

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

	Three Months Ended	
	September 27, 2014	September 28, 2013
Net sales from products	\$ 921	\$ 998
Net sales from services	515	519
Net sales	1,436	1,517
Costs of products sales	414	423
Costs of services sales	337	329
Costs of sales	751	752
Gross margin	685	765
Selling, general and administrative expenses	287	320
Research and development expenditures	166	183
Other charges	24	16
Intangibles amortization	1	-
Operating earnings	207	246
Other income (expense):		
Interest expense, net:	(31)	(29)
Gains on sales of investments and businesses, net	1	26
Other	(26)	8
Total other income (expense)	(56)	5
Earnings from continuing operations before income taxes	151	251
Income tax expense (benefit)	84	(11)
Earnings from continuing operations	67	262
Earnings from discontinued operations, net of tax	81	46
Net earnings	148	308
Less: Earnings attributable to noncontrolling interests	1	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 147	\$ 307
<i>Amounts attributable to Motorola Solutions, Inc. common shareholders</i>		
Earnings from continuing operations, net of tax	\$ 66	\$ 261
Earnings from discontinued operations, net of tax	81	46
Net earnings attributable to Motorola Solutions, Inc.	\$ 147	\$ 307
<u>Earnings per common share</u>		
Basic:		
Continuing operations	\$ 0.27	\$ 1.00
Discontinued operations	0.33	0.17
	\$ 0.60	\$ 1.17
Diluted:		
Continuing operations	\$ 0.27	\$ 0.98
Discontinued operations	0.32	0.18
	\$ 0.59	\$ 1.16
<u>Weighted average common shares outstanding</u>		
Basic	246.3	262.2
Diluted	248.2	265.3

	Percentage of Net Sales*	
	September 27, 2014	September 28, 2013
Net sales from products	64.1%	65.8%
Net sales from services	35.9%	34.2%
Net sales	100%	100%
Costs of products sales	45.0%	42.4%
Costs of services sales	65.4%	63.4%
Costs of sales	52.3%	49.6%
Gross margin	47.7%	50.4%
Selling, general and administrative expenses	20.0%	21.1%
Research and development expenditures	11.6%	12.1%
Other charges	1.7%	1.1%
Intangibles amortization	0.1%	0.0%
Operating earnings	14.4%	16.2%
Other income (expense):		
Interest expense, net:	-2.2%	-1.9%
Gains on sales of investments and businesses, net	0.1%	1.7%
Other	-1.8%	0.5%
Total other income (expense)	-3.9%	0.3%
Earnings from continuing operations before income taxes	10.5%	16.5%
Income tax expense (benefit)	5.8%	-0.7%
Earnings from continuing operations	4.7%	17.3%
Earnings from discontinued operations, net of tax	5.6%	3.0%
Net earnings	10.3%	20.3%
Less: Earnings attributable to noncontrolling interests	0.1%	0.1%
Net earnings attributable to Motorola Solutions, Inc.	10.2%	20.2%

* 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	
	September 27, 2014	September 28, 2013
Net sales from products	\$ 2,561	\$ 2,897
Net sales from services	1,497	1,513
Net sales	4,058	4,410
Costs of products sales	1,165	1,262
Costs of services sales	974	940
Costs of sales	2,139	2,202
Gross margin	1,919	2,208
Selling, general and administrative expenses	902	984
Research and development expenditures	516	565
Other charges	46	36
Intangibles amortization	3	1
Operating earnings	452	622
Other income (expense):		
Interest expense, net:	(85)	(85)
Gains on sales of investments and businesses, net	4	34
Other	(34)	3
Total other expense	(115)	(48)
Earnings from continuing operations before income taxes	337	574
Income tax expense (benefit)	107	(72)
Earnings from continuing operations	230	646
Earnings from discontinued operations, net of tax	869	116
Net earnings	1,099	762
Less: Earnings attributable to noncontrolling interests	1	5
Net earnings attributable to Motorola Solutions, Inc.	\$ 1,098	\$ 757
<i>Amounts attributable to Motorola Solutions, Inc. common shareholders</i>		
Earnings from continuing operations, net of tax	\$ 229	\$ 641
Earnings from discontinued operations, net of tax	869	116
Net earnings attributable to Motorola Solutions, Inc.	\$ 1,098	\$ 757
<u>Earnings per common share</u>		
Basic:		
Continuing operations	\$ 0.91	\$ 2.39
Discontinued operations	3.46	0.43
	\$ 4.37	\$ 2.82
Diluted:		
Continuing operations	\$ 0.90	\$ 2.34
Discontinued operations	3.42	0.43
	\$ 4.32	\$ 2.77
<u>Weighted average common shares outstanding</u>		
Basic	251.1	268.7
Diluted	254.0	273.5

