

Motorola Solutions, Inc.
Q1 2012 Earnings Conference Call
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PARTICIPANTS

Corporate Participants

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

Other Participants

Jeff Thomas Kvaal – Analyst, Barclays Capital, Inc.
Craig M. Hettenbach – Analyst, Goldman Sachs & Co.
Deepak Sitaraman – Analyst, Credit Suisse (United States)
Tavis C. McCourt – Analyst, Raymond James & Associates
Ehud A. Gelblum – Analyst, Morgan Stanley & Co. LLC
Peter Misek – Analyst, Jefferies & Co., Inc.
Matt Thornton – Analyst, Avian Securities LLC
Dale Wettlaufer – Analyst, Morningstar Research
Keith M. Housum – Analyst, Northcoast Research Holdings LLC

MANAGEMENT DISCUSSION SECTION

Operator: Please stand by. Your program is about to begin. [Operator Instructions]

Good morning and thank you for holding. Welcome to the Motorola Solutions First 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 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, please go ahead.

Shep Dunlap, Vice President - Investor Relations

Thank you and good morning. Welcome to our conference call to present Motorola Solutions' first 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 first 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/investor. These materials also include GAAP to non-GAAP reconciliations for your reference. As always, I encourage you to review these materials.

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 these statements will be achieved.

Any forward-looking statements represent our views 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 our actual results to differ materially from the statements contained in this presentation.

And with that, I'd like to turn it over to Greg.

Gregory Q. Brown, Chairman & Chief Executive Officer

Thanks, Shep. Good morning and thank you for joining us today.

Q1 highlighted another record quarter for Motorola Solutions as we achieved strong sales growth, improved operating leverage, and returned significant capital to shareholders through our share repurchase program and quarterly dividend. The most recent quarter included a number of significant product and solution launches that continue to demonstrate our unwavering commitment to deliver the best mission critical solutions to our public safety and enterprise customers.

This morning we reported record first-quarter sales of 2 billion, an increase of 7% from Q1 of last year. On a GAAP basis net earnings were \$0.50 per share from continuing operations compared to \$1.07 in the year-ago quarter.

Non-GAAP net earnings from continuing operations were \$0.59 per share compared to \$0.54 per share in Q1 of last year, a 9% increase. And for the remainder of the call we'll reference non-GAAP financial results unless otherwise noted.

Our Government business revenues increased 11%. North America, Asia, and Latin America all experienced double-digit growth, while we were also pleased to see growth in EMEA. Operating margins in the Government business improved 260 basis points year over year due to strong sales growth across our portfolio and another quarter of disciplined cost management. In our Enterprise business, sales declined 2% from the year-ago quarter, including an anticipated iDEN decline of 31 million. Growth in this business excluding iDEN was 3%. This increase was a result of growth across our portfolio as customers continued to select our solutions. Regionally both North America and Asia had strong results, while EMEA was down slightly as we expected in comparison to an extraordinarily strong Q1 of 2011.

On the capital allocation front, we continue to make significant progress in our initiatives and path to net debt that we spoke about at our financial analyst meeting last month. During Q1 we paid 70 million in dividends and repurchased 1.4 billion in MSI stock bringing the total repurchase amount to approximately 2.5 billion since the program was announced in July of last year.

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

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

Thanks, Greg. Q1 was another quarter of strong growth in operating leverage. Along with revenue growth of 7%, our disciplined expense management yielded an increase operating earnings of 9% despite a \$13 million increase in U.S. pension expense. We saw broad-based revenue growth in the Government business with record first-quarter sales of 1.3 billion, an increase of 11% from the prior year.

Operating margin in the Government business improved 260 basis points driven mainly by sales growth and continued leverage. The Enterprise business declined 2% to 655 million driven by an anticipated iDEN decline of approximately 31 million. Excluding iDEN, Enterprise posted growth of 3% as a result of growth across the broader portfolio. Operating margin in the Enterprise business declined 360 basis points. The decline was primarily attributable to iDEN.

Increased pension and foreign currency expenses also impacted operating margins.

While on the topic of sales, I want to take a brief mention of our backlog. In order to provide a more comprehensive view of backlog and to provide a metric that is more consistent with industry standards, we've changed our reporting methodology. Previously our backlog calculation excluded certain services-related contracts and backlog expected to ship beyond 18 months. We are now adding these items to our backlog figure as it is more reflective of our visibility.

Under this new methodology, our quarter ending backlog was \$6 billion. This compares to \$5.3 billion in Q4 of 2011. The sequential increase in backlog is due to the previously announced award for the public safety network in Norway.

