

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

	Three Months Ended	
	April 2, 2022	April 3, 2021
Net sales from products	\$ 1,046	\$ 926
Net sales from services	846	847
Net sales	1,892	1,773
Costs of products sales	548	438
Costs of services sales	487	475
Costs of sales	1,035	913
Gross margin	857	860
Selling, general and administrative expenses	338	303
Research and development expenditures	188	180
Other charges	26	21
Intangibles amortization	66	58
Operating earnings	239	298
Other income (expense):		
Interest expense, net	(56)	(54)
Gain on sales of investments and businesses, net	2	—
Other, net	34	45
Total other expense	(20)	(9)
Net earnings before income taxes	219	289
Income tax expense (benefit)	(49)	44
Net earnings	268	245
Less: Earnings attributable to non-controlling interests	1	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 267	\$ 244
Earnings per common share:		
Basic	\$ 1.59	\$ 1.44
Diluted	\$ 1.54	\$ 1.41
Weighted average common shares outstanding:		
Basic	168.0	169.3
Diluted	173.1	173.2
	Percentage of Net Sales*	
Net sales from products	55.3 %	52.2 %
Net sales from services	44.7 %	47.8 %
Net sales	100.0 %	100.0 %
Costs of products sales	52.4 %	47.3 %
Costs of services sales	57.6 %	56.1 %
Costs of sales	54.7 %	51.5 %
Gross margin	45.3 %	48.5 %
Selling, general and administrative expenses	17.9 %	17.1 %
Research and development expenditures	9.9 %	10.2 %
Other charges	1.4 %	1.2 %
Intangibles amortization	3.5 %	3.3 %
Operating earnings	12.6 %	16.8 %
Other income (expense):		
Interest expense, net	(3.0)%	(3.0)%
Gain on sales of investments and businesses, net	0.1 %	— %
Other, net	1.8 %	2.5 %
Total other expense	(1.1)%	(0.5)%
Net earnings before income taxes	11.6 %	16.3 %
Income tax expense (benefit)	(2.6)%	2.5 %
Net earnings	14.2 %	13.8 %
Less: Earnings attributable to non-controlling interests	0.1 %	— %
Net earnings attributable to Motorola Solutions, Inc.	14.1 %	13.8 %

* Percentages may not add up due to rounding

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

	April 2, 2022	December 31, 2021
Assets		
Cash and cash equivalents	\$ 878	\$ 1,874
Accounts receivable, net	1,151	1,386
Contract assets	999	1,105
Inventories, net	952	788
Other current assets	300	259
Total current assets	4,280	5,412
Property, plant and equipment, net	1,080	1,042
Operating lease assets	387	382
Investments	183	209
Deferred income taxes	999	916
Goodwill	2,864	2,565
Intangible assets, net	1,304	1,105
Other assets	552	558
Total assets	\$ 11,649	\$ 12,189
Liabilities and Stockholders' Equity (Deficit)		
Current portion of long-term debt	\$ 4	\$ 5
Accounts payable	827	851
Contract liabilities	1,590	1,650
Accrued liabilities	1,465	1,557
Total current liabilities	3,886	4,063
Long-term debt	5,689	5,688
Operating lease liabilities	320	313
Other liabilities	2,052	2,148
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(316)	(40)
Non-controlling interests	18	17
Total liabilities and stockholders' equity (deficit)	\$ 11,649	\$ 12,189

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

	Three Months Ended	
	April 2, 2022	April 3, 2021
Operating		
Net earnings	\$ 268	\$ 245
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	111	110
Non-cash other charges (income)	2	(7)
Share-based compensation expenses	37	29
Gain on sales of investments and businesses, net	(2)	—
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	248	298
Inventories	(162)	(24)
Other current assets and contract assets	47	149
Accounts payable, accrued liabilities, and contract liabilities	(188)	(426)
Other assets and liabilities	(30)	(5)
Deferred income taxes	(179)	1
Net cash provided by operating activities	<u>152</u>	<u>370</u>
Investing		
Acquisitions and investments, net	(512)	(2)
Proceeds from sales of investments and businesses, net	9	2
Capital expenditures	(54)	(52)
Net cash used for investing activities	<u>(557)</u>	<u>(52)</u>
Financing		
Repayments of debt	(2)	(3)
Revolving credit facility renewal fees	—	(7)
Issuances of common stock	52	45
Purchases of common stock	(493)	(170)
Payments of dividends	(134)	(121)
Net cash used for financing activities	<u>(577)</u>	<u>(256)</u>
Effect of exchange rate changes on total cash and cash equivalents	(14)	4
Net increase (decrease) in total cash and cash equivalents	(996)	66
Cash and cash equivalents, beginning of period	1,874	1,254
Cash and cash equivalents, end of period	<u>\$ 878</u>	<u>\$ 1,320</u>

Motorola Solutions, Inc. and Subsidiaries
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow
(In millions)

	<u>Three Months Ended</u>	
	<u>April 2, 2022</u>	<u>April 3, 2021</u>
Net cash provided by operating activities	\$ 152	\$ 370
Capital expenditures	(54)	(52)
Free cash flow	<u>\$ 98</u>	<u>\$ 318</u>

Motorola Solutions, Inc. and Subsidiaries
Reconciliation of Net Earnings Attributable to MSI to Non-GAAP Net Earnings Attributable to MSI
(In millions)

