

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

| | Three Months Ended | |
|--|--------------------|--------------|
| | July 1, 2017 | July 2, 2016 |
| Net sales from products | \$ 848 | \$ 801 |
| Net sales from services | 649 | 629 |
| Net sales | 1,497 | 1,430 |
| Costs of products sales | 392 | 361 |
| Costs of services sales | 415 | 393 |
| Costs of sales | 807 | 754 |
| Gross margin | 690 | 676 |
| Selling, general and administrative expenses | 242 | 240 |
| Research and development expenditures | 138 | 138 |
| Other charges | 16 | 36 |
| Intangibles amortization | 37 | 38 |
| Operating earnings | 257 | 224 |
| Other income (expense): | | |
| Interest expense, net | (51) | (54) |
| Gains (losses) on sales of investments and businesses, net | (1) | 1 |
| Other | — | (4) |
| Total other expense | (52) | (57) |
| Net earnings before income taxes | 205 | 167 |
| Income tax expense | 73 | 59 |
| Net earnings | 132 | 108 |
| Less: Earnings attributable to noncontrolling interests | 1 | 1 |
| Net earnings attributable to Motorola Solutions, Inc. | \$ 131 | \$ 107 |
| <u>Earnings per common share:</u> | | |
| Basic | \$ 0.80 | \$ 0.62 |
| Diluted | \$ 0.78 | \$ 0.61 |
| <u>Weighted average common shares outstanding:</u> | | |
| Basic | 163.1 | 171.9 |
| Diluted | 169.0 | 174.8 |

| | Percentage of Net Sales* | |
|--|--------------------------|--------------|
| | July 1, 2017 | July 2, 2016 |
| Net sales from products | 56.6 % | 56.0 % |
| Net sales from services | 43.4 % | 44.0 % |
| Net sales | 100.0 % | 100.0 % |
| Costs of products sales | 46.2 % | 45.1 % |
| Costs of services sales | 63.9 % | 62.5 % |
| Costs of sales | 53.9 % | 52.7 % |
| Gross margin | 46.1 % | 47.3 % |
| Selling, general and administrative expenses | 16.2 % | 16.8 % |
| Research and development expenditures | 9.2 % | 9.7 % |
| Other charges | 1.1 % | 2.5 % |
| Intangibles amortization | 2.5 % | 2.7 % |
| Operating earnings | 17.2 % | 15.7 % |
| Other income (expense): | | |
| Interest expense, net | (3.4)% | (3.8)% |
| Gains (losses) on sales of investments and businesses, net | (0.1)% | 0.1 % |
| Other | — % | (0.3)% |
| Total other expense | (3.5)% | (4.0)% |
| Net earnings before income taxes | 13.7 % | 11.7 % |
| Income tax expense | 4.9 % | 4.1 % |
| Net earnings | 8.8 % | 7.6 % |
| Less: Earnings attributable to noncontrolling interests | 0.1 % | 0.1 % |
| Net earnings attributable to Motorola Solutions, Inc. | 8.8 % | 7.5 % |

* 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 1, 2017 | July 2, 2016 |
| Net sales from products | \$ 1,551 | \$ 1,503 |
| Net sales from services | 1,226 | 1,120 |
| Net sales | 2,777 | 2,623 |
| Costs of products sales | 739 | 726 |
| Costs of services sales | 778 | 718 |
| Costs of sales | 1,517 | 1,444 |
| Gross margin | 1,260 | 1,179 |
| Selling, general and administrative expenses | 475 | 475 |
| Research and development expenditures | 273 | 274 |
| Other charges | 6 | 55 |
| Intangibles amortization | 73 | 52 |
| Operating earnings | 433 | 323 |
| Other income (expense): | | |
| Interest expense, net | (102) | (103) |
| Gains (losses) on sales of investments and businesses, net | 2 | (20) |
| Other | (9) | (11) |
| Total other expense | (109) | (134) |
| Net earnings before income taxes | 324 | 189 |
| Income tax expense | 114 | 64 |
| Net earnings | 210 | 125 |
| Less: Earnings attributable to noncontrolling interests | 2 | 1 |
| Net earnings attributable to Motorola Solutions, Inc. | \$ 208 | \$ 124 |
| <u>Earnings per common share:</u> | | |
| Basic | \$ 1.27 | \$ 0.72 |
| Diluted | \$ 1.23 | \$ 0.71 |
| <u>Weighted average common shares outstanding:</u> | | |
| Basic | 163.7 | 173.0 |
| Diluted | 169.5 | 175.7 |

