

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

	Three Months Ended	
	September 29, 2018	September 30, 2017
Net sales from products	\$ 1,151	\$ 989
Net sales from services	711	656
Net sales	1,862	1,645
Costs of products sales	516	428
Costs of services sales	445	423
Costs of sales	961	851
Gross margin	901	794
Selling, general and administrative expenses	323	259
Research and development expenditures	158	141
Other charges	80	8
Intangibles amortization	46	39
Operating earnings	294	347
Other income (expense):		
Interest expense, net	(59)	(52)
Gains on sales of investments and businesses, net	6	—
Other	29	(9)
Total other expense	(24)	(61)
Net earnings before income taxes	270	286
Income tax expense	22	73
Net earnings	248	213
Less: Earnings attributable to noncontrolling interests	1	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 247	\$ 212
<u>Earnings per common share:</u>		
Basic	\$ 1.52	\$ 1.30
Diluted	\$ 1.43	\$ 1.25
<u>Weighted average common shares outstanding:</u>		
Basic	162.6	162.3
Diluted	172.6	169.0

	Percentage of Net Sales*	
Net sales from products	61.8 %	60.1 %
Net sales from services	38.2 %	39.9 %
Net sales	100.0 %	100.0 %
Costs of products sales	44.8 %	43.3 %
Costs of services sales	62.6 %	64.5 %
Costs of sales	51.6 %	51.7 %
Gross margin	48.4 %	48.3 %
Selling, general and administrative expenses	17.3 %	15.7 %
Research and development expenditures	8.5 %	8.6 %
Other charges	4.3 %	0.5 %
Intangibles amortization	2.5 %	2.4 %
Operating earnings	15.8 %	21.1 %
Other income (expense):		
Interest expense, net	(3.2)%	(3.2)%
Gains on sales of investments and businesses, net	0.3 %	— %
Other	1.6 %	(0.5)%
Total other expense	(1.3)%	(3.7)%
Net earnings before income taxes	14.5 %	17.4 %
Income tax expense	1.2 %	4.4 %
Net earnings	13.3 %	12.9 %
Less: Earnings attributable to noncontrolling interests	0.1 %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	13.3 %	12.9 %

* 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 29, 2018	September 30, 2017
Net sales from products	\$ 2,993	\$ 2,540
Net sales from services	2,096	1,883
Net sales	5,089	4,423
Costs of products sales	1,383	1,167
Costs of services sales	1,314	1,202
Costs of sales	2,697	2,369
Gross margin	2,392	2,054
Selling, general and administrative expenses	918	760
Research and development expenditures	472	413
Other charges	123	(11)
Intangibles amortization	140	111
Operating earnings	739	781
Other income (expense):		
Interest expense, net	(163)	(154)
Gains on sales of investments and businesses, net	16	3
Other	45	(20)
Total other expense	(102)	(171)
Net earnings before income taxes	637	610
Income tax expense	91	188
Net earnings	546	422
Less: Earnings attributable to noncontrolling interests	2	2
Net earnings attributable to Motorola Solutions, Inc.	\$ 544	\$ 420
<u>Earnings per common share:</u>		
Basic	\$ 3.36	\$ 2.57
Diluted	\$ 3.17	\$ 2.48
<u>Weighted average common shares outstanding:</u>		
Basic	162.0	163.2
Diluted	171.6	169.3
	Percentage of Net Sales*	
Net sales from products	58.8 %	57.4 %
Net sales from services	41.2 %	42.6 %
Net sales	100.0 %	100.0 %
Costs of products sales	46.2 %	45.9 %
Costs of services sales	62.7 %	63.8 %
Costs of sales	53.0 %	53.6 %
Gross margin	47.0 %	46.4 %
Selling, general and administrative expenses	18.0 %	17.2 %
Research and development expenditures	9.3 %	9.3 %
Other charges	2.4 %	(0.2)%
Intangibles amortization	2.8 %	2.5 %
Operating earnings	14.5 %	17.7 %
Other income (expense):		
Interest expense, net	(3.2)%	(3.5)%
Gains on sales of investments and businesses, net	0.3 %	0.1 %
Other	0.9 %	(0.5)%
Total other expense	(2.0)%	(3.9)%
Net earnings before income taxes	12.5 %	13.8 %
Income tax expense	1.8 %	4.3 %
Net earnings attributable to Motorola Solutions, Inc.	10.7 %	9.5 %

