

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

	Three Months Ended	
	September 30, 2017	October 1, 2016
Net sales from products	\$ 989	\$ 920
Net sales from services	656	612
Net sales	1,645	1,532
Costs of products sales	428	398
Costs of services sales	423	372
Costs of sales	851	770
Gross margin	794	762
Selling, general and administrative expenses	248	247
Research and development expenditures	141	137
Other charges	28	6
Intangibles amortization	39	31
Operating earnings	338	341
Other income (expense):		
Interest expense, net	(52)	(54)
Gains on sales of investments and businesses, net	—	7
Other	—	(1)
Total other expense	(52)	(48)
Net earnings before income taxes	286	293
Income tax expense	73	100
Net earnings	213	193
Less: Earnings attributable to noncontrolling interests	1	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 212	\$ 192
Earnings per common share:		
Basic	\$ 1.30	\$ 1.15
Diluted	\$ 1.25	\$ 1.13
Weighted average common shares outstanding:		
Basic	162.3	166.3
Diluted	169.0	169.6

	Percentage of Net Sales*	
Net sales from products	60.1 %	60.1 %
Net sales from services	39.9 %	39.9 %
Net sales	100.0 %	100.0 %
Costs of products sales	43.3 %	43.3 %
Costs of services sales	64.5 %	60.8 %
Costs of sales	51.7 %	50.3 %
Gross margin	48.3 %	49.7 %
Selling, general and administrative expenses	15.1 %	16.1 %
Research and development expenditures	8.6 %	8.9 %
Other charges	1.7 %	0.4 %
Intangibles amortization	2.4 %	2.0 %
Operating earnings	20.5 %	22.3 %
Other income (expense):		
Interest expense, net	(3.2)%	(3.5)%
Gains on sales of investments and businesses, net	— %	0.5 %
Other	— %	(0.1)%
Total other expense	(3.2)%	(3.1)%
Net earnings before income taxes	17.4 %	19.1 %
Income tax expense	4.4 %	6.5 %
Net earnings	12.9 %	12.6 %
Less: Earnings attributable to noncontrolling interests	0.1 %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	12.9 %	12.5 %

* 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	
	September 30, 2017	October 1, 2016
Net sales from products	\$ 2,540	\$ 2,423
Net sales from services	1,883	1,732
Net sales	4,423	4,155
Costs of products sales	1,167	1,124
Costs of services sales	1,202	1,090
Costs of sales	2,369	2,214
Gross margin	2,054	1,941
Selling, general and administrative expenses	725	722
Research and development expenditures	413	411
Other charges	34	61
Intangibles amortization	112	83
Operating earnings	770	664
Other income (expense):		
Interest expense, net	(154)	(157)
Gains (losses) on sales of investments and businesses, net	3	(13)
Other	(9)	(12)
Total other expense	(160)	(182)
Net earnings before income taxes	610	482
Income tax expense	188	164
Net earnings	422	318
Less: Earnings attributable to noncontrolling interests	2	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 420	\$ 317
Earnings per common share:		
Basic	\$ 2.57	\$ 1.85
Diluted	\$ 2.48	\$ 1.82
<i>Weighted average common shares outstanding:</i>		
Basic	163.2	171.0
Diluted	169.3	174.0
	Percentage of Net Sales*	
Net sales from products	57.4 %	58.3 %
Net sales from services	42.6 %	41.7 %
Net sales	100.0 %	100.0 %
Costs of products sales	45.9 %	46.4 %
Costs of services sales	63.8 %	62.9 %
Costs of sales	53.6 %	53.3 %
Gross margin	46.4 %	46.7 %
Selling, general and administrative expenses	16.4 %	17.4 %
Research and development expenditures	9.3 %	9.9 %
Other charges	0.8 %	1.5 %
Intangibles amortization	2.5 %	2.0 %
Operating earnings	17.4 %	16.0 %
Other income (expense):		
Interest expense, net	(3.5)%	(3.8)%
Gains (losses) on sales of investments and businesses, net	0.1 %	(0.3)%
Other	(0.2)%	(0.3)%
Total other expense	(3.6)%	(4.4)%
Net earnings before income taxes	13.8 %	11.6 %
Income tax expense	4.3 %	3.9 %
Net earnings	9.5 %	7.7 %
Less: Earnings attributable to noncontrolling interests	— %	— %
Net earnings attributable to Motorola Solutions, Inc.	9.5 %	7.6 %

