

Aug 5, 2014

MOTOROLA SOLUTIONS Q2 2014 EARNINGS CONFERENCE CALL





SHEP DUNLAP

VICE PRESIDENT
INVESTOR RELATIONS



SAFE HARBOR



A number of forward-looking statements will be made during this presentation. Forward-looking statements are any statements that are not historical facts. These forward-looking statements are based on the current expectations of Motorola Solutions, and we can give no assurance that any future results or events discussed in these statements will be achieved. Any forward-looking statements represent our views only as of today and should not be relied upon as representing our views as of any subsequent date. Forward-looking statements are subject to a variety of risks and uncertainties that could cause our actual results to differ materially from the statements contained in this presentation.

Information about factors that could cause, and in some cases have caused, such differences can be found on pages 10 through 21 in Item 1A of Motorola Solutions' 2013 Annual Report on Form 10-K, Item 1A. Risk Factors on page 31 of our Quarterly Report on form 10-Q for the period ended March 29, 2014, and in our other SEC filings available for free on the SEC's website at www.sec.gov, and on Motorola Solutions' website at www.motorolasolutions.com/investor

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GREG BROWN

CHAIRMAN AND CEO

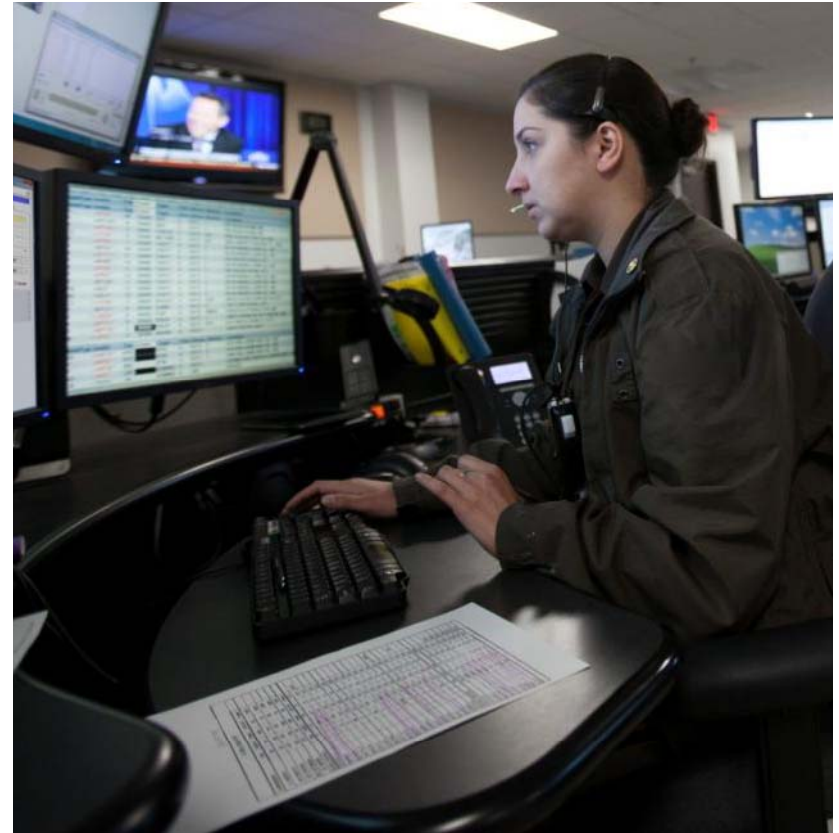


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Q2 HIGHLIGHTS



- Sales of \$1.4B, down 7%
- Product sales of \$887M, down 10%
- Services sales of \$506M, down 1%...up 2% when excluding iDEN
- Non-GAAP earnings per share from continuing operations of \$0.47*, flat to LY when normalizing for the Q2'13 tax adjustment**
- Updated and accelerated cost reduction initiatives to approximately \$300M by end of 2015
- Continued capital return to shareholders of \$495M (\$416M in share repurchase and \$79M in dividends), and increased dividend by 10% to \$0.34



*Excluding highlighted items, stock-based compensation, and intangible amortization

