

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

	Three Months Ended	
	September 28, 2019	September 29, 2018
Net sales from products	\$ 1,196	\$ 1,151
Net sales from services	798	711
Net sales	1,994	1,862
Costs of products sales	501	516
Costs of services sales	486	445
Costs of sales	987	961
Gross margin	1,007	901
Selling, general and administrative expenses	359	323
Research and development expenditures	172	158
Other charges	11	80
Intangibles amortization	52	46
Operating earnings	413	294
Other income (expense):		
Interest expense, net	(54)	(59)
Gains on sales of investments and businesses, net	—	6
Other, net	(11)	29
Total other expense	(65)	(24)
Net earnings before income taxes	348	270
Income tax expense	80	22
Net earnings	268	248
Less: Earnings attributable to non-controlling interests	1	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 267	\$ 247
Earnings per common share:		
Basic	\$ 1.60	\$ 1.52
Diluted	\$ 1.51	\$ 1.43
Weighted average common shares outstanding:		
Basic	166.7	162.6
Diluted	176.4	172.6
	Percentage of Net Sales*	
Net sales from products	60.0 %	61.8 %
Net sales from services	40.0 %	38.2 %
Net sales	100.0 %	100.0 %
Costs of products sales	41.9 %	44.8 %
Costs of services sales	60.9 %	62.6 %
Costs of sales	49.5 %	51.6 %
Gross margin	50.5 %	48.4 %
Selling, general and administrative expenses	18.0 %	17.3 %
Research and development expenditures	8.6 %	8.5 %
Other charges	0.6 %	4.3 %
Intangibles amortization	2.6 %	2.5 %
Operating earnings	20.7 %	15.8 %
Other income (expense):		
Interest expense, net	(2.7)%	(3.2)%
Gains on sales of investments and businesses, net	— %	0.3 %
Other, net	(0.6)%	1.6 %
Total other expense	(3.3)%	(1.3)%
Net earnings before income taxes	17.4 %	14.5 %
Income tax expense	4.0 %	1.2 %
Net earnings	13.4 %	13.3 %
Less: Earnings attributable to non-controlling interests	0.1 %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	13.4 %	13.3 %

* 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 28, 2019	September 29, 2018
Net sales from products	\$ 3,260	\$ 2,993
Net sales from services	2,251	2,096
Net sales	5,511	5,089
Costs of products sales	1,435	1,383
Costs of services sales	1,365	1,314
Costs of sales	2,800	2,697
Gross margin	2,711	2,392
Selling, general and administrative expenses	1,035	918
Research and development expenditures	505	472
Other charges	26	123
Intangibles amortization	154	140
Operating earnings	991	739
Other income (expense):		
Interest expense, net	(165)	(163)
Gains on sales of investments and businesses, net	4	16
Other, net	(22)	45
Total other expense	(183)	(102)
Net earnings before income taxes	808	637
Income tax expense	180	91
Net earnings	628	546
Less: Earnings attributable to non-controlling interests	3	2
Net earnings attributable to Motorola Solutions, Inc.	\$ 625	\$ 544

Earnings per common share:

Basic	\$ 3.78	\$ 3.36
Diluted	\$ 3.56	\$ 3.17

Weighted average common shares outstanding:

Basic	165.3	162.0
Diluted	175.7	171.6

Percentage of Net Sales*

Net sales from products	59.2 %	58.8 %
Net sales from services	40.8 %	41.2 %
Net sales	100.0 %	100.0 %
Costs of products sales	44.0 %	46.2 %
Costs of services sales	60.6 %	62.7 %
Costs of sales	50.8 %	53.0 %
Gross margin	49.2 %	47.0 %
Selling, general and administrative expenses	18.8 %	18.0 %
Research and development expenditures	9.2 %	9.3 %
Other charges	0.5 %	2.4 %
Intangibles amortization	2.8 %	2.8 %
Operating earnings	18.0 %	14.5 %
Other income (expense):		
Interest expense, net	(3.0)%	(3.2)%
Gains on sales of investments and businesses, net	0.1 %	0.3 %
Other, net	(0.4)%	0.9 %
Total other expense	(3.3)%	(2.0)%
Net earnings before income taxes	14.7 %	12.5 %
Income tax expense	3.3 %	1.8 %
Net earnings	11.4 %	10.7 %
Less: Earnings attributable to non-controlling interests	0.1 %	— %
Net earnings attributable to Motorola Solutions, Inc.	11.3 %	10.7 %

