

MOTOROLA SOLUTIONS

Q1 2015 RESULTS

May 6, 2015

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 9 through 20 in Item 1A of Motorola Solutions' 2014 Annual Report on Form 10-K 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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Q1 HIGHLIGHTS



- **Sales flat, up 3%* in constant currency**
 - North America sales growth of 6%
 - Q1 FX unfavorable impact to sales of \$40M
- **Reduced operating expenses by \$60M **, or 13%**
- **Non-GAAP EPS growth of 36%****
- **Operating cash flow of \$151M, up \$139M**
- **Backlog is up \$442M**
 - Up \$132M in Products and \$310M in Services
- **Returned \$728M of capital to shareholders**
 - \$653M in share repurchase and \$75M in dividends

* Excluding \$40M of currency impact

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

FINANCIAL RESULTS



(\$M), excluding per share amounts

GAAP	Q1 2015	Q1 2014	Change
Revenue	\$1,223	\$1,228	0%
Revenue Growth - constant currency			3%
Operating Earnings	\$119	\$107	11%
Operating Margin	9.7%	8.7%	100 bps
EPS	\$0.40	\$0.33	21%

Non - GAAP	Q1 2015	Q1 2014	Change
Operating Earnings	\$156	\$126	24%
Operating Margin	12.8%	10.3%	250 bps
EPS	\$0.38	\$0.28	36%

Q1 KEY FINANCIAL METRICS



(\$M), excluding per share amounts

Non - GAAP	Q1 2015	Q1 2014	Change
Revenue	\$1,223	\$1,228	0%
Revenue Growth - constant currency			3%
EBITDA *	\$195	\$165	18%
Operating Earnings %	12.8%	10.3%	250 bps
EPS	\$0.38	\$0.28	36%
Operating Cash Flow	\$151	\$12	\$139
Free Cash Flow **	\$118	(\$29)	\$147
Free Cash Flow / Share	\$0.54	(\$0.11)	n/m

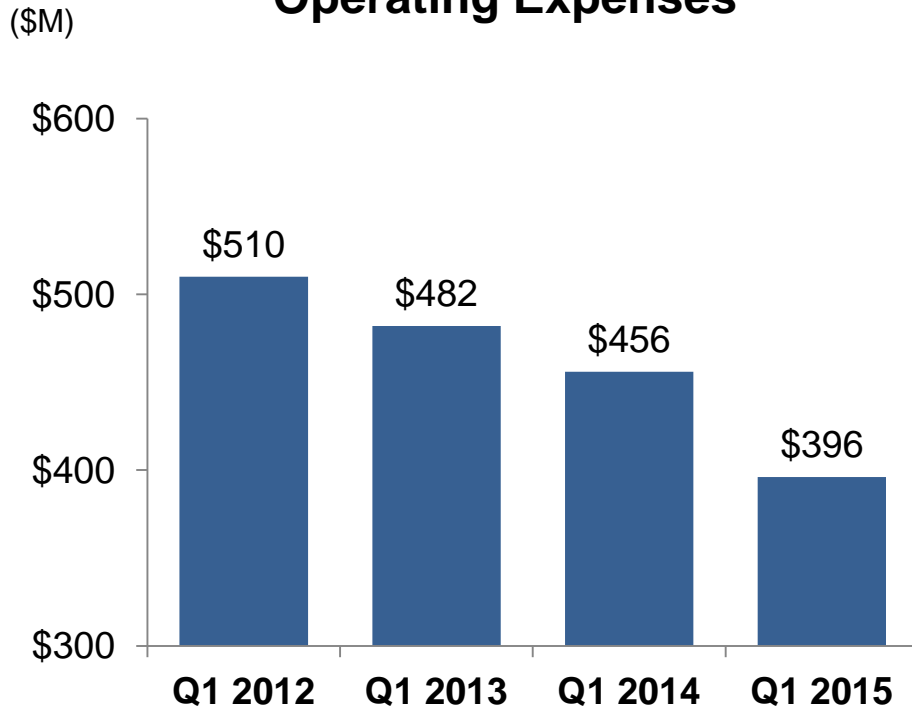
* Non-GAAP Operating Earnings + Depreciation

