

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

	Three Months Ended	
	March 31, 2018	April 1, 2017
Net sales from products	\$ 801	\$ 703
Net sales from services	667	578
Net sales	1,468	1,281
Costs of products sales	383	347
Costs of services sales	416	364
Costs of sales	799	711
Gross margin	669	570
Selling, general and administrative expenses	279	244
Research and development expenditures	152	135
Other charges	26	(18)
Intangibles amortization	41	36
Operating earnings	171	173
Other income (expense):		
Interest expense, net	(46)	(51)
Gains on sales of investments and businesses, net	11	3
Other	4	(5)
Total other expense	(31)	(53)
Net earnings before income taxes	140	120
Income tax expense	23	42
Net earnings	117	78
Less: Earnings attributable to noncontrolling interests	—	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 117	\$ 77
Earnings per common share:		
Basic	\$ 0.73	\$ 0.47
Diluted	\$ 0.69	\$ 0.45
Weighted average common shares outstanding:		
Basic	161.4	164.2
Diluted	170.6	169.9
	Percentage of Net Sales*	
Net sales from products	54.6 %	54.9 %
Net sales from services	45.4 %	45.1 %
Net sales	100.0 %	100.0 %
Costs of products sales	47.8 %	49.4 %
Costs of services sales	62.4 %	63.0 %
Costs of sales	54.4 %	55.5 %
Gross margin	45.6 %	44.5 %
Selling, general and administrative expenses	19.0 %	19.0 %
Research and development expenditures	10.4 %	10.5 %
Other charges	1.8 %	(1.4)%
Intangibles amortization	2.8 %	2.8 %
Operating earnings	11.6 %	13.5 %
Other income (expense):		
Interest expense, net	(3.1)%	(4.0)%
Gains on sales of investments and businesses, net	0.7 %	0.2 %
Other	0.3 %	(0.4)%
Total other expense	(2.1)%	(4.1)%
Net earnings before income taxes	9.5 %	9.4 %
Income tax expense	1.6 %	3.3 %
Net earnings	8.0 %	6.1 %
Less: Earnings attributable to noncontrolling interests	— %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	8.0 %	6.0 %

* Percentages may not add up due to rounding

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

	March 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$ 795	\$ 1,205
Restricted cash	63	63
Total cash and cash equivalents	858	1,268
Accounts receivable, net	1,179	1,523
Contract assets	800	—
Inventories, net	441	327
Other current assets	343	832
Total current assets	3,621	3,950
Property, plant and equipment, net	900	856
Investments	174	247
Deferred income taxes	973	1,023
Goodwill	1,535	938
Intangible assets	1,436	861
Other assets	412	333
Total assets	\$ 9,051	\$ 8,208
Liabilities and Stockholders' Equity		
Current portion of long-term debt	\$ 492	\$ 52
Accounts payable	463	593
Contract liabilities	1,069	—
Accrued liabilities	1,072	2,286
Total current liabilities	3,096	2,931
Long-term debt	5,304	4,419
Other liabilities	2,190	2,585
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(1,554)	(1,742)
Noncontrolling interests	15	15
Total liabilities and stockholders' equity	\$ 9,051	\$ 8,208
Financial Ratios:		
Net cash (debt)*	\$ (4,938)	\$ (3,203)

*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	
	March 31, 2018	April 1, 2017
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 117	\$ 77
Earnings attributable to noncontrolling interests	—	1
Net earnings	117	78
Adjustments to reconcile Net earnings to Net cash provided by (used for) operating activities:		
Depreciation and amortization	82	80
Non-cash other charges	3	15
Non-U.S. pension settlement loss	—	9
Share-based compensation expense	17	17
Gains on sales of investments and businesses, net	(11)	(3)
Deferred income taxes	7	23
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable, contract assets and contract liabilities	195	368
Inventories	(9)	(69)
Other current assets	2	(59)
Accounts payable and accrued liabilities	(350)	(307)
Other assets and liabilities	(553)	(10)
Net cash (used for) provided by operating activities	(500)	142
Investing		
Acquisitions and investments, net	(1,125)	(106)
Proceeds from sales of investments and businesses, net	77	53
Capital expenditures	(41)	(68)
Net cash used for investing activities	(1,089)	(121)
Financing		
Repayment of debt	(50)	(1)
Net proceeds from issuance of debt	1,296	—
Issuance of common stock	53	22
Purchase of common stock	(66)	(178)
Payment of dividends	(84)	(77)
Net cash provided by (used for) financing activities	1,149	(234)
Effect of exchange rate changes on cash and cash equivalents	30	12
Net decrease in cash and cash equivalents	(410)	(201)
Cash and cash equivalents, beginning of period	1,268	1,030
Cash and cash equivalents, end of period	\$ 858	\$ 829
Financial Ratios:		
Free cash flow*	\$ (541)	\$ 74

