

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

	Three Months Ended	
	October 1, 2016	October 3, 2015
Net sales from products	\$ 920	\$ 925
Net sales from services	612	497
Net sales	1,532	1,422
Costs of products sales	398	395
Costs of services sales	372	342
Costs of sales	770	737
Gross margin	762	685
Selling, general and administrative expenses	247	259
Research and development expenditures	137	153
Other charges	6	40
Intangibles amortization	31	2
Operating earnings	341	231
Other income (expense):		
Interest expense, net	(54)	(43)
Gains on sales of investments and businesses, net	7	10
Other	(1)	(1)
Total other expense	(48)	(34)
Earnings from continuing operations before income taxes	293	197
Income tax expense	100	71
Earnings from continuing operations	193	126
Loss from discontinued operations, net of tax	—	(11)
Net earnings	193	115
Less: Earnings attributable to noncontrolling interests	1	—
Net earnings attributable to Motorola Solutions, Inc.	\$ 192	\$ 115
<i>Amounts attributable to Motorola Solutions, Inc. common stockholders:</i>		
Earnings from continuing operations, net of tax	\$ 192	\$ 126
Loss from discontinued operations, net of tax	—	(11)
Net earnings attributable to Motorola Solutions, Inc.	\$ 192	\$ 115
<u>Earnings (loss) per common share:</u>		
Basic:		
Continuing operations	\$ 1.15	\$ 0.63
Discontinued operations	—	(0.05)
	\$ 1.15	\$ 0.58
Diluted:		
Continuing operations	\$ 1.13	\$ 0.63
Discontinued operations	—	(0.06)
	\$ 1.13	\$ 0.57
<u>Weighted average common shares outstanding:</u>		
Basic	166.3	199.2
Diluted	169.6	201.3

	Percentage of Net Sales*	
	October 1, 2016	October 3, 2015
Net sales from products	60.1 %	65.0 %
Net sales from services	39.9 %	35.0 %
Net sales	100.0 %	100.0 %
Costs of products sales	43.3 %	42.7 %
Costs of services sales	60.8 %	68.8 %
Costs of sales	50.3 %	51.8 %
Gross margin	49.7 %	48.2 %
Selling, general and administrative expenses	16.1 %	18.2 %
Research and development expenditures	8.9 %	10.8 %
Other charges	0.4 %	2.8 %
Intangibles amortization	2.0 %	0.1 %
Operating earnings	22.3 %	16.2 %
Other income (expense):		
Interest expense, net	(3.5)%	(3.0)%
Gains on sales of investments and businesses, net	0.5 %	0.7 %
Other	(0.1)%	(0.1)%
Total other expense	(3.1)%	(2.4)%
Earnings from continuing operations before income taxes	19.1 %	13.9 %
Income tax expense	6.5 %	5.0 %
Earnings from continuing operations	12.6 %	8.9 %
Loss from discontinued operations, net of tax	— %	(0.8)%
Net earnings	12.6 %	8.1 %
Less: Earnings attributable to noncontrolling interests	0.1 %	— %
Net earnings attributable to Motorola Solutions, Inc.	12.5 %	8.1 %

* 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 1, 2016	October 3, 2015
Net sales from products	\$ 2,423	\$ 2,550
Net sales from services	1,732	1,463
Net sales	4,155	4,013
Costs of products sales	1,124	1,139
Costs of services sales	1,090	993
Costs of sales	2,214	2,132
Gross margin	1,941	1,881
Selling, general and administrative expenses	722	769
Research and development expenditures	411	468
Other charges	61	33
Intangibles amortization	83	6
Operating earnings	664	605
Other income (expense):		
Interest expense, net	(157)	(122)
Gains (losses) on sales of investments and businesses, net	(13)	60
Other	(12)	(3)
Total other expense	(182)	(65)
Earnings from continuing operations before income taxes	482	540
Income tax expense	164	175
Earnings from continuing operations	318	365
Loss from discontinued operations, net of tax	—	(32)
Net earnings	318	333
Less: Earnings attributable to noncontrolling interests	1	2
Net earnings attributable to Motorola Solutions, Inc.	\$ 317	\$ 331
<i>Amounts attributable to Motorola Solutions, Inc. common stockholders:</i>		
Earnings from continuing operations, net of tax	\$ 317	\$ 363
Loss from discontinued operations, net of tax	—	(32)
Net earnings attributable to Motorola Solutions, Inc.	\$ 317	\$ 331
<u>Earnings (loss) per common share:</u>		
Basic:		
Continuing operations	\$ 1.85	\$ 1.75
Discontinued operations	—	(0.15)
	\$ 1.85	\$ 1.60
Diluted:		
Continuing operations	\$ 1.82	\$ 1.74
Discontinued operations	—	(0.16)
	\$ 1.82	\$ 1.58
<u>Weighted average common shares outstanding:</u>		
Basic	171.0	207.2
Diluted	174.0	209.2