* Percentages may not add up due to rounding

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

	September 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	\$ 653	\$ 967
Restricted cash	64	63
Total cash and cash equivalents	717	1,030
Accounts receivable, net	1,382	1,410
Inventories, net	364	273
Other current assets	873	755
Total current assets	3,336	3,468
Property, plant and equipment, net	889	789
Investments	249	238
Deferred income taxes	2,115	2,219
Goodwill	932	728
Intangible assets	896	821
Other assets	201	200
Total assets	\$ 8,618	\$ 8,463
Liabilities and Stockholders' Equity		
Current portion of long-term debt	\$ 47	\$ 4
Accounts payable	473	553
Accrued liabilities	2,043	2,111
Total current liabilities	2,563	2,668
Long-term debt	4,423	4,392
Other liabilities	2,450	2,355
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(830)	(964)
Noncontrolling interests	12	12
Total liabilities and stockholders' equity	\$ 8,618	\$ 8,463
Financial Ratios:		
Net cash (debt)*	\$ (3,753)	\$ (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	
	September 30, 2017	October 1, 2016
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 212	\$ 192
Earnings attributable to noncontrolling interests	1	1
Net earnings	213	193
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	88	76
Non-cash other charges	8	8
Non-U.S. pension settlement loss	21	—
Share-based compensation expense	16	16
Gains on sales of investments and businesses, net	—	(7)
Deferred income taxes	36	72
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	(152)	(82)
Inventories	29	2
Other current assets	(129)	(37)
Accounts payable and accrued liabilities	152	138
Other assets and liabilities	(12)	(31)
Net cash provided by operating activities	270	348
Investing		
Acquisitions and investments, net	(243)	(95)
Proceeds from sales of investments and businesses, net	102	84
Capital expenditures	(85)	(68)
Proceeds from sales of property, plant and equipment	—	22
Net cash used for investing activities	(226)	(57)
Financing		
Repayment of debt	(9)	(1)
Issuance of common stock	33	41
Purchase of common stock	(100)	(109)
Payment of dividends	(76)	(70)
Net cash used for financing activities	(152)	(139)
Effect of exchange rate changes on cash and cash equivalents	20	(10)
Net increase (decrease) in cash and cash equivalents	(88)	142
Cash and cash equivalents, beginning of period	805	1,545
Cash and cash equivalents, end of period	\$ 717	\$ 1,687
Financial Ratios:		
Free cash flow*	\$ 185	\$ 280

*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	
	September 30, 2017	October 1, 2016
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 420	\$ 317
Earnings attributable to noncontrolling interests	2	1
Net earnings	422	318
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	254	220
Non-cash other charges	29	43
Non-U.S. pension settlement loss	46	—
Share-based compensation expense	49	52
Losses (gains) on sales of investments and businesses, net	(3)	13
Deferred income taxes	99	143
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	81	245
Inventories	(83)	—
Other current assets	(142)	(102)
Accounts payable and accrued liabilities	(178)	(224)
Other assets and liabilities	11	(56)
Net cash provided by operating activities	585	652
Investing		
Acquisitions and investments, net	(383)	(1,215)
Proceeds from sales of investments and businesses, net	174	637
Capital expenditures	(206)	(211)
Proceeds from sales of property, plant and equipment	—	68
Net cash used for investing activities	(415)	(721)
Financing		
Repayment of debt	(15)	(3)
Net proceeds from issuance of debt	—	673
Proceeds from financing through capital leases	7	—
Issuance of common stock	61	80
Purchase of common stock	(358)	(728)
Payment of dividends	(230)	(213)
Payment of dividend to non-controlling interest	(2)	—
Net cash used for financing activities	(537)	(191)
Effect of exchange rate changes on cash and cash equivalents	54	(33)
Net decrease in cash and cash equivalents	(313)	(293)
Cash and cash equivalents, beginning of period	1,030	1,980
Cash and cash equivalents, end of period	\$ 717	\$ 1,687
Financial Ratios:		
Free cash flow*	\$ 379	\$ 441

*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		% Change
	September 30, 2017	October 1, 2016	
Products	\$ 989	\$ 920	8 %
Services	656	612	7 %
Total Motorola Solutions	\$ 1,645	\$ 1,532	7 %

	Nine Months Ended		% Change
	September 30, 2017	October 1, 2016	
Products	\$ 2,540	\$ 2,423	5 %
Services	1,883	1,732	9 %
Total Motorola Solutions	\$ 4,423	\$ 4,155	6 %

Operating Earnings

	Three Months Ended		% Change
	September 30, 2017	October 1, 2016	
Products	\$ 253	\$ 225	12 %
Services	85	116	(27)%
Total Motorola Solutions	\$ 338	\$ 341	(1)%

	Nine Months Ended		% Change
	September 30, 2017	October 1, 2016	
Products	\$ 510	\$ 404	26 %
Services	260	260	— %
Total Motorola Solutions	\$ 770	\$ 664	16 %

Operating Earnings %

	Three Months Ended	
	September 30, 2017	October 1, 2016
Products	25.6%	24.5%
Services	13.0%	19.0%
Total Motorola Solutions	20.5%	22.3%

	Nine Months Ended	
	September 30, 2017	October 1, 2016
Products	20.1%	16.7%
Services	13.8%	15.0%
Total Motorola Solutions	17.4%	16.0%