* Percentages may not add up due to rounding

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

	September 29, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$ 839	\$ 1,205
Restricted cash	12	63
Total cash and cash equivalents	851	1,268
Accounts receivable, net	1,179	1,523
Contract assets	917	—
Inventories, net	367	327
Other current assets	350	832
Total current assets	3,664	3,950
Property, plant and equipment, net	892	856
Investments	176	247
Deferred income taxes	949	1,023
Goodwill	1,541	938
Intangible assets	1,297	861
Other assets	444	333
Total assets	\$ 8,963	\$ 8,208
Liabilities and Stockholders' Equity		
Current portion of long-term debt	\$ 337	\$ 52
Accounts payable	456	593
Contract liabilities	1,127	—
Accrued liabilities	1,168	2,286
Total current liabilities	3,088	2,931
Long-term debt	5,095	4,419
Other liabilities	2,175	2,585
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(1,411)	(1,742)
Noncontrolling interests	16	15
Total liabilities and stockholders' equity	\$ 8,963	\$ 8,208

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

	Three Months Ended	
	September 29, 2018	September 30, 2017
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 247	\$ 212
Earnings attributable to noncontrolling interests	1	1
Net earnings	248	213
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	89	88
Non-cash other charges	44	8
Non-U.S. pension settlement loss	—	21
Share-based compensation expense	19	16
Gains on sales of investments and businesses, net	(6)	—
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable, contract assets and contract liabilities	(20)	(152)
Inventories	24	29
Other current assets	(180)	(129)
Accounts payable and accrued liabilities	170	152
Other assets and liabilities	(38)	(12)
Deferred income taxes	(12)	36
Net cash provided by operating activities	338	270
Investing		
Acquisitions and investments, net	(5)	(243)
Proceeds from sales of investments and businesses, net	11	102
Capital expenditures	(46)	(85)
Net cash used for investing activities	(40)	(226)
Financing		
Repayment of debt	(215)	(9)
Issuance of common stock	80	33
Purchases of common stock	—	(100)
Payments of dividends	(84)	(76)
Settlement of conversion premium on convertible debt	(169)	—
Net cash used for financing activities	(388)	(152)
Effect of exchange rate changes on cash and cash equivalents	—	20
Net decrease in cash and cash equivalents	(90)	(88)
Cash and cash equivalents, beginning of period	941	805
Cash and cash equivalents, end of period	\$ 851	\$ 717
Financial Ratios:		
Free cash flow*	\$ 292	\$ 185

*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 29, 2018	September 30, 2017
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 544	\$ 420
Earnings attributable to noncontrolling interests	2	2
Net earnings	546	422
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	267	254
Non-cash other charges	50	29
Non-U.S. pension settlement loss	—	46
Share-based compensation expense	53	49
Gains on sales of investments and businesses, net	(16)	(3)
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable, contract assets and contract liabilities	186	81
Inventories	61	(83)
Other current assets	(137)	(142)
Accounts payable and accrued liabilities	(170)	(178)
Other assets and liabilities	(596)	11
Deferred income taxes	19	99
Net cash provided by operating activities	263	585
Investing		
Acquisitions and investments, net	(1,158)	(383)
Proceeds from sales of investments and businesses, net	90	174
Capital expenditures	(128)	(206)
Net cash used for investing activities	(1,196)	(415)
Financing		
Repayment of debt	(412)	(15)
Net proceeds from issuance of debt	1,295	—
Proceeds from financing through capital leases	—	7
Issuance of common stock	139	61
Purchases of common stock	(66)	(358)
Payments of dividends	(252)	(230)
Payments of dividend to non-controlling interest	(1)	(2)
Settlement of conversion premium on convertible debt	(169)	—
Net cash provided by (used for) financing activities	534	(537)
Effect of exchange rate changes on cash and cash equivalents	(18)	54
Net decrease in cash and cash equivalents	(417)	(313)
Cash and cash equivalents, beginning of period	1,268	1,030
Cash and cash equivalents, end of period	\$ 851	\$ 717
Financial Ratios:		
Free cash flow*	\$ 135	\$ 379

*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 29, 2018	September 30, 2017	
Products and systems integration	\$ 1,288	\$ 1,174	10 %
Services and software	574	471	22 %
Total Motorola Solutions	\$ 1,862	\$ 1,645	13 %

Nine Months Ended

	September 29, 2018		% Change
	September 29, 2018	September 30, 2017	
Products and systems integration	\$ 3,429	\$ 3,076	11 %
Services and software	1,660	1,347	23 %
Total Motorola Solutions	\$ 5,089	\$ 4,423	15 %

Operating Earnings

	Three Months Ended		% Change
	September 29, 2018	September 30, 2017	
Products and systems integration	\$ 183	\$ 266	(31)%
Services and software	111	81	37 %
Total Motorola Solutions	\$ 294	\$ 347	(15)%

Nine Months Ended

	September 29, 2018		% Change
	September 29, 2018	September 30, 2017	
Products and systems integration	\$ 449	\$ 553	(19)%
Services and software	290	228	27 %
Total Motorola Solutions	\$ 739	\$ 781	(5)%

Operating Earnings %

	Three Months Ended	
	September 29, 2018	September 30, 2017
Products and systems integration	14.2%	22.7%
Services and software	19.3%	17.2%
Total Motorola Solutions	15.8%	21.1%