** Operating Cash Flow - CAPEX

OPERATING LEVERAGE



Operating Expenses*



- Q1 operating expenses down \$60M vs. last year
- On track for \$150M - \$175M in opex savings for 2015

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

Q1 CASH FLOW



(\$M), excluding per share amounts

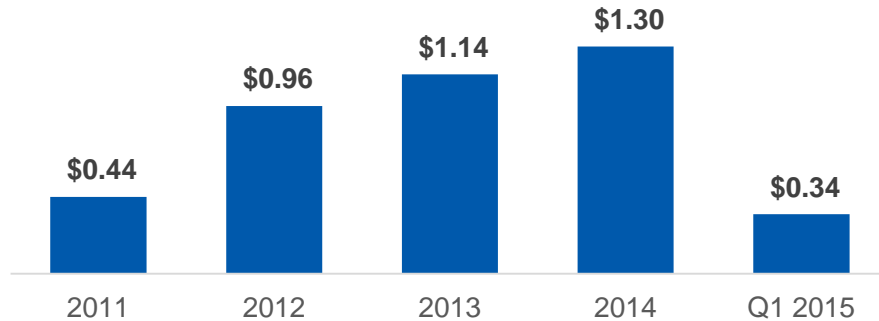
	Q1 2015	Q1 2014	Change
Operating Cash Flow	\$151	\$12	\$139
Capital Expenditures	<u>\$33</u>	<u>\$41</u>	<u>\$8</u>
Free Cash Flow	\$118	(\$29)	\$147
Weighted Avg Diluted Shares Outstanding (M)	218	258	(40)
FCF per share	\$0.54	(\$0.11)	n/m

CAPITAL RETURN



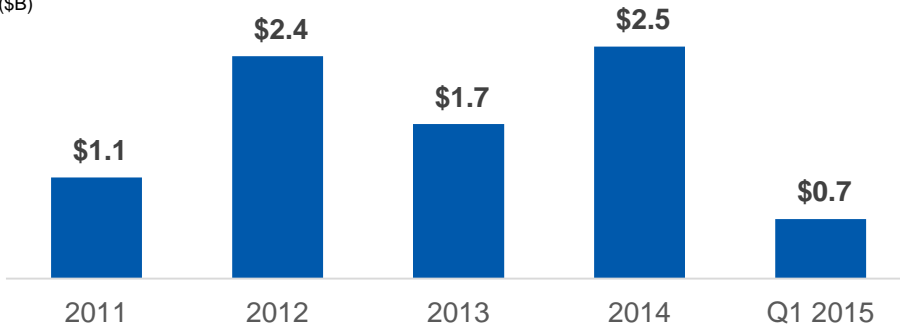
Dividends Paid

(\$ per share)



Share Repurchases

(\$B)



- **\$75M in Q1 dividends**
 - \$1B dividends paid since Q3 2011
- **Q1 share repurchase \$653M**
 - \$8.4B in share repurchases since Q3 2011
 - \$3.6B remaining on repurchase program
- **39% reduction in ending net shares since Q3 2011**
- **Ended Q1 in net debt* position of \$43M**
 - \$3.4B in cash, \$3.4B in debt

* Net Debt = Cash & Cash Equivalents, minus LT Debt including current portion

Q2 OUTLOOK (NON-GAAP)



Second Quarter Outlook	Range
Revenue Growth	(3%) to (5%)
Revenue Growth - constant currency*	Flat to (2%)
EPS	\$0.51 - \$0.56

- **1st Half revenue expectation unchanged**
 - Q2 currency headwind ~\$45M vs. LY
 - LA-RICS LTE impact ~\$20M vs. prior outlook