* Percentages may not add up due to rounding

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

	<u>September 28, 2019</u>	<u>December 31, 2018</u>
Assets		
Cash and cash equivalents	\$ 1,138	\$ 1,246
Restricted cash	2	11
Total cash and cash equivalents	1,140	1,257
Accounts receivable, net	1,295	1,293
Contract assets	921	1,012
Inventories, net	460	356
Other current assets	338	354
Total current assets	<u>4,154</u>	<u>4,272</u>
Property, plant and equipment, net	963	895
Operating lease assets	561	—
Investments	159	169
Deferred income taxes	866	985
Goodwill	2,006	1,514
Intangible assets, net	1,331	1,230
Other assets	333	344
Total assets	<u>\$ 10,373</u>	<u>\$ 9,409</u>
Liabilities and Stockholders' Equity		
Current portion of long-term debt	\$ 617	\$ 31
Accounts payable	557	592
Contract liabilities	1,223	1,263
Accrued liabilities	1,259	1,210
Total current liabilities	<u>3,656</u>	<u>3,096</u>
Long-term debt	5,112	5,289
Operating lease liabilities	499	—
Other liabilities	2,190	2,300
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(1,101)	(1,293)
Non-controlling interests	17	17
Total liabilities and stockholders' equity	<u>\$ 10,373</u>	<u>\$ 9,409</u>

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

	Three Months Ended	
	September 28, 2019	September 29, 2018
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 267	\$ 247
Earnings attributable to non-controlling interests	1	1
Net earnings	268	248
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	99	89
Non-cash other charges	22	50
Share-based compensation expense	30	19
Gain on sales of investments and businesses, net	—	(6)
Losses from the extinguishment of long term debt	7	—
Gain from the extinguishment of 2.00% senior convertible notes	(4)	(6)
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	(80)	(20)
Inventories	(27)	24
Other current assets and contract assets	(24)	(180)
Accounts payable, accrued liabilities, and contract liabilities	202	170
Other assets and liabilities	8	(38)
Deferred income taxes	24	(12)
Net cash provided by operating activities	525	338
Investing		
Acquisitions and investments, net	(252)	(5)
Proceeds from sales of investments and businesses, net	—	11
Capital expenditures	(60)	(46)
Net cash used for investing activities	(312)	(40)
Financing		
Repayment of debt	(770)	(215)
Net proceeds from the issuances of debt	1,159	—
Issuances of common stock	12	80
Payments of dividends	(94)	(84)
Settlements of conversion premium on 2.00% senior convertible notes	(326)	(169)
Net cash used for financing activities	(19)	(388)
Effect of exchange rate changes on total cash and cash equivalents	(18)	—
Net increase (decrease) in total cash and cash equivalents	176	(90)
Total cash and cash equivalents, beginning of period	964	941
Total cash and cash equivalents, end of period	\$ 1,140	\$ 851
Financial Ratios:		
Free cash flow*	\$ 465	\$ 292

*Free cash flow = Net cash provided by (used for) operating activities - Capital expenditures

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

	Nine Months Ended	
	September 28, 2019	September 29, 2018
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 625	\$ 544
Earnings attributable to non-controlling interests	3	2
Net earnings	628	546
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	290	267
Non-cash other charges	27	56
Share-based compensation expense	87	53
Gains on sales of investments and businesses, net	(4)	(16)
Losses from the extinguishment of long term debt	50	—
Gain from the extinguishment of 2.00% senior convertible notes	(4)	(6)
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	30	186
Inventories	(88)	61
Other current assets and contract assets	104	(137)
Accounts payable, accrued liabilities, and contract liabilities	(143)	(170)
Other assets and liabilities	10	(596)
Deferred income taxes	41	19
Net cash provided by operating activities	1,028	263
Investing		
Acquisitions and investments, net	(623)	(1,158)
Proceeds from sales of investments and businesses, net	10	90
Capital expenditures	(189)	(128)
Net cash used for investing activities	(802)	(1,196)
Financing		
Repayment of debt	(1,435)	(412)
Net proceeds from the issuances of debt	1,804	1,295
Issuances of common stock	82	139
Purchases of common stock	(170)	(66)
Payments of dividends	(281)	(252)
Payments of dividends to non-controlling interests	(3)	(1)
Settlements of conversion premium on 2.00% senior convertible notes	(326)	(169)
Net cash provided by (used for) financing activities	(329)	534
Effect of exchange rate changes on total cash and cash equivalents	(14)	(18)
Net decrease in total cash and cash equivalents	(117)	(417)
Total cash and cash equivalents, beginning of period	1,257	1,268
Total cash and cash equivalents, end of period	\$ 1,140	\$ 851
Financial Ratios:		
Free cash flow*	\$ 839	\$ 135