** Tax adjustment relates to the benefit recorded in Q2 2013 from the formation of our foreign holding company, contributing \$0.47 diluted earnings per share from continuing operations

GINO BONANOTTE

EXECUTIVE VICE PRESIDENT
AND CFO



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2014 FINANCIAL RESULTS



(\$ in Millions)

GAAP	SECOND QUARTER	
	2014	2013
Sales	\$1,393	\$1,497
Operating Earnings	\$138	\$203
Operating Margin	9.9%	13.6%
EPS from Continuing Operations	\$0.30	\$0.81*

Non-GAAP**	SECOND QUARTER	
	2014	2013
Operating Earnings	\$201	\$248
Operating Margin	14.4%	16.6%
EPS from Continuing Operations	\$0.47	\$0.94*

* Includes \$0.47 tax benefit from the formation of foreign tax holding company

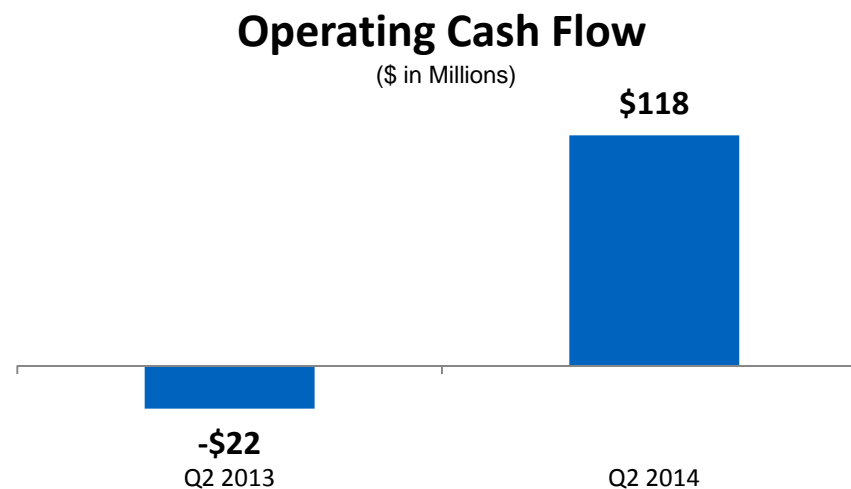
** Excluding highlighted items, stock-based compensation, and intangible amortization

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CASH FLOW



- Q2'14 operating cash proceeds of \$118M
- Q2'14 CAPEX spend of \$42M
- Q2'14 free cash flow of \$76M



* Free cash flow = Net cash provided by operating activities – Capital expenditures

BALANCE SHEET



\$2.9B in cash and cash equivalents

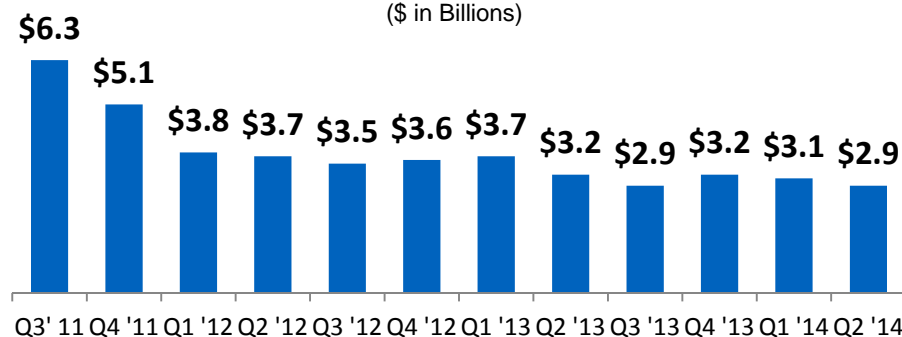
Share repurchase activity

- \$416M in Q2 (6.2M shares at \$66.96)
- \$5.7B total since July 2011 at average price of \$51.11
- Reduced net shares outstanding by 27% since July 2011 buyback inception

* Total cash = Cash and cash equivalents, Sigma Fund, and short-term investments
 ** Net Cash = Total cash – Notes payable and current portion of long-term debt and Long term debt

