

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

	Three Months Ended	
	June 29, 2024	July 1, 2023
Net sales from products	\$ 1,563	\$ 1,349
Net sales from services	1,065	1,054
Net sales	2,628	2,403
Costs of products sales	653	636
Costs of services sales	636	578
Costs of sales	1,289	1,214
Gross margin	1,339	1,189
Selling, general and administrative expenses	430	390
Research and development expenditures	220	215
Other charges	9	23
Intangibles amortization	36	43
Operating earnings	644	518
Other income (expense):		
Interest expense, net	(69)	(57)
Other, net	5	26
Total other expense	(64)	(31)
Net earnings before income taxes	580	487
Income tax expense	135	114
Net earnings	445	373
Less: Earnings attributable to non-controlling interests	2	2
Net earnings attributable to Motorola Solutions, Inc.	<u>\$ 443</u>	<u>\$ 371</u>
Earnings per common share:		
Basic	\$ 2.65	\$ 2.21
Diluted	\$ 2.60	\$ 2.15
Weighted average common shares outstanding:		
Basic	166.9	167.5
Diluted	170.3	172.6
	Percentage of Net Sales*	
Net sales from products	59.5 %	56.1 %
Net sales from services	40.5 %	43.9 %
Net sales	100.0 %	100.0 %
Costs of products sales	41.8 %	47.1 %
Costs of services sales	59.7 %	54.8 %
Costs of sales	49.0 %	50.5 %
Gross margin	51.0 %	49.5 %
Selling, general and administrative expenses	16.4 %	16.2 %
Research and development expenditures	8.4 %	8.9 %
Other charges	0.3 %	1.0 %
Intangibles amortization	1.4 %	1.8 %
Operating earnings	24.5 %	21.6 %
Other income (expense):		
Interest expense, net	(2.6)%	(2.4)%
Other, net	0.2 %	1.1 %
Total other expense	(2.4)%	(1.3)%
Net earnings before income taxes	22.1 %	20.3 %
Income tax expense	5.1 %	4.7 %
Net earnings	16.9 %	15.5 %
Less: Earnings attributable to non-controlling interests	0.1 %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	<u>16.8 %</u>	<u>15.4 %</u>

* 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 29, 2024	July 1, 2023
Net sales from products	\$ 2,968	\$ 2,573
Net sales from services	2,049	2,001
Net sales	5,017	4,574
Costs of products sales	1,252	1,209
Costs of services sales	1,234	1,130
Costs of sales	2,486	2,339
Gross margin	2,531	2,235
Selling, general and administrative expenses	827	757
Research and development expenditures	437	426
Other charges	28	37
Intangibles amortization	76	98
Operating earnings	1,163	917
Other income (expense):		
Interest expense, net	(113)	(111)
Gain on sales of investments and businesses, net	—	1
Other, net	(560)	39
Total other expense	(673)	(71)
Net earnings before income taxes	490	846
Income tax expense	83	194
Net earnings	407	652
Less: Earnings attributable to non-controlling interests	3	3
Net earnings attributable to Motorola Solutions, Inc.	\$ 404	\$ 649
<u>Earnings per common share:</u>		
Basic	\$ 2.43	\$ 3.88
Diluted	\$ 2.37	\$ 3.76
<u>Weighted average common shares outstanding:</u>		
Basic	166.5	167.4
Diluted	170.3	172.5
	Percentage of Net Sales*	
Net sales from products	59.2 %	56.3 %
Net sales from services	40.8 %	43.7 %
Net sales	100.0 %	100.0 %
Costs of products sales	42.2 %	47.0 %
Costs of services sales	60.2 %	56.5 %
Costs of sales	49.6 %	51.1 %
Gross margin	50.4 %	48.9 %
Selling, general and administrative expenses	16.5 %	16.6 %
Research and development expenditures	8.7 %	9.3 %
Other charges	0.6 %	0.8 %
Intangibles amortization	1.5 %	2.1 %
Operating earnings	23.2 %	20.0 %
Other income (expense):		
Interest expense, net	(2.3)%	(2.4)%
Gain on sales of investments and businesses, net	— %	— %
Other, net	(11.2)%	0.9 %
Total other expense	(13.4)%	(1.6)%
Net earnings before income taxes	9.8 %	18.5 %
Income tax expense	1.7 %	4.2 %
Net earnings	8.1 %	14.3 %
Less: Earnings attributable to non-controlling interests	0.1 %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	8.0 %	14.2 %
* Percentages may not add up due to rounding		