*Free cash flow = Net cash provided by (used for) operating activities - Capital expenditures

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

Net Sales

	Three Months Ended		% Change
	September 28, 2019	September 29, 2018	
Products and Systems Integration	\$ 1,349	\$ 1,288	5%
Services and Software	645	574	12%
Total Motorola Solutions	\$ 1,994	\$ 1,862	7%

	Nine Months Ended		% Change
	September 28, 2019	September 29, 2018	
Products and Systems Integration	\$ 3,656	\$ 3,429	7%
Services and Software	1,855	1,660	12%
Total Motorola Solutions	\$ 5,511	\$ 5,089	8%

Operating Earnings

	Three Months Ended		% Change
	September 28, 2019	September 29, 2018	
Products and Systems Integration	\$ 258	\$ 183	41%
Services and Software	155	111	40%
Total Motorola Solutions	\$ 413	\$ 294	40%

	Nine Months Ended		% Change
	September 28, 2019	September 29, 2018	
Products and Systems Integration	\$ 568	\$ 449	27%
Services and Software	423	290	46%
Total Motorola Solutions	\$ 991	\$ 739	34%

Operating Earnings %

	Three Months Ended	
	September 28, 2019	September 29, 2018
Products and Systems Integration	19.1%	14.2%
Services and Software	24.0%	19.3%
Total Motorola Solutions	20.7%	15.8%

	Nine Months Ended	
	September 28, 2019	September 29, 2018
Products and Systems Integration	15.5%	13.1%
Services and Software	22.8%	17.5%
Total Motorola Solutions	18.0%	14.5%

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

(In millions)

Q1 2019

Non-GAAP Adjustments	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS impact
Intangibles amortization expense	Intangibles amortization	\$ 50	\$ 11	\$ 39	\$ 0.23
Share-based compensation expense	Cost of sales, SG&A and R&D	27	6	21	0.12
Investment impairments	Investment impairments	8	2	6	0.04
Reorganization of business charges	Cost of sales and Other charges	8	2	6	0.04
Acquisition-related transaction fees	Other charges	2	—	2	0.01
Fair value adjustments to equity investments	Other expense	1	—	1	0.01
Release of uncertain tax positions	Income tax expense	—	1	(1)	(0.01)
Legal settlement	Other charges	(1)	—	(1)	(0.01)
Sale of investments	(Gain) or loss on sales of investments and businesses, net	(1)	—	(1)	(0.01)
Total impact on Net earnings		\$ 94	\$ 22	\$ 72	\$ 0.42

Q2 2019

Non-GAAP Adjustments	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS impact
Intangibles amortization expense	Intangibles amortization	\$ 52	\$ 11	\$ 41	\$ 0.23
Loss from the extinguishment of long-term debt	Other expense	43	11	32	0.18
Share-based compensation expense	Cost of sales, SG&A and R&D	30	7	23	0.13
Reorganization of business charges	Cost of sales and Other charges	12	3	9	0.05
Investment impairments	Investment impairments	3	1	2	0.01
Legal settlements	Other charges	1	—	1	0.01
Sale of a business	(Gain) or loss on sales of investments and businesses, net	(3)	(1)	(2)	(0.01)
Release of uncertain tax positions	Other income, Income tax expense	(4)	(1)	(3)	(0.02)
Fair value adjustments to equity investments	Other income	(16)	(4)	(12)	(0.07)
Total impact on Net earnings		\$ 118	\$ 27	\$ 91	\$ 0.51

Q3 2019

Non-GAAP Adjustments	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS impact
Intangibles amortization expense	Intangibles amortization	\$ 52	\$ 12	\$ 40	\$ 0.22
Share-based compensation expense	Cost of sales, SG&A and R&D	30	7	23	0.13
Reorganization of business charges	Cost of sales and Other charges	18	4	14	0.08
Fair value adjustments to equity investments	Other income	18	4	14	0.08
Loss from the extinguishment of long-term debt	Other expense	7	2	5	0.03
Investment impairments	Other expense	5	1	4	0.02
Acquisition-related transaction fees	Other charges	1	—	1	0.01
Gain from the extinguishment of 2.00% senior convertible notes	Other income	(4)	(1)	(3)	(0.02)
Gain on legal settlement	Other charges	(5)	(1)	(4)	(0.02)
Total impact on Net earnings		\$ 122	\$ 28	\$ 94	\$ 0.53

