

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

	Three Months Ended	
	December 31, 2016	December 31, 2015
Net sales from products	\$ 1,226	\$ 1,125
Net sales from services	657	557
Net sales	1,883	1,682
Costs of products sales	525	485
Costs of services sales	430	359
Costs of sales	955	844
Gross margin	928	838
Selling, general and administrative expenses	277	252
Research and development expenditures	142	152
Other charges	76	43
Intangibles amortization	30	2
Operating earnings	403	389
Other income (expense):		
Interest expense, net	(48)	(51)
Gains on sales of investments and businesses, net	7	47
Other	—	(8)
Total other expense	(41)	(12)
Earnings from continuing operations before income taxes	362	377
Income tax expense	118	99
Earnings from continuing operations	244	278
Earnings from discontinued operations, net of tax	—	2
Net earnings	244	280
Less: Earnings attributable to noncontrolling interests	1	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 243	\$ 279
<i>Amounts attributable to Motorola Solutions, Inc. common stockholders:</i>		
Earnings from continuing operations, net of tax	\$ 243	\$ 277
Earnings from discontinued operations, net of tax	—	2
Net earnings attributable to Motorola Solutions, Inc.	\$ 243	\$ 279
<u>Earnings per common share:</u>		
Basic:		
Continuing operations	\$ 1.47	\$ 1.58
Discontinued operations	—	0.02
	\$ 1.47	\$ 1.60
Diluted:		
Continuing operations	\$ 1.43	\$ 1.56
Discontinued operations	—	0.01
	\$ 1.43	\$ 1.57
<u>Weighted average common shares outstanding:</u>		
Basic	165.4	174.9
Diluted	170.4	177.5

	Percentage of Net Sales*	
	December 31, 2016	December 31, 2015
Net sales from products	65.1 %	66.9 %
Net sales from services	34.9 %	33.1 %
Net sales	100.0 %	100.0 %
Costs of products sales	42.8 %	43.1 %
Costs of services sales	65.4 %	64.5 %
Costs of sales	50.7 %	50.2 %
Gross margin	49.3 %	49.8 %
Selling, general and administrative expenses	14.7 %	15.0 %
Research and development expenditures	7.5 %	9.0 %
Other charges	4.0 %	2.6 %
Intangibles amortization	1.6 %	0.1 %
Operating earnings	21.4 %	23.1 %
Other income (expense):		
Interest expense, net	(2.5)%	(3.0)%
Gains on sales of investments and businesses, net	0.4 %	2.8 %
Other	— %	(0.5)%
Total other expense	(2.2)%	(0.7)%
Earnings from continuing operations before income taxes	19.2 %	22.4 %
Income tax expense	6.3 %	5.9 %
Earnings from continuing operations	13.0 %	16.5 %
Earnings from discontinued operations, net of tax	— %	0.1 %
Net earnings	13.0 %	16.6 %
Less: Earnings attributable to noncontrolling interests	0.1 %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	12.9 %	16.6 %

* Percentages may not add up due to rounding

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

	Years Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Net sales from products	\$ 3,649	\$ 3,676	\$ 3,807
Net sales from services	2,389	2,019	2,074
Net sales	6,038	5,695	5,881
Costs of products sales	1,649	1,625	1,678
Costs of services sales	1,520	1,351	1,372
Costs of sales	3,169	2,976	3,050
Gross margin	2,869	2,719	2,831
Selling, general and administrative expenses	1,000	1,021	1,184
Research and development expenditures	553	620	681
Other charges	136	76	1,968
Intangibles amortization	113	8	4
Operating earnings (loss)	1,067	994	(1,006)
Other income (expense):			
Interest expense, net	(205)	(173)	(126)
Gains (losses) on sales of investments and businesses, net	(6)	107	5
Other	(12)	(11)	(34)
Total other expense	(223)	(77)	(155)
Earnings (loss) from continuing operations before income taxes	844	917	(1,161)
Income tax expense (benefit)	282	274	(465)
Earnings (loss) from continuing operations	562	643	(696)
Earnings (loss) from discontinued operations, net of tax	—	(30)	1,996
Net earnings	562	613	1,300
Less: Earnings attributable to noncontrolling interests	2	3	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 560	\$ 610	\$ 1,299
<i>Amounts attributable to Motorola Solutions, Inc. common stockholders:</i>			
Earnings (loss) from continuing operations, net of tax	\$ 560	\$ 640	\$ (697)
Earnings (loss) from discontinued operations, net of tax	—	(30)	1,996
Net earnings attributable to Motorola Solutions, Inc.	\$ 560	\$ 610	\$ 1,299
<u>Earnings (loss) per common share:</u>			
Basic:			
Continuing operations	\$ 3.30	\$ 3.21	\$ (2.84)
Discontinued operations	—	(0.15)	8.13
	\$ 3.30	\$ 3.06	\$ 5.29
Diluted:			
Continuing operations	\$ 3.24	\$ 3.17	\$ (2.84)
Discontinued operations	—	(0.15)	8.13
	\$ 3.24	\$ 3.02	\$ 5.29
<u>Weighted average common shares outstanding:</u>			
Basic	169.6	199.6	245.6
Diluted	173.1	201.8	245.6