| | Percentage of Net Sales* | |
|--|--------------------------|--------------|
| | July 1, 2017 | July 2, 2016 |
| Net sales from products | 55.9 % | 57.3 % |
| Net sales from services | 44.1 % | 42.7 % |
| Net sales | 100.0 % | 100.0 % |
| Costs of products sales | 47.6 % | 48.3 % |
| Costs of services sales | 63.5 % | 64.1 % |
| Costs of sales | 54.6 % | 55.1 % |
| Gross margin | 45.4 % | 44.9 % |
| Selling, general and administrative expenses | 17.1 % | 18.1 % |
| Research and development expenditures | 9.8 % | 10.4 % |
| Other charges | 0.2 % | 2.1 % |
| Intangibles amortization | 2.6 % | 2.0 % |
| Operating earnings | 15.6 % | 12.3 % |
| Other income (expense): | | |
| Interest expense, net | (3.7)% | (3.9)% |
| Gains (losses) on sales of investments and businesses, net | 0.1 % | (0.8)% |
| Other | (0.3)% | (0.4)% |
| Total other expense | (3.9)% | (5.1)% |
| Net earnings before income taxes | 11.7 % | 7.2 % |
| Income tax expense | 4.1 % | 2.4 % |
| Net earnings | 7.6 % | 4.8 % |
| Less: Earnings attributable to noncontrolling interests | 0.1 % | — % |
| Net earnings attributable to Motorola Solutions, Inc. | 7.5 % | 4.7 % |

* Percentages may not add up due to rounding

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

| | July 1, 2017 | December 31, 2016 |
|---|-----------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 742 | \$ 967 |
| Restricted cash | 63 | 63 |
| Total cash and cash equivalents | 805 | 1,030 |
| Accounts receivable, net | 1,211 | 1,410 |
| Inventories, net | 391 | 273 |
| Other current assets | 804 | 755 |
| Total current assets | 3,211 | 3,468 |
| Property, plant and equipment, net | 859 | 789 |
| Investments | 248 | 238 |
| Deferred income taxes | 2,160 | 2,219 |
| Goodwill | 749 | 728 |
| Intangible Assets | 868 | 821 |
| Other assets | 200 | 200 |
| Total assets | \$ 8,295 | \$ 8,463 |
| Liabilities and Stockholders' Equity | | |
| Current portion of long-term debt | \$ 46 | \$ 4 |
| Accounts payable | 440 | 553 |
| Accrued liabilities | 1,924 | 2,111 |
| Total current liabilities | 2,410 | 2,668 |
| Long-term debt | 4,421 | 4,392 |
| Other liabilities | 2,440 | 2,355 |
| Total Motorola Solutions, Inc. stockholders' equity (deficit) | (988) | (964) |
| Noncontrolling interests | 12 | 12 |
| Total liabilities and stockholders' equity | \$ 8,295 | \$ 8,463 |
| Financial Ratios: | | |
| Net cash (debt)* | \$ (3,662) | \$ (3,366) |

