

Motorola Solutions, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(In millions, except per share amounts)

	Three Months Ended	
	October 3, 2015	September 27, 2014
Net sales from products	\$ 925	\$ 921
Net sales from services	497	515
Net sales	1,422	1,436
Costs of products sales	395	414
Costs of services sales	342	337
Costs of sales	737	751
Gross margin	685	685
Selling, general and administrative expenses	259	287
Research and development expenditures	153	166
Other charges	40	24
Intangibles amortization	2	1
Operating earnings	231	207
Other income (expense):		
Interest expense, net:	(43)	(31)
Gains on sales of investments, net	10	1
Other	(1)	(26)
Total other expense	(34)	(56)
Earnings from continuing operations before income taxes	197	151
Income tax expense	71	84
Earnings from continuing operations	126	67
Earnings (loss) from discontinued operations, net of tax	(11)	81
Net earnings	115	148
Less: Earnings attributable to noncontrolling interests	—	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 115	\$ 147
Amounts attributable to Motorola Solutions, Inc. common stockholders		
Earnings from continuing operations, net of tax	\$ 126	\$ 66
Earnings (loss) from discontinued operations, net of tax	(11)	81
Net earnings attributable to Motorola Solutions, Inc.	\$ 115	\$ 147
<u>Earnings (loss) per common share</u>		
Basic:		
Continuing operations	\$ 0.63	\$ 0.27
Discontinued operations	(0.05)	0.33
	\$ 0.58	\$ 0.60
Diluted:		
Continuing operations	\$ 0.63	\$ 0.27
Discontinued operations	(0.06)	0.32
	\$ 0.57	\$ 0.59
<u>Weighted average common shares outstanding</u>		
Basic	199.2	246.3
Diluted	201.3	248.2

	Percentage of Net Sales*	
	October 3, 2015	September 27, 2014
Net sales from products	65.0 %	64.1 %
Net sales from services	35.0 %	35.9 %
Net sales	100.0 %	100.0 %
Costs of products sales	42.7 %	45.0 %
Costs of services sales	68.8 %	65.4 %
Costs of sales	51.8 %	52.3 %
Gross margin	48.2 %	47.7 %
Selling, general and administrative expenses	18.2 %	20.0 %
Research and development expenditures	10.8 %	11.6 %
Other charges	2.8 %	1.7 %
Intangibles amortization	0.1 %	0.1 %
Operating earnings	16.2 %	14.4 %
Other income (expense):		
Interest expense, net:	(3.0)%	(2.2)%
Gains on sales of investments, net	0.7 %	0.1 %
Other	(0.1)%	(1.8)%
Total other expense	(2.4)%	(3.9)%
Earnings from continuing operations before income taxes	13.9 %	10.5 %
Income tax expense	5.0 %	5.8 %
Earnings from continuing operations	8.9 %	4.7 %
Earnings (loss) from discontinued operations, net of tax	(0.8)%	5.6 %
Net earnings	8.1 %	10.3 %
Less: Earnings attributable to noncontrolling interests	— %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	8.1 %	10.2 %

* Percentages may not add up due to rounding

Motorola Solutions, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(In millions, except per share amounts)

	Nine Months Ended	
	October 3, 2015	September 27, 2014
Net sales from products	\$ 2,550	\$ 2,561
Net sales from services	1,463	1,497
Net sales	4,013	4,058
Costs of products sales	1,139	1,165
Costs of services sales	993	974
Costs of sales	2,132	2,139
Gross margin	1,881	1,919
Selling, general and administrative expenses	769	902
Research and development expenditures	468	516
Other charges	33	46
Intangibles amortization	6	3
Operating earnings	605	452
Other income (expense):		
Interest expense, net:	(122)	(85)
Gains on sales of investments, net	60	4
Other	(3)	(34)
Total other expense	(65)	(115)
Earnings from continuing operations before income taxes	540	337
Income tax expense	175	107
Earnings from continuing operations	365	230
Earnings (loss) from discontinued operations, net of tax	(32)	869
Net earnings	333	1,099
Less: Earnings attributable to noncontrolling interests	2	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 331	\$ 1,098
Amounts attributable to Motorola Solutions, Inc. common stockholders		
Earnings from continuing operations, net of tax	\$ 363	\$ 229
Earnings (loss) from discontinued operations, net of tax	(32)	869
Net earnings attributable to Motorola Solutions, Inc.	\$ 331	\$ 1,098
<u>Earnings (loss) per common share</u>		
Basic:		
Continuing operations	\$ 1.75	\$ 0.91
Discontinued operations	(0.15)	3.46
	\$ 1.60	\$ 4.37
Diluted:		
Continuing operations	\$ 1.74	\$ 0.90
Discontinued operations	(0.16)	3.42
	\$ 1.58	\$ 4.32
<u>Weighted average common shares outstanding</u>		
Basic	207.2	251.1
Diluted	209.2	254.0