Nine Months Ended

	September 29, 2018	
	September 29, 2018	September 30, 2017
Products and systems integration	13.1%	18.0%
Services and software	17.5%	16.9%
Total Motorola Solutions	14.5%	17.7%

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 purchase	Other expense	14	4	10	0.06
Release of FIN 48 reserve	Income tax expense	—	1	(1)	(0.01)
Sale of investments	(Gain) or Loss on Sales of Investments and Businesses, net	(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	(Gain) or Loss on Sales of Investments and Businesses, net	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 expense	—	12	(12)	(0.07)
Total impact on Net earnings		\$ 107	\$ 36	\$ 71	\$ 0.41

Q3 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	\$ 19	\$ 5	\$ 14	\$ 0.08
Reorganization of business charges	Cost of sales and Other charges	25	6	19	0.11
Intangibles amortization expense	Intangibles amortization	46	10	36	0.21
Avigilon purchase accounting adjustment	Cost of sales	9	2	7	0.04
Gain from the extinguishment of convertible debt	Other income	(6)	—	(6)	(0.03)
Fair value adjustments to equity investments	Other income	(7)	(2)	(5)	(0.03)
Loss on legal settlement	Other charges	2	1	1	0.01
Environmental reserve expense	Other charges	57	14	43	0.25
Sale of investments	(Gain) or Loss on Sales of Investments and Businesses, net	(6)	(1)	(5)	(0.03)
Return-to-provision adjustments as related to federal tax reform	Income tax expense	—	16	(16)	(0.10)
Total impact on Net earnings		\$ 139	\$ 51	\$ 88	\$ 0.51

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

Net Sales

	Three Months Ended		% Change
	September 29, 2018	September 30, 2017	
Products and systems integration	\$ 1,288	\$ 1,174	10 %
Services and software	574	471	22 %
Total Motorola Solutions	\$ 1,862	\$ 1,645	13 %

Nine Months Ended

	September 29, 2018		% Change
	September 29, 2018	September 30, 2017	
Products and systems integration	\$ 3,429	\$ 3,076	11 %
Services and software	1,660	1,347	23 %
Total Motorola Solutions	\$ 5,089	\$ 4,423	15 %

Non-GAAP Operating Earnings

	Three Months Ended		% Change
	September 29, 2018	September 30, 2017	
Products and systems integration	\$ 276	\$ 285	(3) %
Services and software	176	127	39 %
Total Motorola Solutions	\$ 452	\$ 412	10 %

Nine Months Ended

	September 29, 2018		% Change
	September 29, 2018	September 30, 2017	
Products and systems integration	\$ 627	\$ 591	6 %
Services and software	463	349	33 %
Total Motorola Solutions	\$ 1,090	\$ 940	16 %

Non-GAAP Operating Earnings %

	Three Months Ended	
	September 29, 2018	September 30, 2017
Products and systems integration	21.4%	24.3%
Services and software	30.7%	27.0%
Total Motorola Solutions	24.3%	25.0%

Nine Months Ended

	September 29, 2018	
	September 29, 2018	September 30, 2017
Products and systems integration	18.3%	19.2%
Services and software	27.9%	25.9%
Total Motorola Solutions	21.4%	21.3%

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%

Q3 2018

	TOTAL	Products and Systems Integration	Services and Software
Net sales	\$ 1,862	\$ 1,288	\$ 574
Operating earnings ("OE")	\$ 294	\$ 183	\$ 111
Above-OE non-GAAP adjustments:			
Share-based compensation expense	19	13	6
Reorganization of business charges	25	19	6
Intangibles amortization expense	46	11	35
Avigilon purchase accounting adjustment	9	9	—
Loss on legal settlement	2	1	1
Environmental reserve expense	57	40	17
Total above-OE non-GAAP adjustments	158	93	65
Operating earnings after non-GAAP adjustments	\$ 452	\$ 276	\$ 176
Operating earnings as a percentage of net sales - GAAP	15.8%	14.2%	19.3%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	24.3%	21.4%	30.7%

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

Total Motorola Solutions			
Three Months Ended			
	September 29, 2018	September 30, 2017	% Change
Net sales	\$ 1,862	\$ 1,645	13%
Non-GAAP adjustments:			
Acquisitions	(149)	(4)	
ASC 606 impact	(19)	—	
Organic revenue	1,694	1,641	3%
Less foreign exchange impact	9	—	
Organic revenue in constant currency	\$ 1,703	\$ 1,641	4%

Total Motorola Solutions			
Nine Months Ended			
	September 29, 2018	September 30, 2017	% Change
Net sales	\$ 5,089	\$ 4,423	15%
Non-GAAP adjustments:			
Acquisitions	(356)	(9)	
ASC 606 impact	(58)	—	
Organic revenue	4,675	4,414	6%
Less foreign exchange impact	(56)	—	
Organic revenue in constant currency	\$ 4,619	\$ 4,414	5%