

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

	Three Months Ended	
	July 2, 2016	July 4, 2015
Net sales from products	\$ 801	\$ 867
Net sales from services	629	501
Net sales	1,430	1,368
Costs of products sales	361	385
Costs of services sales	393	335
Costs of sales	754	720
Gross margin	676	648
Selling, general and administrative expenses	240	254
Research and development expenditures	138	156
Other charges (income)	36	(19)
Intangibles amortization	38	3
Operating earnings	224	254
Other income (expense):		
Interest expense, net	(54)	(39)
Gains on sales of investments and businesses, net	1	4
Other	(4)	(4)
Total other expense	(57)	(39)
Earnings from continuing operations before income taxes	167	215
Income tax expense	59	64
Earnings from continuing operations	108	151
Loss from discontinued operations, net of tax	—	(8)
Net earnings	108	143
Less: Earnings attributable to noncontrolling interests	1	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 107	\$ 142
<i>Amounts attributable to Motorola Solutions, Inc. common stockholders:</i>		
Earnings from continuing operations, net of tax	\$ 107	\$ 150
Loss from discontinued operations, net of tax	—	(8)
Net earnings attributable to Motorola Solutions, Inc.	\$ 107	\$ 142
<u>Earnings (loss) per common share:</u>		
Basic:		
Continuing operations	\$ 0.62	\$ 0.72
Discontinued operations	—	(0.04)
	\$ 0.62	\$ 0.68
Diluted:		
Continuing operations	\$ 0.61	\$ 0.72
Discontinued operations	—	(0.04)
	\$ 0.61	\$ 0.68
<u>Weighted average common shares outstanding:</u>		
Basic	171.9	208.0
Diluted	174.8	209.5

	Percentage of Net Sales*	
	July 2, 2016	July 4, 2015
Net sales from products	56.0 %	63.4 %
Net sales from services	44.0 %	36.6 %
Net sales	100.0 %	100.0 %
Costs of products sales	45.1 %	44.4 %
Costs of services sales	62.5 %	66.9 %
Costs of sales	52.7 %	52.6 %
Gross margin	47.3 %	47.4 %
Selling, general and administrative expenses	16.8 %	18.6 %
Research and development expenditures	9.7 %	11.4 %
Other charges (income)	2.5 %	(1.4)%
Intangibles amortization	2.7 %	0.2 %
Operating earnings	15.7 %	18.6 %
Other income (expense):		
Interest expense, net	(3.8)%	(2.9)%
Gains on sales of investments and businesses, net	0.1 %	0.3 %
Other	(0.3)%	(0.3)%
Total other expense	(4.0)%	(2.9)%
Earnings from continuing operations before income taxes	11.7 %	15.7 %
Income tax expense	4.1 %	4.7 %
Earnings from continuing operations	7.6 %	11.0 %
Loss from discontinued operations, net of tax	— %	(0.6)%
Net earnings	7.6 %	10.5 %
Less: Earnings attributable to noncontrolling interests	0.1 %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	7.5 %	10.4 %

* 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	
	July 2, 2016	July 4, 2015
Net sales from products	\$ 1,503	\$ 1,626
Net sales from services	1,120	965
Net sales	2,623	2,591
Costs of products sales	726	745
Costs of services sales	718	650
Costs of sales	1,444	1,395
Gross margin	1,179	1,196
Selling, general and administrative expenses	475	510
Research and development expenditures	274	315
Other charges (income)	55	(6)
Intangibles amortization	52	4
Operating earnings	323	373
Other income (expense):		
Interest expense, net	(103)	(79)
Gains (losses) on sales of investments and businesses, net	(20)	50
Other	(11)	(1)
Total other expense	(134)	(30)
Earnings from continuing operations before income taxes	189	343
Income tax expense	64	104
Earnings from continuing operations	125	239
Loss from discontinued operations, net of tax	—	(21)
Net earnings	125	218
Less: Earnings attributable to noncontrolling interests	1	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 124	\$ 217
<i>Amounts attributable to Motorola Solutions, Inc. common stockholders:</i>		
Earnings from continuing operations, net of tax	\$ 124	\$ 238
Loss from discontinued operations, net of tax	—	(21)
Net earnings attributable to Motorola Solutions, Inc.	\$ 124	\$ 217
<u>Earnings (loss) per common share:</u>		
Basic:		
Continuing operations	\$ 0.72	\$ 1.12
Discontinued operations	—	(0.09)
	\$ 0.72	\$ 1.03
Diluted:		
Continuing operations	\$ 0.71	\$ 1.11
Discontinued operations	—	(0.10)
	\$ 0.71	\$ 1.01
<u>Weighted average common shares outstanding:</u>		
Basic	173.0	211.7
Diluted	175.7	213.8