	Percentage of Net Sales*	
Net sales from products	63.1%	65.7%
Net sales from services	36.9%	34.3%
Net sales	100%	100%
Costs of products sales	45.5%	43.6%
Costs of services sales	65.1%	62.1%
Costs of sales	52.7%	49.9%
Gross margin	47.3%	50.1%
Selling, general and administrative expenses	22.2%	22.3%
Research and development expenditures	12.7%	12.8%
Other charges	1.1%	0.8%
Intangibles amortization	0.1%	0.0%
Operating earnings	11.1%	14.1%
Other income (expense):		
Interest expense, net:	-2.1%	-1.9%
Gains on sales of investments and businesses, net	0.1%	0.8%
Other	-0.8%	0.1%
Total other expense	-2.8%	-1.1%
Earnings from continuing operations before income taxes	8.3%	13.0%
Income tax expense (benefit)	2.6%	-1.6%
Earnings from continuing operations	5.7%	14.6%
Earnings from discontinued operations, net of tax	21.4%	2.6%
Net earnings	27.1%	17.3%
Less: Earnings attributable to noncontrolling interests	0.0%	0.1%
Net earnings attributable to Motorola Solutions, Inc.	27.1%	17.2%

* Percentages may not add up due to rounding

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

	September 27, 2014	December 31, 2013
Assets		
Cash and cash equivalents	\$ 2,845	\$ 3,225
Accounts receivable, net	1,162	1,369
Inventories, net	331	347
Deferred income taxes	1,192	451
Other current assets	604	635
Current assets held for sale	1,034	993
Total current assets	7,168	7,020
Property, plant and equipment, net	664	695
Investments	240	232
Deferred income taxes	2,141	1,990
Goodwill	383	361
Other assets	138	89
Noncurrent assets held for sale	1,461	1,464
Total assets	\$ 12,195	\$ 11,851
Liabilities and Stockholders' Equity		
Current portion of long-term debt	\$ 4	\$ 4
Accounts payable	501	583
Accrued liabilities	1,673	1,763
Current liabilities held for sale	846	870
Total current liabilities	3,024	3,220
Long-term debt	3,401	2,457
Other liabilities	2,364	2,314
Noncurrent liabilities held for sale	164	171
Total Motorola Solutions, Inc. stockholders' equity	3,211	3,659
Noncontrolling interests	31	30
Total liabilities and stockholders' equity	\$ 12,195	\$ 11,851
Financial Ratios:		
Net cash*	\$ (560)	\$ 764

*Net cash = 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	
	September 27, 2014	September 28, 2013
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 147	\$ 307
Earnings attributable to noncontrolling interests	1	1
Net earnings	148	308
Earnings from discontinued operations, net of tax	81	46
Earnings from continuing operations, net of tax	67	262
Adjustments to reconcile Earnings from continuing operations to Net cash provided by operating activities:		
Depreciation and amortization	45	40
Loss on extinguishment of debt	37	-
Non-cash other charges (income)	2	(4)
Share-based compensation expense	20	29
Gains on sales of investments and businesses, net	(1)	(28)
Deferred income taxes	63	(115)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable	12	(59)
Inventories	(5)	(23)
Other current assets	(85)	35
Accounts payable and accrued liabilities	128	(22)
Other assets and liabilities	(398)	(39)
Net cash provided by (used for) operating activities from continuing operations	(115)	76
Investing		
Acquisitions and investments, net	(11)	(12)
Proceeds from sales of investments and businesses, net	2	27
Capital expenditures	(47)	(31)
Proceeds from sales of property, plant and equipment	6	-
Proceeds from sales of Sigma Fund and short-term investments, net	-	590
Net cash provided by (used for) investing activities from continuing operations	(50)	574
Financing		
Repayment of debt	(458)	(1)
Net proceeds from issuance of debt	1,370	-
Issuance of common stock	9	9
Repurchase of common stock	(650)	(425)
Excess tax benefit from share-based compensation	5	2
Payments of dividends	(78)	(69)
Distributions from (to) discontinued operations	(32)	76
Net cash provided by (used for) financing activities from continuing operations	166	(408)
Discontinued Operations		
Net cash provided by (used for) operating activities from discontinued operations	(25)	76
Net cash provided by (used for) investing activities from discontinued operations	(5)	1
Net cash provided by (used for) financing activities from discontinued operations	32	(76)
Effect of exchange rate changes on cash and cash equivalents from discontinued operations	(2)	(1)
Net cash provided by discontinued operations	-	-
Effect of exchange rate changes on cash and cash equivalents from continuing operations	(32)	22
Net increase (decrease) in cash and cash equivalents	(31)	264
Cash and cash equivalents, beginning of period	2,876	1,457
Cash and cash equivalents, end of period	\$ 2,845	\$ 1,721
Financial Ratios:		
Free cash flow*	\$ (162)	\$ 45