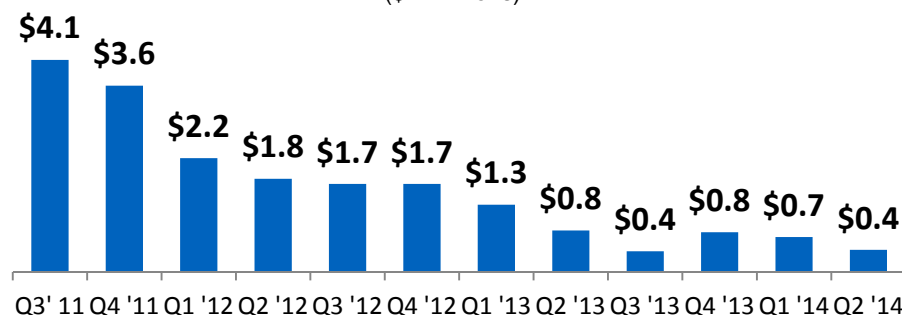
Total Cash*

(\$ in Billions)



Net Cash**

(\$ in Billions)



MSI OUTLOOK



Expected Third Quarter 2014

- Sales down 7 - 9%, with iDEN down \$25M
- EPS* from continuing operations \$0.35 - \$0.41

Expected Full Year 2014

- Sales decline of low to mid single digits, plus \$100M iDEN decline
- Operating margins* approximately 18.5%

* Non-GAAP, excluding highlighted items, stock-based compensation, and intangible amortization



PRODUCTS SEGMENT



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PRODUCTS



(\$ in Millions)

GAAP	SECOND QUARTER	
	2014	2013
Sales	\$887	\$986
Operating Earnings	\$95	\$125
Operating Margin	10.7%	12.7%

Non-GAAP*	SECOND QUARTER	
	2014	2013
Operating Earnings	\$133	\$154
Operating Margin	15.0%	15.6%

* Excluding highlighted items, stock-based compensation, and intangible amortization

Q2 PRODUCTS



- Sales declined 10%, driven primarily by North America, offset by double digit growth in Europe & Africa and Latin America
- Operating earnings* of 15%
- Major contracts include multiple North America state & local wins each worth \$10M+, 2 nationwide networks in Latin America & Europe, vertical market penetration



* Non-GAAP, Excluding highlighted items, stock-based compensation, and intangible amortization

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SERVICES



SERVICES



(\$ in Millions)

GAAP	SECOND QUARTER	
	2014	2013
Sales	\$506	\$511
Operating Earnings	\$43	\$78
Operating Margin	8.5%	15.3%

Non-GAAP*	SECOND QUARTER	
	2014	2013
Operating Earnings	\$68	\$94
Operating Margin	13.4%	18.4%

* Excluding highlighted items, stock-based compensation, and intangible amortization

Q2 SERVICES



- Sales of \$506M, a 1% decline including iDEN.
- 2% sales growth excluding iDEN. Growth driven by Managed services and Integration services
- Operating earnings of 13.4% driven by lower iDEN sales and timing of certain large projects
- Multiple contract wins worth \$10-\$20M providing maintenance and lifecycle services, as well as an \$8 million managed services contract

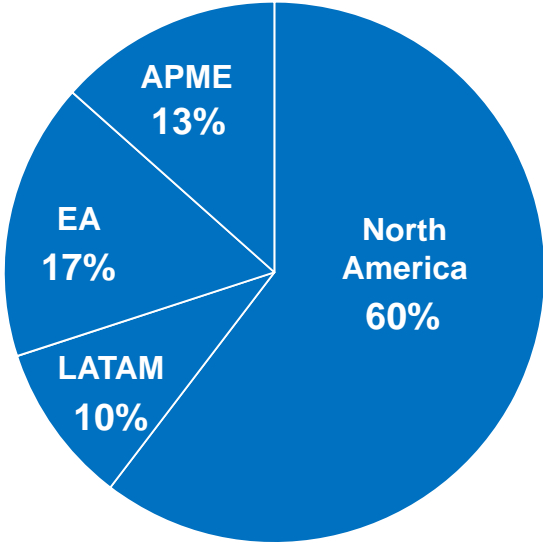


*Non-GAAP, excluding highlighted items, stock-based compensation, and intangible amortization



