

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

	Three Months Ended	
	June 28, 2014	June 29, 2013
Net sales from products	\$ 887	\$ 986
Net sales from services	506	511
Net sales	1,393	1,497
Costs of products sales	400	435
Costs of services sales	337	312
Costs of sales	737	747
Gross margin	656	750
Selling, general and administrative expenses	308	339
Research and development expenditures	176	195
Other charges	33	13
Intangibles amortization	1	-
Operating earnings	138	203
Other expense:		
Interest expense, net:	(29)	(32)
Losses on sales of investments and businesses, net	(4)	-
Other	(7)	(3)
Total other expense	(40)	(35)
Earnings from continuing operations before income taxes	98	168
Income tax expense (benefit)	20	(59)
Earnings from continuing operations	78	227
Earnings from discontinued operations, net of tax	746	35
Net earnings	824	262
Less: Earnings attributable to noncontrolling interests	-	4
Net earnings attributable to Motorola Solutions, Inc.	\$ 824	\$ 258
<i>Amounts attributable to Motorola Solutions, Inc. common shareholders</i>		
Earnings from continuing operations, net of tax	\$ 78	\$ 223
Earnings from discontinued operations, net of tax	746	35
Net earnings attributable to Motorola Solutions, Inc.	\$ 824	\$ 258
<u>Earnings per common share</u>		
Basic:		
Continuing operations	\$ 0.31	\$ 0.83
Discontinued operations	2.94	0.13
	\$ 3.25	\$ 0.96
Diluted:		
Continuing operations	\$ 0.30	\$ 0.81
Discontinued operations	2.92	0.13
	\$ 3.22	\$ 0.94
<u>Weighted average common shares outstanding</u>		
Basic	253.7	269.5
Diluted	256.2	274.7

	Percentage of Net Sales*	
Net sales from products	63.7%	65.9%
Net sales from services	36.3%	34.1%
Net sales	100%	100%
Costs of products sales	45.1%	44.1%
Costs of services sales	66.6%	61.1%
Costs of sales	52.9%	49.9%
Gross margin	47.1%	50.1%
Selling, general and administrative expenses	22.1%	22.6%
Research and development expenditures	12.6%	13.0%
Other charges	2.4%	0.9%
Intangibles amortization	0.1%	0.0%
Operating earnings	9.9%	13.6%
Other expense:		
Interest expense, net:	-2.1%	-2.1%
Losses on sales of investments and businesses, net	-0.3%	0.0%
Other	-0.5%	-0.2%
Total other expense	-2.9%	-2.3%
Earnings from continuing operations before income taxes	7.0%	11.2%
Income tax expense (benefit)	1.4%	-3.9%
Earnings from continuing operations	5.6%	15.2%
Earnings from discontinued operations, net of tax	53.6%	2.3%
Net earnings	59.2%	17.5%
Less: Earnings attributable to noncontrolling interests	0.0%	0.3%
Net earnings attributable to Motorola Solutions, Inc.	59.2%	17.2%

\* Percentages may not add up due to rounding

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

	Six Months Ended	
	June 28, 2014	June 29, 2013
Net sales from products	\$ 1,640	\$ 1,899
Net sales from services	982	994
Net sales	2,622	2,893
Costs of products sales	751	840
Costs of services sales	638	610
Costs of sales	1,389	1,450
Gross margin	1,233	1,443
Selling, general and administrative expenses	615	665
Research and development expenditures	350	382
Other charges	21	20
Intangibles amortization	2	-
Operating earnings	245	376
Other income (expense):		
Interest expense, net:	(54)	(57)
Gains on sales of investments and businesses, net	4	7
Other	(9)	(3)
Total other expense	(59)	(53)
Earnings from continuing operations before income taxes	186	323
Income tax expense (benefit)	23	(61)
Earnings from continuing operations	163	384
Earnings from discontinued operations, net of tax	788	70
Net earnings	951	454
Less: Earnings attributable to noncontrolling interests	-	4
Net earnings attributable to Motorola Solutions, Inc.	\$ 951	\$ 450
<i>Amounts attributable to Motorola Solutions, Inc. common shareholders</i>		
Earnings from continuing operations, net of tax	\$ 163	\$ 380
Earnings from discontinued operations, net of tax	788	70
Net earnings attributable to Motorola Solutions, Inc.	\$ 951	\$ 450
<u>Earnings per common share</u>		
Basic:		
Continuing operations	\$ 0.64	\$ 1.40
Discontinued operations	3.11	0.26
	\$ 3.75	\$ 1.66
Diluted:		
Continuing operations	\$ 0.63	\$ 1.37
Discontinued operations	3.07	0.25
	\$ 3.70	\$ 1.62
<u>Weighted average common shares outstanding</u>		
Basic	253.8	271.9
Diluted	257.2	277.7