	Percentage of Net Sales*		
	December 31, 2016	December 31, 2015	December 31, 2014
Net sales from products	60.4 %	64.5 %	64.7 %
Net sales from services	39.6 %	35.5 %	35.3 %
Net sales	100.0 %	100.0 %	100.0 %
Costs of products sales	45.2 %	44.2 %	44.1 %
Costs of services sales	63.6 %	66.9 %	66.2 %
Costs of sales	52.5 %	52.3 %	51.9 %
Gross margin	47.5 %	47.7 %	48.1 %
Selling, general and administrative expenses	16.6 %	17.9 %	20.1 %
Research and development expenditures	9.2 %	10.9 %	11.6 %
Other charges	2.3 %	1.3 %	33.5 %
Intangibles amortization	1.9 %	0.1 %	0.1 %
Operating earnings (loss)	17.7 %	17.5 %	(17.1)%
Other income (expense):			
Interest expense, net	(3.4)%	(3.0)%	(2.1)%
Gains (losses) on sales of investments and businesses, net	(0.1)%	1.9 %	0.1 %
Other	(0.2)%	(0.2)%	(0.6)%
Total other expense	(3.7)%	(1.4)%	(2.6)%
Earnings (loss) from continuing operations before income taxes	14.0 %	16.1 %	(19.7)%
Income tax expense (benefit)	4.7 %	4.8 %	(7.9)%
Earnings (loss) from continuing operations	9.3 %	11.3 %	(11.8)%
Earnings (loss) from discontinued operations, net of tax	— %	(0.5)%	33.9 %
Net earnings	9.3 %	10.8 %	22.1 %
Less: Earnings attributable to noncontrolling interests	— %	0.1 %	— %
Net earnings attributable to Motorola Solutions, Inc.	9.3 %	10.7 %	22.1 %

* Percentages may not add up due to rounding

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

	December 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$ 1,030	\$ 1,980
Accounts receivable, net	1,410	1,362
Inventories, net	273	296
Other current assets	755	954
Current assets held for disposition	—	27
Total current assets	3,468	4,619
Property, plant and equipment, net	789	487
Investments	238	231
Deferred income taxes	2,219	2,278
Goodwill	728	420
Other assets	1,021	271
Non-current assets held for disposition	—	40
Total assets	\$ 8,463	\$ 8,346
Liabilities and Stockholders' Equity		
Current portion of long-term debt	\$ 4	\$ 4
Accounts payable	553	518
Accrued liabilities	2,111	1,671
Total current liabilities	2,668	2,193
Long-term debt	4,392	4,345
Other liabilities	2,355	1,904
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(964)	(106)
Noncontrolling interests	12	10
Total liabilities and stockholders' equity	\$ 8,463	\$ 8,346
Financial Ratios:		
Net cash (debt)*	\$ (3,366)	\$ (2,369)

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

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

	Three Months Ended	
	December 31, 2016	December 31, 2015
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 243	\$ 279
Earnings attributable to noncontrolling interests	1	1
Net earnings	244	280
Earnings from discontinued operations, net of tax	—	2
Earnings from continuing operations, net of tax	244	278
Adjustments to reconcile earnings (loss) from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	75	37
Non-cash other charges	11	9
Loss on pension plan settlement	26	—
Share-based compensation expense	16	20
Gains on sales of investments and businesses, net	(7)	(47)
Loss from the extinguishment of long-term debt	2	—
Deferred income taxes	71	33
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	(250)	(146)
Inventories	6	37
Other current assets	(81)	54
Accounts payable and accrued liabilities	464	179
Other assets and liabilities	(64)	(39)
Net cash provided by operating activities from continuing operations	513	415
Investing		
Acquisitions and investments, net	(259)	(436)
Proceeds from sales of investments and businesses, net	33	80
Capital expenditures	(60)	(44)
Proceeds from sales of property, plant and equipment	4	1
Net cash used for investing activities from continuing operations	(282)	(399)
Financing		
Repayment of debt	(683)	(1)
Net proceeds from issuance of debt	—	(5)
Issuance of common stock	14	14
Purchase of common stock	(114)	(179)
Excess tax benefit from share-based compensation	—	4
Payment of dividends	(68)	(60)
Net cash used for financing activities from continuing operations	(851)	(227)
Effect of exchange rate changes on cash and cash equivalents from continuing operations	(37)	(9)
Net decrease in cash and cash equivalents	(657)	(220)
Cash and cash equivalents, beginning of period	1,687	2,200
Cash and cash equivalents, end of period	\$ 1,030	\$ 1,980

