

Nov 4, 2014

MOTOROLA SOLUTIONS Q3 2014 EARNINGS CONFERENCE CALL



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 38 of our Quarterly Report on form 10-Q for the period ended June 28, 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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Q3 HIGHLIGHTS

- Sales of \$1.4B, down 5%
- Product sales of \$921M, down 8%
- Services sales of \$515M up 2% when excluding iDEN, down 1% overall
- Non-GAAP earnings per share from continuing operations of \$0.62*, down \$0.11 to LY when normalizing for the Q3'13 tax adjustment**
- Reduced operating expenses by \$43M
- Continued capital return to shareholders of \$728M (\$650M in share repurchase and \$78M in dividends)
- Increasing buyback authorization by \$5B

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

** Tax adjustment relates to the benefit recorded in Q3 2013 from the formation of our foreign holding company, contributing \$0.35 diluted earnings per share from continuing operations

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2014 FINANCIAL RESULTS



(\$ in Millions)

GAAP	THIRD QUARTER	
	2014	2013
Sales	\$1,436	\$1,517
Operating Earnings	\$207	\$246
Operating Margin	14.4%	16.2%
EPS from Continuing Operations	\$0.27	\$0.98*

Non-GAAP**	THIRD QUARTER	
	2014	2013
Operating Earnings	\$259	\$296
Operating Margin	18.0%	19.5%
EPS from Continuing Operations	\$0.62	\$1.08*

* Includes \$0.35 tax benefit from the formation of foreign tax holding company

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

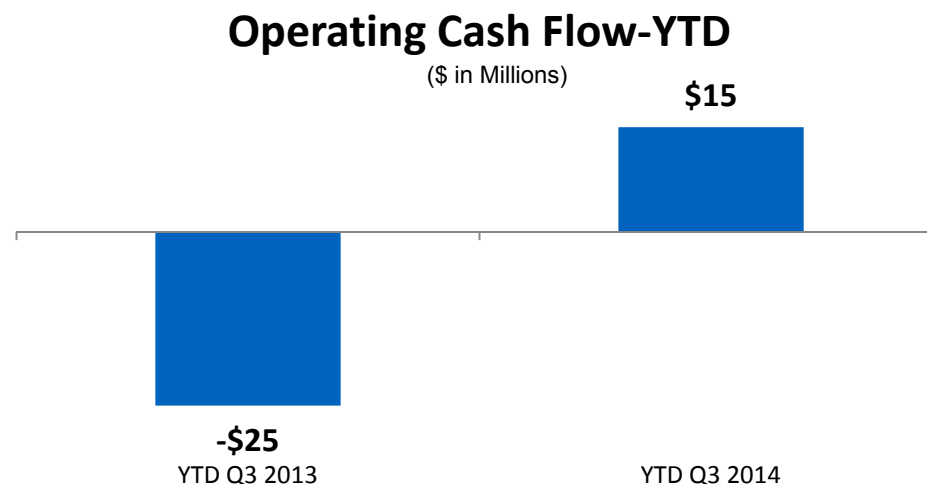
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Q3 CASH FLOW YEAR TO DATE



- Q3'14 YTD operating cash proceeds of \$15M driven by improved working capital, lower incentives and taxes, offset by U.S. pension funding of \$463M (\$397M in Q3)
- Q3'14 YTD CAPEX spend of \$130M
- Q3'14 YTD free cash flow of -\$115M

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



BALANCE SHEET



\$2.8B in cash and cash equivalents

Share repurchase activity

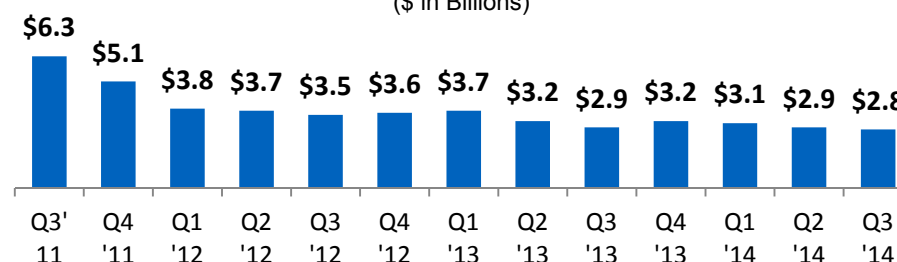
- \$650M in Q3 (10.4M shares at \$62.63)
- \$6.4B total since July 2011 at average price of \$52.08
- Reduced net shares outstanding by 30% since July 2011 buyback inception

