

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

	Three Months Ended	
	April 1, 2017	April 2, 2016
Net sales from products	\$ 703	\$ 702
Net sales from services	578	491
Net sales	1,281	1,193
Costs of products sales	347	366
Costs of services sales	364	325
Costs of sales	711	691
Gross margin	570	502
Selling, general and administrative expenses	232	234
Research and development expenditures	135	135
Other charges	(9)	20
Intangibles amortization	36	13
Operating earnings	176	100
Other income (expense):		
Interest expense, net	(51)	(49)
Gains (losses) on sales of investments and businesses, net	3	(21)
Other	(8)	(8)
Total other expense	(56)	(78)
Net earnings before income taxes	120	22
Income tax expense	42	5
Net earnings	78	17
Less: Earnings attributable to noncontrolling interests	1	—
Net earnings attributable to Motorola Solutions, Inc.	\$ 77	\$ 17
<u>Earnings per common share:</u>		
Basic	\$ 0.47	\$ 0.10
Diluted	\$ 0.45	\$ 0.10
<u>Weighted average common shares outstanding:</u>		
Basic	164.2	174.5
Diluted	169.9	177.0

	Percentage of Net Sales*	
	April 1, 2017	April 2, 2016
Net sales from products	54.9 %	58.8 %
Net sales from services	45.1 %	41.2 %
Net sales	100.0 %	100.0 %
Costs of products sales	49.4 %	52.1 %
Costs of services sales	63.0 %	66.2 %
Costs of sales	55.5 %	57.9 %
Gross margin	44.5 %	42.1 %
Selling, general and administrative expenses	18.1 %	19.6 %
Research and development expenditures	10.5 %	11.3 %
Other charges	(0.7)%	1.7 %
Intangibles amortization	2.8 %	1.1 %
Operating earnings	13.7 %	8.4 %
Other income (expense):		
Interest expense, net	(4.0)%	(4.1)%
Gains (losses) on sales of investments and businesses, net	0.2 %	(1.8)%
Other	(0.6)%	(0.7)%
Total other expense	(4.4)%	(6.5)%
Net earnings before income taxes	9.4 %	1.8 %
Income tax expense	3.3 %	0.4 %
Net earnings	6.1 %	1.4 %
Less: Earnings attributable to noncontrolling interests	0.1 %	— %
Net earnings attributable to Motorola Solutions, Inc.	6.0 %	1.4 %

* Percentages may not add up due to rounding

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

	April 1, 2017	December 31, 2016
Assets		
Cash and cash equivalents	\$ 766	\$ 967
Restricted cash	63	63
Total cash and cash equivalents	829	1,030
Accounts receivable, net	1,070	1,410
Inventories, net	345	273
Other current assets	829	755
Total current assets	3,073	3,468
Property, plant and equipment, net	820	789
Investments	237	238
Deferred income taxes	2,198	2,219
Goodwill	737	728
Intangible Assets	878	821
Other assets	197	200
Total assets	\$ 8,140	\$ 8,463
Liabilities and Stockholders' Equity		
Current portion of long-term debt	\$ 44	\$ 4
Accounts payable	433	553
Accrued liabilities	1,908	2,111
Total current liabilities	2,385	2,668
Long-term debt	4,414	4,392
Other liabilities	2,378	2,355
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(1,050)	(964)
Noncontrolling interests	13	12
Total liabilities and stockholders' equity	\$ 8,140	\$ 8,463
Financial Ratios:		
Net cash (debt)*	\$ (3,629)	\$ (3,366)

