

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

	Three Months Ended	
	June 30, 2018	July 1, 2017
Net sales from products	\$ 1,042	\$ 848
Net sales from services	718	649
Net sales	1,760	1,497
Costs of products sales	485	392
Costs of services sales	453	415
Costs of sales	938	807
Gross margin	822	690
Selling, general and administrative expenses	316	254
Research and development expenditures	162	138
Other charges	18	—
Intangibles amortization	53	37
Operating earnings	273	261
Other income (expense):		
Interest expense, net	(58)	(51)
Losses on sales of investments and businesses, net	(1)	(1)
Other	13	(4)
Total other expense	(46)	(56)
Net earnings before income taxes	227	205
Income tax expense	46	73
Net earnings	181	132
Less: Earnings attributable to noncontrolling interests	1	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 180	\$ 131
<u>Earnings per common share:</u>		
Basic	\$ 1.11	\$ 0.80
Diluted	\$ 1.05	\$ 0.78
<u>Weighted average common shares outstanding:</u>		
Basic	162.2	163.1
Diluted	171.7	169.0
	Percentage of Net Sales*	
Net sales from products	59.2 %	56.6 %
Net sales from services	40.8 %	43.4 %
Net sales	100.0 %	100.0 %
Costs of products sales	46.5 %	46.2 %
Costs of services sales	63.1 %	63.9 %
Costs of sales	53.3 %	53.9 %
Gross margin	46.7 %	46.1 %
Selling, general and administrative expenses	18.0 %	17.0 %
Research and development expenditures	9.2 %	9.2 %
Other charges	1.0 %	— %
Intangibles amortization	3.0 %	2.5 %
Operating earnings	15.5 %	17.4 %
Other income (expense):		
Interest expense, net	(3.3)%	(3.4)%
Losses on sales of investments and businesses, net	(0.1)%	(0.1)%
Other	0.7 %	(0.3)%
Total other expense	(2.6)%	(3.7)%
Net earnings before income taxes	12.9 %	13.7 %
Income tax expense	2.6 %	4.9 %
Net earnings	10.3 %	8.8 %
Less: Earnings attributable to noncontrolling interests	0.1 %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	10.2 %	8.8 %

* Percentages may not add up due to rounding

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

	Six Months Ended	
	June 30, 2018	July 1, 2017
Net sales from products	\$ 1,842	\$ 1,551
Net sales from services	1,385	1,226
Net sales	3,227	2,777
Costs of products sales	867	739
Costs of services sales	869	778
Costs of sales	1,736	1,517
Gross margin	1,491	1,260
Selling, general and administrative expenses	594	500
Research and development expenditures	314	273
Other charges	44	(19)
Intangibles amortization	94	73
Operating earnings	445	433
Other income (expense):		
Interest expense, net	(104)	(102)
Gains on sales of investments and businesses, net	10	2
Other	16	(9)
Total other expense	(78)	(109)
Net earnings before income taxes	367	324
Income tax expense	69	114
Net earnings	298	210
Less: Earnings attributable to noncontrolling interests	1	2
Net earnings attributable to Motorola Solutions, Inc.	\$ 297	\$ 208
<u>Earnings per common share:</u>		
Basic	\$ 1.83	\$ 1.27
Diluted	\$ 1.73	\$ 1.23
<u>Weighted average common shares outstanding:</u>		
Basic	161.7	163.7
Diluted	171.1	169.5