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

Net Sales

	Three Months Ended		% Change
	September 28, 2019	September 29, 2018	
Products and Systems Integration	\$ 1,349	\$ 1,288	5%
Services and Software	645	574	12%
Total Motorola Solutions	\$ 1,994	\$ 1,862	7%

	Nine Months Ended		% Change
	September 28, 2019	September 29, 2018	
Products and Systems Integration	\$ 3,656	\$ 3,429	7%
Services and Software	1,855	1,660	12%
Total Motorola Solutions	\$ 5,511	\$ 5,089	8%

Non-GAAP Operating Earnings

	Three Months Ended		% Change
	September 28, 2019	September 29, 2018	
Products and Systems Integration	\$ 300	\$ 276	9%
Services and Software	209	176	19%
Total Motorola Solutions	\$ 509	\$ 452	13%

	Nine Months Ended		% Change
	September 28, 2019	September 29, 2018	
Products and Systems Integration	\$ 689	\$ 627	10%
Services and Software	580	463	25%
Total Motorola Solutions	\$ 1,269	\$ 1,090	16%

Non-GAAP Operating Earnings %

	Three Months Ended	
	September 28, 2019	September 29, 2018
Products and Systems Integration	22.2%	21.4%
Services and Software	32.4%	30.7%
Total Motorola Solutions	25.5%	24.3%

	Nine Months Ended	
	September 28, 2019	September 29, 2018
Products and Systems Integration	18.8%	18.3%
Services and Software	31.3%	27.9%
Total Motorola Solutions	23.0%	21.4%

Motorola Solutions, Inc. and Subsidiaries
Operating Earnings after Non-GAAP Adjustments
(In millions)

Q1 2019

	TOTAL	Products and Systems Integration	Services and Software
Net sales	\$ 1,657	\$ 1,069	\$ 588
Operating earnings ("OE")	\$ 229	\$ 108	\$ 121
Above-OE non-GAAP adjustments:			
Share-based compensation expense	27	21	6
Reorganization of business charges	8	7	1
Intangibles amortization expense	50	11	39
Acquisition-related transaction fees	2	1	1
Legal settlement	(1)	(1)	—
Total above-OE non-GAAP adjustments	86	39	47
Operating earnings after non-GAAP adjustments	\$ 315	\$ 147	\$ 168
Operating earnings as a percentage of net sales - GAAP	13.8%	10.1%	20.6%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	19.0%	13.8%	28.6%

Q2 2019

	TOTAL	Products and Systems Integration	Services and Software
Net sales	\$ 1,860	\$ 1,238	\$ 622
Operating earnings ("OE")	\$ 349	\$ 201	\$ 148
Above-OE non-GAAP adjustments:			
Share-based compensation expense	30	19	11
Reorganization of business charges	12	9	3
Intangibles amortization expense	52	12	40
Legal settlements	1	1	—
Total above-OE non-GAAP adjustments	95	41	54
Operating earnings after non-GAAP adjustments	\$ 444	\$ 242	\$ 202
Operating earnings as a percentage of net sales - GAAP	18.8%	16.2%	23.8%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	23.9%	19.5%	32.5%

Q3 2019

	TOTAL	Products and Systems Integration	Services and Software
Net sales	\$ 1,994	\$ 1,349	\$ 645
Operating earnings ("OE")	\$ 413	\$ 258	\$ 155
Above-OE non-GAAP adjustments:			
Share-based compensation expense	30	20	10
Reorganization of business charges	18	14	4
Intangibles amortization expense	52	12	40
Gain on legal settlement	(5)	(5)	—
Acquisition-related transaction fees	1	1	—
Total above-OE non-GAAP adjustments	96	42	54
Operating earnings after non-GAAP adjustments	\$ 509	\$ 300	\$ 209
Operating earnings as a percentage of net sales - GAAP	20.7%	19.1%	24.0%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	25.5%	22.2%	32.4%

Motorola Solutions, Inc. and Subsidiaries
Non-GAAP Organic Revenue
(In millions)

Total Motorola Solutions			
Three Months Ended			
	September 28, 2019	September 29, 2018	% Change
Net sales	\$ 1,994	\$ 1,862	7%
Non-GAAP adjustments:			
Sales from acquisitions	(58)	—	
Organic revenue	\$ 1,936	\$ 1,862	4%

Total Motorola Solutions			
Nine Months Ended			
	September 28, 2019	September 29, 2018	% Change
Net sales	\$ 5,511	\$ 5,089	8%
Non-GAAP adjustments:			
Sales from acquisitions	(256)	(29)	
Organic revenue	\$ 5,255	\$ 5,060	4%