	Percentage of Net Sales*	
	October 1, 2016	October 3, 2015
Net sales from products	58.3 %	63.5 %
Net sales from services	41.7 %	36.5 %
Net sales	100.0 %	100.0 %
Costs of products sales	46.4 %	44.7 %
Costs of services sales	62.9 %	67.9 %
Costs of sales	53.3 %	53.1 %
Gross margin	46.7 %	46.9 %
Selling, general and administrative expenses	17.4 %	19.2 %
Research and development expenditures	9.9 %	11.7 %
Other charges	1.5 %	0.8 %
Intangibles amortization	2.0 %	0.1 %
Operating earnings	16.0 %	15.1 %
Other income (expense):		
Interest expense, net	(3.8)%	(3.0)%
Gains (losses) on sales of investments and businesses, net	(0.3)%	1.5 %
Other	(0.3)%	(0.1)%
Total other expense	(4.4)%	(1.6)%
Earnings from continuing operations before income taxes	11.6 %	13.5 %
Income tax expense	3.9 %	4.4 %
Earnings from continuing operations	7.7 %	9.1 %
Loss from discontinued operations, net of tax	— %	(0.8)%
Net earnings	7.7 %	8.3 %
Less: Earnings attributable to noncontrolling interests	— %	— %
Net earnings attributable to Motorola Solutions, Inc.	7.6 %	8.2 %

* Percentages may not add up due to rounding

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

	October 1, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$ 1,687	\$ 1,980
Accounts receivable, net	1,164	1,362
Inventories, net	283	296
Other current assets	670	954
Current assets held for disposition	—	27
Total current assets	3,804	4,619
Property, plant and equipment, net	780	487
Investments	238	231
Deferred income taxes	2,187	2,278
Goodwill	597	420
Other assets	1,013	271
Non-current assets held for disposition	—	40
Total assets	\$ 8,619	\$ 8,346
Liabilities and Stockholders' Equity		
Current portion of long-term debt	\$ 5	\$ 4
Accounts payable	406	518
Accrued liabilities	1,750	1,671
Total current liabilities	2,161	2,193
Long-term debt	5,044	4,345
Other liabilities	2,062	1,904
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(659)	(106)
Noncontrolling interests	11	10
Total liabilities and stockholders' equity	\$ 8,619	\$ 8,346
Financial Ratios:		
Net cash (debt)*	\$ (3,362)	\$ (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	
	October 1, 2016	October 3, 2015
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 192	\$ 115
Earnings attributable to noncontrolling interests	1	—
Net earnings	193	115
Loss from discontinued operations, net of tax	—	(11)
Earnings from continuing operations, net of tax	193	126
Adjustments to reconcile Earnings from continuing operations to Net cash provided by operating activities:		
Depreciation and amortization	76	32
Non-cash other charges	8	38
Share-based compensation expense	16	18
Gains on sales of investments and businesses, net	(7)	(10)
Deferred income taxes	72	72
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	(82)	(88)
Inventories	2	4
Other current assets	(37)	10
Accounts payable and accrued liabilities	138	96
Other assets and liabilities	(31)	3
Net cash provided by operating activities	348	301
Investing		
Acquisitions and investments, net	(95)	(57)
Proceeds from sales of investments and businesses, net	84	39
Capital expenditures	(68)	(50)
Proceeds from sales of property, plant and equipment	22	1
Net cash used for investing activities	(57)	(67)
Financing		
Repayment of debt	(1)	(1)
Net proceeds from issuance of debt	—	976
Issuance of common stock	41	33
Purchase of common stock	(109)	(2,058)
Payment of dividends	(70)	(70)
Net cash used for financing activities	(139)	(1,120)
Effect of exchange rate changes on cash and cash equivalents	(10)	(26)
Net increase (decrease) in cash and cash equivalents	142	(912)
Cash and cash equivalents, beginning of period	1,545	3,112
Cash and cash equivalents, end of period	\$ 1,687	\$ 2,200

Financial Ratios:

Free cash flow*	\$ 280	\$ 251
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*Free cash flow = 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 1, 2016	October 3, 2015
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 317	\$ 331
Earnings attributable to noncontrolling interests	1	2
Net earnings	318	333
Loss from discontinued operations, net of tax	—	(32)
Earnings from continuing operations, net of tax	318	365
Adjustments to reconcile Earnings from continuing operations to Net cash provided by operating activities:		
Depreciation and amortization	220	113
Non-cash other charges	43	43
Non-U.S. pension curtailment gain	—	(32)
Share-based compensation expense	52	58
Losses (gains) on sales of investments and businesses, net	13	(60)
Deferred income taxes	143	127
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	245	167
Inventories	—	(21)
Other current assets	(102)	38
Accounts payable and accrued liabilities	(224)	(152)
Other assets and liabilities	(56)	(39)
Net cash provided by operating activities	652	607
Investing		
Acquisitions and investments, net	(1,215)	(150)
Proceeds from sales of investments and businesses, net	637	150
Capital expenditures	(211)	(131)
Proceeds from sales of property, plant and equipment	68	2
Net cash used for investing activities	(721)	(129)
Financing		
Repayment of debt	(3)	(3)
Net proceeds from issuance of debt	673	976
Issuance of common stock	80	69
Purchase of common stock	(728)	(2,996)
Excess tax benefit from share-based compensation	—	1
Payment of dividends	(213)	(218)
Net cash used for financing activities	(191)	(2,171)
Effect of exchange rate changes on cash and cash equivalents	(33)	(61)
Net decrease in cash and cash equivalents	(293)	(1,754)
Cash and cash equivalents, beginning of period	1,980	3,954
Cash and cash equivalents, end of period	\$ 1,687	\$ 2,200
Financial Ratios:		
Free cash flow*	\$ 441	\$ 476