*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 1, 2017 | July 2, 2016 |
| Operating | | |
| Net earnings attributable to Motorola Solutions, Inc. | \$ 131 | \$ 107 |
| Earnings attributable to noncontrolling interests | 1 | 1 |
| Net earnings | 132 | 108 |
| Adjustments to reconcile Net earnings to Net cash provided by operating activities: | | |
| Depreciation and amortization | 86 | 82 |
| Non-cash other charges | 6 | 24 |
| Non-U.S. pension settlement loss | 16 | — |
| Share-based compensation expense | 16 | 18 |
| Losses (gains) on sales of investments and businesses, net | 1 | (1) |
| Deferred income taxes | 40 | 35 |
| Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments: | | |
| Accounts receivable | (117) | 50 |
| Inventories | (43) | 2 |
| Other current assets | 38 | (22) |
| Accounts payable and accrued liabilities | (33) | 1 |
| Other assets and liabilities | 31 | (5) |
| Net cash provided by operating activities | 173 | 292 |
| Investing | | |
| Acquisitions and investments, net | (34) | (67) |
| Proceeds from sales of investments and businesses, net | 19 | 72 |
| Capital expenditures | (53) | (91) |
| Proceeds from sales of property, plant and equipment | — | 46 |
| Net cash used for investing activities | (68) | (40) |
| Financing | | |
| Repayment of debt | (5) | (1) |
| Proceeds from financing through capital leases | 7 | — |
| Issuance of common stock | 6 | (1) |
| Purchase of common stock | (80) | (555) |
| Payment of dividends | (77) | (72) |
| Payment of dividend to non-controlling interest | (2) | — |
| Net cash used for financing activities | (151) | (629) |
| Effect of exchange rate changes on cash and cash equivalents | 22 | (18) |
| Net decrease in cash and cash equivalents | (24) | (395) |
| Cash and cash equivalents, beginning of period | 829 | 1,940 |
| Cash and cash equivalents, end of period | \$ 805 | \$ 1,545 |

Financial Ratios:

| | | |
|-----------------|--------|--------|
| Free cash flow* | \$ 120 | \$ 201 |
|-----------------|--------|--------|

*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 1, 2017 | July 2, 2016 |
| Operating | | |
| Net earnings attributable to Motorola Solutions, Inc. | \$ 208 | \$ 124 |
| Earnings attributable to noncontrolling interests | 2 | 1 |
| Net earnings | 210 | 125 |
| Adjustments to reconcile Net earnings to Net cash provided by operating activities: | | |
| Depreciation and amortization | 166 | 144 |
| Non-cash other charges | 21 | 35 |
| Non-U.S. pension settlement loss | 25 | — |
| Share-based compensation expense | 33 | 35 |
| Losses (gains) on sales of investments and businesses, net | (2) | 20 |
| Deferred income taxes | 63 | 71 |
| Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments: | | |
| Accounts receivable | 251 | 327 |
| Inventories | (112) | (2) |
| Other current assets | (21) | (65) |
| Accounts payable and accrued liabilities | (340) | (362) |
| Other assets and liabilities | 21 | (24) |
| Net cash provided by operating activities | 315 | 304 |
| Investing | | |
| Acquisitions and investments, net | (140) | (1,120) |
| Proceeds from sales of investments and businesses, net | 72 | 553 |
| Capital expenditures | (121) | (143) |
| Proceeds from sales of property, plant and equipment | — | 46 |
| Net cash used for investing activities | (189) | (664) |
| Financing | | |
| Repayment of debt | (6) | (2) |
| Net proceeds from issuance of debt | — | 673 |
| Proceeds from financing through capital leases | 7 | — |
| Issuance of common stock | 28 | 40 |
| Purchase of common stock | (258) | (619) |
| Payment of dividends | (154) | (143) |
| Payment of dividend to non-controlling interest | (2) | — |
| Net cash used for financing activities | (385) | (51) |
| Effect of exchange rate changes on cash and cash equivalents | 34 | (24) |
| Net decrease in cash and cash equivalents | (225) | (435) |
| Cash and cash equivalents, beginning of period | 1,030 | 1,980 |
| Cash and cash equivalents, end of period | \$ 805 | \$ 1,545 |
| Financial Ratios: | | |
| Free cash flow* | \$ 194 | \$ 161 |