	Percentage of Net Sales*	
	July 2, 2016	July 4, 2015
Net sales from products	57.3 %	62.8 %
Net sales from services	42.7 %	37.2 %
Net sales	100.0 %	100.0 %
Costs of products sales	48.3 %	45.8 %
Costs of services sales	64.1 %	67.4 %
Costs of sales	55.1 %	53.8 %
Gross margin	44.9 %	46.2 %
Selling, general and administrative expenses	18.1 %	19.7 %
Research and development expenditures	10.4 %	12.2 %
Other charges (income)	2.1 %	(0.2)%
Intangibles amortization	2.0 %	0.2 %
Operating earnings	12.3 %	14.4 %
Other income (expense):		
Interest expense, net	(3.9)%	(3.0)%
Gains (losses) on sales of investments and businesses, net	(0.8)%	1.9 %
Other	(0.4)%	— %
Total other expense	(5.1)%	(1.2)%
Earnings from continuing operations before income taxes	7.2 %	13.2 %
Income tax expense	2.4 %	4.0 %
Earnings from continuing operations	4.8 %	9.2 %
Loss from discontinued operations, net of tax	— %	(0.8)%
Net earnings	4.8 %	8.4 %
Less: Earnings attributable to noncontrolling interests	— %	— %
Net earnings attributable to Motorola Solutions, Inc.	4.7 %	8.4 %

* Percentages may not add up due to rounding

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

	July 2, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$ 1,545	\$ 1,980
Accounts receivable, net	1,083	1,362
Inventories, net	284	296
Other current assets	635	954
Current assets held for disposition	—	27
Total current assets	3,547	4,619
Property, plant and equipment, net	778	487
Investments	223	231
Deferred income taxes	2,261	2,278
Goodwill	597	420
Other assets	1,061	271
Non-current assets held for disposition	—	40
Total assets	\$ 8,467	\$ 8,346
Liabilities and Stockholders' Equity		
Current portion of long-term debt	\$ 5	\$ 4
Accounts payable	409	518
Accrued liabilities	1,631	1,671
Total current liabilities	2,045	2,193
Long-term debt	5,028	4,345
Other liabilities	2,072	1,904
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(689)	(106)
Noncontrolling interests	11	10
Total liabilities and stockholders' equity	\$ 8,467	\$ 8,346
Financial Ratios:		
Net cash (debt)*	\$ (3,488)	\$ (2,369)

*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	
	July 2, 2016	July 4, 2015
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 107	\$ 142
Earnings attributable to noncontrolling interests	1	1
Net earnings	108	143
Loss from discontinued operations, net of tax	—	(8)
Earnings from continuing operations, net of tax	108	151
Adjustments to reconcile Earnings from continuing operations to Net cash provided by operating activities:		
Depreciation and amortization	82	40
Non-cash other charges	24	4
Non-U.S. pension curtailment gain	—	(32)
Share-based compensation expense	18	19
Gains on sales of investments and businesses, net	(1)	(4)
Deferred income taxes	35	32
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	50	(54)
Inventories	2	19
Other current assets	(22)	3
Accounts payable and accrued liabilities	1	(2)
Other assets and liabilities	(5)	(27)
Net cash provided by operating activities	292	149
Investing		
Acquisitions and investments, net	(67)	(19)
Proceeds from sales of investments and businesses, net	72	23
Capital expenditures	(91)	(48)
Proceeds from sales of property, plant and equipment	46	—
Net cash used for investing activities	(40)	(44)
Financing		
Repayment of debt	(1)	(1)
Issuance of common stock	(1)	(5)
Purchase of common stock	(555)	(285)
Payment of dividends	(72)	(72)
Net cash used for financing activities	(629)	(363)
Effect of exchange rate changes on cash and cash equivalents	(18)	17
Net decrease in cash and cash equivalents	(395)	(241)
Cash and cash equivalents, beginning of period	1,940	3,353
Cash and cash equivalents, end of period	\$ 1,545	\$ 3,112