Turning to earnings, earnings from continued operations were \$0.59 per share compared to \$0.54 per share a year ago, a 9% increase. Operating expenses were 689 million or 35.2% of revenue, which represents a 100 basis point improvement from the year-ago quarter. Our operating earnings for the first quarter were 290 million or 14.8% of sales compared to 266 billion or 14.5% in Q1 2011.

This increase was the result of our continued work to balance critical investments in the business with a constant focus on operating leverage.

And as I mentioned previously, our first-quarter results include a \$13 million increase in U.S. pension expense from Q1 of the prior year. Total other income and expense was a net expense of 4 million in the quarter compared to net income of 3 million in Q1 2011. The prior-year quarter benefited from investment gains in excess of interest expense.

In future quarters we expect this item to be a net expense of approximately 15 to 20 million.

Our effective tax rate was 34% for the quarter. For the remainder of 2012 we expect our effective tax rate to be in the range of 34% to 35%. Cash flow from operations was \$69 million during the quarter which was in line with our expectations. Q1 2012 includes approximately \$150 million in certain annual incentive pay outs. In the prior year all incentive pay outs occurred in the second quarter. In addition, we paid \$50 million related to a previously announced legal settlement.

With respect to working capital, I am pleased with our results in inventory management as our turns were 8.3 compared to 7 in the year-ago quarter. Our receivable balance declined as expected from Q4. In the second quarter, we anticipate liquidating certain notes receivable related to the Networks business we sold last year. These receivables were reclassified to short-term accounts receivable from long-term other assets last quarter. We ended the quarter with 3.8 billion in cash and investments and 1.5 billion in debt.

As Greg mentioned earlier and as we addressed at our financial analyst meeting last month, we purchased 1.4 billion in stock during the quarter, which brings us to approximately 2.5 billion in share repurchases since the inception of our plan.

We've reduced our share count by approximately 16% since the start of the program with the purchase of 54.6 million shares at an average price of \$45.38.

In addition, we paid 70 million in dividends during the quarter.

Now, turning to our Q2 and full-year outlook.

For Q2 we expect sales growth of approximately 6% over the second quarter of 2011. Our outlook is for non-GAAP earnings per share of \$0.65 to \$0.70 from continuing operations. This compares to non-GAAP EPS in Q2 2011 of approximately \$0.54 per share. Consistent with prior quarters, this outlook excludes stock-based compensation and intangible amortization expenses of approximately \$0.10 per share and items historically highlighted in the quarterly earnings releases. Moving to full-year 2012, we are reiterating our sales outlook of approximately 5% growth and operating margins of approximately 17% of revenue. I'll now turn it over to Greg for business highlights from the quarter.

Gregory Q. Brown, Chairman & Chief Executive Officer

Ed, thanks. In our Government business, sales for the quarter were 1.3 billion, which is up 11% over Q1 of last year. We saw solid growth in all regions, including significant growth in North America. Our profitability also improved with operating earnings growing to 14.1% of sales this quarter compared to 11.5% in Q1 last year as the business continues to scale.

Some notable wins among our ASTRO P25 radio platform included projects in Pierce County, Washington, and Adams County, Pennsylvania valued at 18 and 19 million, respectively. We also announced a \$12 million county-wide system to support all Sumter County, Florida, public safety and public service agencies. We announced a \$7 million system in Columbia County, Georgia, that includes our latest ASTRO P25 Phase 2 system yet maintains backward compatibility to the legacy networks. And in Warren County, Ohio, we will replace the 22-year-old system with a new \$9 million ASTRO 25 emergency communications network for public safety and public service users across the county.

Internationally the Ecuador police will deploy 10 million of additional ASTRO radios to increase the current installed base with our APX series. In TETRA, the international TETRA awards recognized one of our ultra-rugged radios for its design and use in hazardous environments. In addition, our customers were recognized for their adoption of TETRA technology including best use of TETRA in public safety for airwave in the U.K. and best TETRA innovation for the Hong Kong police. During the quarter, we also won additional TETRA awards with Hong Kong mass transit and the Mumbai India airport.

Growth also continued in our professional and commercial radio portfolio with solid double digit growth on top of an excellent first quarter last year as customers continue to choose our digital solutions like MTOTRBO. This year's international wireless communications expo in Las Vegas provided an opportunity for us to share our latest government solutions and innovation. We announced the MTOTRBO SL series two-way radio, an industry-leading, incredibly thin and light digital radio with a slim-form factor designed to meet user requirements and solutions for hospitality, services, security, and airports.

With innovative features such as integrated intelligent audio and intuitive work order ticket management, this device enhances professionalism and discretion while enabling improved customer service and faster response times.

We also introduced the LEX 700, the first handheld public safety LTE device, which delivers street-ready data over public safety LTE. This mission-critical handheld delivers a compact, rugged form factor with intuitive user interface and unprecedented access to multimedia applications over multiple networks, including public safety LTE.