	Percentage of Net Sales*	
Net sales from products	62.5%	65.6%
Net sales from services	37.5%	34.4%
Net sales	100%	100%
Costs of products sales	45.8%	44.2%
Costs of services sales	65.0%	61.4%
Costs of sales	53.0%	50.1%
Gross margin	47.0%	49.9%
Selling, general and administrative expenses	23.5%	23.0%
Research and development expenditures	13.3%	13.2%
Other charges	0.8%	0.7%
Intangibles amortization	0.1%	0.0%
Operating earnings	9.3%	13.0%
Other income (expense):		
Interest expense, net:	-2.1%	-2.0%
Gains on sales of investments and businesses, net	0.2%	0.2%
Other	-0.3%	-0.1%
Total other expense	-2.3%	-1.8%
Earnings from continuing operations before income taxes	7.1%	11.2%
Income tax expense (benefit)	0.9%	-2.1%
Earnings from continuing operations	6.2%	13.3%
Earnings from discontinued operations, net of tax	30.1%	2.4%
Net earnings	36.3%	15.7%
Less: Earnings attributable to noncontrolling interests	0.0%	0.1%
Net earnings attributable to Motorola Solutions, Inc.	36.3%	15.6%

\* Percentages may not add up due to rounding

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

	June 28, 2014	December 31, 2013
<b>Assets</b>		
Cash and cash equivalents	\$ 2,876	\$ 3,225
Accounts receivable, net	1,185	1,369
Inventories, net	330	347
Deferred income taxes	1,205	451
Other current assets	527	635
Current assets held for sale	943	993
<b>Total current assets</b>	<b>7,066</b>	<b>7,020</b>
Property, plant and equipment, net	682	695
Investments	236	232
Deferred income taxes	1,909	1,990
Goodwill	383	361
Other assets	128	89
Noncurrent assets held for sale	1,464	1,464
<b>Total assets</b>	<b>\$ 11,868</b>	<b>\$ 11,851</b>
<b>Liabilities and Stockholders' Equity</b>		
Current portion of long-term debt	\$ 4	\$ 4
Accounts payable	453	583
Accrued liabilities	1,615	1,763
Current liabilities held for sale	852	870
<b>Total current liabilities</b>	<b>2,924</b>	<b>3,220</b>
Long-term debt	2,446	2,457
Other liabilities	2,151	2,314
Noncurrent liabilities held for sale	178	171
<b>Total Motorola Solutions, Inc. stockholders' equity</b>	<b>4,139</b>	<b>3,659</b>
Noncontrolling interests	30	30
<b>Total liabilities and stockholders' equity</b>	<b>\$ 11,868</b>	<b>\$ 11,851</b>
<b>Financial Ratios:</b>		
Net cash*	\$ 426	\$ 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	
	June 28, 2014	June 29, 2013
<b>Operating</b>		
Net earnings attributable to Motorola Solutions, Inc.	\$ 824	\$ 258
Earnings attributable to noncontrolling interests	-	4
Net earnings	824	262
Earnings from discontinued operations, net of tax	746	35
Earnings from continuing operations, net of tax	78	227
Adjustments to reconcile Earnings from continuing operations to Net cash provided by operating activities:		
Depreciation and amortization	46	40
Non-cash other income	(1)	(6)
Share-based compensation expense	25	27
Loss on sales of investments and businesses, net	4	-
Deferred income taxes	(16)	(167)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable	30	(108)
Inventories	29	8
Other current assets	60	61
Accounts payable and accrued liabilities	(124)	(113)
Other assets and liabilities	(13)	9
Net cash provided by (used for) operating activities from continuing operations	118	(22)
<b>Investing</b>		
Acquisitions and investments, net	(6)	(5)
Proceeds from sales of investments and businesses, net	10	2
Capital expenditures	(42)	(37)
Proceeds from sales of property, plant and equipment	-	15
Proceeds from sales of Sigma Fund and short-term investments, net	-	489
Net cash provided by (used for) investing activities from continuing operations	(38)	464
<b>Financing</b>		
Repayment of debt	(1)	(1)
Issuance of common stock	71	60
Repurchase of common stock	(416)	(550)
Excess tax benefit from share-based compensation	1	9
Payments of dividends	(79)	(71)
Distributions from discontinued operations	74	95
Net cash used for financing activities from continuing operations	(350)	(458)
<b>Discontinued Operations</b>		
Net cash provided by operating activities from discontinued operations	55	105
Net cash provided by (used for) investing activities from discontinued operations	19	(12)
Net cash used for financing activities from discontinued operations	(74)	(95)
Effect of exchange rate changes on cash and cash equivalents from discontinued operations	-	2
Net cash provided by discontinued operations	-	-
Effect of exchange rate changes on cash and cash equivalents from continuing operations	5	3
Net decrease in cash and cash equivalents	(265)	(13)
Cash and cash equivalents, beginning of period	3,141	1,470
Cash and cash equivalents, end of period	\$ 2,876	\$ 1,457
<b>Financial Ratios:</b>		
Free cash flow*	\$ 76	\$ (59)