*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	
	April 1, 2017	April 2, 2016
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 77	\$ 17
Earnings attributable to noncontrolling interests	1	—
Net earnings	78	17
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	80	62
Non-cash other charges	15	11
Non-U.S. pension settlement loss	9	—
Share-based compensation expense	17	17
Losses (gains) on sales of investments and businesses, net	(3)	21
Deferred income taxes	23	35
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	368	277
Inventories	(69)	(4)
Other current assets	(59)	(43)
Accounts payable and accrued liabilities	(307)	(363)
Other assets and liabilities	(10)	(17)
Net cash provided by operating activities	142	13
Investing		
Acquisitions and investments, net	(106)	(1,053)
Proceeds from sales of investments and businesses, net	53	481
Capital expenditures	(68)	(51)
Net cash used for investing activities	(121)	(623)
Financing		
Repayment of debt	(1)	(1)
Net proceeds from issuance of debt	—	673
Issuance of common stock	22	40
Purchase of common stock	(178)	(64)
Payment of dividends	(77)	(71)
Net cash provided by (used for) financing activities	(234)	577
Effect of exchange rate changes on cash and cash equivalents	12	(7)
Net decrease in cash and cash equivalents	(201)	(40)
Cash and cash equivalents, beginning of period	1,030	1,980
Cash and cash equivalents, end of period	\$ 829	\$ 1,940

Financial Ratios:

Free cash flow*	\$ 74	\$ (38)
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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

	April 1, 2017	April 2, 2016	% Change
Products	\$ 703	\$ 702	—%
Services	578	491	18%
Total Motorola Solutions	\$ 1,281	\$ 1,193	7%

Operating Earnings

Three Months Ended

	April 1, 2017	April 2, 2016	% Change
Products	\$ 89	\$ 51	75%
Services	87	49	78%
Total Motorola Solutions	\$ 176	\$ 100	76%

Operating Earnings %

Three Months Ended

	April 1, 2017	April 2, 2016
Products	12.7%	7.3%
Services	15.1%	10.0%
Total Motorola Solutions	13.7%	8.4%

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

Q1 2017

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	\$ 17	\$ 6	\$ 11	\$ 0.06
Reorganization of business charges	Cost of sales and Other charges	19	4	15	0.09
Intangibles amortization expense	Intangibles amortization	36	9	27	0.16
Gain on legal settlement	Other charges	(42)	(16)	(26)	(0.15)
Building impairment	Other charges	8	—	8	0.05
Non-US pension settlement loss	Other charges	9	—	9	0.05
Sale of investments	Sale of Investment or Business (Gain) or Loss	(3)	(1)	(2)	(0.01)
Acquisition-related transaction fees	Other charges	1	—	1	0.01
Total impact on Net earnings		\$ 45	\$ 2	\$ 43	\$ 0.26

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

Net Sales

Three Months Ended

	April 1, 2017	April 2, 2016	% Change
Products	\$ 703	\$ 702	—%
Services	578	491	18%
Total Motorola Solutions	\$ 1,281	\$ 1,193	7%

Non-GAAP Operating Earnings

Three Months Ended

	April 1, 2017	April 2, 2016	% Change
Products	\$ 101	\$ 84	20%
Services	123	82	50%
Total Motorola Solutions	\$ 224	\$ 166	35%

Non-GAAP Operating Earnings %

Three Months Ended

	April 1, 2017	April 2, 2016
Products	14.4%	12.0%
Services	21.3%	16.7%
Total Motorola Solutions	17.5%	13.9%

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

Q1 2017			
	TOTAL	Products	Services
Net sales	\$ 1,281	\$ 703	\$ 578
Operating earnings ("OE")	\$ 176	\$ 89	\$ 87
Above-OE non-GAAP adjustments:			
Share-based compensation expense	17	11	6
Reorganization of business charges	19	13	6
Intangibles amortization expense	36	6	30
Acquisition-related transaction fees	1	—	1
Gain on legal settlement	(42)	(30)	(12)
Building impairment	8	6	2
Non-US pension settlement loss	9	6	3
Total above-OE non-GAAP adjustments	48	12	36
Operating earnings after non-GAAP adjustments	\$ 224	\$ 101	\$ 123
Operating earnings as a percentage of net sales - GAAP	13.7%	12.7%	15.1%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	17.5%	14.4%	21.3%