	Percentage of Net Sales*	
Net sales from products	57.1 %	55.9 %
Net sales from services	42.9 %	44.1 %
Net sales	100.0 %	100.0 %
Costs of products sales	47.1 %	47.6 %
Costs of services sales	62.7 %	63.5 %
Costs of sales	53.8 %	54.6 %
Gross margin	46.2 %	45.4 %
Selling, general and administrative expenses	18.4 %	18.0 %
Research and development expenditures	9.7 %	9.8 %
Other charges	1.4 %	(0.7)%
Intangibles amortization	2.9 %	2.6 %
Operating earnings	13.8 %	15.6 %
Other income (expense):		
Interest expense, net	(3.2)%	(3.7)%
Gains on sales of investments and businesses, net	0.3 %	0.1 %
Other	0.5 %	(0.3)%
Total other expense	(2.4)%	(3.9)%
Net earnings before income taxes	11.4 %	11.7 %
Income tax expense	2.1 %	4.1 %
Net earnings	9.2 %	7.6 %
Less: Earnings attributable to noncontrolling interests	— %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	9.2 %	7.5 %

* Percentages may not add up due to rounding

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

	June 30, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$ 878	\$ 1,205
Restricted cash	63	63
Total cash and cash equivalents	941	1,268
Accounts receivable, net	1,159	1,523
Contract assets	760	—
Inventories, net	391	327
Other current assets	330	832
Total current assets	3,581	3,950
Property, plant and equipment, net	895	856
Investments	172	247
Deferred income taxes	945	1,023
Goodwill	1,528	938
Intangible assets	1,340	861
Other assets	420	333
Total assets	\$ 8,881	\$ 8,208
Liabilities and Stockholders' Equity		
Current portion of long-term debt	\$ 347	\$ 52
Accounts payable	430	593
Contract liabilities	1,049	—
Accrued liabilities	1,096	2,286
Total current liabilities	2,922	2,931
Long-term debt	5,298	4,419
Other liabilities	2,153	2,585
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(1,507)	(1,742)
Noncontrolling interests	15	15
Total liabilities and stockholders' equity	\$ 8,881	\$ 8,208

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

	Three Months Ended	
	June 30, 2018	July 1, 2017
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 180	\$ 131
Earnings attributable to noncontrolling interests	1	1
Net earnings	181	132
Adjustments to reconcile Net earnings to Net cash provided by (used for) operating activities:		
Depreciation and amortization	96	86
Non-cash other charges	3	6
Non-U.S. pension settlement loss	—	16
Share-based compensation expense	17	16
Losses on sales of investments and businesses, net	1	1
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable, contract assets and contract liabilities	11	(117)
Inventories	46	(43)
Other current assets	41	38
Accounts payable and accrued liabilities	10	(33)
Other assets and liabilities	(5)	31
Deferred income taxes	24	40
Net cash (used for) provided by operating activities	425	173
Investing		
Acquisitions and investments, net	(28)	(34)
Proceeds from sales of investments and businesses, net	2	19
Capital expenditures	(41)	(53)
Net cash used for investing activities	(67)	(68)
Financing		
Repayment of debt	(147)	(5)
Net proceeds from issuance of debt	(1)	—
Proceeds from financing through capital leases	—	7
Issuance of common stock	6	6
Purchases of common stock	—	(80)
Payments of dividends	(84)	(77)
Payments of dividend to non-controlling interest	(1)	(2)
Net cash used for financing activities	(227)	(151)
Effect of exchange rate changes on cash and cash equivalents	(48)	22
Net increase (decrease) in cash and cash equivalents	83	(24)
Cash and cash equivalents, beginning of period	858	829
Cash and cash equivalents, end of period	\$ 941	\$ 805
Financial Ratios:		
Free cash flow*	\$ 384	\$ 120