MSI REGIONAL REVENUE

	Q2 2014	Q2 2013	Change
N. America	\$841	\$973	(14%)
L. America	134	107	26%
EA	231	209	10%
APME	187	208	(10%)
TOTAL	\$1,393	\$1,497	(7%)



NORTH AMERICA

- Double digit decline driven by state & local product sales

INTERNATIONAL

- Double digit growth in Europe & Africa primarily driven by systems and subscribers
- Double digit growth in Latin America driven by large projects

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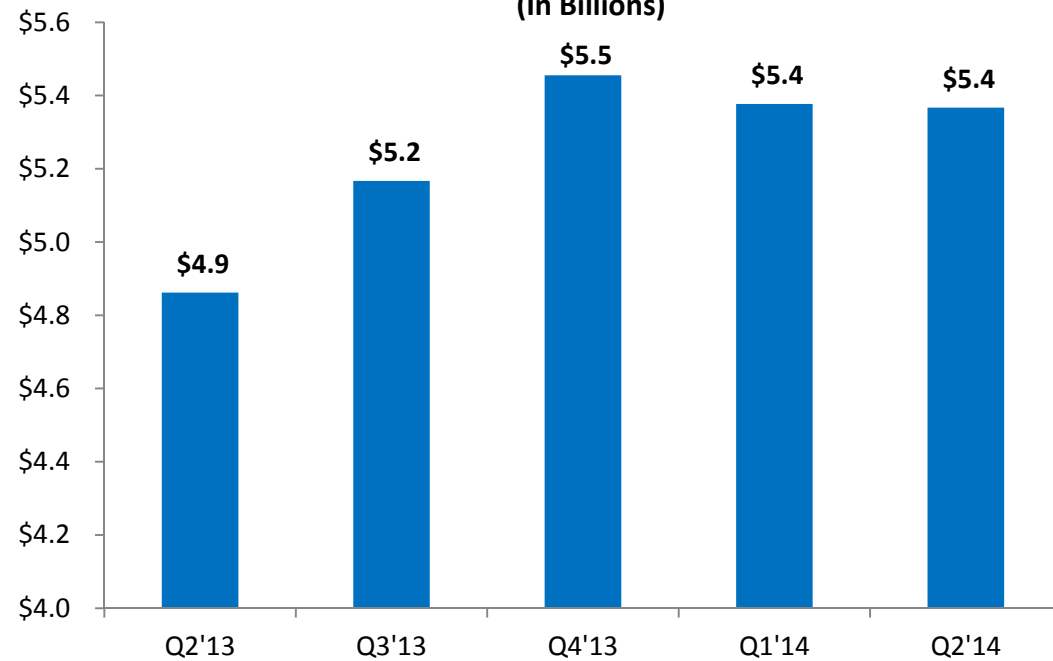
BACKLOG



Sequential Quarter Change (Q1'14 to Q2'14)

- Products up \$42M
- Services down \$51M

Backlog Trend (In Billions)



Q&A PARTICIPANTS

GREG BROWN

Chairman and CEO

GINO BONANOTTE

Executive Vice President and CFO

MARK MOON

Executive Vice President and President,
Sales and Product Operations

BOB SCHASSLER

Executive Vice President, Global
Solutions and Services

SHEP DUNLAP

Vice President, Investor Relations

USE OF NON-GAAP MEASURES



In addition to the GAAP results provided during this event, Motorola Solutions has provided certain non-GAAP measurements. Motorola Solutions has provided these non-GAAP measurements as a measure to help investors better understand its core operating performance, enhance comparisons of Motorola Solutions' core operating performance from period to period and to allow better comparisons of Motorola Solutions' operating performance to that of its competitors. Among other things, the Company's management uses these operating results, excluding the identified items, to evaluate the performance of its businesses and to evaluate results relative to incentive compensation targets. Management uses operating results excluding these items because they believe this measure enables them to make better period-to-period evaluations of the financial performance of its core business operations. There are inherent limitations in the use of operating results excluding these items because the company's GAAP results include the impact of these items. The non-GAAP measures are intended only as a supplement to the comparable GAAP measures and the Company compensates for the limitations inherent in the use of non-GAAP measures by using GAAP measures in conjunction with the non-GAAP measures. As a result, investors should consider these non-GAAP measures in addition to, and not in substitution for, or as superior to, measures of financial performance prepared in accordance with GAAP.