*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			
	October 1, 2016	October 3, 2015	% Change
Products	\$ 920	\$ 925	(1)%
Services	612	497	23 %
Total Motorola Solutions	\$ 1,532	\$ 1,422	8 %

Nine Months Ended			
	October 1, 2016	October 3, 2015	% Change
Products	\$ 2,423	\$ 2,550	(5)%
Services	1,732	1,463	18 %
Total Motorola Solutions	\$ 4,155	\$ 4,013	4 %

Operating Earnings

Three Months Ended			
	October 1, 2016	October 3, 2015	% Change
Products	\$ 225	\$ 178	26 %
Services	116	53	119 %
Total Motorola Solutions	\$ 341	\$ 231	48 %

Nine Months Ended			
	October 1, 2016	October 3, 2015	% Change
Products	\$ 404	\$ 413	(2)%
Services	260	192	35 %
Total Motorola Solutions	\$ 664	\$ 605	10 %

Operating Earnings %

Three Months Ended		
	October 1, 2016	October 3, 2015
Products	24.5%	19.2%
Services	19.0%	10.7%
Total Motorola Solutions	22.3%	16.2%

Nine Months Ended		
	October 1, 2016	October 3, 2015
Products	16.7%	16.2%
Services	15.0%	13.1%
Total Motorola Solutions	16.0%	15.1%

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

Q2 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	\$ 18	\$ 6	\$ 12	\$ 0.07
Reorganization of business charges	Cost of sales and Other charges	27	7	20	0.12
Intangibles amortization expense	Intangibles amortization	38	8	30	0.17
Building impairment	Other charges	17	6	11	0.06
Total impact on Net earnings		\$ 100	\$ 27	\$ 73	\$ 0.42

Q3 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	\$ 5	\$ 12	\$ 0.07
Reorganization of business charges	Cost of sales and Other charges	7	2	5	0.03
Intangibles amortization expense	Intangibles amortization	31	7	24	0.14
Total impact on Net earnings		\$ 55	\$ 14	\$ 41	\$ 0.24

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

Net Sales

Three Months Ended

	October 1, 2016	October 3, 2015	% Change
Products	\$ 920	\$ 925	(1)%
Services	612	497	23 %
Total Motorola Solutions	\$ 1,532	\$ 1,422	8 %

Nine Months Ended

	October 1, 2016	October 3, 2015	% Change
Products	\$ 2,423	\$ 2,550	(5)%
Services	1,732	1,463	18 %
Total Motorola Solutions	\$ 4,155	\$ 4,013	4 %

Non-GAAP Operating Earnings

Three Months Ended

	October 1, 2016	October 3, 2015	% Change
Products	\$ 243	\$ 221	10 %
Services	153	71	115 %
Total Motorola Solutions	\$ 396	\$ 292	36 %

Nine Months Ended

	October 1, 2016	October 3, 2015	% Change
Products	\$ 503	\$ 487	3 %
Services	383	221	73 %
Total Motorola Solutions	\$ 886	\$ 708	25 %

Non-GAAP Operating Earnings %

Three Months Ended

	October 1, 2016	October 3, 2015
Products	26.4%	23.9%
Services	25.0%	14.3%
Total Motorola Solutions	25.8%	20.5%

Nine Months Ended

	October 1, 2016	October 3, 2015
Products	20.8%	19.1%
Services	22.1%	15.1%
Total Motorola Solutions	21.3%	17.6%

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%

Q2 2016			
	TOTAL	Products	Services
Net sales	\$ 1,430	\$ 801	\$ 629
Operating earnings ("OE")	\$ 224	\$ 129	\$ 95
Above-OE non-GAAP adjustments:			
Share-based compensation expense	18	12	6
Reorganization of business charges	27	21	6
Intangibles amortization expense	38	2	36
Building impairment	17	12	5
Total above-OE non-GAAP adjustments	100	47	53
Operating earnings after non-GAAP adjustments	\$ 324	\$ 176	\$ 148
Operating earnings as a percentage of net sales - GAAP	15.7%	16.1%	15.1%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	22.7%	22.0%	23.5%

Q3 2016			
	TOTAL	Products	Services
Net sales	\$ 1,532	\$ 920	\$ 612
Operating earnings ("OE")	\$ 341	\$ 225	\$ 116
Above-OE non-GAAP adjustments:			
Share-based compensation expense	17	11	6
Reorganization of business charges	7	5	2
Intangibles amortization expense	31	2	29
Total above-OE non-GAAP adjustments	55	18	37
Operating earnings after non-GAAP adjustments	\$ 396	\$ 243	\$ 153
Operating earnings as a percentage of net sales - GAAP	22.3%	24.5%	19.0%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	25.8%	26.4%	25.0%