

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

	Three Months Ended	
	October 2, 2021	September 26, 2020
Net sales from products	\$ 1,221	\$ 1,044
Net sales from services	886	824
Net sales	2,107	1,868
Costs of products sales	559	487
Costs of services sales	503	472
Costs of sales	1,062	959
Gross margin	1,045	909
Selling, general and administrative expenses	351	313
Research and development expenditures	183	175
Other charges	4	15
Intangibles amortization	56	54
Operating earnings	451	352
Other income (expense):		
Interest expense, net	(56)	(58)
Loss on sales of investments and businesses, net	—	(1)
Other, net	10	(42)
Total other expense	(46)	(101)
Net earnings before income taxes	405	251
Income tax expense	97	45
Net earnings	308	206
Less: Earnings attributable to non-controlling interests	1	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 307	\$ 205
Earnings per common share:		
Basic	\$ 1.81	\$ 1.21
Diluted	\$ 1.76	\$ 1.18
Weighted average common shares outstanding:		
Basic	169.2	169.7
Diluted	174.1	173.5
	Percentage of Net Sales*	
Net sales from products	57.9 %	55.9 %
Net sales from services	42.1 %	44.1 %
Net sales	100.0 %	100.0 %
Costs of products sales	45.8 %	46.6 %
Costs of services sales	56.8 %	57.3 %
Costs of sales	50.4 %	51.3 %
Gross margin	49.6 %	48.7 %
Selling, general and administrative expenses	16.7 %	16.7 %
Research and development expenditures	8.7 %	9.4 %
Other charges	0.2 %	0.8 %
Intangibles amortization	2.7 %	2.9 %
Operating earnings	21.4 %	18.9 %
Other income (expense):		
Interest expense, net	(2.7)%	(3.1)%
Loss on sales of investments and businesses, net	— %	(0.1)%
Other, net	0.5 %	(2.2)%
Total other expense	(2.2)%	(5.4)%
Net earnings before income taxes	19.2 %	13.4 %
Income tax expense	4.6 %	2.4 %
Net earnings	14.6 %	11.0 %
Less: Earnings attributable to non-controlling interests	— %	— %
Net earnings attributable to Motorola Solutions, Inc.	14.6 %	11.0 %

* 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	
	October 2, 2021	September 26, 2020
Net sales from products	\$ 3,250	\$ 2,807
Net sales from services	2,601	2,334
Net sales	5,851	5,141
Costs of products sales	1,516	1,325
Costs of services sales	1,478	1,354
Costs of sales	2,994	2,679
Gross margin	2,857	2,462
Selling, general and administrative expenses	985	951
Research and development expenditures	545	505
Other charges	37	20
Intangibles amortization	172	158
Operating earnings	1,118	828
Other income (expense):		
Interest expense, net	(154)	(167)
Loss on sales of investments and businesses, net	—	(1)
Other, net	70	(8)
Total other expense	(84)	(176)
Net earnings before income taxes	1,034	652
Income tax expense	186	112
Net earnings	848	540
Less: Earnings attributable to non-controlling interests	4	3
Net earnings attributable to Motorola Solutions, Inc.	\$ 844	\$ 537
Earnings per common share:		
Basic	\$ 4.98	\$ 3.16
Diluted	\$ 4.87	\$ 3.08
Weighted average common shares outstanding:		
Basic	169.3	170.1
Diluted	173.4	174.3
	Percentage of Net Sales*	
Net sales from products	55.5 %	54.6 %
Net sales from services	44.5 %	45.4 %
Net sales	100.0 %	100.0 %
Costs of products sales	46.6 %	47.2 %
Costs of services sales	56.8 %	58.0 %
Costs of sales	51.2 %	52.1 %
Gross margin	48.8 %	47.9 %
Selling, general and administrative expenses	16.8 %	18.5 %
Research and development expenditures	9.3 %	9.8 %
Other charges	0.6 %	0.4 %
Intangibles amortization	2.9 %	3.1 %
Operating earnings	19.1 %	16.1 %
Other income (expense):		
Interest expense, net	(2.6)%	(3.3)%
Loss on sales of investments and businesses, net	— %	— %
Other, net	1.2 %	(0.2)%
Total other expense	(1.4)%	(3.4)%
Net earnings before income taxes	17.7 %	12.7 %
Income tax expense	3.2 %	2.2 %
Net earnings	14.5 %	10.5 %
Less: Earnings attributable to non-controlling interests	0.1 %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	14.4 %	10.4 %
<i>* Percentages may not add up due to rounding</i>		