Financial Ratios:

Free cash flow* \$ 453 \$ 371

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

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

	Years Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Operating			
Net earnings attributable to Motorola Solutions, Inc.	\$ 560	\$ 610	\$ 1,299
Earnings attributable to noncontrolling interests	2	3	1
Net earnings	562	613	1,300
Earnings (loss) from discontinued operations, net of tax	—	(30)	1,996
Earnings (loss) from continuing operations, net of tax	562	643	(696)
Adjustments to reconcile earnings (loss) from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	295	150	173
Non-cash other charges	54	52	—
Non-U.S. pension curtailment gain	—	(32)	—
Gain on sale of building and land	—	—	(21)
Loss on pension plan settlement	26	—	1,883
Share-based compensation expense	68	78	94
Loss (gains) on sales of investments and businesses, net	6	(107)	(5)
Loss from the extinguishment of long-term debt	2	—	37
Deferred income taxes	213	160	(557)
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:			
Accounts receivable	(6)	21	(62)
Inventories	6	16	(5)
Other current assets	(185)	92	(47)
Accounts payable and accrued liabilities	241	26	(72)
Other assets and liabilities	(117)	(78)	(1,359)
Net cash provided by (used for) operating activities from continuing operations	1,165	1,021	(637)
Investing			
Acquisitions and investments, net	(1,474)	(586)	(47)
Proceeds from sales of investments and businesses, net	670	230	3,403
Capital expenditures	(271)	(175)	(181)
Proceeds from sales of property, plant and equipment	73	3	33
Net cash provided by (used for) investing activities from continuing operations	(1,002)	(528)	3,208
Financing			
Repayment of debt	(686)	(4)	(465)
Net proceeds from issuance of debt	673	971	1,375
Issuance of common stock	93	84	87
Purchase of common stock	(842)	(3,177)	(2,546)
Excess tax benefit from share-based compensation	—	5	11
Payment of dividends	(280)	(277)	(318)
Distributions from discontinued operations	—	—	93
Net cash used for financing activities from continuing operations	(1,042)	(2,398)	(1,763)
Discontinued Operations			
Net cash provided by operating activities from discontinued operations	—	—	95
Net cash provided by investing activities from discontinued operations	—	—	4
Net cash used for financing activities from discontinued operations	—	—	(93)
Effect of exchange rate changes on cash and cash equivalents from discontinued operations	—	—	(6)
Net cash provided by discontinued operations	—	—	—
Effect of exchange rate changes on cash and cash equivalents from continuing operations	(71)	(69)	(79)
Net increase (decrease) in cash and cash equivalents	(950)	(1,974)	729
Cash and cash equivalents, beginning of period	1,980	3,954	3,225
Cash and cash equivalents, end of period	\$ 1,030	\$ 1,980	\$ 3,954
Financial Ratios:			
Free cash flow*	894	846	(818)

*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		
	December 31, 2016	December 31, 2015	% Change
Products	\$ 1,226	\$ 1,125	9 %
Services	657	557	18 %
Total Motorola Solutions	\$ 1,883	\$ 1,682	12 %

	Years Ended		
	December 31, 2016	December 31, 2015	% Change
Products	\$ 3,649	\$ 3,676	(1)%
Services	2,389	2,019	18 %
Total Motorola Solutions	\$ 6,038	\$ 5,695	6 %

Operating Earnings

	Three Months Ended		
	December 31, 2016	December 31, 2015	% Change
Products	\$ 330	\$ 291	13 %
Services	73	98	(26)%
Total Motorola Solutions	\$ 403	\$ 389	4 %

	Years Ended		
	December 31, 2016	December 31, 2015	% Change
Products	\$ 734	\$ 704	4 %
Services	333	290	15 %
Total Motorola Solutions	\$ 1,067	\$ 994	7 %