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

	June 29, 2024	December 31, 2023
Assets		
Cash and cash equivalents	\$ 1,381	\$ 1,705
Accounts receivable, net	1,762	1,710
Contract assets	1,210	1,102
Inventories, net	803	827
Other current assets	415	357
Current assets held for disposition	—	24
Total current assets	<u>5,571</u>	<u>5,725</u>
Property, plant and equipment, net	987	964
Operating lease assets	527	495
Investments	127	143
Deferred income taxes	1,225	1,062
Goodwill	3,400	3,401
Intangible assets, net	1,208	1,255
Other assets	300	274
Non-current assets held for disposition	—	17
Total assets	<u>\$ 13,345</u>	<u>\$ 13,336</u>
Liabilities and Stockholders' Equity		
Current portion of long-term debt	\$ 565	\$ 1,313
Accounts payable	861	881
Contract liabilities	1,852	2,037
Accrued liabilities	1,366	1,504
Current liabilities held for disposition	—	1
Total current liabilities	<u>4,644</u>	<u>5,736</u>
Long-term debt	5,743	4,705
Operating lease liabilities	421	407
Other liabilities	1,720	1,741
Non-current liabilities held for disposition	—	8
Total Motorola Solutions, Inc. stockholders' equity	802	724
Non-controlling interests	15	15
Total liabilities and stockholders' equity	<u>\$ 13,345</u>	<u>\$ 13,336</u>

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

	Three Months Ended	
	June 29, 2024	July 1, 2023
Operating		
Net earnings	\$ 445	\$ 373
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	83	87
Non-cash other charges (income)	12	(11)
Share-based compensation expenses	63	53
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	(170)	(169)
Inventories	36	62
Other current assets and contract assets	(60)	11
Accounts payable, accrued liabilities and contract liabilities	(241)	(215)
Other assets and liabilities	1	6
Deferred income taxes	11	(104)
Net cash provided by operating activities	<u>180</u>	<u>93</u>
Investing		
Acquisitions and investments, net	(5)	(6)
Proceeds from sales of investments and businesses, net	2	1
Capital expenditures	(68)	(53)
Net cash used for investing activities	<u>(71)</u>	<u>(58)</u>
Financing		
Repayments of debt	—	(1)
Issuances of common stock	6	10
Purchases of common stock	(71)	(224)
Payments of dividends	(163)	(148)
Payments of dividends to non-controlling interests	(3)	(3)
Net cash used for financing activities	<u>(231)</u>	<u>(366)</u>
Effect of exchange rate changes on total cash and cash equivalents	(9)	19
Net decrease in total cash and cash equivalents	(131)	(312)
Cash and cash equivalents, beginning of period	1,512	1,022
Cash and cash equivalents, end of period	<u>\$ 1,381</u>	<u>\$ 710</u>

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

	Six Months Ended	
	June 29, 2024	July 1, 2023
Operating		
Net earnings	\$ 407	\$ 652
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	166	185
Non-cash other charges (income)	15	(4)
Share-based compensation expenses	119	108
Gain on sales of investments and businesses, net	—	(1)
Loss from the extinguishment of Silver Lake Convertible Debt (Note 5)	585	—
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	(57)	10
Inventories	29	36
Other current assets and contract assets	(183)	(29)
Accounts payable, accrued liabilities and contract liabilities	(331)	(751)
Other assets and liabilities	(18)	(1)
Deferred income taxes	(170)	(120)
Net cash provided by operating activities	<u>562</u>	<u>85</u>
Investing		
Acquisitions and investments, net	(42)	(10)
Proceeds from sales of investments and businesses, net	38	6
Capital expenditures	(114)	(107)
Net cash used for investing activities	<u>(118)</u>	<u>(111)</u>
Financing		
Net proceeds from issuance of debt	1,288	—
Repayments of debt	(1,593)	(1)
Issuances of common stock	1	36
Purchases of common stock	(110)	(364)
Payments of dividends	(326)	(296)
Payments of dividends to non-controlling interests	(3)	(4)
Net cash used for financing activities	<u>(743)</u>	<u>(629)</u>
Effect of exchange rate changes on total cash and cash equivalents	(25)	40
Net decrease in total cash and cash equivalents	(324)	(615)
Cash and cash equivalents, beginning of period	1,705	1,325
Cash and cash equivalents, end of period	<u>\$ 1,381</u>	<u>\$ 710</u>