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

	October 2, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$ 1,653	\$ 1,254
Accounts receivable, net	1,196	1,390
Contract assets	1,030	933
Inventories, net	604	508
Other current assets	252	242
Total current assets	4,735	4,327
Property, plant and equipment, net	1,021	1,022
Operating lease assets	405	468
Investments	214	158
Deferred income taxes	934	966
Goodwill	2,449	2,219
Intangible assets, net	1,134	1,234
Other assets	530	482
Total assets	\$ 11,422	\$ 10,876
Liabilities and Stockholders' Equity (Deficit)		
Current portion of long-term debt	\$ 6	\$ 12
Accounts payable	620	612
Contract liabilities	1,538	1,554
Accrued liabilities	1,265	1,311
Total current liabilities	3,429	3,489
Long-term debt	5,687	5,163
Operating lease liabilities	321	402
Other liabilities	2,233	2,363
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(263)	(558)
Non-controlling interests	15	17
Total liabilities and stockholders' equity (deficit)	\$ 11,422	\$ 10,876

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

	Three Months Ended	
	October 2, 2021	September 26, 2020
Operating		
Net earnings	\$ 308	\$ 206
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	105	103
Non-cash other charges	18	12
Share-based compensation expenses	34	31
Loss on sales of investments and businesses, net	—	1
Loss from the extinguishment of long-term debt	—	56
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	(32)	26
Inventories	(46)	(1)
Other current assets and contract assets	(270)	(137)
Accounts payable, accrued liabilities, and contract liabilities	259	75
Other assets and liabilities	(25)	(3)
Deferred income taxes	25	23
Net cash provided by operating activities	<u>376</u>	<u>392</u>
Investing		
Acquisitions and investments, net	(351)	(181)
Proceeds from sales of investments and businesses, net	1	2
Capital expenditures	(61)	(49)
Net cash used for investing activities	<u>(411)</u>	<u>(228)</u>
Financing		
Repayments of debt	(3)	(903)
Repayment of revolving credit facility draw	—	(300)
Net proceeds from issuance of debt	—	892
Issuances of common stock	39	10
Purchases of common stock	(125)	(105)
Payments of dividends	(120)	(109)
Net cash used for financing activities	<u>(209)</u>	<u>(515)</u>
Effect of exchange rate changes on total cash and cash equivalents	(24)	17
Net decrease in total cash and cash equivalents	<u>(268)</u>	<u>(334)</u>
Cash and cash equivalents, beginning of period	1,921	1,341
Cash and cash equivalents, end of period	<u>\$ 1,653</u>	<u>\$ 1,007</u>
Reconciliation of Net cash provided by operating activities to Free cash flow		
Net cash provided by operating activities	\$ 376	\$ 392
Capital expenditures	(61)	(49)
Free cash flow*	<u>\$ 315</u>	<u>\$ 343</u>

*Free cash flow is a non-GAAP financial measure and is calculated as Net cash provided by operating activities - Capital expenditures

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

	Nine Months Ended	
	October 2, 2021	September 26, 2020
Operating		
Net earnings	\$ 848	\$ 540
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	325	300
Non-cash other income	(6)	(28)
Share-based compensation expenses	94	100
Loss on sales of investments and businesses, net	—	1
Loss from the extinguishment of long-term debt	18	56
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	189	312
Inventories	(99)	2
Other current assets and contract assets	(136)	(1)
Accounts payable, accrued liabilities, and contract liabilities	(39)	(379)
Other assets and liabilities	(62)	(18)
Deferred income taxes	2	24
Net cash provided by operating activities	<u>1,134</u>	<u>909</u>
Investing		
Acquisitions and investments, net	(360)	(282)
Proceeds from sales of investments and businesses, net	4	8
Capital expenditures	(175)	(151)
Proceeds from sales of property, plant and equipment	6	56
Net cash used for investing activities	<u>(525)</u>	<u>(369)</u>
Financing		
Net proceeds from issuance of debt	844	892
Repayments of debt	(351)	(911)
Proceeds from revolving credit facility draw	—	800
Repayment of revolving credit facility draw	—	(600)
Revolving credit facility renewal fees	(7)	—
Issuances of common stock	99	59
Purchases of common stock	(397)	(441)
Payments of dividends	(362)	(327)
Payments of dividends to non-controlling interests	(5)	(4)
Net cash used for financing activities	<u>(179)</u>	<u>(532)</u>
Effect of exchange rate changes on total cash and cash equivalents	(31)	(2)
Net increase in total cash and cash equivalents	399	6
Cash and cash equivalents, beginning of period	1,254	1,001
Cash and cash equivalents, end of period	<u>\$ 1,653</u>	<u>\$ 1,007</u>
Reconciliation of Net cash provided by operating activities to Free cash flow		
Net cash provided by operating activities	\$ 1,134	\$ 909
Capital expenditures	(175)	(151)
Free cash flow*	<u>\$ 959</u>	<u>\$ 758</u>