*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	
	September 27, 2014	September 28, 2013
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 1,098	\$ 757
Earnings attributable to noncontrolling interests	1	5
Net earnings	1,099	762
Earnings from discontinued operations, net of tax	869	116
Earnings from continuing operations, net of tax	230	646
Adjustments to reconcile Earnings from continuing operations to Net cash provided by operating activities:		
Depreciation and amortization	131	116
Gain on sale of building and land	(21)	-
Loss on extinguishment of debt	37	-
Non-cash other income	(2)	(11)
Share-based compensation expense	74	91
Gains on sales of investments and businesses, net	(4)	(34)
Deferred income taxes	69	(309)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable	202	19
Inventories	12	(9)
Other current assets	(9)	11
Accounts payable and accrued liabilities	(170)	(501)
Other assets and liabilities	(534)	(44)
Net cash provided by (used for) operating activities from continuing operations	15	(25)
Investing		
Acquisitions and investments, net	(21)	(20)
Proceeds from sales of investments and businesses, net	23	48
Capital expenditures	(130)	(110)
Proceeds from sales of property, plant and equipment	30	15
Proceeds from sales of Sigma Fund and short-term investments, net	-	966
Net cash provided by (used for) investing activities from continuing operations	(98)	899
Financing		
Repayment of debt	(461)	(3)
Net proceeds from issuance of debt	1,375	593
Issuance of common stock	94	108
Repurchase of common stock	(1,123)	(1,332)
Excess tax benefit from share-based compensation	11	20
Payments of dividends	(236)	(212)
Distributions from discontinued operations	66	214
Net cash used for financing activities from continuing operations	(274)	(612)
Discontinued Operations		
Net cash provided by operating activities from discontinued operations	63	228
Net cash provided by (used for) investing activities from discontinued operations	5	(16)
Net cash used for financing activities from discontinued operations	(66)	(214)
Effect of exchange rate changes on cash and cash equivalents from discontinued operations	(2)	2
Net cash provided by discontinued operations	-	-
Effect of exchange rate changes on cash and cash equivalents from continuing operations	(23)	(9)
Net increase (decrease) in cash and cash equivalents	(380)	253
Cash and cash equivalents, beginning of period	3,225	1,468
Cash and cash equivalents, end of period	\$ 2,845	\$ 1,721

Financial Ratios:

Free cash flow*	\$ (115)	\$ (135)
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*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

	September 27, 2014	September 28, 2013	% Change
Products	\$ 921	\$ 998	-8%
Services	515	519	-1%
Total Motorola Solutions	\$ 1,436	\$ 1,517	-5%

Nine Months Ended

	September 27, 2014	September 28, 2013	% Change
Products	\$ 2,561	\$ 2,897	-12%
Services	1,497	1,513	-1%
Total Motorola Solutions	\$ 4,058	\$ 4,410	-8%

Operating Earnings

Three Months Ended

	September 27, 2014	September 28, 2013	% Change
Products	\$ 141	\$ 171	-18%
Services	66	75	-12%
Total Motorola Solutions	\$ 207	\$ 246	-16%

Nine Months Ended

	September 27, 2014	September 28, 2013	% Change
Products	\$ 276	\$ 402	-31%
Services	176	220	-20%
Total Motorola Solutions	\$ 452	\$ 622	-27%

Operating Earnings %

Three Months Ended

	September 27, 2014	September 28, 2013
Products	15.3%	17.1%
Services	12.8%	14.5%
Total Motorola Solutions	14.4%	16.2%

Nine Months Ended

	September 27, 2014	September 28, 2013
Products	10.8%	13.9%
Services	11.8%	14.5%
Total Motorola Solutions	11.1%	14.1%

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

Q1 2014

Highlighted Items	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS impact
Intangibles amortization expense	Intangibles amortization	\$ 1	\$ -	\$ 1	\$ -
Share-based compensation expense	Cost of sales, SG&A and R&D	29	9	20	0.08
Reorganization of business charges	Cost of sales and Other charges	10	2	8	0.03
Gain on sale of building and land	Other charges	(21)	(8)	(13)	(0.05)
Recognition of previously unrecognized income tax benefits	Income tax expense	-	29	(29)	(0.11)
Total impact on Net earnings		\$ 19	\$ 32	\$ (13)	\$ (0.05)