We've talked about how important this technology is for public safety and first responders in the U.S.

We recently were awarded a \$4 million contract from Harris County, Texas, to expand their public safety LTE network with additional sites, to deliver enhanced video and data capabilities, along with expanded interoperability with their existing ASTRO 25 radio system. And in February, President Obama signed the Middle Class Tax Relief and Job Creation Act, which reallocated the D-Block for public safety use. In addition, the law provides a funding stream over the next eight to 10 years of \$7 billion for a nationwide network build-out. We believe we're well positioned to compete for this business in public safety LTE.

The products and solutions developed in our Enterprise segment often appeal to our Government customers as well. For example, the Colombia national police purchased over 2,000 ES400s for their police force as a supplemental device to connect with local citizens.

Moving on to the Enterprise business, sales in the Enterprise segment were 655 million, a 2% decrease from Q1 of last year. Excluding the expected iDEN decline of 31 million, actually Enterprise grew 3%.

Remember also this comes off of an 18% growth rate in the year-ago quarter. Operating earnings were 16.2% of sales compared to 19.8 last year, with the difference in decline primarily driven by iDEN, pension expense, and foreign exchange.

At the National Retail Federation convention in January, we showcased a number of examples of our leadership in innovation. Together with our partners we demonstrated how technology continues to change the Retail landscape from the warehouse to the store floor.

Our Retail customers continue to invest in solutions to improve their customer shopping experience. Demand for the technology comes from all segments of the Retail value chain, including designers, distributors, and retail points of presence with online or traditional stores.

For example, Macy's recently chose our MC3190 and our wireless LAN infrastructure with AirDefense to drive real-time inventory accuracy within their operations. In another example of our purpose-built enterprise mobile computing portfolio, United Airlines has initially deployed over 3,000 MC95s for baggage handling, accurately tracking bags as they move throughout their North American network, providing greater visibility and improved customer service. And TNT Express in Germany is deploying new proof of delivery applications on the MC95 mobile computing devices as well. In our advanced data capture business, we unveiled the rugged DS3500 extended-range scanners with the flexibility to capture bar code information from extended distances for warehouse management and other harsh industrial environments. Goya Foods recently chose these extended-range scanners because of their ability to scan both 1D and 2D bar codes. And furthermore, Goya expects to improve efficiency with the flexibility of a single device that meets all of their scanning requirements.

Our go to market remains focused on a combination of our 1,700 direct sales professionals and our 20,000 plus channel partners who help us meet customer needs and extend our reach. Our

PartnerEmpower(tm) channel program was recently awarded with a top rating from CRN magazine, again recognizing the support and investment we provide to distributors, resellers, and applications developers.

Our global services team continues to respond to customer demand for more managed services. This quarter we finalized the transaction to assume responsibility for Norway's nationwide TETRA public safety system representing a \$750 million contract through 2026, one of our largest public safety agreements. Our services team continues to help public safety and public service agencies adopt innovative technologies like video surveillance as well.

For example, the City of Chicago video surveillance program continues to expand in Chicago and with additional agencies such as Chicago public schools, where the program now includes 14 high schools to keep students safe.

In addition, we recently partnered with the City of Cleveland to integrate their Cleveland shared security surveillance network for public safety.

Now turning to a regional view for the total company, for the quarter, North America sales grew 9% driven by solid growth in both Government and Enterprise. EMEA grew 1% with growth in Government. Asia posted 14% growth, while Latin America decreased 5% as a result of the planned decline in iDEN, which disproportionately affected the region.

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 participants as possible. Operator, please instruct our callers on how to ask a question.

QUESTION AND ANSWER SECTION

Operator: The floor is now open for questions. [Operator Instructions] Thank you and our first question is from the Jeff Kvaal from Barclays. Please go ahead. Your line is open.

<Q – Jeff Kvaal – Barclays Capital, Inc.>: Yes, gentlemen. Thank you very much. I was inquiring about the growth rates for the full year. I think it has been not uncommon for you to be listing your growth rates in these quarterly calls. I think not this time of course. Can we continue to expect the 2011 growth rates to apply for each region through 2012 or is there, been reason to inject some caution into that view? And then my follow-up is it sounds as though, at least from third-party data it sees some share loss in wireless LAN and we're wondering what we can think about that. Thank you.

<A – Gregory Brown – Motorola Solutions, Inc.>: Jeff, our Q1 results were very good. We're only 90 days into the year and we're mindful of some of the continued extenuating circumstances, particularly in Europe. That said, again, we had a great Q1. Government was a little stronger, Enterprise is returning to more normal levels off of very high comps last year and we're just mindful of the European situation. That said, I think we're more confident in our full-year outlook than we were a quarter ago, and we'll continue to evaluate and update accordingly.