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

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

	Six Months Ended	
	June 30, 2018	July 1, 2017
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 297	\$ 208
Earnings attributable to noncontrolling interests	1	2
Net earnings	298	210
Adjustments to reconcile Net earnings to Net cash provided by (used for) operating activities:		
Depreciation and amortization	178	166
Non-cash other charges	6	21
Non-U.S. pension settlement loss	—	25
Share-based compensation expense	34	33
Gains on sales of investments and businesses, net	(10)	(2)
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable, contract assets and contract liabilities	206	251
Inventories	37	(112)
Other current assets	43	(21)
Accounts payable and accrued liabilities	(340)	(340)
Other assets and liabilities	(558)	21
Deferred income taxes	31	63
Net cash provided by (used for) operating activities	(75)	315
Investing		
Acquisitions and investments, net	(1,153)	(140)
Proceeds from sales of investments and businesses, net	79	72
Capital expenditures	(82)	(121)
Net cash used for investing activities	(1,156)	(189)
Financing		
Repayment of debt	(197)	(6)
Net proceeds from issuance of debt	1,295	—
Proceeds from financing through capital leases	—	7
Issuance of common stock	59	28
Purchases of common stock	(66)	(258)
Payments of dividends	(168)	(154)
Payments of dividend to non-controlling interest	(1)	(2)
Net cash provided by (used for) financing activities	922	(385)
Effect of exchange rate changes on cash and cash equivalents	(18)	34
Net decrease in cash and cash equivalents	(327)	(225)
Cash and cash equivalents, beginning of period	1,268	1,030
Cash and cash equivalents, end of period	\$ 941	\$ 805
Financial Ratios:		
Free cash flow*	\$ (157)	\$ 194

*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
	June 30, 2018	July 1, 2017	
Products and systems integration	\$ 1,189	\$ 1,047	14 %
Services and software	571	450	27 %
Total Motorola Solutions	\$ 1,760	\$ 1,497	18 %

Six Months Ended

	June 30, 2018		% Change
	June 30, 2018	July 1, 2017	
Products and systems integration	\$ 2,141	\$ 1,901	13 %
Services and software	1,086	876	24 %
Total Motorola Solutions	\$ 3,227	\$ 2,777	16 %

Operating Earnings

	Three Months Ended		% Change
	June 30, 2018	July 1, 2017	
Products and systems integration	\$ 175	\$ 190	(8)%
Services and software	98	71	38 %
Total Motorola Solutions	\$ 273	\$ 261	5 %

Six Months Ended

	June 30, 2018		% Change
	June 30, 2018	July 1, 2017	
Products and systems integration	\$ 265	\$ 287	(8)%
Services and software	180	146	23 %
Total Motorola Solutions	\$ 445	\$ 433	3 %

Operating Earnings %

	Three Months Ended	
	June 30, 2018	July 1, 2017
Products and systems integration	14.7%	18.1%
Services and software	17.2%	15.8%
Total Motorola Solutions	15.5%	17.4%

Six Months Ended

	June 30, 2018	
	June 30, 2018	July 1, 2017
Products and systems integration	12.4%	15.1%
Services and software	16.6%	16.7%
Total Motorola Solutions	13.8%	15.6%

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

Q1 2018

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	\$ 4	\$ 13	\$ 0.08
Reorganization of business charges	Cost of sales and Other charges	13	3	10	0.06
Intangibles amortization expense	Intangibles amortization	41	8	33	0.19
Loss on legal settlements	Other charges	1	—	1	0.01
Loss on derivative instruments related to Avigilon	Other expense	14	4	10	0.06
Release of FIN 48 reserve	Income tax benefit	—	1	(1)	(0.01)
Sale of investments	Sale of Investment or Business (Gain) or Loss	(11)	(3)	(8)	(0.05)
Acquisition-related transaction fees	Other charges	17	5	12	0.07
Total impact on Net earnings		\$ 92	\$ 22	\$ 70	\$ 0.41

Q2 2018

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	\$ 4	\$ 13	0.08
Reorganization of business charges	Cost of sales and Other charges	25	6	19	0.10
Intangibles amortization expense	Intangibles amortization	53	12	41	0.23
Avigilon purchase accounting adjustment	Cost of sales	10	3	7	0.04
Sale of investments	Sale of Investment or Business (Gain) or Loss	1	—	1	0.01
Loss on foreign currency related to Avigilon purchase	Other expense	1	—	1	0.01
FIN 48 reserve	Income tax expense	—	(1)	1	0.01
State audit settlement	Income tax benefit	—	12	(12)	(0.07)
Total impact on Net earnings		\$ 107	\$ 36	\$ 71	\$ 0.41