	Percentage of Net Sales*	
	October 3, 2015	September 27, 2014
Net sales from products	63.5 %	63.1 %
Net sales from services	36.5 %	36.9 %
Net sales	100.0 %	100.0 %
Costs of products sales	44.7 %	45.5 %
Costs of services sales	67.9 %	65.1 %
Costs of sales	53.1 %	52.7 %
Gross margin	46.9 %	47.3 %
Selling, general and administrative expenses	19.2 %	22.2 %
Research and development expenditures	11.7 %	12.7 %
Other charges	0.8 %	1.1 %
Intangibles amortization	0.1 %	0.1 %
Operating earnings	15.1 %	11.1 %
Other income (expense):		
Interest expense, net:	(3.0)%	(2.1)%
Gains on sales of investments, net	1.5 %	0.1 %
Other	(0.1)%	(0.8)%
Total other expense	(1.6)%	(2.8)%
Earnings from continuing operations before income taxes	13.5 %	8.3 %
Income tax expense	4.4 %	2.6 %
Earnings from continuing operations	9.1 %	5.7 %
Earnings (loss) from discontinued operations, net of tax	(0.8)%	21.4 %
Net earnings	8.3 %	27.1 %
Less: Earnings attributable to noncontrolling interests	— %	— %
Net earnings attributable to Motorola Solutions, Inc.	8.2 %	27.1 %

* Percentages may not add up due to rounding

Motorola Solutions, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In millions)

	October 3, 2015	December 31, 2014
Assets		
Cash and cash equivalents	\$ 2,200	\$ 3,954
Accounts receivable, net	1,222	1,409
Inventories, net	334	345
Deferred income taxes	430	431
Other current assets	574	740
Current assets held for disposition	27	—
Total current assets	4,787	6,879
Property, plant and equipment, net	467	549
Investments	292	316
Deferred income taxes	1,889	2,151
Goodwill	423	383
Other assets	183	145
Non-current assets held for disposition	45	—
Total assets	\$ 8,086	\$ 10,423
Liabilities and Stockholders' Equity		
Current portion of long-term debt	\$ 4	\$ 4
Accounts payable	443	540
Accrued liabilities	1,582	1,706
Total current liabilities	2,029	2,250
Long-term debt	4,386	3,396
Other liabilities	1,969	2,011
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(307)	2,735
Noncontrolling interests	9	31
Total liabilities and stockholders' equity	\$ 8,086	\$ 10,423
Financial Ratios:		
Net cash (debt)*	\$ (2,190)	\$ 554

*Net cash (debt) = Total cash - Current portion of long-term debt - Long-term debt

Motorola Solutions, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In millions)

	Three Months Ended	
	October 3, 2015	September 27, 2014
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 115	\$ 147
Earnings attributable to noncontrolling interests	—	1
Net earnings	115	148
Earnings (loss) from discontinued operations, net of tax	(11)	81
Earnings from continuing operations, net of tax	126	67
Adjustments to reconcile Earnings from continuing operations to Net cash provided by (used for) operating activities from continuing operations:		
Depreciation and amortization	32	45
Non-cash other charges	38	2
Share-based compensation expense	18	20
Loss from the extinguishment of long term debt	—	37
Gains on sales of investments and businesses, net	(10)	(1)
Deferred income taxes	72	63
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	(88)	12
Inventories	4	(5)
Other current assets	10	(85)
Accounts payable and accrued liabilities	95	128
Other assets and liabilities	3	(398)
Net cash provided by (used for) operating activities from continuing operations	300	(115)
Investing		
Acquisitions and investments, net	(57)	(11)
Proceeds from sales of investments and businesses, net	39	2
Capital expenditures	(50)	(47)
Proceeds from sales of property, plant and equipment	1	6
Net cash used for investing activities from continuing operations	(67)	(50)
Financing		
Repayment of debt	(1)	(458)
Net proceeds from issuance of debt	976	1,370
Issuance of common stock	34	9
Purchase of common stock	(2,058)	(650)
Excess tax benefit from share-based compensation	—	5
Payment of dividends	(70)	(78)
Distributions to discontinued operations	—	(32)
Net cash provided by (used for) financing activities from continuing operations	(1,119)	166
Discontinued Operations		
Net cash used for operating activities from discontinued operations	—	(25)
Net cash used for investing activities from discontinued operations	—	(5)
Net cash provided by financing activities from discontinued operations	—	32
Effect of exchange rate changes on cash and cash equivalents from discontinued operations	—	(2)
Net cash provided by discontinued operations	—	—
Effect of exchange rate changes on cash and cash equivalents from continuing operations	(26)	(32)
Net decrease in cash and cash equivalents	(912)	(31)
Cash and cash equivalents, beginning of period	3,112	2,876
Cash and cash equivalents, end of period	\$ 2,200	\$ 2,845
Financial Ratios:		
Free cash flow*	\$ 250	\$ (162)

