

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

	Three Months Ended	
	April 2, 2016	April 4, 2015
Net sales from products	\$ 702	\$ 758
Net sales from services	491	465
Net sales	1,193	1,223
Costs of products sales	366	359
Costs of services sales	325	316
Costs of sales	691	675
Gross margin	502	548
Selling, general and administrative expenses	234	256
Research and development expenditures	135	159
Other charges	20	12
Intangibles amortization	13	2
Operating earnings	100	119
Other income (expense):		
Interest expense, net	(49)	(40)
Gains (losses) on sales of investments and businesses, net	(21)	46
Other	(8)	3
Total other income (expense)	(78)	9
Earnings from continuing operations before income taxes	22	128
Income tax expense	5	40
Earnings from continuing operations	17	88
Loss from discontinued operations, net of tax	—	(13)
Net earnings	17	75
Less: Earnings attributable to noncontrolling interests	—	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 17	\$ 74
<i>Amounts attributable to Motorola Solutions, Inc. common stockholders:</i>		
Earnings from continuing operations, net of tax	\$ 17	\$ 87
Loss from discontinued operations, net of tax	—	(13)
Net earnings attributable to Motorola Solutions, Inc.	\$ 17	\$ 74
<u>Earnings (loss) per common share:</u>		
Basic:		
Continuing operations	\$ 0.10	\$ 0.40
Discontinued operations	—	(0.06)
	\$ 0.10	\$ 0.34
Diluted:		
Continuing operations	\$ 0.10	\$ 0.40
Discontinued operations	—	(0.06)
	\$ 0.10	\$ 0.34
<u>Weighted average common shares outstanding:</u>		
Basic	174.5	215.3
Diluted	177.0	217.8

	Percentage of Net Sales*	
	April 2, 2016	April 4, 2015
Net sales from products	58.8 %	62.0 %
Net sales from services	41.2 %	38.0 %
Net sales	100.0 %	100.0 %
Costs of products sales	52.1 %	47.4 %
Costs of services sales	66.2 %	68.0 %
Costs of sales	57.9 %	55.2 %
Gross margin	42.1 %	44.8 %
Selling, general and administrative expenses	19.6 %	20.9 %
Research and development expenditures	11.3 %	13.0 %
Other charges	1.7 %	1.0 %
Intangibles amortization	1.1 %	0.2 %
Operating earnings	8.4 %	9.7 %
Other income (expense):		
Interest expense, net	(4.1)%	(3.3)%
Gains (losses) on sales of investments and businesses, net	(1.8)%	3.8 %
Other	(0.7)%	0.2 %
Total other income (expense)	(6.5)%	0.7 %
Earnings from continuing operations before income taxes	1.8 %	10.5 %
Income tax expense	0.4 %	3.3 %
Earnings from continuing operations	1.4 %	7.2 %
Loss from discontinued operations, net of tax	— %	(1.1)%
Net earnings	1.4 %	6.1 %
Less: Earnings attributable to noncontrolling interests	— %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	1.4 %	6.1 %

* Percentages may not add up due to rounding

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

	April 2, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$ 1,940	\$ 1,980
Accounts receivable, net	1,148	1,362
Inventories, net	287	296
Other current assets	626	954
Current assets held for disposition	—	27
Total current assets	4,001	4,619
Property, plant and equipment, net	997	487
Investments	228	231
Deferred income taxes	2,330	2,278
Goodwill	590	420
Other assets	884	271
Non-current assets held for disposition	19	40
Total assets	\$ 9,049	\$ 8,346
Liabilities and Stockholders' Equity		
Current portion of long-term debt	\$ 4	\$ 4
Accounts payable	424	518
Accrued liabilities	1,604	1,671
Total current liabilities	2,032	2,193
Long-term debt	5,023	4,345
Other liabilities	2,131	1,904
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(147)	(106)
Noncontrolling interests	10	10
Total liabilities and stockholders' equity	\$ 9,049	\$ 8,346
Financial Ratios:		
Net cash (debt)*	\$ (3,087)	\$ (2,369)

*Net cash (debt) = Total cash - Current portion of long-term debt - Long-term debt

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

	Three Months Ended	
	April 2, 2016	April 4, 2015
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 17	\$ 74
Earnings attributable to noncontrolling interests	—	1
Net earnings	17	75
Loss from discontinued operations, net of tax	—	(13)
Earnings from continuing operations, net of tax	17	88
Adjustments to reconcile Earnings from continuing operations to Net cash provided by operating activities from continuing operations:		
Depreciation and amortization	62	41
Non-cash other charges	11	1
Share-based compensation expense	17	21
Losses (gains) on sales of investments and businesses, net	21	(46)
Deferred income taxes	35	23
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	277	309
Inventories	(4)	(44)
Other current assets	(43)	26
Accounts payable and accrued liabilities	(363)	(247)
Other assets and liabilities	(17)	(16)
Net cash provided by operating activities from continuing operations	13	156
Investing		
Acquisitions and investments, net	(1,053)	(74)
Proceeds from sales of investments and businesses, net	481	88
Capital expenditures	(51)	(33)
Proceeds from sales of property, plant and equipment	—	1
Net cash used for investing activities from continuing operations	(623)	(18)
Financing		
Repayment of debt	(1)	(1)
Net proceeds from issuance of debt	673	—
Issuance of common stock	40	41
Purchase of common stock	(64)	(653)
Excess tax benefit from share-based compensation	—	1
Payment of dividends	(71)	(75)
Net cash provided by (used for) financing activities from continuing operations	577	(687)
Effect of exchange rate changes on cash and cash equivalents from continuing operations	(7)	(52)
Net decrease in cash and cash equivalents	(40)	(601)
Cash and cash equivalents, beginning of period	1,980	3,954
Cash and cash equivalents, end of period	\$ 1,940	\$ 3,353
Financial Ratios:		
Free cash flow*	\$ (38)	\$ 123