Operating Earnings %

	Three Months Ended	
	December 31, 2016	December 31, 2015
Products	26.9%	25.9%
Services	11.1%	17.6%
Total Motorola Solutions	21.4%	23.1%

	Years Ended	
	December 31, 2016	December 31, 2015
Products	20.1%	19.2%
Services	13.9%	14.4%
Total Motorola Solutions	17.7%	17.5%

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

Q4 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	\$ 16	\$ 5	\$ 11	\$ 0.06
Reorganization of business charges	Cost of sales and Other charges	66	14	52	0.31
Intangibles amortization expense	Intangibles amortization	30	6	24	0.14
Loss on Non-U.S. pension plan settlement	Other charges	26	—	26	0.15
Release of unrecognized tax benefit from audit settlement	Income Tax Expense (Benefit)	—	10	(10)	(0.06)
Total impact on Net earnings		\$ 138	\$ 35	\$ 103	\$ 0.60

FY 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	\$ 68	\$ 22	\$ 46	\$ 0.27
Reorganization of business charges	Cost of sales and Other charges	123	31	92	0.53
Intangibles amortization expense	Intangibles amortization	113	26	87	0.50
Acquisition related transaction fees	Other charges	13	—	13	0.08
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
Building impairment	Other charges	17	6	11	0.06
Loss on Non-U.S. pension plan settlement	Other charges	26	—	26	0.15
Release of unrecognized tax benefit from audit settlement	Income Tax Expense (Benefit)	—	10	(10)	(0.06)
Total impact on Net earnings		\$ 396	\$ 105	\$ 291	\$ 1.68

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

Net Sales

Three Months Ended

	December 31, 2016	December 31, 2015	% Change
Products	\$ 1,226	\$ 1,125	9 %
Services	657	557	18 %
Total Motorola Solutions	\$ 1,883	\$ 1,682	12 %

Years Ended

	December 31, 2016	December 31, 2015	% Change
Products	\$ 3,649	\$ 3,676	(1)%
Services	2,389	2,019	18 %
Total Motorola Solutions	\$ 6,038	\$ 5,695	6 %

Non-GAAP Operating Earnings

Three Months Ended

	December 31, 2016	December 31, 2015	% Change
Products	\$ 407	\$ 340	20 %
Services	134	118	14 %
Total Motorola Solutions	\$ 541	\$ 458	18 %

Years Ended

	December 31, 2016	December 31, 2015	% Change
Products	\$ 910	\$ 827	10 %
Services	517	339	53 %
Total Motorola Solutions	\$ 1,427	\$ 1,166	22 %

Non-GAAP Operating Earnings %

Three Months Ended

	December 31, 2016	December 31, 2015
Products	33.2%	30.2%
Services	20.4%	21.2%
Total Motorola Solutions	28.7%	27.2%

Years Ended

	December 31, 2016	December 31, 2015
Products	24.9%	22.5%
Services	21.6%	16.8%
Total Motorola Solutions	23.6%	20.5%

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%
Q4 2016			
	TOTAL	Products	Services
Net sales	\$ 1,883	\$ 1,226	\$ 657
Operating earnings ("OE")	\$ 403	\$ 330	\$ 73
Above-OE non-GAAP adjustments:			
Share-based compensation expense	16	10	6
Reorganization of business charges	66	47	19
Loss on Non-U.S. pension plan settlement	26	18	8
Intangibles amortization expense	30	2	28
Total above-OE non-GAAP adjustments	138	77	61
Operating earnings after non-GAAP adjustments	\$ 541	\$ 407	\$ 134
Operating earnings as a percentage of net sales - GAAP	21.4%	26.9%	11.1%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	28.7%	33.2%	20.4%
FY 2016			
	TOTAL	Products	Services
Net sales	\$ 6,038	\$ 3,649	\$ 2,389
Operating earnings ("OE")	\$ 1,067	\$ 734	\$ 333
Above-OE non-GAAP adjustments:			
Share-based compensation expense	68	44	24
Reorganization of business charges	123	94	29
Intangibles amortization expense	113	8	105
Loss on Non-U.S. pension plan settlement	26	18	8
Acquisition related transaction fees	13	—	13
Building impairment	17	12	5
Total above-OE non-GAAP adjustments	360	176	184
Operating earnings after non-GAAP adjustments	\$ 1,427	\$ 910	\$ 517
Operating earnings as a percentage of net sales - GAAP	17.7%	20.1%	13.9%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	23.6%	24.9%	21.6%