In terms of WLAN, I think it is too early to get all the results in for Q1 just because of the fact it's recently completed. Typically we have grown, WLAN's been great and it has tracked generally in line with the overall market expansion. We do particularly well in our target verticals of Retail and Transportation and Logistics, but overall it was solid in Q1.

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

<A – Gregory Brown – Motorola Solutions, Inc.>: Thanks, Jeff.

Operator: Our next question comes from Craig Hettenbach with Goldman Sachs. Please go ahead. Your line is open.

<Q – Craig Hettenbach – Goldman Sachs & Co.>: Yes, thanks. Greg, if I could follow up on the comments on Enterprise in Europe. Can you talk about what you're seeing in other geographies and if growth in those other geographies you think it will be enough to sustain growth or Europe will be a bigger drag?

<A – Gregory Brown – Motorola Solutions, Inc.>: So, Craig, remember overall kind of as we take a full-year view, we always thought that Government would be in low to mid-single digits. We thought Enterprise would be higher single digits. And Europe was soft, to your point, but outside of Enterprise in Europe, if you look at Enterprise in the other regions, we had solid growth.

So it was pretty specific to Europe. And that said, backlog was up sequentially, so we'll see how things unfold going forward, but overall a pretty good balanced quarter.

<Q – Craig Hettenbach – Goldman Sachs & Co.>: Okay. And on my follow-up, just anything you can point to in the Government business, I mean that continues to track above expectations, whether it's your view of market share gains, new product refreshers or what else? Can you give a little more detail about what's driving that stronger-than-expected growth in Government?

<A – Gregory Brown – Motorola Solutions, Inc.>: Well, Government was really good pretty much in every region and in North America, as we said, it was really strong as well. I think, Craig, we had some

very good systems business, i.e., infrastructure business in Q1, which actually lends itself positively forward looking as you think about adding subscribers downstream over the next several quarters. But the demand we've said public safety has always been typically prioritized higher. We continue to see that. I think it's representative of a strong systems business, which was seasonally stronger in Q1 than typical. And continued solid growth in our PCR business. So it continues to perform really well. And also, we're refreshing the products, too.

So we have -- we continue to tier our professional and commercial radio products. People are moving from analog to digital in the PCR business and we think we're very well positioned to capitalize on that. It's a combination of continued good momentum, product refresh, and strong growth throughout the world.

<A – Edward Fitzpatrick – Motorola Solutions, Inc.>: Craig, what I would add there, too, is we've mentioned growth in Europe as well, all right.

<A – Gregory Brown – Motorola Solutions, Inc.>: Good point.

<A – Edward Fitzpatrick – Motorola Solutions, Inc.>: Europe had been relatively flat and down in prior quarters and probably for the last eight quarters, so it was nice to see that return a little bit to growth, which was good.

<A – Gregory Brown – Motorola Solutions, Inc.>: Yeah, we had double digit growth in Government in North America, Latin America and Asia. And to Ed's point, we also grew in Europe as well. So it was a really good quarter for Government.

<Q – Craig Hettenbach – Goldman Sachs & Co.>: Got it. Thanks for the color.

Operator: Next we will go to the site of Deepak Sitaraman with Credit Suisse. Please go ahead. Your line is open.

<Q – Deepak Sitaraman – Credit Suisse (United States)>: Oh, great. Thank you very much. Ah, Greg, just on your backlog. How much of a change in the backlog under the new reporting method is related to public safety LTE and can you give us an update on how we should be thinking about timing, just on when public safety LTE can be meaningful for you?

<A – Gregory Brown – Motorola Solutions, Inc.>: So the difference in backlog around public safety LTE is minimal because it's still very early stage. Remember, we, as Ed described, we had -- it's really, the way we counted backlog at Motorola was more of a legacy issue of traditional Motorola Inc., i.e., we were only, we were not including services and we were only including backlog that went up to 18 months old. This is a much more comprehensive and all-in view that gives you and us greater visibility around the total enterprise. Backlog was up, Deepak. It's primarily driven by the award in Norway. Public safety LTE was de minimis in terms of changing backlog quarter over quarter. In terms of overall contribution we talk about beginning to get some traction in 2013 for public safety LTE and more meaningful contribution in 2014 and beyond.

<A – Mark Moon – Motorola Solutions, Inc.>: Deepak, just one quick comment, I think the encouraging piece while public safety and government was up, it's also important to note that Enterprise backlog was up as well, so even as we talk about it, I think it's a good sign as we go forward because pretty good growth in our Enterprise backlog as we move forward.