Details of these items and reconciliations of the non-GAAP measurements provided during this presentation to GAAP measurements can be found in the Appendix to this presentation and on Motorola Solutions' website at www.motorolasolutions.com/investor.

SUPPLEMENTAL NON-GAAP MEASURES



SUPPLEMENTAL NON-GAAP MEASURES



	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14
Net sales	\$1,387	\$1,537	\$1,580	\$1,764	\$1,396	\$1,497	\$1,517	\$1,817	\$1,228	\$1,393
GAAP gross margin	697	766	820	910	693	750	765	901	577	656
Non-GAAP gross margin adjustments:										
Stock-based compensation expense	5	6	5	5	5	4	4	4	4	3
Reorganization of business charges	1	3	2	1	-	5	5	7	1	3
Non-GAAP gross margin	703	775	827	916	698	759	774	912	582	662
GAAP Operating earnings ("OE")	152	190	252	327	174	203	246	325	107	138
Non-GAAP OE Adjustments:										
Stock-based compensation expense	29	36	30	31	30	23	25	25	25	23
Reorganization of business charges	6	6	6	8	7	13	16	34	9	25
Intangibles amortization expense	-	-	-	-	-	-	-	-	1	1
Other highlighted items	-	-	-	(16)	-	-	-	-	(21)	8
Non-GAAP OE	\$ 193	\$ 241	\$ 295	\$ 356	\$ 216	\$ 248	\$ 296	\$ 395	\$ 126	\$ 201
GAAP OE%	11.0%	12.4%	15.9%	18.5%	12.5%	13.6%	16.2%	17.9%	8.7%	9.9%
Non-GAAP Adj %	2.9%	3.3%	2.8%	1.7%	3.0%	3.0%	3.3%	3.8%	1.5%	4.5%
Non-GAAP OE %	13.9%	15.7%	18.7%	20.2%	15.5%	16.6%	19.5%	21.7%	10.3%	14.4%

SUPPLEMENTAL NON-GAAP MEASURES



	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14
GAAP Other income (expense)	(14)	27	9	18	19	35	(5)	19	18	40
Non-GAAP Below OE adjustments	(16)	-	-	-	-	-	(23)	-	-	-
Non-GAAP Other income (expense)	(30)	27	9	18	19	35	(28)	19	18	40
GAAP Earnings from continuing operations	110	129	156	274	157	223	262	293	85	78
Non-GAAP OE adjustments	41	51	43	29	42	45	50	70	19	63
Non-GAAP below OE adjustments	(16)	-	-	-	-	-	(23)	-	-	-
Non-GAAP tax adjustments and effect	(7)	(33)	(13)	(68)	(57)	(11)	(3)	(6)	(32)	(20)
TOTAL Non-GAAP Earnings from continuing operations	\$ 128	\$ 147	\$ 186	\$ 235	\$ 142	\$ 257	\$ 286	\$ 357	\$ 72	\$ 121
GAAP Continuing operations earnings per share ("EPS")	\$ 0.35	\$ 0.44	\$ 0.54	\$ 0.96	\$ 0.56	\$ 0.81	\$ 0.99	\$ 1.12	\$ 0.33	\$ 0.30
Non-GAAP Continuing operations EPS adjustments	0.05	0.06	0.11	(0.13)	(0.05)	0.13	0.09	0.25	(0.05)	0.17
Non-GAAP Continuing operations EPS	\$ 0.40	\$ 0.50	\$ 0.65	\$ 0.83	\$ 0.51	\$ 0.94	\$ 1.08	\$ 1.37	\$ 0.28	\$ 0.47
Diluted, weighted average shares outstanding	317.7	296.1	287.4	284.4	280.7	274.7	265.3	261.2	258.3	256.2



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