Financial Ratios:

Free cash flow*	\$ 201	\$ 101
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*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	
	July 2, 2016	July 4, 2015
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 124	\$ 217
Earnings attributable to noncontrolling interests	1	1
Net earnings	125	218
Loss from discontinued operations, net of tax	—	(21)
Earnings from continuing operations, net of tax	125	239
Adjustments to reconcile Earnings from continuing operations to Net cash provided by operating activities:		
Depreciation and amortization	144	81
Non-cash other charges	35	5
Non-U.S. pension curtailment gain	—	(32)
Share-based compensation expense	35	40
Losses (gains) on sales of investments and businesses, net	20	(50)
Deferred income taxes	71	55
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	327	255
Inventories	(2)	(25)
Other current assets	(65)	28
Accounts payable and accrued liabilities	(362)	(248)
Other assets and liabilities	(24)	(42)
Net cash provided by operating activities	304	306
Investing		
Acquisitions and investments, net	(1,120)	(93)
Proceeds from sales of investments and businesses, net	553	111
Capital expenditures	(143)	(81)
Proceeds from sales of property, plant and equipment	46	1
Net cash used for investing activities	(664)	(62)
Financing		
Repayment of debt	(2)	(2)
Net proceeds from issuance of debt	673	—
Issuance of common stock	40	37
Purchase of common stock	(619)	(939)
Excess tax benefit from share-based compensation	—	1
Payment of dividends	(143)	(148)
Net cash used for financing activities	(51)	(1,051)
Effect of exchange rate changes on cash and cash equivalents	(24)	(35)
Net decrease in cash and cash equivalents	(435)	(842)
Cash and cash equivalents, beginning of period	1,980	3,954
Cash and cash equivalents, end of period	\$ 1,545	\$ 3,112

Financial Ratios:

Free cash flow*	\$ 161	\$ 225
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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			
	July 2, 2016	July 4, 2015	% Change
Products	\$ 801	\$ 867	(8)%
Services	629	501	26 %
Total Motorola Solutions	\$ 1,430	\$ 1,368	5 %

Six Months Ended			
	July 2, 2016	July 4, 2015	% Change
Products	\$ 1,503	\$ 1,626	(8)%
Services	1,120	965	16 %
Total Motorola Solutions	\$ 2,623	\$ 2,591	1 %

Operating Earnings

Three Months Ended			
	July 2, 2016	July 4, 2015	% Change
Products	\$ 129	\$ 171	(25)%
Services	95	83	14 %
Total Motorola Solutions	\$ 224	\$ 254	(12)%

Six Months Ended			
	July 2, 2016	July 4, 2015	% Change
Products	\$ 179	\$ 235	(24)%
Services	144	138	4 %
Total Motorola Solutions	\$ 323	\$ 373	(13)%

Operating Earnings %

Three Months Ended		
	July 2, 2016	July 4, 2015
Products	16.1%	19.7%
Services	15.1%	16.6%
Total Motorola Solutions	15.7%	18.6%

Six Months Ended		
	July 2, 2016	July 4, 2015
Products	11.9%	14.5%
Services	12.9%	14.3%
Total Motorola Solutions	12.3%	14.4%