* Spot rate as of May 4th

2015 OUTLOOK (NON-GAAP)



	Prior Outlook	Current Outlook
Revenue Growth	Flat to (2%)	Flat to (2%)
Revenue Growth - constant currency*	1% to 3%	1% to 3%
Operating Expenses	Down \$150M	Down \$150-\$175M
EBITDA	\$1.30B to \$1.36B	\$1.32B to \$1.37B
EPS	\$3.15 - \$3.35	\$3.20 - \$3.40
Other Income & Expense	Approx. \$180M	Approx. \$180M
Operating Cash Flow	Approx. \$1.0B	Approx. \$1.0B
Effective Tax Rate	Approx. 33%	Approx. 33%
Cash Tax Rate	Approx. 15%	Approx. 15%

* Spot rate as of May 4th

PRODUCTS FINANCIAL RESULTS



(\$M)

GAAP	Q1 2015	Q1 2014	Change
Sales	\$758	\$752	1%
Operating Earnings	\$64	\$39	64%
Operating Margin	8.4%	5.2%	320 bps

Non - GAAP	Q1 2015	Q1 2014	Change
Operating Earnings	\$90	\$52	73%
Operating Margin	11.9%	6.9%	500 bps

PRODUCTS Q1 HIGHLIGHTS



- Sales of \$758M, up 1%, driven primarily by North America Devices growth
- Backlog up \$132M versus last year and up \$43M sequentially
- Operating earnings* increase of 73%, driven by revenue growth and cost reductions
- Major projects include:
 - \$73M system upgrade with new software features and functionality as part of the \$135M South Australia Government Radio Network deal
 - \$19M to provide 25,000 digital TETRA radios, accessories, training and logistics services in Germany



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

SERVICES FINANCIAL RESULTS



(\$M)

GAAP	Q1 2015	Q1 2014	Change
Sales	\$465	\$476	-2%
Operating Earnings	\$55	\$68	-19%
Operating Margin	11.8%	14.3%	-250 bps

Non - GAAP	Q1 2015	Q1 2014	Change
Operating Earnings	\$66	\$74	-11%
Operating Margin	14.2%	15.5%	-130 bps