<A – Edward Fitzpatrick – Motorola Solutions, Inc.>: And then, Deepak, one more clarification to [ph] our add (24:38), when you break down the increase from the old methodology to the new, a little over 2 billion of the increase was due to the service contracts and then about 500 to 600 million of the increase was due to the 18-month rule that we had, just to give you a little more detail on that.

<A – Shep Dunlap – Motorola Solutions, Inc.>: And we, I'll just say we also filed those. They're up on our website. You can see the backlog comparison, both new method and old.

<Q – Deepak Sitaraman – Credit Suisse (United States)>: Great. That's really helpful. And just as my follow-up, on capital allocation, specifically buybacks, given that you're almost through the existing authorization that's outstanding, how should we think about buybacks? Are you going to continue to be opportunistic or should we expect a steady cadence as you move toward a net debt position?

<A – Edward Fitzpatrick – Motorola Solutions, Inc.>: As we talked about at the financial analyst meeting a little over a month ago, share repurchases remain a critical component of our capital allocation framework, so you should expect that to continue. With that said, on the current program we've executed 2.5 billion out of the 3 billion program, so about 0.5 billion remaining. As we look at it from a how to approach it throughout the rest of the year, I think you said it right. I think we will be opportunistic. If the price is lower, we'll be a bit more aggressive. If it's a bit higher, we'll be a bit more measured as we move forward here. So you should expect to get an update from us at the appropriate time, but again, it remains a critical component of our capital allocation plans.

<Q – Deepak Sitaraman – Credit Suisse (United States)>: Great. Thank you very much.

Operator: The next question is from the site of Tavis McCourt with Raymond James. Please go ahead. Your line is open.

<Q – Tavis McCourt – Raymond James & Associates>: Hey, Greg. Thanks for taking my questions. I was wondering if we can delve a little deeper into the TETRA contract in Norway. Should we be thinking of this as kind of a blueprint for how you'd expect contract awards in the LTE first responder market in terms of the inclusiveness of the contract, lengths, and dollar amount and so forth? And then secondly, the backlog growth in Government looked like, if you backed out that Norwegian contract, it was actually down slightly. Is that seasonally normal or do you have any year-over-year backlog numbers you can give us for that? Thanks.

<A – Mark Moon – Motorola Solutions, Inc.>: So, Tavis, this is Mark. If you think about the Norway contract, it's very similar to many of the contracts that we have for public safety throughout Europe as we've talked about in the past. Their contracting is a little different when they look at nationwide contracts similar to what we've done in airwave. We have that kind of setup in a number of countries in Europe. And Norway in particular that original award was to NSN and we were only an equipment provider. This change was the customer actually awarded us the entire end-to-end offering as the prime contractor, so that includes a lot of services, a lot of other things as well. We do that similarly throughout Europe and in other parts of the world.

As you compare it to LTE, I think that model is still to be determined. I think there's a lot of work going on. We have some, as we mentioned in the past, some individual contracts today that do look similar in some fashion to that, but I think the overall picture of the contracting methodology is still to unfold as this rolls out.

When you think about backlog, the other comment is we talked about all the details before is if we went back to our old methodology for a second, backlog was still up, excuse me, so I think the important piece

is while Norway was the biggest piece of it, it's still overall we didn't see any strong differences to Government and Enterprise other than the Norway change.

<A – Gregory Brown – Motorola Solutions, Inc.>: And just, Tavis, a little bit more color, so overall backlog is up as Mark referenced. Enterprise backlog is up, as is government. To your specific inquiry, if you back out Norway, Government backlog is down slightly, which, yes, is seasonally consistent with previous periods.

<Q – Tavis McCourt – Raymond James & Associates>: Thanks, Greg. Appreciate it.

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

Operator: Next we will go to the site of Ehud Gelblum with Morgan Stanley. Please go ahead. Your line is open.

<Q – Ehud Gelblum – Morgan Stanley & Co. LLC>: Thanks, guys. I appreciate it. First of all, Greg, I know that your AirDefense system that you sold Macy's has to do with Wi-Fi security, but I still keep, can't get the image out of my mind of Bloomingdale's attacking from them from the north when they needed some kind of like missile defense system against them. Just stuck in my mind. A couple questions. Your guidance for Q1 obviously was 4% growth. You did 7. You're guiding next quarter at 6%. I realize there's an iDEN decline going on here as well, but you're still keeping your full-year guidance at 5%, which would imply for the most part decelerating year over years.

Given the outperformance in Q1, what didn't give you the confidence to raise your full-year guidance? If you can walk us through what your plus and minus is in thinking about that.

Then on the Norway contract, the 750 million, did NSN recognize any of that ahead of time? Is the remaining part of that contract that you actually are buying in, opting into now less than 750, if you can give us a sense as to what that is? And then the strength that you did see in Government this quarter, can you, is there a way of discerning how much of that came from narrow banding versus regular course of business?