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

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net cash provided by operating activities	\$ 180	\$ 93	\$ 562	\$ 85
Capital expenditures	(68)	(53)	(114)	(107)
Free cash flow	<u>\$ 112</u>	<u>\$ 40</u>	<u>\$ 448</u>	<u>\$ (22)</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		Six Months Ended		
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023	
Net earnings attributable to MSI	\$ 443	\$ 371	\$ 404	\$ 649	
Non-GAAP adjustments before income taxes:					
Share-based compensation expenses	Cost of sales, SG&A and R&D	\$ 63	\$ 53	\$ 119	\$ 108
Intangible assets amortization expense	Intangibles amortization	36	43	76	98
Assessments of uncertain tax positions	Interest income, net, Other (income) expense	20	—	21	—
Fair value adjustments to equity investments	Other (income) expense	11	(16)	13	(19)
Hytera-related legal expenses	SG&A	6	7	7	10
Reorganization of business charges	Cost of sales and Other charges (income)	4	3	14	16
Acquisition-related transaction fees	Other charges (income)	4	—	7	2
Operating lease asset impairments	Other charges (income)	1	1	4	4
Loss from the extinguishment of Silver Lake Convertible Debt	Other (income) expense	—	—	585	—
Legal settlements	Other charges (income)	—	—	6	—
Investment impairments	Other (income) expense	—	3	3	9
Environmental reserve expense	Other charges (income)	—	15	—	15
Fixed asset impairments	Other charges (income)	—	1	—	3
Gain on sales of investments	(Gain) or loss on sales of investments and businesses, net	—	—	—	(1)
Total Non-GAAP adjustments before income taxes		\$ 145	\$ 110	\$ 855	\$ 245
Income tax expense on Non-GAAP adjustments		36	23	225	52
Total Non-GAAP adjustments after income taxes		109	87	630	193
Non-GAAP Net earnings attributable to MSI		\$ 552	\$ 458	\$ 1,034	\$ 842

Calculation of Non-GAAP Tax Rate
(In millions)

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net earnings before income taxes	\$ 580	\$ 487	\$ 490	\$ 846
Total Non-GAAP adjustments before income taxes*	145	110	855	245
Non-GAAP Net earnings before income taxes	725	597	1,345	1,091
Income tax expense	135	114	83	194
Income tax expense on Non-GAAP adjustments**	36	23	225	52
Total Non-GAAP Income tax expense	\$ 171	\$ 137	308	246
Non-GAAP Tax rate	23.6 %	22.9 %	22.9 %	22.5 %

*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		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net earnings attributable to MSI	\$ 2.60	\$ 2.15	\$ 2.37	\$ 3.76
Non-GAAP adjustments before income taxes:				
Share-based compensation expenses	Cost of sales, SG&A and R&D \$ 0.37	\$ 0.30	\$ 0.70	\$ 0.63
Intangible assets amortization expense	Intangibles amortization 0.21	0.24	0.44	0.57
Assessments of uncertain tax positions	interest income, net, Other (income) expense 0.12	—	0.12	—
Fair value adjustments to equity investments	Other (income) expense 0.06	(0.09)	0.08	(0.11)
Hytera-related legal expenses	SG&A 0.04	0.04	0.04	0.06
Reorganization of business charges	Cost of sales and Other charges (income) 0.02	0.02	0.08	0.09
Acquisition-related transaction fees	Other charges (income) 0.02	—	0.04	0.01
Operating lease asset impairments	Other charges (income) 0.01	0.01	0.02	0.02
Loss from the extinguishment of Silver Lake Convertible Debt	Other (income) expense —	—	3.43	—
Legal settlements	Other charges (income) —	—	0.04	—
Investment impairments	Other (income) expense —	0.02	0.02	0.05
Environmental reserve expense	Other charges (income) —	0.09	—	0.09
Fixed asset impairments	Other charges (income) —	0.01	—	0.02
Gain on sales of investments	(Gain) or loss on sales of investments and businesses, net —	—	—	(0.01)
Total Non-GAAP adjustments before income taxes	\$ 0.85	\$ 0.64	\$ 5.01	\$ 1.42
Income tax expense on Non-GAAP adjustments	0.21	0.14	1.33	0.30
Total Non-GAAP adjustments after income taxes	0.64	0.50	3.68	1.12
Non-GAAP Net earnings attributable to MSI	\$ 3.24	\$ 2.65	\$ 6.05	\$ 4.88
GAAP Diluted Weighted Average Common Shares	170.3	172.6	170.3	172.5
Adjusted for dilutive shares outstanding**	—	—	0.5	—
Non-GAAP Diluted Weighted Average Common Shares	170.3	172.6	170.8	172.5

***Indicates Non-GAAP Diluted EPS**

** Under U.S. GAAP, the Silver Lake shares were considered anti-dilutive to earnings per share for the six months ended June 29, 2024 and were excluded from the computation of GAAP diluted weighted average common shares and diluted earnings per share. The shares are considered dilutive for non-GAAP earnings per share for the six months ended June 29, 2024 and an adjustment is reflected to include these shares for non-GAAP diluted earnings per share.