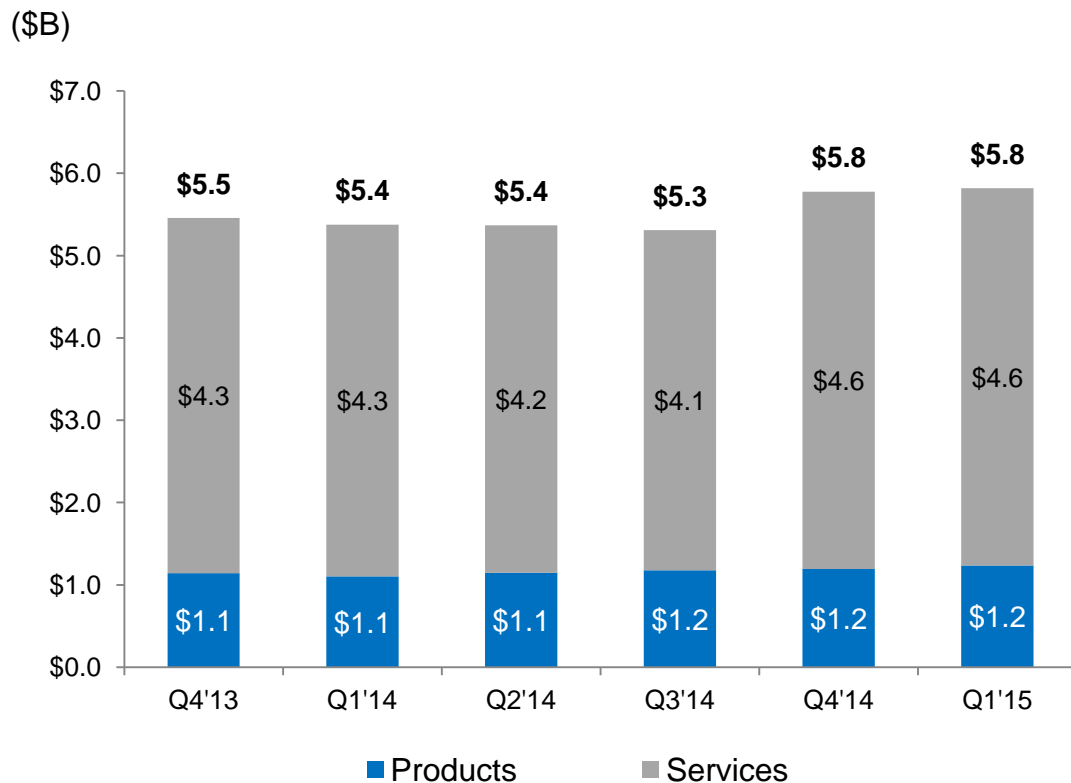
SERVICES Q1 HIGHLIGHTS



- Sales of \$465M, down 2%. Excluding iDEN and currency effects, sales grew 3%
- Backlog up \$310M versus last year and flat sequentially including \$145M F/X adjustment
- Major projects include:
 - \$32M in Ohio for a multi-year software upgrade agreement, and hardware & software maintenance
 - \$62M for a multi-year Managed Services contract as part of the \$135 million South Australia Government Radio Network deal



BACKLOG TREND



Sequential Quarter Change (Q4'14 to Q1'15)

- Products up \$43M
- Services flat, net of \$145M currency adjustment*

Annual Change (Q1'14 to Q1'15)

- Products up \$132M
- Services up \$310M

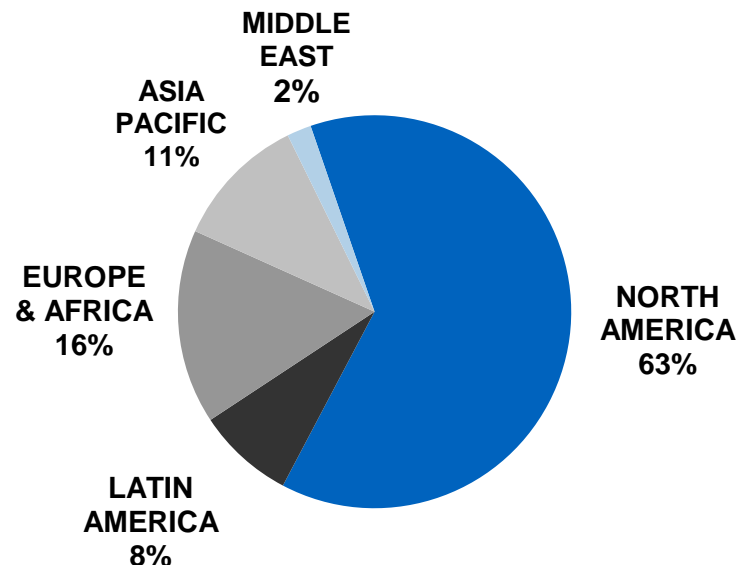
REGIONAL REVENUE



GAAP	Q1 2015	Q1 2014	Change	Constant Currency Change
N. America	\$771	\$727	6%	7%
L. America	\$96	\$125	-24%	-22%
EA	\$191	\$214	-11%	1%
AP	\$134	\$141	-5%	0%
ME	\$31	\$21	51%	51%
TOTAL	\$1,223	\$1,228	0%	3%

- North America growth driven by strong product sales
- Latin America down on large prior year comparable and iDEN decline
- Europe & Africa down on currency headwinds
- Middle East growth in both Products & Services

Q1 2015 REVENUE BY REGION



Q&A PARTICIPANTS

An aerial photograph of a dense urban skyline, likely São Paulo, Brazil, featuring numerous high-rise apartment buildings and a clear sky with a helicopter flying in the distance.