<A – Gregory Brown – Motorola Solutions, Inc.>: So on Norway, NSN did not -- when we talk about the \$750 million opportunity, that is for us through 2026. NSN did not recognize any piece of that.

In terms of overall 2012, Ehud, just to be clear, we are more confident than we were a quarter ago in our full-year outlook. In addition to that, we're only 90 days into the year. And there's elections going on in France. We had, as expected, softness in Europe, European Enterprise specifically. Enterprise was pretty healthy in the other regions. But we just want to take in it a more measured way and see what happens in Q2 and update you then accordingly. I think it is important that we are more confident in the full-year outlook, and iDEN decline we continue to manage and I think we'll be able to do that.

Government was a little bit stronger, Enterprise returning to normal levels, so I think it's more of a stay tuned situation and we'll update as we get another quarter underneath our belt. And your third question was?

<A – Shep Dunlap – Motorola Solutions, Inc.>: Narrow banding.

<A – Gregory Brown – Motorola Solutions, Inc.>: I think it was fairly modest is my instinct on Q1. Mark, I don't know what you think.

<A – Mark Moon – Motorola Solutions, Inc.>: Yeah, I think the overall effect of narrow banding is clearly impacting the move to digital but we see this move to digital around the world, so it's not just a North America phenomenon. We're having strong growth rates in the digital portfolio worldwide, so, and I think you'll continue to see that as we go forward.

<Q – Ehud Gelblum – Morgan Stanley & Co. LLC>: Can I sneak a quick follow-up?

<A – Gregory Brown – Motorola Solutions, Inc.>: Uh huh.

<Q – Ehud Gelblum – Morgan Stanley & Co. LLC>: Thanks. As iDEN falls off, obviously iDEN is a very high margin business, so your Enterprise margin comes down, although it's not really coming down, it's just kind of a function of the mix I think with iDEN. What's the right operating margin we should think of for the Enterprise business without iDEN?

<A – Edward Fitzpatrick – Motorola Solutions, Inc.>: I think we talked about that in kind of four-year terms because it really depends on the quarter. As you know, we ramp up sales throughout the year. So on the full-year basis we said that the Government and Enterprise businesses were relatively stable or relatively consistent and in the aggregate without iDEN. So you can think of in it that term. And I think Government a bit higher, but they're relatively comparable, if you will, for the full-year results, Ehud.

<Q – Ehud Gelblum – Morgan Stanley & Co. LLC>: Okay. That's helpful. Appreciate it.

<A – Gregory Brown – Motorola Solutions, Inc.>: And what you should think of as well, both businesses improving year-over-year operating earnings as a percent of sales, both Government and Enterprise if you back out iDEN improving nicely. Both about a percent that we had talked about before.

<Q – Ehud Gelblum – Morgan Stanley & Co. LLC>: Helpful. Appreciate it. Thanks.

<A – Gregory Brown – Motorola Solutions, Inc.>: Thanks, Ehud.

Operator: Next we will go to the site of Peter Misek with Jefferies. Please go ahead. Your line is open.

<Q – Peter Misek – Jefferies & Co., Inc.>: Thanks, gentlemen. I guess the first question really comes down to pensions, how much more in payments do we have, where are we in terms of expectations, planned expectation, etc., if you could provide some color there, that would be great. And then I have a follow-up.

<A – Edward Fitzpatrick – Motorola Solutions, Inc.>: Sure. On the pension expense, we talked about it being up approximately, U.S. pension expense approximately \$60 million year over year. I mentioned on the call the quarter impact of that was about \$13 million to the quarterly result. The cash flow impact of that, I think we're about \$100 million higher, \$340 million of contributions this year to the U.S. pension plan. That's kind of incorporated in our full-year cash forecast. And as I mentioned on the prior call, we do expect full-year operating cash flow or free cash flow to be up from the prior year, relatively in line with our improvement in operating earnings for the full year.

<Q – Peter Misek – Jefferies & Co., Inc.>: And how much of that cash, 340, have you contributed so far already in the year?

<A – Edward Fitzpatrick – Motorola Solutions, Inc.>: You'll see it in the Q, I think it's, we're about 130. I think we did 70 after the quarter and we did something in the 60 range, so about 130. It is relatively smooth throughout the year.

<Q – Peter Misek – Jefferies & Co., Inc.>: And do you expect pensions next year, similar sort of outlay to top it up or, is that how we should look at it?