*Free cash flow = Net cash provided by operating activities - Capital Expenditures

Motorola Solutions, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In millions)

	Nine Months Ended	
	October 3, 2015	September 27, 2014
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 331	\$ 1,098
Earnings attributable to noncontrolling interests	2	1
Net earnings	333	1,099
Earnings (loss) from discontinued operations, net of tax	(32)	869
Earnings from continuing operations, net of tax	365	230
Adjustments to reconcile Earnings from continuing operations to Net cash provided by operating activities from continuing operations:		
Depreciation and amortization	113	131
Gain on sale of building and land	—	(21)
Non-cash other charges (income)	43	(2)
Non-U.S. pension curtailment gain	(32)	—
Share-based compensation expense	58	74
Gains on sales of investments and businesses, net	(60)	(4)
Loss from the extinguishment of long term debt	—	37
Deferred income taxes	127	69
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	167	202
Inventories	(21)	12
Other current assets	38	(9)
Accounts payable and accrued liabilities	(168)	(170)
Other assets and liabilities	(39)	(534)
Net cash provided by operating activities from continuing operations	591	15
Investing		
Acquisitions and investments, net	(150)	(21)
Proceeds from sales of investments and businesses, net	150	23
Capital expenditures	(131)	(130)
Proceeds from sales of property, plant and equipment	2	30
Net cash used for investing activities from continuing operations	(129)	(98)
Financing		
Repayment of debt	(3)	(461)
Net proceeds from issuance of debt	976	1,375
Issuance of common stock	85	94
Purchase of common stock	(2,996)	(1,123)
Excess tax benefit from share-based compensation	1	11
Payment of dividends	(218)	(236)
Distributions from discontinued operations	—	66
Net cash used for financing activities from continuing operations	(2,155)	(274)
Discontinued Operations		
Net cash provided by operating activities from discontinued operations	—	63
Net cash provided by investing activities from discontinued operations	—	5
Net cash used for financing activities from discontinued operations	—	(66)
Effect of exchange rate changes on cash and cash equivalents from discontinued operations	—	(2)
Net cash provided by discontinued operations	—	—
Effect of exchange rate changes on cash and cash equivalents from continuing operations	(61)	(23)
Net decrease in cash and cash equivalents	(1,754)	(380)
Cash and cash equivalents, beginning of period	3,954	3,225
Cash and cash equivalents, end of period	\$ 2,200	\$ 2,845

Financial Ratios:

Free cash flow*	460	(115)
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*Free cash flow = Net cash provided by operating activities - Capital Expenditures

Motorola Solutions, Inc. and Subsidiaries
Segment Information
(In millions)

Net Sales

Three Months Ended

	October 3, 2015	September 27, 2014	% Change
Products	\$ 925	\$ 921	— %
Services	497	515	(3)%
Total Motorola Solutions	\$ 1,422	\$ 1,436	(1)%

Nine Months Ended

	October 3, 2015	September 27, 2014	% Change
Products	\$ 2,550	\$ 2,561	— %
Services	1,463	1,497	(2)%
Total Motorola Solutions	\$ 4,013	\$ 4,058	(1)%

Operating Earnings

Three Months Ended

	October 3, 2015	September 27, 2014	% Change
Products	\$ 178	\$ 141	26 %
Services	53	66	(20)%
Total Motorola Solutions	\$ 231	\$ 207	12 %

Nine Months Ended

	October 3, 2015	September 27, 2014	% Change
Products	\$ 413	\$ 276	50 %
Services	192	176	9 %
Total Motorola Solutions	\$ 605	\$ 452	34 %

Operating Earnings %

Three Months Ended

	October 3, 2015	September 27, 2014
Products	19.2%	15.3%
Services	10.7%	12.8%
Total Motorola Solutions	16.2%	14.4%

Nine Months Ended

	October 3, 2015	September 27, 2014
Products	16.2%	10.8%
Services	13.1%	11.8%
Total Motorola Solutions	15.1%	11.1%

Motorola Solutions, Inc. and Subsidiaries
Non-GAAP Adjustments (Intangibles Amortization Expenses, Share-Based Compensation Expense, and Highlighted Items)

Q1 2015

Non-GAAP Adjustments	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS impact
Share-based compensation expense	Cost of sales, SG&A and R&D	\$ 21	\$ 7	\$ 14	\$ 0.06
Reorganization of business charges	Cost of sales and Other charges	14	4	10	0.05
Intangibles amortization expense	Intangibles amortization	2	1	1	—
Gain on sale of equity investment	Gains on sales of investments and businesses, net	(46)	(17)	(29)	(0.13)
Total impact on Net earnings		\$ (9)	\$ (5)	\$ (4)	\$ (0.02)