*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 1, 2017 | July 2, 2016 | % Change |
| Products | \$ 848 | \$ 801 | 6 % |
| Services | 649 | 629 | 3 % |
| Total Motorola Solutions | \$ 1,497 | \$ 1,430 | 5 % |

| Six Months Ended | | | |
|--------------------------|---------------------|---------------------|-----------------|
| | July 1, 2017 | July 2, 2016 | % Change |
| Products | \$ 1,551 | \$ 1,503 | 3 % |
| Services | 1,226 | 1,120 | 9 % |
| Total Motorola Solutions | \$ 2,777 | \$ 2,623 | 6 % |

Operating Earnings

| Three Months Ended | | | |
|---------------------------|---------------------|---------------------|-----------------|
| | July 1, 2017 | July 2, 2016 | % Change |
| Products | \$ 168 | \$ 129 | 30 % |
| Services | 89 | 95 | (6)% |
| Total Motorola Solutions | \$ 257 | \$ 224 | 15 % |

| Six Months Ended | | | |
|--------------------------|---------------------|---------------------|-----------------|
| | July 1, 2017 | July 2, 2016 | % Change |
| Products | \$ 257 | \$ 179 | 44 % |
| Services | 176 | 144 | 22 % |
| Total Motorola Solutions | \$ 433 | \$ 323 | 34 % |

Operating Earnings %

| Three Months Ended | | |
|---------------------------|---------------------|---------------------|
| | July 1, 2017 | July 2, 2016 |
| Products | 19.8% | 16.1% |
| Services | 13.7% | 15.1% |
| Total Motorola Solutions | 17.2% | 15.7% |

| Six Months Ended | | |
|--------------------------|---------------------|---------------------|
| | July 1, 2017 | July 2, 2016 |
| Products | 16.6% | 11.9% |
| Services | 14.4% | 12.9% |
| Total Motorola Solutions | 15.6% | 12.3% |

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

| |
|----------------|
| Q1 2017 |
|----------------|

| 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 | 19 | 4 | 15 | 0.09 |
| Intangibles amortization expense | Intangibles amortization | 36 | 9 | 27 | 0.16 |
| Gain on legal settlement | Other charges | (42) | (16) | (26) | (0.15) |
| Building impairment | Other charges | 8 | — | 8 | 0.05 |
| Non-US pension settlement loss | Other charges | 9 | — | 9 | 0.05 |
| Sale of investments | Sale of Investment or Business (Gain) or Loss | (3) | (1) | (2) | (0.01) |
| Acquisition-related transaction fees | Other charges | 1 | — | 1 | 0.01 |
| Total impact on Net earnings | | \$ 45 | \$ 2 | \$ 43 | \$ 0.26 |

| |
|----------------|
| Q2 2017 |
|----------------|

| 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 | \$ 16 | \$ 5 | \$ 11 | 0.07 |
| Reorganization of business charges | Cost of sales and Other charges | 3 | — | 3 | 0.02 |
| Intangibles amortization expense | Intangibles amortization | 37 | 9 | 28 | 0.17 |
| Non-US pension settlement loss | Other charges | 16 | — | 16 | 0.08 |
| Legal settlement | Other charges | (1) | — | (1) | (0.01) |
| Sale of business | Sale of Investment or Business (Gain) or Loss | 1 | — | 1 | 0.01 |
| Total impact on Net earnings | | \$ 72 | \$ 14 | \$ 58 | \$ 0.34 |

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

Net Sales

Three Months Ended

| | July 1, 2017 | July 2, 2016 | % Change |
|--------------------------|---------------------|---------------------|-----------------|
| Products | \$ 848 | \$ 801 | 6 % |
| Services | 649 | 629 | 3 % |
| Total Motorola Solutions | \$ 1,497 | \$ 1,430 | 5 % |