<A – Edward Fitzpatrick – Motorola Solutions, Inc.>: I think the cash contributions next year are relatively consistent, it may go up a bit. I think the expense right now that we're seeing will be up slightly. It won't be quite the impact that we saw this year and that all depends on the discount rate, as you know, right, so discount rates can go up or down. If they go up, we'll see a benefit. If they go down, god forbid, we may see a bit of an increase. But right now if everything stays the way we expect it, it should be a muted impact in the next year.

<Q – Peter Misek – Jefferies & Co., Inc.>: So just to put a bow on all of this, if we look at your cash movements and we look at working capital requirements, in terms of the business, the backlog, and what you are seeing, growth, etc., I would expect and please clarify if this is incorrect, that your working capital requirements are probably at the level they need to be. I would expect that your LTE equipment prebuilds or trials, etc., would have already started and you're contributing to that. So I guess my point of my question is, don't we have a situation where cash is going to be greater than what you thought 30, 60, 90 days ago? And therefore, we could probably see a little more repatriation to shareholders? And that's my final question. Thanks.

<A – Edward Fitzpatrick – Motorola Solutions, Inc.>: Well, I think we still feel good about cash for the full year. You know, a lot of things that we've seen so far and the full-year forecast for profit's consistent with what we had planned and what we had talked to you about last quarter. Still expecting cash flow to improve year over year based upon that improved earnings. There are some, there will be some increase in working capital as our sales ramp year over year.

We are planning for improvements in inventory turns year over year. We do have a bit of work to do still on receivables as I mentioned collecting certain long-term receivables that were reclassified to short term this quarter and we'll try to get at some of that this quarter. But I think at the end of the day the cash guidance that we gave you, the cash flow guidance is still consistent with what we expected. Working capital will ramp a little bit but our working capital efficiency as we normally try to do to challenge ourselves is to improve year over year. We are driving to do that and that's factored into that outlook I just gave you.

<Q – Peter Misek – Jefferies & Co., Inc.>: Awesome. Thanks.

Operator: [Operator Instructions] And next we will go to the site of Matt Thornton with Avian Securities. Please go ahead. Your line is open.

<Q – Matt Thornton – Avian Securities LLC>: Hey, good morning, guys. Nice quarter.

<A – Gregory Brown – Motorola Solutions, Inc.>: Morning, Matt. Thank you.

<Q – Matt Thornton – Avian Securities LLC>: Not to beat a dead horse, but on Enterprise, I guess two questions. Can you kind of just talk about the linearity in the quarter, and then secondly, one of your prime comps in that business just missed their numbers by about 12%, so I'm wondering if you can talk to kind of a share shift in that business as well and whether you think you're taking share in the Enterprise business.

<A – Gregory Brown – Motorola Solutions, Inc.>: I think it's, well, it's clearly too early in terms of Q1, Matt, but I think that when we think about our core Enterprise portfolio over the last four to eight quarters,

our view is we're holding or slightly gaining share. In advanced data capture and in enterprise mobile computing, WLAN probably holding, maybe a slight decline in WLAN overall but in that case in the WLAN business it's experiencing from a segment growth, you know, 30% or 35% plus growth. So again, Enterprise backlog, Matt, was up. It was, our Enterprise business in Europe was soft as anticipated. But overall we were generally pleased with the exception of Enterprise in Europe, and of course, the overall segment reporting includes iDEN, but we've talked about that. And we'll manage that in a measured way year over year and continue to do that.

<A – Mark Moon – Motorola Solutions, Inc.>: One quick add-on. If you think about the linearity, I think, as Greg indicated, we do think that it will continue to return. I would remind you that in Europe we were coming off of a comparable a year ago quarter of 29% growth. So even when we talk about it being down, I don't want you to leave with the impression that Enterprise growth in Europe is really concerning. We clearly are watching it carefully, but it's coming off of a strong comparable. As we move throughout the year, we still continue to think that Enterprise growth overall will continue on kind of the pace as we have indicated in the past and will return back to those normal levels as Greg indicated earlier.

<Q – Matt Thornton – Avian Securities LLC>: That's helpful. And then just one follow-up if I could. Greg, I'm sure you're aware, you know, the NTIA is advising a lot of different jurisdictions that have planned to build out public safety LTE networks, they're advising them to hold off until the FirstNet(r) organization can kind of provide the blueprint if you will, later on this year to ensure interoperability. I know public safety LTE revenue is de minimis at this point, but do you expect or do you anticipate any impact from potential delays there in the back half of this year?

<A – Gregory Brown – Motorola Solutions, Inc.>: I don't think it'll be a big deal for us one way or another this year. I do believe that, I'm mindful of what needs to be implemented regarding the overall legislation, but having said that, BTOP grants have been extended to a number of customers with waivers and we think it's very important for our customers for them to maintain that momentum and to continue to build and deploy accordingly because we believe those deployments are entirely consistent and compatible with the overall rollout, vis-a-vis, public safety LTE and the 700 megahertz band, so we wouldn't want to have any unintended consequences of pausing or hitting the stop button that would appear to be disruptive for our customers, disruptive for employees, and quite frankly, disrupt from a job continuity standpoint. We want to continue to move forward and we think we're able to do that but also be complementary and mindful of what they need to do, vis-a-vis, FirstNet going forward.