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

Q2 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	\$ 16	\$ 5	\$ 11	0.07
Reorganization of business charges	Cost of sales and Other charges	3	—	3	0.02
Intangibles amortization expense	Intangibles amortization	37	9	28	0.17
Non-US pension settlement loss	Other charges	16	—	16	0.08
Gain on legal settlement	Other charges	(1)	—	(1)	(0.01)
Sale of business	Sale of Investment or Business (Gain) or Loss	1	—	1	0.01
Total impact on Net earnings		\$ 72	\$ 14	\$ 58	\$ 0.34

Q3 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	\$ 16	\$ 5	\$ 11	\$ 0.07
Reorganization of business charges	Cost of sales and Other charges	8	2	6	0.04
Intangibles amortization expense	Intangibles amortization	39	10	29	0.17
Non-US pension settlement loss	Other charges	21	—	21	0.11
Asset impairment	Other charges	1	—	1	0.01
Tax benefit on U.S. capital loss	Tax expense	—	22	(22)	(0.13)
Reserve on unrecognized tax benefit	Tax expense	—	(1)	1	0.01
Total impact on Net earnings		\$ 85	\$ 38	\$ 47	\$ 0.28

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

Net Sales

	Three Months Ended		% Change
	September 30, 2017	October 1, 2016	
Products	\$ 989	\$ 920	8 %
Services	656	612	7 %
Total Motorola Solutions	\$ 1,645	\$ 1,532	7 %

	Nine Months Ended		% Change
	September 30, 2017	October 1, 2016	
Products	\$ 2,540	\$ 2,423	5 %
Services	1,883	1,732	9 %
Total Motorola Solutions	\$ 4,423	\$ 4,155	6 %

Non-GAAP Operating Earnings

	Three Months Ended		% Change
	September 30, 2017	October 1, 2016	
Products	\$ 287	\$ 243	18 %
Services	136	153	(11)%
Total Motorola Solutions	\$ 423	\$ 396	7 %

	Nine Months Ended		% Change
	September 30, 2017	October 1, 2016	
Products	\$ 581	\$ 503	16 %
Services	394	383	3 %
Total Motorola Solutions	\$ 975	\$ 886	10 %

Non-GAAP Operating Earnings %

	Three Months Ended	
	September 30, 2017	October 1, 2016
Products	29.0%	26.4%
Services	20.7%	25.0%
Total Motorola Solutions	25.7%	25.8%

	Nine Months Ended	
	September 30, 2017	October 1, 2016
Products	22.9%	20.8%
Services	20.9%	22.1%
Total Motorola Solutions	22.0%	21.3%

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%

Q2 2017

	TOTAL	Products	Services
Net sales	\$ 1,497	\$ 848	\$ 649
Operating earnings ("OE")	\$ 257	\$ 168	\$ 89
Above-OE non-GAAP adjustments:			
Share-based compensation expense	16	11	5
Reorganization of business charges	3	3	—
Intangibles amortization expense	37	1	36
Gain on legal settlement	(1)	(1)	—
Non-US pension settlement loss	16	11	5
Total above-OE non-GAAP adjustments	71	25	46
Operating earnings after non-GAAP adjustments	328	193	135
Operating earnings as a percentage of net sales - GAAP	17.2%	19.8%	13.7%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	21.9%	22.8%	20.8%

Q3 2017

	TOTAL	Products	Services
Net sales	\$ 1,645	\$ 989	\$ 656
Operating earnings ("OE")	\$ 338	\$ 253	\$ 85
Above-OE non-GAAP adjustments:			
Share-based compensation expense	16	10	6
Reorganization of business charges	8	6	2
Intangibles amortization expense	39	2	37
Non-US pension settlement loss	21	15	6
Asset impairment	1	1	—
Total above-OE non-GAAP adjustments	85	34	51
Operating earnings after non-GAAP adjustments	423	287	136
Operating earnings as a percentage of net sales - GAAP	20.5%	25.6%	13.0%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	25.7%	29.0%	20.7%

Motorola Solutions, Inc. and Subsidiaries
Non-GAAP Organic Revenue

Total Motorola Solutions			
Three Months Ended			
	September 30, 2017	October 1, 2016	% Change
Net sales	\$ 1,645	\$ 1,532	7%
Non-GAAP adjustments:			
Acquisitions	(40)	—	
Organic revenue	\$ 1,605	\$ 1,532	5%
Nine Months Ended			
	September 30, 2017	October 1, 2016	% Change
Net sales	\$ 4,423	\$ 4,155	6%
Non-GAAP adjustments:			
Acquisitions	(213)	(61)	
Organic revenue	\$ 4,210	\$ 4,094	3%
North America			
Three Months Ended			
	September 30, 2017	October 1, 2016	% Change
Americas net sales	\$ 1,123	\$ 1,031	9%
Adjustments:			
Latin America	(96)	(70)	37%
North America acquisitions	(19)	—	
North America organic revenue	\$ 1,008	\$ 961	5%
Nine Months Ended			
	September 30, 2017	October 1, 2016	% Change
Americas net sales	\$ 2,989	\$ 2,804	7%
Adjustments:			
Latin America	(262)	(186)	41%
North America acquisitions	(40)	—	
North America organic revenue	\$ 2,687	\$ 2,618	3%