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					
	June 29, 2024			July 1, 2023		
	Products and Systems Integration	Software and Services	Total	Products and Systems Integration	Software and Services	Total
Net sales	\$ 1,658	\$ 970	\$ 2,628	\$ 1,437	\$ 966	\$ 2,403
Operating earnings ("OE")	\$ 379	\$ 265	\$ 644	\$ 212	\$ 306	\$ 518
Above OE non-GAAP adjustments:						
Share-based compensation expenses	44	19	63	38	15	53
Intangible assets amortization expense	8	28	36	10	33	43
Hytera-related legal expenses	6	—	6	7	—	7
Reorganization of business charges	6	(2)	4	6	(3)	3
Acquisition-related transaction fees	1	3	4	—	—	—
Operating lease asset impairments	1	—	1	1	—	1
Environmental reserve expense	—	—	—	10	5	15
Fixed asset impairments	—	—	—	1	—	1
Total above-OE non-GAAP adjustments	66	48	114	73	50	123
Operating earnings after non-GAAP adjustments	445	\$ 313	\$ 758	\$ 285	\$ 356	\$ 641
Operating earnings as a percentage of net sales - GAAP	22.9 %	27.3 %	24.5 %	14.8 %	31.7 %	21.6 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	26.8 %	32.3 %	28.8 %	19.8 %	36.9 %	26.7 %

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

	Six Months Ended					
	June 29, 2024			July 1, 2023		
	Products and Systems Integration	Software and Services	Total	Products and Systems Integration	Software and Services	Total
Net sales	\$ 3,149	\$ 1,868	\$ 5,017	\$ 2,740	\$ 1,834	\$ 4,574
Operating earnings ("OE")	\$ 689	\$ 474	\$ 1,163	\$ 388	\$ 529	\$ 917
Above-OE non-GAAP adjustments:						
Share-based compensation expenses	83	36	119	78	30	108
Intangible assets amortization expense	17	59	76	23	75	98
Reorganization of business charges	14	—	14	17	(1)	16
Hytera-related legal expenses	7	—	7	10	—	10
Acquisition-related transaction fees	1	6	7	—	2	2
Legal settlements	1	5	6	—	—	—
Operating lease asset impairments	3	1	4	3	1	4
Environmental reserve expense	—	—	—	10	5	15
Fixed asset impairments	—	—	—	2	1	3
Total above-OE non-GAAP adjustments	126	107	233	143	113	256
Operating earnings after non-GAAP adjustments	\$ 815	\$ 581	\$ 1,396	\$ 531	\$ 642	\$ 1,173
Operating earnings as a percentage of net sales - GAAP	21.9 %	25.4 %	23.2 %	14.2 %	28.8 %	20.0 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	25.9 %	31.1 %	27.8 %	19.4 %	35.0 %	25.6 %

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

	Three Months Ended		% Change
	June 29, 2024	July 1, 2023	
Net sales	\$ 2,628	\$ 2,403	9 %
Non-GAAP adjustments:			
Sales from acquisitions	13	—	
Organic revenue	\$ 2,615	\$ 2,403	9 %
	Six Months Ended		% Change
	June 29, 2024	July 1, 2023	
Net sales	\$ 5,017	\$ 4,574	10 %
Non-GAAP adjustments:			
Sales from acquisitions	22	—	
Organic revenue	\$ 4,995	\$ 4,574	9 %

Motorola Solutions, Inc. and Subsidiaries
Reconciliation of Net Sales to Net Sales Adjusted for the U.K. Home Office
(In millions)

	Three Months Ended		%	Six Months Ended		%
	June 29, 2024	July 1, 2023		June 29, 2024	July 1, 2023	
Software and Services net sales	\$ 970	\$ 966	— %	\$ 1,868	\$ 1,834	2 %
U.K. Home Office net sales	(93)	(177)		(195)	(333)	
Software and Services net sales adjusted for the U.K. Home Office	\$ 877	\$ 789	11 %	\$ 1,673	\$ 1,501	11 %
Net sales	\$ 2,628	\$ 2,403	9 %	\$ 5,017	\$ 4,574	10 %
U.K. Home Office net sales	(93)	(177)		(195)	(333)	
Net sales adjusted for the U.K. Home Office	\$ 2,535	\$ 2,226	14 %	\$ 4,822	\$ 4,241	14 %