<Q – Matt Thornton – Avian Securities LLC>: Great. That's helpful. And if I could sneak in just one housekeeping one for Ed, Ed, I think you guys had about 37 million in stock-based comp. Do you know what the split of that is between R&D and SGA?

<A – Edward Fitzpatrick – Motorola Solutions, Inc.>: I don't have that at my fingertips. [NOTE: you can find this information in the 10Q].

<Q – Matt Thornton – Avian Securities LLC>: Okay. No problem. Great. Thanks, guys.

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

Operator: Next we'll go to the site of Dale Wettlaufer with Morningstar. Please go ahead. Your line is open.

<Q – Dale Wettlaufer – Morningstar Research>: Good morning. Thanks for taking my question. Just wondering, how much of a threat is iPad to Enterprise computing? And I have a follow-up after that.

<A – Gregory Brown – Motorola Solutions, Inc.>: The majority of the enterprise -- we think it's quite low because the enterprise mobile computing business is for us is more around rugged, heavy industrial scanning, warehouse, backroom ecommerce. We have very little presence in front-facing store operations. Some, but the requirements for our devices are more around ruggedization and heavy industrial use. So we think it's reasonably small at this point.

<Q – Dale Wettlaufer – Morningstar Research>: Okay. And then backlog ex Norway, I don't think you gave the year-over-year number unless I missed that.

<A – Gregory Brown – Motorola Solutions, Inc.>: We did not. We didn't because we've recalculated the 18-month backlog to the full life cycle backlog plus services. So we think the most accurate information we can give you is sequentially quarter over quarter and again, overall it's up. It's up in Government; it's up in Enterprise as well.

<A – Edward Fitzpatrick – Motorola Solutions, Inc.>: Yeah, I don't think, just to give color, I don't expect that you would see any significant changes there given this history of that. It's been relatively stable. So the one big change really relates to Norway.

<Q – Dale Wettlaufer – Morningstar Research>: Okay. And if I could ask another question on that, is the Norway contract among your largest managed services contracts and could you describe the scope of the contract?

<A – Mark Moon – Motorola Solutions, Inc.>: So, it is one of the largest. I think we had mentioned, although we have a number of large managed services contract throughout the world, this clearly is in a whole different game when you look at the size. It will actually be deploying a nationwide TETRA network throughout the entire country of Norway, and that will include site build-outs, equipment installation, operations of that network once it is deployed. It'll be deployed in a number of phases. And then ultimately, obviously when you talk about operations, it's not just operating the network but also maintaining it and as we work going forward, we think we'll continue to upgrade it with technology over the life cycle of the project.

<Q – Dale Wettlaufer – Morningstar Research>: Great. Thank you.

Operator: And next we will go to the site of Keith Housum with Northcoast Research. Please go ahead. Your line is open.

<Q – Keith Housum – Northcoast Research Holdings LLC>: Thanks, gentlemen, for taking my call. Question for you on foreign exchange for the quarter. Obviously, we saw some significant movement around the world. Can you guys provide a little bit of color about how that perhaps impacts the results both from a top line and bottom line perspective?

<A – Edward Fitzpatrick – Motorola Solutions, Inc.>: Sure. So, the biggest impact top line was driven by the euro but not overly significant. We talked about it a little bit, about a \$10 million impact during the quarter. That was offset by some favorability in Asia, partially offset. In operating earnings, it was probably a \$4 million to \$5 million impact to the negative in EPS, probably relatively flat for the quarter.

<Q – Keith Housum – Northcoast Research Holdings LLC>: Great. Thank you. Appreciate it. And one follow-up if I may. In terms of pricing, I guess, just to come back to your Enterprise segment, how was pricing in the quarter? Were you aggressive in some pockets or is it fairly typical for the first quarter?

<A – Mark Moon – Motorola Solutions, Inc.>: I think we actually saw typical pricing for what we would expect for the first quarter as we've looked at our ASPs across the portfolio, they've been able to maintain, again part of that driven by some new product introductions but nothing unusual as we look at what happened in the quarter.

<Q – Keith Housum – Northcoast Research Holdings LLC>: Great. Appreciate it. Thank you.

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

Operator: And there are no further questions in queue, so I would like to announce that 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, once again, www.motorolasolutions.com/investor. We thank you for your participation and ask that you please disconnect your lines at this time and have a wonderful day.