*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		% Change
	March 31, 2018	April 1, 2017	
Products	\$ 801	\$ 703	14 %
Services	667	578	15 %
Total Motorola Solutions	\$ 1,468	\$ 1,281	15 %

Operating Earnings

	Three Months Ended		% Change
	March 31, 2018	April 1, 2017	
Products	\$ 89	\$ 88	1 %
Services	82	85	(4)%
Total Motorola Solutions	\$ 171	\$ 173	(1)%

Operating Earnings %

	Three Months Ended	
	March 31, 2018	April 1, 2017
Products	11.1%	12.5%
Services	12.3%	14.7%
Total Motorola Solutions	11.6%	13.5%

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

Q1 2018

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	\$ 4	\$ 13	\$ 0.08
Reorganization of business charges	Cost of sales and Other charges	13	3	10	0.06
Intangibles amortization expense	Intangibles amortization	41	8	33	0.19
Loss on legal settlements	Other charges	1	—	1	0.01
Loss on derivative instruments related to Avigilon	Other expense	14	4	10	0.06
Release of FIN 48 reserve	Income tax benefit	—	1	(1)	(0.01)
Sale of investments	Sale of Investment or Business (Gain) or Loss	(11)	(3)	(8)	(0.05)
Acquisition-related transaction fees	Other charges	17	5	12	0.07
Total impact on Net earnings		\$ 92	\$ 22	\$ 70	\$ 0.41

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

Net Sales

	Three Months Ended		% Change
	March 31, 2018	April 1, 2017	
Products	\$ 801	\$ 703	14%
Services	667	578	15%
Total Motorola Solutions	\$ 1,468	\$ 1,281	15%

Non-GAAP Operating Earnings

	Three Months Ended		% Change
	March 31, 2018	April 1, 2017	
Products	\$ 127	\$ 94	35%
Services	133	118	13%
Total Motorola Solutions	\$ 260	\$ 212	23%

Non-GAAP Operating Earnings %

	Three Months Ended	
	March 31, 2018	April 1, 2017
Products	15.9%	13.4%
Services	19.9%	20.4%
Total Motorola Solutions	17.7%	16.5%

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

Q1 2018			
	TOTAL	Products	Services
Net sales	\$ 1,468	\$ 801	\$ 667
Operating earnings ("OE")	\$ 171	\$ 89	\$ 82
Above-OE non-GAAP adjustments:			
Share-based compensation expense	17	12	5
Reorganization of business charges	13	10	3
Intangibles amortization expense	41	4	37
Acquisition-related transaction fees	17	11	6
Loss on legal settlements	1	1	—
Total above-OE non-GAAP adjustments	89	38	51
Operating earnings after non-GAAP adjustments	\$ 260	\$ 127	\$ 133
Operating earnings as a percentage of net sales - GAAP	11.6%	11.1%	12.3%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	17.7%	15.9%	19.9%

Motorola Solutions, Inc. and Subsidiaries
Non-GAAP Organic Revenue

Total Motorola Solutions			
	Three Months Ended		% Change
	March 31, 2018	April 1, 2017	
Net sales	\$ 1,468	\$ 1,281	15%
Non-GAAP adjustments:			
Acquisitions	(54)	(5)	
ASC 606 impact	(15)	—	
Organic revenue	1,399	1,276	10%
Less foreign exchange impact	(39)	—	
Organic revenue in constant currency	\$ 1,360	\$ 1,276	7%

North America			
	Three Months Ended		% Change
	March 31, 2018	April 1, 2017	
Americas net sales	\$ 995	\$ 865	15%
Adjustments:			
Latin America	(93)	(65)	43%
North America acquisitions	(25)	—	
ASC 606 impact	(15)	—	
North America organic revenue	862	800	8%
Less foreign exchange impact	(5)	—	
North America organic revenue in constant currency	\$ 857	\$ 800	7%

Motorola Solutions, Inc. and Subsidiaries
Third-Party Sales Commissions Classification

Total Motorola Solutions					
	April 1, 2017	July 1, 2017	September 30, 2017	December 31, 2017	2017
Net sales, as reported	\$ 1,281	\$ 1,497	\$ 1,645	\$ 1,957	\$ 6,380
Third-party sales commissions adjustment *	13	15	18	22	68
Pro Forma net sales	1,294	1,512	1,663	1,979	6,448
Non-GAAP operating expenses, as reported**	364	378	386	407	1,535
Third-party sales commissions adjustment *	13	15	18	22	68
Pro forma non-GAAP operating expenses	377	393	404	429	1,603
Non-GAAP earnings, as reported	120	189	259	355	923
Pro forma earnings	\$ 120	\$ 189	\$ 259	\$ 355	\$ 923

* Amounts adjusted to reflect the change in financial statement presentation of third-party sales commissions under the adoption of ASU No. 2014-09 ("ASC 606")

** Amounts adjusted to reflect the change in financial statement presentation of net periodic cost (benefit) under the adoption of ASU Non. 2017-07