Six Months Ended

| | July 1, 2017 | July 2, 2016 | % Change |
|--------------------------|---------------------|---------------------|-----------------|
| Products | \$ 1,551 | \$ 1,503 | 3 % |
| Services | 1,226 | 1,120 | 9 % |
| Total Motorola Solutions | \$ 2,777 | \$ 2,623 | 6 % |

Non-GAAP Operating Earnings

Three Months Ended

| | July 1, 2017 | July 2, 2016 | % Change |
|--------------------------|---------------------|---------------------|-----------------|
| Products | \$ 193 | \$ 176 | 10 % |
| Services | 135 | 148 | (9)% |
| Total Motorola Solutions | \$ 328 | \$ 324 | 1 % |

Six Months Ended

| | July 1, 2017 | July 2, 2016 | % Change |
|--------------------------|---------------------|---------------------|-----------------|
| Products | \$ 294 | \$ 260 | 13 % |
| Services | 258 | 230 | 12 % |
| Total Motorola Solutions | \$ 552 | \$ 490 | 13 % |

Non-GAAP Operating Earnings %

Three Months Ended

| | July 1, 2017 | July 2, 2016 |
|--------------------------|---------------------|---------------------|
| Products | 22.8% | 22.0% |
| Services | 20.8% | 23.5% |
| Total Motorola Solutions | 21.9% | 22.7% |

Six Months Ended

| | July 1, 2017 | July 2, 2016 |
|--------------------------|---------------------|---------------------|
| Products | 19.0% | 17.3% |
| Services | 21.0% | 20.5% |
| Total Motorola Solutions | 19.9% | 18.7% |

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

| Q1 2017 | | | |
|--|----------|----------|----------|
| | TOTAL | Products | Services |
| Net sales | \$ 1,281 | \$ 703 | \$ 578 |
| Operating earnings ("OE") | \$ 176 | \$ 89 | \$ 87 |
| Above-OE non-GAAP adjustments: | | | |
| Share-based compensation expense | 17 | 11 | 6 |
| Reorganization of business charges | 19 | 13 | 6 |
| Intangibles amortization expense | 36 | 6 | 30 |
| Acquisition-related transaction fees | 1 | — | 1 |
| Gain on legal settlement | (42) | (30) | (12) |
| Building impairment | 8 | 6 | 2 |
| Non-US pension settlement loss | 9 | 6 | 3 |
| Total above-OE non-GAAP adjustments | 48 | 12 | 36 |
| Operating earnings after non-GAAP adjustments | \$ 224 | \$ 101 | \$ 123 |
| Operating earnings as a percentage of net sales - GAAP | 13.7% | 12.7% | 15.1% |
| Operating earnings as a percentage of net sales - after non-GAAP adjustments | 17.5% | 14.4% | 21.3% |

| Q2 2017 | | | |
|--|----------|----------|----------|
| | TOTAL | Products | Services |
| Net sales | \$ 1,497 | \$ 848 | \$ 649 |
| Operating earnings ("OE") | \$ 257 | \$ 168 | \$ 89 |
| Above-OE non-GAAP adjustments: | | | |
| Share-based compensation expense | 16 | 11 | 5 |
| Reorganization of business charges | 3 | 3 | — |
| Intangibles amortization expense | 37 | 1 | 36 |
| Legal Settlement | (1) | (1) | — |
| Non-US pension settlement loss | 16 | 11 | 5 |
| Total above-OE non-GAAP adjustments | 71 | 25 | 46 |
| Operating earnings after non-GAAP adjustments | \$ 328 | \$ 193 | \$ 135 |
| Operating earnings as a percentage of net sales - GAAP | 17.2% | 19.8% | 13.7% |
| Operating earnings as a percentage of net sales - after non-GAAP adjustments | 21.9% | 22.8% | 20.8% |