Statement Line	Three Months Ended	
	April 2, 2022	April 3, 2021
Net earnings attributable to MSI	\$ 267	\$ 244
Non-GAAP adjustments before income taxes:		
Intangible assets amortization expense	\$ 66	\$ 58
Share-based compensation expenses	37	29
Fair value adjustments to equity investments	18	(5)
Legal settlements	11	—
Acquisition-related transaction fees	10	1
Reorganization of business charges	10	16
Operating lease asset impairments	9	7
Fixed asset impairments	3	—
Hytera-related legal expenses	2	2
Investment impairments	1	—
Gain on sales of investments	(2)	—
Adjustments to uncertain tax positions	(2)	(1)
Gain on Hytera legal settlement	(13)	—
Gain on TETRA Ireland equity method investment	(21)	—
Total Non-GAAP adjustments before income taxes	\$ 129	\$ 107
Income tax expense on Non-GAAP adjustments	102	27
Total Non-GAAP adjustments after income taxes	27	80
Non-GAAP Net earnings attributable to MSI	<u>\$ 294</u>	<u>\$ 324</u>

Calculation of Non-GAAP Tax Rate
(In millions)

	Three Months Ended	
	April 2, 2022	April 3, 2021
Net earnings before income taxes	\$ 219	\$ 289
Total Non-GAAP adjustments before income taxes*	129	107
Non-GAAP Net earnings before income taxes	348	396
Income tax expense (benefit)	(49)	44
Income tax expense on Non-GAAP adjustments**	102	27
Total Non-GAAP Income tax expense	53	71
Non-GAAP Tax rate	15.2 %	17.7 %

*See reconciliation on Non-GAAP-2 table above for detail on Non-GAAP adjustments before income taxes

**Income tax impact of highlighted items

Reconciliation of Earnings Per Share to Non-GAAP Earnings Per Share*

Statement Line	Three Months Ended	
	April 2, 2022	April 3, 2021
Net earnings attributable to MSI	\$ 1.54	\$ 1.41
Non-GAAP adjustments before income taxes:		
Intangible assets amortization expense	Intangibles amortization \$ 0.38	\$ 0.33
Share-based compensation expenses	Cost of sales, SG&A and R&D 0.21	0.17
Fair value adjustments to equity investments	Other (income) expense 0.10	(0.02)
Legal settlements	Other charges (income) 0.06	—
Acquisition-related transaction fees	Other charges (income) 0.06	0.01
Reorganization of business charges	Cost of sales and Other charges (income) 0.06	0.09
Operating lease asset impairments	Other charges (income) 0.05	0.04
Fixed asset impairments	Other charges (income) 0.02	—
Hytera-related legal expenses	SG&A 0.01	0.01
Investment impairments	Other (income) expense 0.01	—
Gain on sales of investments	(Gain) or loss on sales of investments and businesses, net (0.01)	—
Adjustments to uncertain tax positions	Interest income, net (0.01)	(0.01)
Gain on Hytera legal settlement	Other charges (income) (0.07)	—
Gain on TETRA Ireland equity method investment	Other (income) expense (0.12)	—
Total Non-GAAP adjustments before income taxes	\$ 0.75	\$ 0.62
Income tax expense (income) on Non-GAAP adjustments	0.59	0.16
Total Non-GAAP adjustments after income taxes	0.16	0.46
Non-GAAP Net earnings attributable to MSI	<u>\$ 1.70</u>	<u>\$ 1.87</u>
Diluted Weighted Average Common Shares	173.1	173.2
<i>*Indicates Non-GAAP Diluted EPS</i>		

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 2, 2022			April 3, 2021		
	Products and Systems Integration	Software and Services	Total	Products and Systems Integration	Software and Services	Total
Net sales	\$ 1,103	\$ 789	\$ 1,892	\$ 1,015	\$ 758	\$ 1,773
Operating earnings ("OE")	\$ 39	\$ 200	\$ 239	\$ 77	\$ 221	\$ 298
Above-OE non-GAAP adjustments:						
Intangible assets amortization expense	15	51	66	13	45	58
Share-based compensation expenses	27	10	37	22	7	29
Legal settlements	—	11	11	—	—	—
Acquisition-related transaction fees	6	4	10	—	1	1
Reorganization of business charges	8	2	10	12	4	16
Operating lease asset impairment	9	—	9	5	2	7
Fixed asset impairment	3	—	3	—	—	—
Hytera-related legal expenses	2	—	2	2	—	2
Gain on Hytera legal settlement	(13)	—	(13)	—	—	—
Total above-OE non-GAAP adjustments	57	78	135	54	59	113
Operating earnings after non-GAAP adjustments	\$ 96	\$ 278	\$ 374	\$ 131	\$ 280	\$ 411
Operating earnings as a percentage of net sales - GAAP	3.5 %	25.3 %	12.6 %	7.6 %	29.1 %	16.8 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	8.7 %	35.2 %	19.8 %	12.9 %	36.9 %	23.2 %

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

	Three Months Ended		% Change
	April 2, 2022	April 3, 2021	
Net sales	\$ 1,892	\$ 1,773	7 %
Non-GAAP adjustments:			
Sales from acquisitions	17	—	
Organic revenue	\$ 1,875	\$ 1,773	6 %