Q2 2015

Non-GAAP Adjustments	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS impact
Share-based compensation expense	Cost of sales, SG&A and R&D	\$ 19	\$ 6	\$ 13	\$ 0.06
Reorganization of business charges	Cost of sales and Other charges	16	6	10	0.05
Intangibles amortization expense	Intangibles amortization	3	1	2	—
Non-U.S. pension curtailment gain	Other charges	(32)	—	(32)	(0.15)
Total impact on Net earnings		\$ 6	\$ 13	\$ (7)	\$ (0.04)

Q3 2015

Non-GAAP Adjustments	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS impact
Share-based compensation expense	Cost of sales, SG&A and R&D	\$ 18	6	\$ 12	0.06
Reorganization of business charges	Cost of sales and Other charges	15	4	11	0.05
Intangibles amortization expense	Intangibles amortization	2	1	1	—
Impairment of corporate aircraft	Other charges	26	10	16	0.08
Total impact on Net earnings		\$ 61	\$ 21	\$ 40	\$ 0.19

Motorola Solutions, Inc. and Subsidiaries
Non-GAAP Segment Information
(In millions)

Net Sales

Three Months Ended

	October 3, 2015	September 27, 2014	% Change
Products	\$ 925	\$ 921	— %
Services	497	515	(3)%
Total Motorola Solutions	\$ 1,422	\$ 1,436	(1)%

Nine Months Ended

	October 3, 2015	September 27, 2014	% Change
Products	\$ 2,550	\$ 2,561	— %
Services	1,463	1,497	(2)%
Total Motorola Solutions	\$ 4,013	\$ 4,058	(1)%

Non-GAAP Operating Earnings

Three Months Ended

	October 3, 2015	September 27, 2014	% Change
Products	\$ 221	\$ 175	26 %
Services	71	84	(15)%
Total Motorola Solutions	\$ 292	\$ 259	13 %

Nine Months Ended

	October 3, 2015	September 27, 2014	% Change
Products	\$ 487	\$ 359	36 %
Services	221	226	(2)%
Total Motorola Solutions	\$ 708	\$ 585	21 %

Non-GAAP Operating Earnings %

Three Months Ended

	October 3, 2015	September 27, 2014
Products	23.9%	19.0%
Services	14.3%	16.3%
Total Motorola Solutions	20.5%	18.0%

Nine Months Ended

	October 3, 2015	September 27, 2014
Products	19.1%	14.0%
Services	15.1%	15.1%
Total Motorola Solutions	17.6%	14.4%

Motorola Solutions, Inc. and Subsidiaries
Operating Earnings after Non-GAAP Adjustments

Q1 2015			
	TOTAL	Products	Services
Net sales	\$ 1,223	\$ 758	\$ 465
Operating earnings ("OE")	\$ 119	\$ 64	\$ 55
Above-OE non-GAAP adjustments:			
Share-based compensation expense	21	14	7
Reorganization of business charges	14	10	4
Intangibles amortization expense	2	2	—
Total above-OE non-GAAP adjustments	37	26	11
Operating earnings after non-GAAP adjustments	\$ 156	\$ 90	\$ 66
Operating earnings as a percentage of net sales - GAAP	9.7%	8.4%	11.8%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	12.8%	11.9%	14.2%

Q2 2015			
	TOTAL	Products	Services
Net sales	\$ 1,368	\$ 867	\$ 501
Operating earnings ("OE")	\$ 254	\$ 171	\$ 83
Above-OE non-GAAP adjustments:			
Share-based compensation expense	19	12	7
Reorganization of business charges	16	12	4
Intangibles amortization expense	3	3	—
Non-U.S. pension curtailment gain	(32)	(22)	(10)
Total above-OE non-GAAP adjustments	6	5	1
Operating earnings after non-GAAP adjustments	\$ 260	\$ 176	\$ 84
Operating earnings as a percentage of net sales - GAAP	18.6%	19.7%	16.6%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	19.0%	20.3%	16.8%

Q3 2015			
	TOTAL	Products	Services
Net sales	\$ 1,422	\$ 925	\$ 497
Operating earnings ("OE")	\$ 231	\$ 178	\$ 53
Above-OE non-GAAP adjustments:			
Share-based compensation expense	18	12	6
Reorganization of business charges	15	11	4
Intangibles amortization expense	2	2	—
Impairment of corporate aircraft	26	18	8
Total above-OE non-GAAP adjustments	61	43	18
Operating earnings after non-GAAP adjustments	\$ 292	\$ 221	\$ 71
Operating earnings as a percentage of net sales - GAAP	16.2%	19.2%	10.7%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	20.5%	23.9%	14.3%