* 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

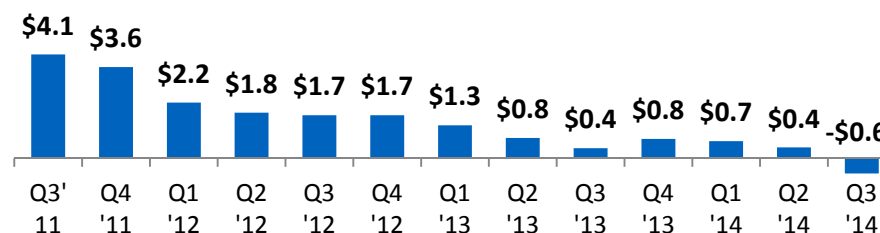
Total Cash*

(\$ in Billions)



Net Cash**

(\$ in Billions)



MSI OUTLOOK



Expected Fourth Quarter 2014

- Sales down 1% to 3%
- EPS* from continuing operations \$1.13 - \$1.19



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

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PRODUCTS SEGMENT



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PRODUCTS



(\$ in Millions)

GAAP	THIRD QUARTER	
	2014	2013
Sales	\$921	\$998
Operating Earnings	\$141	\$171
Operating Margin	15.3%	17.1%

Non-GAAP*	THIRD QUARTER	
	2014	2013
Operating Earnings	\$175	\$204
Operating Margin	19.0%	20.4%

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

Q3 PRODUCTS

- Sales declined 8%, driven primarily by declines in Asia Pacific, North America, and Latin America, offset by double-digit growth in Europe & Africa
- Operating earnings* of 19%
- Major projects include \$33M with the State of Maryland, \$21M with a Ministry of Defense in Africa, \$7M with the Brazilian Army, and multiple contracts in utility, petrochem, logistics, retail, and railroad verticals

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



SERVICES SEGMENT



SERVICES



(\$ in Millions)

GAAP	THIRD QUARTER	
	2014	2013
Sales	\$515	\$519
Operating Earnings	\$66	\$75
Operating Margin	12.8%	14.5%

Non-GAAP*	THIRD QUARTER	
	2014	2013
Operating Earnings	\$84	\$92
Operating Margin	16.3%	17.7%

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

Q3 SERVICES

- Sales of \$515M, 2% growth excluding iDEN; Growth driven by all regions except North America
- Operating earnings of 16.3%
- Key projects include \$21M with LARICS for LTE services, and Smart Public Safety projects that include command and control solutions of \$16M with Loudon Co, VA and \$8M with Spartanburg Co, SC

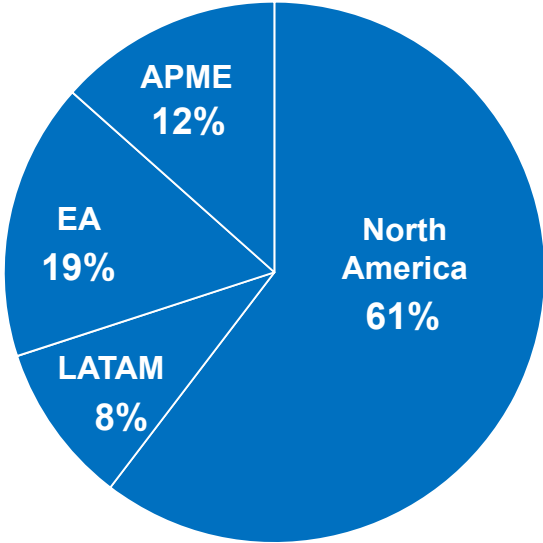


*Non-GAAP, excluding highlighted items, stock-based compensation, and intangible amortization



MSI REGIONAL REVENUE

	Q3 2014	Q3 2013	Change
N. America	\$881	\$944	(7%)
L. America	109	126	(14%)
EA	277	240	15%
APME	170	207	(18%)
TOTAL	\$1,436	\$1,517	(5%)



NORTH AMERICA

- Single digit decline driven by lower device sales
- Growth in PCR business
- Increase in sequential product and services backlog

INTERNATIONAL

- Double digit growth in Europe & Africa primarily driven by integration services, devices, and systems
- Double digit declines in both Latin America and Asia Pac driven by the Products segment

