 4Q run rate. Could you give us an idea on the annual run rate, kind of the margin profile of that business, and the head count? And then where does the onshore/offshore cash stand at the end of 3Q?

<A – Ed Fitzpatrick – Motorola Solutions, Inc.>: So a couple of things. First of all on the onshore/offshore, I think the cash balance was somewhere in the mid-30s, so kind of consistent with where you would expect, the \$3.5 billion in total.

On the Psion business, I think I would keep it very high level. I did talk about the impact for the fourth quarter being a negative \$0.02 per share. Really as coming in, the business is roughly breakeven ex those purchase accounting and transaction related fees that are out there related to that transaction. Going forward, you would expect that we will drive to improve that, the earnings of that business, such that as we have talked about previously, it will be accretive on a non-GAAP basis in 2013, and on a GAAP basis it should be accretive in 2014. So the plan is definitely to improve the profitability of that business such that the return on invested capital that we assumed on that business when we acquired it comes to fruition.

<A – Greg Brown – Motorola Solutions, Inc.>: And the head count, Ben, is approximately 800 people.

<Q – Ben Bollin – Cleveland Research Co.>: Thank you.

Operator: And we'll take our last question from the site of Blaine Carroll with Avian Securities. Please go ahead.

<Q – Blaine Carroll – Avian Securities LLC>: Yes, thank you. Congratulations on the quarter, guys.

<A – Greg Brown – Motorola Solutions, Inc.>: Thank you.

<Q – Blaine Carroll – Avian Securities LLC>: Couple of questions. First of all on the narrowbanding, is there any incentive for the 70% that don't need to, move to that 12.5 kHz? Is there any benefits to them to move to it and could that extend the narrowbanding process as well?

<A – Mark Moon – Motorola Solutions, Inc.>: Certainly, I think when we talked about the growth that's occurring, certainly we talked about the contributor of narrowbanding. But we also talked a lot when you think about double digit growth, and we said narrowbanding and double digit in the US and narrowbanding contributing to 3% of our overall growth, we talked a lot about the aspect of moving from analog to digital and the new features, the better efficiency that's there, the ability to add more users because you are spectrum efficient when do you that. The fact that a number of the 70% if you will which was your question, are aging infrastructures. They need to upgrade anyway. So they are attracted to the digital aspects of the system. So that again is a big explanation of why we are getting growth way beyond just narrowbanding.

<Q – Blaine Carroll – Avian Securities LLC>: Okay. And then there's a new product out that's predominantly or prominently displayed on your website, the HC1 Headset Computer. I wonder if you could talk about that device and what your sort of prospects are for that.

<A – Greg Brown – Motorola Solutions, Inc.>: Yes, I think that's really much more of a niche device. It's got a high ASP price point. And I think you are looking, you are referring to the helmet computer device. I think it's – I love the fact that we have it. It's a small addressable market and I would look to it to be more niche application than broad based.

<Q – Blaine Carroll – Avian Securities LLC>: Any thoughts on unit? This to me looks like that Google Glass application. Any thoughts of moving it over into that space?

<A – Greg Brown – Motorola Solutions, Inc.>: No, I think this is more of a demonstration of the innovation capabilities and where we have a very unique set of requirements for clients. We'll sell it but I think it's – it's more representative of the art of the possible and for very unique circumstances to fill that need, but I wouldn't look at that product as expecting any broad based deployment.

<Q – Blaine Carroll – Avian Securities LLC>: Great. Thank you.

<A – Greg Brown – Motorola Solutions, Inc.>: Thanks, Blaine.

Operator: And I will turn the floor back over to Mr. Shep Dunlap, Vice President of Investor Relations for any additional or closing remarks.

Shep Dunlap, Vice President-Investor Relations

Thanks, yes I would like to remind everyone, the details outlining the highlighted items, our GAAP to non-GAAP P&L reconciliations and other financial information can be found on our Investor Relations site. An audio replay together with a copy of today's slides will also be available on this site.

During this call we made a number of forward-looking statements within the meaning of applicable federal securities law. Such forward-looking statements include but are not limited to our comments and answers relating to the following topics: future sales and earnings growth including by segment and region, earnings per share outlook, cash flow generation, the amount of other income and expense, future effective tax rates and cash tax rates, future pension funding requirements and PBGC fees, the impact of the acquisition of Psion including revenues and EPS, the financial impact of reinvesting in our business, new products and solutions introductions, future operating margins and leverage improvements, our future dividends, capital allocation framework, expected decline in iDEN, market share and demand trends of our businesses and products such as LTE and the impact of narrowbanding.

Because forward-looking statements involve risks and uncertainties, Motorola Solutions' actual results could differ materially from those stated in these forward-looking statements. Information about these factors that could cause and in some cases have caused such differences can be found in this morning's press release on pages 9 through 22 and Item 1-a for 2011 annual report and Form 10-K in Motorola Solutions and other SEC filings. Thanks. We look forward to speaking with all of you soon.

Operator: Ladies and gentlemen, this does conclude today's teleconference. A replay of this call will be available over the Internet in approximately three hours. The website address is www.motorolasolutions.com/investor. We thank you for your participation and ask that you please disconnect your lines at this time. Have a wonderful day.