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

Net Sales

	Three Months Ended		% Change
	June 30, 2018	July 1, 2017	
Products and systems integration	\$ 1,189	\$ 1,047	14%
Services and software	571	450	27%
Total Motorola Solutions	\$ 1,760	\$ 1,497	18%

Six Months Ended

	June 30, 2018		% Change
	June 30, 2018	July 1, 2017	
Products and systems integration	\$ 2,141	\$ 1,901	13%
Services and software	1,086	876	24%
Total Motorola Solutions	\$ 3,227	\$ 2,777	16%

Non-GAAP Operating Earnings

	Three Months Ended		% Change
	June 30, 2018	July 1, 2017	
Products and systems integration	\$ 226	\$ 204	11%
Services and software	152	112	36%
Total Motorola Solutions	\$ 378	\$ 316	20%

Six Months Ended

	June 30, 2018		% Change
	June 30, 2018	July 1, 2017	
Products and systems integration	\$ 350	\$ 306	14%
Services and software	287	222	29%
Total Motorola Solutions	\$ 637	\$ 528	21%

Non-GAAP Operating Earnings %

	Three Months Ended	
	June 30, 2018	July 1, 2017
Products and systems integration	19.0%	19.5%
Services and software	26.6%	24.9%
Total Motorola Solutions	21.5%	21.1%

Six Months Ended

	June 30, 2018	
	June 30, 2018	July 1, 2017
Products and systems integration	16.3%	16.1%
Services and software	26.4%	25.3%
Total Motorola Solutions	19.7%	19.0%

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

Q1 2018

	TOTAL	Products and Systems Integration	Services and Software
Net sales	\$ 1,468	\$ 952	\$ 516
Operating earnings ("OE")	\$ 171	\$ 90	\$ 81
Above-OE non-GAAP adjustments:			
Share-based compensation expense	17	12	5
Reorganization of business charges	13	9	4
Intangibles amortization expense	41	1	40
Acquisition-related transaction fees	17	12	5
Loss on legal settlements	1	1	—
Total above-OE non-GAAP adjustments	89	35	54
Operating earnings after non-GAAP adjustments	\$ 260	\$ 125	\$ 135
Operating earnings as a percentage of net sales - GAAP	11.6%	9.5%	15.7%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	17.7%	13.1%	26.2%

Q2 2018

	TOTAL	Products and Systems Integration	Services and Software
Net sales	\$ 1,760	\$ 1,189	\$ 571
Operating earnings ("OE")	\$ 273	\$ 175	\$ 98
Above-OE non-GAAP adjustments:			
Share-based compensation expense	17	12	5
Reorganization of business charges	25	19	6
Intangibles amortization expense	53	10	43
Avigilon purchase accounting adjustment	10	10	—
Total above-OE non-GAAP adjustments	105	51	54
Operating earnings after non-GAAP adjustments	\$ 378	\$ 226	\$ 152
Operating earnings as a percentage of net sales - GAAP	15.5%	14.7%	17.2%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	21.5%	19.0%	26.6%

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

Total Motorola Solutions			
	Three Months Ended		% Change
	June 30, 2018	July 1, 2017	
Net sales	\$ 1,760	\$ 1,497	18%
Non-GAAP adjustments:			
Acquisitions	(154)	—	
ASC 606 impact	(24)	—	
Organic revenue	1,582	1,497	6%
Less foreign exchange impact	(26)	—	
Organic revenue in constant currency	\$ 1,556	\$ 1,497	4%

Total Motorola Solutions			
	Six Months Ended		% Change
	June 30, 2018	July 1, 2017	
Net sales	\$ 3,227	\$ 2,777	16%
Non-GAAP adjustments:			
Acquisitions	(206)	(5)	
ASC 606 impact	(39)	—	
Organic revenue	2,982	2,772	8%
Less foreign exchange impact	(65)	—	
Organic revenue in constant currency	\$ 2,917	\$ 2,772	5%