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

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

	Six Months Ended	
	June 28, 2014	June 29, 2013
<b>Operating</b>		
Net earnings attributable to Motorola Solutions, Inc.	\$ 951	\$ 450
Earnings attributable to noncontrolling interests	-	4
Net earnings	951	454
Earnings from discontinued operations, net of tax	788	70
Earnings from continuing operations, net of tax	163	384
Adjustments to reconcile Earnings from continuing operations to Net cash provided by operating activities:		
Depreciation and amortization	86	76
Gain on sale of building and land	(21)	-
Non-cash other income	(5)	(7)
Share-based compensation expense	54	62
Gains on sales of investments and businesses, net	(4)	(7)
Deferred income taxes	6	(193)
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable	190	78
Inventories	17	14
Other current assets	76	(23)
Accounts payable and accrued liabilities	(299)	(479)
Other assets and liabilities	(133)	(5)
Net cash provided by (used for) operating activities from continuing operations	130	(100)
<b>Investing</b>		
Acquisitions and investments, net	(11)	(8)
Proceeds from sales of investments and businesses, net	21	21
Capital expenditures	(82)	(79)
Proceeds from sales of property, plant and equipment	24	15
Proceeds from sales of Sigma Fund and short-term investments, net	-	376
Net cash provided by (used for) investing activities from continuing operations	(48)	325
<b>Financing</b>		
Repayment of debt	(2)	(2)
Net proceeds from issuance of debt	4	593
Issuance of common stock	85	99
Repurchase of common stock	(473)	(907)
Excess tax benefit from share-based compensation	6	18
Payments of dividends	(158)	(143)
Distributions from discontinued operations	100	137
Net cash used for financing activities from continuing operations	(438)	(205)
<b>Discontinued Operations</b>		
Net cash provided by operating activities from discontinued operations	89	152
Net cash provided by (used for) investing activities from discontinued operations	11	(17)
Net cash used for financing activities from discontinued operations	(100)	(137)
Effect of exchange rate changes on cash and cash equivalents from discontinued operations	-	2
Net cash provided by discontinued operations	-	-
Effect of exchange rate changes on cash and cash equivalents from continuing operations	7	(31)
Net decrease in cash and cash equivalents	(349)	(11)
Cash and cash equivalents, beginning of period	3,225	1,468
Cash and cash equivalents, end of period	\$ 2,876	\$ 1,457

**Financial Ratios:**

Free cash flow*	\$ 48	\$ (179)
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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		
	June 28, 2014	June 29, 2013	% Change
Products	\$ 887	\$ 986	-10%
Services	506	511	-1%
Total Motorola Solutions	\$ 1,393	\$ 1,497	-7%

	Six Months Ended		
	June 28, 2014	June 29, 2013	% Change
Products	\$ 1,640	\$ 1,899	-14%
Services	982	994	-1%
Total Motorola Solutions	\$ 2,622	\$ 2,893	-9%

**Operating Earnings**

	Three Months Ended		
	June 28, 2014	June 29, 2013	% Change
Products	\$ 95	\$ 125	-24%
Services	43	78	-45%
Total Motorola Solutions	\$ 138	\$ 203	-32%

	Six Months Ended		
	June 28, 2014	June 29, 2013	% Change
Products	\$ 134	\$ 231	-42%
Services	111	145	-23%
Total Motorola Solutions	\$ 245	\$ 376	-35%

**Operating Earnings %**

	Three Months Ended	
	June 28, 2014	June 29, 2013
Products	10.7%	12.7%
Services	8.5%	15.3%
Total Motorola Solutions	9.9%	13.6%

	Six Months Ended	
	June 28, 2014	June 29, 2013
Products	8.2%	12.2%
Services	11.3%	14.6%
Total Motorola Solutions	9.3%	13.0%

## 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

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

**Net Sales**

	Three Months Ended		
	June 28, 2014	June 29, 2013	% Change
	Products	\$ 887	\$ 986
Services	506	511	-1%
Total Motorola Solutions	\$ 1,393	\$ 1,497	-7%

  

	Six Months Ended		
	June 28, 2014	June 29, 2013	% Change
	Products	\$ 1,640	\$ 1,899
Services	982	994	-1%
Total Motorola Solutions	\$ 2,622	\$ 2,893	-9%

**Non-GAAP Operating Earnings**

	Three Months Ended		
	June 28, 2014	June 29, 2013	% Change
	Products	\$ 133	\$ 154
Services	68	94	-28%
Total Motorola Solutions	\$ 201	\$ 248	-19%

  

	Six Months Ended		
	June 28, 2014	June 29, 2013	% Change
	Products	\$ 185	\$ 288
Services	142	176	-19%
Total Motorola Solutions	\$ 327	\$ 464	-30%

**Non-GAAP Operating Earnings %**

	Three Months Ended	
	2014	2013
	Products	15.0%
Services	13.4%	18.4%
Total Motorola Solutions	14.4%	16.6%

  

	Six Months Ended	
	June 28, 2014	June 29, 2013
	Products	11.3%
Services	14.5%	17.7%
Total Motorola Solutions	12.5%	16.0%



**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%