Motorola Solutions, Inc. and Subsidiaries

Non-GAAP Adjustments (Intangibles Amortization Expenses, Share-Based Compensation Expense, and Highlighted Items)

Q1 2016

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	\$ 6	\$ 11	\$ 0.06
Reorganization of business charges	Cost of sales and Other charges	23	8	15	0.08
Intangibles amortization expense	Intangibles amortization	13	3	10	0.06
Acquisition related transaction fees	Other charges	13	—	13	0.07
Loss on investment in United Kingdom treasuries	Other expense (income)	19	7	12	0.07
Realized foreign currency loss on acquisition	Other expense (income)	10	3	7	0.04
Loss on sale of Malaysia facility and operations	Other expense (income)	7	—	7	0.04
Total impact on Net earnings		\$ 102	\$ 27	\$ 75	\$ 0.42

Q2 2016

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	\$ 18	\$ 6	\$ 12	\$ 0.07
Reorganization of business charges	Cost of sales and Other charges	27	7	20	0.12
Intangibles amortization expense	Intangibles amortization	38	8	30	0.17
Building impairment	Other charges	17	6	11	0.06
Total impact on Net earnings		\$ 100	\$ 27	\$ 73	\$ 0.42

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

Net Sales

Three Months Ended

	July 2, 2016	July 4, 2015	% Change
Products	\$ 801	\$ 867	(8)%
Services	629	501	26 %
Total Motorola Solutions	\$ 1,430	\$ 1,368	5 %

Six Months Ended

	July 2, 2016	July 4, 2015	% Change
Products	\$ 1,503	\$ 1,626	(8)%
Services	1,120	965	16 %
Total Motorola Solutions	\$ 2,623	\$ 2,591	1 %

Non-GAAP Operating Earnings

Three Months Ended

	July 2, 2016	July 4, 2015	% Change
Products	\$ 176	\$ 176	— %
Services	148	84	76 %
Total Motorola Solutions	\$ 324	\$ 260	25 %

Six Months Ended

	July 2, 2016	July 4, 2015	% Change
Products	\$ 260	\$ 266	(2)%
Services	230	150	53 %
Total Motorola Solutions	\$ 490	\$ 416	18 %

Non-GAAP Operating Earnings %

Three Months Ended

	July 2, 2016	July 4, 2015
Products	22.0%	20.3%
Services	23.5%	16.8%
Total Motorola Solutions	22.7%	19.0%

Six Months Ended

	July 2, 2016	July 4, 2015
Products	17.3%	16.4%
Services	20.5%	15.5%
Total Motorola Solutions	18.7%	16.1%

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

Q1 2016			
	TOTAL	Products	Services
Net sales	\$ 1,193	\$ 702	\$ 491
Operating earnings ("OE")	\$ 100	\$ 51	\$ 49
Above-OE non-GAAP adjustments:			
Share-based compensation expense	17	11	6
Reorganization of business charges	23	21	2
Intangibles amortization expense	13	1	12
Acquisition related transaction fees	13	—	13
Total above-OE non-GAAP adjustments	66	33	33
Operating earnings after non-GAAP adjustments	\$ 166	\$ 84	\$ 82
Operating earnings as a percentage of net sales - GAAP	8.4%	7.3%	10.0%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	13.9%	12.0%	16.7%

Q2 2016			
	TOTAL	Products	Services
Net sales	\$ 1,430	\$ 801	\$ 629
Operating earnings ("OE")	\$ 224	\$ 129	\$ 95
Above-OE non-GAAP adjustments:			
Share-based compensation expense	18	12	6
Reorganization of business charges	27	21	6
Intangibles amortization expense	38	2	36
Building impairment	17	12	5
Total above-OE non-GAAP adjustments	100	47	53
Operating earnings after non-GAAP adjustments	\$ 324	\$ 176	\$ 148
Operating earnings as a percentage of net sales - GAAP	15.7%	16.1%	15.1%
Operating earnings as a percentage of net sales - after non-GAAP adjustments	22.7%	22.0%	23.5%