Q2 2014

Highlighted Items	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS impact
Intangibles amortization expense	Intangibles amortization	\$ 1	\$ -	\$ 1	\$ -
Share-based compensation expense	Cost of sales, SG&A and R&D	26	9	17	0.07
Reorganization of business charges	Cost of sales and Other charges	28	8	20	0.08
Legal settlement	Other charges	8	3	5	0.02
Total impact on Net earnings		\$ 63	\$ 20	\$ 43	\$ 0.17

Q3 2014

Highlighted Items	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS impact
Intangibles amortization expense	Intangibles amortization	\$ 1	\$ -	\$ 1	\$ -
Share-based compensation expense	Cost of sales, SG&A and R&D	20	6	14	0.06
Reorganization of business charges	Cost of sales and Other charges	20	6	14	0.06
Pension-related transaction fees	Other charges	11	4	7	0.03
Loss from the extinguishment of long-term debt	Other expense (income)	37	14	23	0.09
Gain on investment	Other expense (income)	(10)	-	(10)	(0.04)
Tax expense to establish foreign valuation allowance	Income tax expense	-	(55)	55	0.22
Revaluation of deferred taxes for change in effective state tax rates	Income tax expense	-	16	(16)	(0.07)
Total impact on Net earnings		\$ 79	\$ (9)	\$ 88	\$ 0.35

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

Net Sales

	Three Months Ended		
	September 27, 2014	September 28, 2013	% Change
	Products	\$ 921	\$ 998
Services	515	519	-1%
Total Motorola Solutions	\$ 1,436	\$ 1,517	-5%

	Nine Months Ended		
	September 27, 2014	September 28, 2013	% Change
	Products	\$ 2,561	\$ 2,897
Services	1,497	1,513	-1%
Total Motorola Solutions	\$ 4,058	\$ 4,410	-8%

Non-GAAP Operating Earnings

	Three Months Ended		
	September 27, 2014	September 28, 2013	% Change
	Products	\$ 175	\$ 204
Services	84	92	-9%
Total Motorola Solutions	\$ 259	\$ 296	-13%

	Nine Months Ended		
	September 27, 2014	September 28, 2013	% Change
	Products	\$ 359	\$ 492
Services	226	268	-16%
Total Motorola Solutions	\$ 585	\$ 760	-23%

Non-GAAP Operating Earnings %

	Three Months Ended	
	September 27, 2014	September 28, 2013
	Products	19.0%
Services	16.3%	17.7%
Total Motorola Solutions	18.0%	19.5%

	Nine Months Ended	
	September 27, 2014	September 28, 2013
	Products	14.0%
Services	15.1%	17.7%
Total Motorola Solutions	14.4%	17.2%

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

Q1 2014

	TOTAL	Products	Services
Net sales	\$ 1,228	\$ 753	\$ 475
Operating earnings ("OE")	\$ 107	\$ 39	\$ 68
Above-OE non-GAAP adjustments:			
Share-based compensation expense	29	19	10
Reorganization of business charges	10	6	4
Intangibles amortization expense	1	1	-
Gain on sale of building and land	(21)	(14)	(7)
Total above-OE non-GAAP adjustments	19	12	7
Operating earnings after non-GAAP adjustments	\$ 126	\$ 51	\$ 75
Operating earnings as a percentage of net sales - GAAP	8.7%	5.2%	14.3%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	10.3%	6.8%	15.8%

Q2 2014

	TOTAL	Products	Services
Net sales	\$ 1,393	\$ 887	\$ 506
Operating earnings ("OE")	\$ 138	\$ 95	\$ 43
Above-OE non-GAAP adjustments:			
Share-based compensation expense	26	14	12
Reorganization of business charges	28	18	10
Intangibles amortization expense	1	1	-
Legal settlement	8	5	3
Total above-OE non-GAAP adjustments	63	38	25
Operating earnings after non-GAAP adjustments	\$ 201	\$ 133	\$ 68
Operating earnings as a percentage of net sales - GAAP	9.9%	10.7%	8.5%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	14.4%	15.0%	13.4%

Q3 2014

	TOTAL	Products	Services
Net sales	\$ 1,436	\$ 921	\$ 515
Operating earnings ("OE")	\$ 207	\$ 141	\$ 66
Above-OE non-GAAP adjustments:			
Share-based compensation expense	20	11	9
Reorganization of business charges	20	14	6
Intangibles amortization expense	1	1	-
Pension-related transaction fees	11	8	3
Total above-OE non-GAAP adjustments	52	34	18
Operating earnings after non-GAAP adjustments	\$ 259	\$ 175	\$ 84
Operating earnings as a percentage of net sales - GAAP	14.4%	15.3%	12.8%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	18.8%	19.4%	17.7%