*Free cash flow is a non-GAAP financial measure and is calculated as Net cash provided by operating activities - Capital expenditures

Motorola Solutions, Inc. and Subsidiaries
Segment Information

(In millions)

Net Sales

	Three Months Ended		
	October 2, 2021	September 26, 2020	% Change
Products and Systems Integration	\$ 1,325	\$ 1,163	14 %
Software and Services	782	705	11 %
Total Motorola Solutions	\$ 2,107	\$ 1,868	13 %

	Nine Months Ended		
	October 2, 2021	September 26, 2020	% Change
Products and Systems Integration	\$ 3,538	\$ 3,124	13 %
Software and Services	2,313	2,017	15 %
Total Motorola Solutions	\$ 5,851	\$ 5,141	14 %

Operating Earnings

	Three Months Ended		
	October 2, 2021	September 26, 2020	% Change
Products and Systems Integration	\$ 224	\$ 164	37 %
Software and Services	227	188	21 %
Total Motorola Solutions	\$ 451	\$ 352	28 %

	Nine Months Ended		
	October 2, 2021	September 26, 2020	% Change
Products and Systems Integration	\$ 440	\$ 305	44 %
Software and Services	678	523	30 %
Total Motorola Solutions	\$ 1,118	\$ 828	35 %

Operating Earnings %

	Three Months Ended	
	October 2, 2021	September 26, 2020
Products and Systems Integration	16.9 %	14.1 %
Software and Services	29.1 %	26.7 %
Total Motorola Solutions	21.4 %	18.9 %

	Nine Months Ended	
	October 2, 2021	September 26, 2020
Products and Systems Integration	12.4 %	9.8 %
Software and Services	29.3 %	25.9 %
Total Motorola Solutions	19.1 %	16.1 %

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

(In millions)

Three Months Ended April 3, 2021

Non-GAAP Adjustments	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS Impact
Intangible assets amortization expense	Intangibles amortization	\$ 58	\$ 13	\$ 45	\$ 0.26
Share-based compensation expenses	Cost of sales, SG&A and R&D	29	6	23	0.13
Reorganization of business charges	Cost of sales and Other charges (income)	16	3	13	0.07
Operating lease asset impairments	Other charges (income)	7	1	6	0.03
Hytera-related legal expenses	SG&A	2	1	1	0.01
Acquisition-related transaction fees	Other charges (income)	1	—	1	0.01
Fair value adjustments to equity investments	Other income (expense)	(5)	(1)	(4)	(0.02)
Release of uncertain tax positions	Other income (expense)	(1)	4	(5)	(0.03)
Total impact on Net earnings		\$ 107	\$ 27	\$ 80	\$ 0.46

Three Months Ended July 3, 2021

Non-GAAP Adjustments	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS Impact
Intangible assets amortization expense	Intangibles amortization	\$ 58	\$ 9	\$ 49	\$ 0.28
Share-based compensation expenses	Cost of sales, SG&A and R&D	31	2	29	0.17
Loss from extinguishment of long-term debt	Other expense	18	4	14	0.08
Reorganization of business charges	Cost of sales and Other charges (income)	9	2	7	0.04
Hytera-related legal expenses	SG&A	8	1	7	0.04
Acquisition-related transaction fees	Other charges (income)	3	—	3	0.02
Legal settlements	Other charges (income)	3	1	2	0.01
Impact of tax law changes on deferred tax balances	Income tax expense	—	(2)	2	0.01
Fair value adjustments to equity investments	Other income	(8)	(2)	(6)	(0.03)
Adjustments to uncertain tax positions	Interest income, net and Income tax expense	(9)	(1)	(8)	(0.05)
Release of valuation allowance on deferred tax assets	Income tax expense	—	33	(33)	(0.19)
Total impact on Net earnings		\$ 113	\$ 47	\$ 66	\$ 0.38