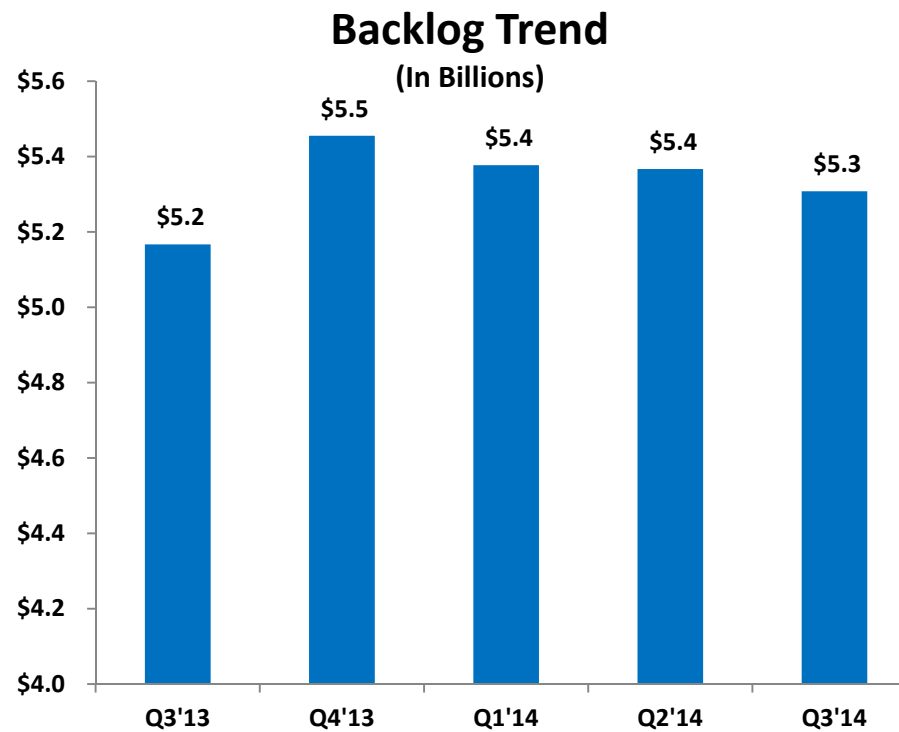
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BACKLOG



Sequential Quarter Change (Q2'14 to Q3'14)

- Products up \$32M
- Services down \$91M



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	Q3 '14
Net sales	\$ 1,387	\$ 1,537	\$ 1,580	\$ 1,764	\$ 1,396	\$ 1,497	\$ 1,517	\$ 1,817	\$ 1,228	\$ 1,393	\$ 1,436
GAAP gross margin	697	766	820	910	693	750	765	901	577	656	685
Non-GAAP gross margin adjustments:											
Stock-based compensation expense	5	6	5	5	5	4	4	4	4	3	2
Reorganization of business charges	1	3	2	1	-	5	5	7	1	3	7
Non-GAAP gross margin	703	775	827	916	698	759	774	912	582	662	694
GAAP Operating earnings ("OE")	152	190	252	327	174	203	246	325	107	138	207
Non-GAAP OE Adjustments:											
Stock-based compensation expense	29	36	30	31	30	23	25	25	25	23	18
Reorganization of business charges	6	6	6	8	7	13	16	34	9	25	13
Intangibles amortization expense	-	-	-	-	-	-	-	-	1	1	1
Other highlighted items	-	-	-	(16)	-	-	-	-	(21)	8	11
Non-GAAP OE	\$ 193	\$ 241	\$ 295	\$ 356	\$ 216	\$ 248	\$ 296	\$ 395	\$ 126	\$ 201	\$ 259
GAAP OE%	11.0%	12.4%	15.9%	18.5%	12.5%	13.6%	16.2%	17.9%	8.7%	9.9%	14.4%
Non-GAAP Adj %	2.9%	3.3%	2.8%	1.7%	3.0%	3.0%	3.3%	3.8%	1.5%	4.5%	3.6%
Non-GAAP OE %	13.9%	15.7%	18.7%	20.2%	15.5%	16.6%	19.5%	21.7%	10.3%	14.4%	18.0%

SUPPLEMENTAL NON-GAAP MEASURES



	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14
GAAP Other income (expense)	14	(27)	(9)	(18)	(19)	(35)	5	(19)	(18)	(40)	(56)
Non-GAAP Below OE adjustments	16	-	-	-	-	-	23	-	-	-	(27)
Non-GAAP Other income (expense)	(2)	(27)	(9)	(18)	(19)	(35)	(18)	(19)	(18)	(40)	(29)
GAAP Earnings from continuing operations	110	129	156	274	157	223	262	293	85	78	66
Non-GAAP OE adjustments	41	51	43	29	42	45	50	70	19	63	52
Non-GAAP below OE adjustments	(16)	-	-	-	-	-	(23)	-	-	-	27
Non-GAAP tax adjustments and effect	(7)	(33)	(13)	(68)	(57)	(11)	(3)	(6)	(32)	(20)	9
TOTAL Non-GAAP Earnings from continuing operations	\$ 128	\$ 147	\$ 186	\$ 235	\$ 142	\$ 257	\$ 286	\$ 357	\$ 72	\$ 121	\$ 154
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	\$ 0.27
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	0.35
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	\$ 0.62
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	248.2



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