Greg Brown - Chairman and CEO

Gino Bonanotte - Executive Vice President
and CFO

Mark Moon - Executive Vice President and
President, Sales & Product Operations

Bob Schassler - Executive Vice President,
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



Motorola Solutions, Inc. and Subsidiaries Non-GAAP Trend (In millions, except per share amounts)

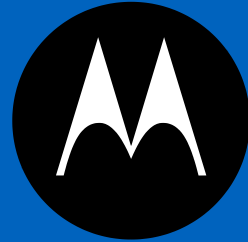
	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13	Q2 '13	Q3 '13	Q4 '13	Q1 '14	Q2 '14	Q3 '14	Q4 '14	Q1 '15
Net sales	\$1,387	\$1,537	\$1,580	\$1,764	\$1,396	\$1,497	\$1,517	\$1,817	\$1,228	\$1,393	\$1,436	\$1,823	\$1,223
GAAP gross margin	697	766	820	910	693	750	765	901	577	656	685	912	548
Non-GAAP gross margin adjustments:													
Stock-based compensation expense	5	6	5	5	5	4	4	4	4	3	2	2	3
Reorganization of business charges	1	3	2	1	-	5	5	7	1	3	7	-	2
Non-GAAP gross margin	703	775	827	916	698	759	774	912	582	662	694	914	553
GAAP Operating earnings (loss) ("OE")	152	190	252	327	174	203	246	325	107	138	207	(1,459)	119
Non-GAAP OE Adjustments:													
Stock-based compensation expense	29	36	30	31	30	23	25	26	25	23	18	18	18
Reorganization of business charges	6	6	6	8	7	13	16	34	9	25	13	15	12
Intangibles amortization expense	-	-	-	-	-	-	-	-	1	1	1	1	2
Other highlighted items	-	-	-	(16)	-	-	-	-	(21)	8	11	1,906	-
Non-GAAP OE	\$ 193	\$ 241	\$ 295	\$ 356	\$ 216	\$ 248	\$ 296	\$ 396	\$ 126	\$ 201	\$ 259	\$ 483	\$ 156
GAAP OE%	11.0%	12.4%	15.9%	18.5%	12.5%	13.6%	16.2%	17.9%	8.7%	9.9%	14.4%	-80.0%	9.7%
Non-GAAP Adj %	2.9%	3.3%	2.8%	1.7%	3.0%	3.0%	3.3%	3.9%	1.5%	4.5%	3.6%	106.5%	3.1%
Non-GAAP OE %	13.9%	15.7%	18.7%	20.2%	15.5%	16.6%	19.5%	21.8%	10.3%	14.4%	18.0%	26.5%	12.8%

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	Q4 '14	Q1 '15
GAAP Other income (expense)	14	(27)	(9)	(18)	(19)	(35)	5	(19)	(18)	(40)	(56)	(39)	9
Non-GAAP Below OE adjustments	16	-	-	-	-	-	23	-	-	-	(27)	-	46
Non-GAAP Other income (expense)	(2)	(27)	(9)	(18)	(19)	(35)	(18)	(19)	(18)	(40)	(29)	(39)	(37)
GAAP Earnings from continuing operations*	110	129	156	275	157	223	261	293	85	78	66	(926)	87
Non-GAAP OE adjustments	41	51	43	29	42	45	50	71	19	63	52	1,942	37
Non-GAAP below OE adjustments	(16)	-	-	-	-	-	(23)	-	-	-	27	-	(46)
Non-GAAP tax adjustments and effect	(7)	(33)	(13)	(68)	(57)	(11)	(2)	(6)	(32)	(20)	9	(728)	5
TOTAL Non-GAAP Earnings from continuing operations	\$ 128	\$ 147	\$ 186	\$ 236	\$ 142	\$ 257	\$ 286	\$ 358	\$ 72	\$ 121	\$ 154	\$ 288	\$ 83
GAAP Continuing operations earnings per share ("EPS")	\$ 0.35	\$ 0.44	\$ 0.54	\$ 0.97	\$ 0.56	\$ 0.81	\$ 0.98	\$ 1.12	\$ 0.33	\$ 0.30	\$ 0.27	\$ (4.02)	\$ 0.40
Non-GAAP Continuing operations EPS adjustments	0.05	0.06	0.11	(0.14)	(0.05)	0.13	0.10	0.25	(0.05)	0.17	0.35	5.27	(0.02)
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	\$ 1.25	\$ 0.38
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	230.5	217.8

* Amounts attributable to Motorola Solutions, Inc. common shareholders.



MOTOROLA SOLUTIONS

Q1 2015 Earnings Call
May 6, 2015