Three Months Ended October 2, 2021

Non-GAAP Adjustments	Statement Line	PBT (Inc)/Exp	Tax Inc/ (Exp)	PAT (Inc)/Exp	EPS impact
Intangible assets amortization expense	Intangibles amortization	\$ 56	\$ 9	\$ 47	\$ 0.27
Share-based compensation expenses	Cost of sales, SG&A and R&D	34	6	28	0.16
Fair value adjustments to equity investments	Other expense	18	4	14	0.08
Hytera-related legal expenses	SG&A	8	1	7	0.04
Reorganization of business charges	Cost of sales and Other charges (income)	4	—	4	0.02
Acquisition-related transaction fees	Other charges (income)	2	—	2	0.02
Adjustments to uncertain tax positions	Interest income, net and Income tax expense	1	—	1	0.01
Release of valuation allowance on deferred tax assets	Income tax expense	—	1	(1)	(0.01)
Total impact on Net earnings		\$ 123	\$ 21	\$ 102	\$ 0.59

Motorola Solutions, Inc. and Subsidiaries
Non-GAAP Adjustments (Intangible Assets Amortization Expense, Share-Based Compensation Expenses, and Other Highlighted Items)
(In millions)

Nine Months Ended October 2, 2021

Non-GAAP Adjustments	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS impact
Intangible assets amortization expense	Intangibles amortization	\$ 172	\$ 31	\$ 141	\$ 0.81
Share-based compensation expenses	Cost of sales, SG&A and R&D	94	14	80	0.46
Reorganization of business charges	Cost of sales and Other charges (income)	29	5	24	0.15
Hytera-related legal expenses	SG&A	18	3	15	0.09
Loss from extinguishment of long-term debt	Other expense	18	4	14	0.08
Acquisition-related transaction fees	Other charges (income)	6	—	6	0.03
Operating lease asset impairments	Other charges (income)	7	1	6	0.03
Fair value adjustments to equity investments	Other expense	5	1	4	0.02
Legal settlements	Other charges (income)	3	1	2	0.01
Impact of tax law changes on deferred tax balances	Income tax expense	—	(2)	2	0.01
Adjustments to uncertain tax positions	Interest income, net and Income tax expense	(9)	3	(12)	(0.07)
Release of valuation allowance on deferred tax assets	Income tax expense	—	34	(34)	(0.20)
Total impact on Net earnings		\$ 343	\$ 95	\$ 248	\$ 1.42

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

Net Sales

	Three Months Ended		
	October 2, 2021	September 26, 2020	% Change
Products and Systems Integration	\$ 1,325	\$ 1,163	14 %
Software and Services	782	705	11 %
Total Motorola Solutions	\$ 2,107	\$ 1,868	13 %

	Nine Months Ended		
	October 2, 2021	September 26, 2020	% Change
Products and Systems Integration	\$ 3,538	\$ 3,124	13 %
Software and Services	2,313	2,017	15 %
Total Motorola Solutions	\$ 5,851	\$ 5,141	14 %

Non-GAAP Operating Earnings

	Three Months Ended		
	October 2, 2021	September 26, 2020	% Change
Products and Systems Integration	\$ 273	\$ 219	25 %
Software and Services	282	244	16 %
Total Motorola Solutions	\$ 555	\$ 463	20 %

	Nine Months Ended		
	October 2, 2021	September 26, 2020	% Change
Products and Systems Integration	\$ 599	\$ 473	27 %
Software and Services	848	696	22 %
Total Motorola Solutions	\$ 1,447	\$ 1,169	24 %

Non-GAAP Operating Earnings %

	Three Months Ended	
	October 2, 2021	September 26, 2020
Products and Systems Integration	20.6 %	18.9 %
Software and Services	36.0 %	34.6 %
Total Motorola Solutions	26.3 %	24.8 %

	Nine Months Ended	
	October 2, 2021	September 26, 2020
Products and Systems Integration	16.9 %	15.1 %
Software and Services	36.7 %	34.5 %
Total Motorola Solutions	24.7 %	22.7 %

