

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

	Three Months Ended	
	June 27, 2020	June 29, 2019
Net sales from products	\$ 877	\$ 1,118
Net sales from services	741	742
Net sales	1,618	1,860
Costs of products sales	413	490
Costs of services sales	439	439
Costs of sales	852	929
Gross margin	766	931
Selling, general and administrative expenses	297	351
Research and development expenditures	161	170
Other charges	39	9
Intangibles amortization	51	52
Operating earnings	218	349
Other income (expense):		
Interest expense, net	(58)	(56)
Gains on sales of investments and businesses, net	—	3
Other, net	16	(21)
Total other expense	(42)	(74)
Net earnings before income taxes	176	275
Income tax expense	40	67
Net earnings	136	208
Less: Earnings attributable to non-controlling interests	1	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 135	\$ 207
Earnings per common share:		
Basic	\$ 0.79	\$ 1.25
Diluted	\$ 0.78	\$ 1.18
Weighted average common shares outstanding:		
Basic	170.0	164.9
Diluted	173.6	176.1
	Percentage of Net Sales*	
Net sales from products	54.2 %	60.1 %
Net sales from services	45.8 %	39.9 %
Net sales	100.0 %	100.0 %
Costs of products sales	47.1 %	43.8 %
Costs of services sales	59.2 %	59.2 %
Costs of sales	52.7 %	49.9 %
Gross margin	47.3 %	50.1 %
Selling, general and administrative expenses	18.4 %	18.9 %
Research and development expenditures	10.0 %	9.1 %
Other charges	2.4 %	0.5 %
Intangibles amortization	3.2 %	2.8 %
Operating earnings	13.5 %	18.8 %
Other income (expense):		
Interest expense, net	(3.6)%	(3.0)%
Gains on sales of investments and businesses, net	— %	0.2 %
Other, net	1.0 %	(1.1)%
Total other expense	(2.6)%	(4.0)%
Net earnings before income taxes	10.9 %	14.8 %
Income tax expense	2.5 %	3.6 %
Net earnings	8.4 %	11.2 %
Less: Earnings attributable to non-controlling interests	0.1 %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	8.3 %	11.1 %

* 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 27, 2020	June 29, 2019
Net sales from products	\$ 1,764	\$ 2,063
Net sales from services	1,509	1,454
Net sales	3,273	3,517
Costs of products sales	812	934
Costs of services sales	908	879
Costs of sales	1,720	1,813
Gross margin	1,553	1,704
Selling, general and administrative expenses	638	676
Research and development expenditures	330	333
Other charges	5	14
Intangibles amortization	104	102
Operating earnings	476	579
Other income (expense):		
Interest expense, net	(109)	(111)
Gains on sales of investments and businesses, net	—	4
Other, net	34	(12)
Total other expense	(75)	(119)
Net earnings before income taxes	401	460
Income tax expense	67	100
Net earnings	334	360
Less: Earnings attributable to non-controlling interests	2	2
Net earnings attributable to Motorola Solutions, Inc.	\$ 332	\$ 358
Earnings per common share:		
Basic	\$ 1.95	\$ 2.18
Diluted	\$ 1.90	\$ 2.04
Weighted average common shares outstanding:		
Basic	170.3	164.4
Diluted	174.8	175.3

	Percentage of Net Sales*	
Net sales from products	53.9 %	58.7 %
Net sales from services	46.1 %	41.3 %
Net sales	100.0 %	100.0 %
Costs of products sales	46.0 %	45.3 %
Costs of services sales	60.2 %	60.5 %
Costs of sales	52.6 %	51.5 %
Gross margin	47.4 %	48.5 %
Selling, general and administrative expenses	19.5 %	19.2 %
Research and development expenditures	10.1 %	9.5 %
Other charges	0.2 %	0.4 %
Intangibles amortization	3.2 %	2.9 %
Operating earnings	14.5 %	16.5 %
Other income (expense):		
Interest expense, net	(3.3)%	(3.2)%
Gains on sales of investments and businesses, net	— %	0.1 %
Other, net	1.0 %	(0.3)%
Total other expense	(2.3)%	(3.4)%
Net earnings before income taxes	12.3 %	13.1 %
Income tax expense	2.0 %	2.8 %
Net earnings	10.2 %	10.2 %
Less: Earnings attributable to non-controlling interests	0.1 %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	10.1 %	10.2 %