*Free cash flow = Net cash provided by operating activities - Capital Expenditures

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

Net Sales

Three Months Ended

	April 2, 2016	April 4, 2015	% Change
Products	\$ 702	\$ 758	(7)%
Services	491	465	6 %
Total Motorola Solutions	\$ 1,193	\$ 1,223	(2)%

Operating Earnings

Three Months Ended

	April 2, 2016	April 4, 2015	% Change
Products	\$ 51	\$ 64	(20)%
Services	49	55	(11)%
Total Motorola Solutions	\$ 100	\$ 119	(16)%

Operating Earnings %

Three Months Ended

	April 2, 2016	April 4, 2015
Products	7.3 %	8.4%
Services	10.0 %	11.8%
Total Motorola Solutions	8.4 %	9.7%

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

During the first quarter of 2016, we restructured our regions operationally combining the Europe and Africa and Middle East regions into one region which is now reflected as Europe, Middle East, and Africa ("EMEA"). Accordingly, we now report net sales in the following four geographic regions: North America, Latin America, EMEA, and Asia Pacific ("AP"). We have updated all periods presented to reflect this change in presentation.

The Company's regional net sales under the new regional alignment and as previously reported were as follows:

Revised regional sales							
	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015	FY 2014	FY 2013
North America	770	883	922	1,138	3,713	3,599	3,894
Latin America	96	95	85	82	358	508	518
EMEA	223	227	244	280	974	1,129	1,066
AP	134	163	171	182	650	645	749
	\$ 1,223	\$ 1,368	\$ 1,422	\$ 1,682	\$ 5,695	\$ 5,881	\$ 6,227

Regional sales as previously reported							
	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015	FY 2014	FY 2013
North America	770	883	922	1,138	3,713	3,599	3,894
Latin America	96	95	85	82	358	508	518
EA	192	197	213	247	849	1,034	988
AP	134	163	171	182	650	645	749
ME	31	30	31	33	125	95	78
	\$ 1,223	\$ 1,368	\$ 1,422	\$ 1,682	\$ 5,695	\$ 5,881	\$ 6,227

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

Q1 2016

Non-GAAP Adjustments	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS impact
Share-based compensation expense	Cost of sales, SG&A and R&D	\$ 17	\$ 6	\$ 11	\$ 0.06
Reorganization of business charges	Cost of sales and Other charges	23	8	15	0.08
Intangibles amortization expense	Intangibles amortization	13	3	10	0.06
Acquisition related transaction fees	Other charges	13	—	13	0.07
Loss on investment in United Kingdom treasuries	Other expense (income)	19	7	12	0.07
Realized foreign currency loss on acquisition	Other expense (income)	10	3	7	0.04
Loss on sale of Malaysia facility and operations	Other expense (income)	7	—	7	0.04
Total impact on Net earnings		\$ 102	\$ 27	\$ 75	\$ 0.42

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

Net Sales

Three Months Ended

	April 2, 2016	April 4, 2015	% Change
Products	\$ 702	\$ 758	(7)%
Services	491	465	6 %
Total Motorola Solutions	\$ 1,193	\$ 1,223	(2)%

Non-GAAP Operating Earnings

Three Months Ended

	April 2, 2016	April 4, 2015	% Change
Products	\$ 84	\$ 90	(7)%
Services	82	66	24 %
Total Motorola Solutions	\$ 166	\$ 156	6 %

Non-GAAP Operating Earnings %

Three Months Ended

	April 2, 2016	April 4, 2015
Products	12.0 %	11.9%
Services	16.7 %	14.2%
Total Motorola Solutions	13.9 %	12.8%

Motorola Solutions, Inc. and Subsidiaries
Operating Earnings after Non-GAAP Adjustments

Q1 2016			
	TOTAL	Products	Services
Net sales	\$ 1,193	\$ 702	\$ 491
Operating earnings ("OE")	\$ 100	\$ 51	\$ 49
Above-OE non-GAAP adjustments:			
Share-based compensation expense	17	11	6
Reorganization of business charges	23	21	2
Intangibles amortization expense	13	1	12
Acquisition related transaction fees	13	—	13
Total above-OE non-GAAP adjustments	66	33	33
Operating earnings after non-GAAP adjustments	\$ 166	\$ 84	\$ 82
Operating earnings as a percentage of net sales - GAAP	8.4%	7.3%	10.0%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	13.9%	12.0%	16.7%