Motorola Solutions, Inc. and Subsidiaries
Reconciliations of Operating Earnings to Non-GAAP Operating Earnings and Operating Margin to Non-GAAP Operating Margin

(In millions)

Three Months Ended April 3, 2021

	TOTAL	Products and Systems Integration	Software and Services
Net sales	\$ 1,773	\$ 1,015	\$ 758
Operating earnings ("OE")	\$ 298	\$ 77	\$ 221
Above-OE non-GAAP adjustments:			
Intangible assets amortization expense	58	13	45
Share-based compensation expenses	29	22	7
Reorganization of business charges	16	12	4
Operating lease asset impairment	7	5	2
Hytera-related legal expenses	2	2	—
Acquisition-related transaction fees	1	—	1
Total above-OE non-GAAP adjustments	113	54	59
Operating earnings after non-GAAP adjustments	\$ 411	\$ 131	\$ 280
Operating earnings as a percentage of net sales - GAAP	16.8 %	7.6 %	29.1 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	23.2 %	12.9 %	36.9 %

Three Months Ended July 3, 2021

	TOTAL	Products and Systems Integration	Software and Services
Net sales	\$ 1,971	\$ 1,198	\$ 773
Operating earnings ("OE")	\$ 370	\$ 139	\$ 231
Above-OE non-GAAP adjustments:			
Intangible assets amortization expense	58	13	45
Share-based compensation expenses	31	24	7
Reorganization of business charges	9	7	2
Hytera-related legal expenses	8	8	—
Legal settlements	3	2	1
Acquisition-related transaction fees	3	1	2
Total above-OE non-GAAP adjustments	112	55	57
Operating earnings after non-GAAP adjustments	\$ 482	\$ 194	\$ 288
Operating earnings as a percentage of net sales - GAAP	18.8 %	11.6 %	29.9 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	24.4 %	16.2 %	37.2 %

Motorola Solutions, Inc. and Subsidiaries
Reconciliations of Operating Earnings to Non-GAAP Operating Earnings and Operating Margin to Non-GAAP Operating Margin

(In millions)

Three Months Ended October 2, 2021

	TOTAL	Products and Systems Integration	Software and Services
Net sales	\$ 2,107	\$ 1,325	\$ 782
Operating earnings ("OE")	\$ 451	\$ 224	\$ 227
Above-OE non-GAAP adjustments:			
Intangible assets amortization expense	56	13	43
Share-based compensation expenses	34	25	9
Hytera-related legal expenses	8	8	—
Reorganization of business charges	4	3	1
Acquisition-related transaction fees	2	—	2
Total above-OE non-GAAP adjustments	104	49	55
Operating earnings after non-GAAP adjustments	\$ 555	\$ 273	\$ 282
Operating earnings as a percentage of net sales - GAAP	21.4 %	16.9 %	29.1 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	26.3 %	20.6 %	36.0 %

Nine Months Ended October 2, 2021

	TOTAL	Products and Systems Integration	Software and Services
Net sales	\$ 5,851	\$ 3,538	\$ 2,313
Operating earnings ("OE")	\$ 1,118	\$ 440	\$ 678
Above-OE non-GAAP adjustments:			
Intangible assets amortization expense	172	39	133
Share-based compensation expenses	94	71	23
Reorganization of business charges	29	23	6
Hytera-related legal expenses	18	18	—
Acquisition-related transaction fees	6	1	5
Operating lease asset impairment	7	5	2
Legal settlements	3	2	1
Total above-OE non-GAAP adjustments	329	159	170
Operating earnings after non-GAAP adjustments	\$ 1,447	\$ 599	\$ 848
Operating earnings as a percentage of net sales - GAAP	19.1 %	12.4 %	29.3 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	24.7 %	16.9 %	36.7 %

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

	Three Months Ended		% Change
	October 2, 2021	September 26, 2020	
Net sales	\$ 2,107	\$ 1,868	13 %
Non-GAAP adjustments:			
Sales from acquisitions	43	28	
Organic revenue	\$ 2,064	\$ 1,840	12 %
	Nine Months Ended		% Change
	October 2, 2021	September 26, 2020	
Net sales	\$ 5,851	\$ 5,141	14 %
Non-GAAP adjustments:			
Sales from acquisitions	143	32	
Organic revenue	\$ 5,708	\$ 5,109	12 %