* Percentages may not add up due to rounding

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

	June 27, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 1,341	\$ 1,001
Accounts receivable, net	1,134	1,412
Contract assets	937	1,046
Inventories, net	449	447
Other current assets	225	272
Total current assets	4,086	4,178
Property, plant and equipment, net	965	992
Operating lease assets	462	554
Investments	157	159
Deferred income taxes	922	943
Goodwill	2,123	2,067
Intangible assets, net	1,242	1,327
Other assets	417	422
Total assets	\$ 10,374	\$ 10,642
Liabilities and Stockholders' Equity (Deficit)		
Current portion of long-term debt	\$ 517	\$ 16
Accounts payable	498	618
Contract liabilities	1,294	1,449
Accrued liabilities	1,171	1,356
Total current liabilities	3,480	3,439
Long-term debt	5,111	5,113
Operating lease liabilities	385	497
Other liabilities	2,213	2,276
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(830)	(700)
Non-controlling interests	15	17
Total liabilities and stockholders' equity (deficit)	\$ 10,374	\$ 10,642

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

	Three Months Ended	
	June 27, 2020	June 29, 2019
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 135	\$ 207
Earnings attributable to non-controlling interests	1	1
Net earnings	136	208
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	98	96
Non-cash other charges (income)	11	(6)
Share-based compensation expenses	31	30
Gain on sales of investments and businesses, net	—	(3)
Losses from the extinguishment of long term debt	—	43
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	11	(58)
Inventories	1	2
Other current assets and contract assets	88	(8)
Accounts payable, accrued liabilities, and contract liabilities	(153)	(84)
Other assets and liabilities	(11)	8
Deferred income taxes	(3)	23
Net cash provided by operating activities	209	251
Investing		
Acquisitions and investments, net	(65)	(3)
Proceeds from sales of investments and businesses, net	4	8
Capital expenditures	(54)	(63)
Net cash used for investing activities	(115)	(58)
Financing		
Repayments of debt	(4)	(658)
Repayment of revolver draw	(300)	—
Net proceeds from issuance of debt	—	645
Issuances of common stock	44	25
Purchases of common stock	(83)	(25)
Payments of dividends	(109)	(94)
Payments of dividends to non-controlling interests	(4)	(3)
Net cash used for financing activities	(456)	(110)
Effect of exchange rate changes on total cash and cash equivalents	31	(16)
Net increase (decrease) in total cash and cash equivalents	(331)	67
Cash and cash equivalents, beginning of period	1,672	897
Cash and cash equivalents, end of period	\$ 1,341	\$ 964
Financial Ratios:		
Free cash flow*	\$ 155	\$ 188

*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 27, 2020	June 29, 2019
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 332	\$ 358
Earnings attributable to non-controlling interests	2	2
Net earnings	334	360
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	197	191
Non-cash other charges (income)	(40)	4
Share-based compensation expenses	69	57
Gain on sales of investments and businesses, net	—	(4)
Losses from the extinguishment of long term debt	—	43
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	286	110
Inventories	3	(61)
Other current assets and contract assets	136	128
Accounts payable, accrued liabilities, and contract liabilities	(454)	(345)
Other assets and liabilities	(15)	2
Deferred income taxes	1	17
Net cash provided by operating activities	517	502
Investing		
Acquisitions and investments, net	(102)	(371)
Proceeds from sales of investments and businesses, net	7	10
Capital expenditures	(102)	(129)
Proceeds from sales of property, plant and equipment	56	—
Net cash used for investing activities	(141)	(490)
Financing		
Net proceeds from issuance of debt	—	645
Repayments of debt	(8)	(666)
Net proceeds from revolver draw	800	—
Repayment of revolver draw	(300)	—
Issuances of common stock	49	70
Purchases of common stock	(336)	(170)
Payments of dividends	(218)	(187)
Payments of dividends to non-controlling interests	(4)	(3)
Net cash used for financing activities	(17)	(311)
Effect of exchange rate changes on total cash and cash equivalents	(19)	6
Net increase (decrease) in total cash and cash equivalents	340	(293)
Cash and cash equivalents, beginning of period	1,001	1,257
Cash and cash equivalents, end of period	\$ 1,341	\$ 964
Financial Ratios:		
Free cash flow*	\$ 415	\$ 373

*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		% Change
	June 27, 2020	June 29, 2019	
Products and Systems Integration	\$ 968	\$ 1,238	(22)%
Software and Services	650	622	5 %
Total Motorola Solutions	\$ 1,618	\$ 1,860	(13)%

Six Months Ended

	June 27, 2020		% Change
	June 27, 2020	June 29, 2019	
Products and Systems Integration	\$ 1,961	\$ 2,307	(15)%
Software and Services	1,312	1,210	8 %
Total Motorola Solutions	\$ 3,273	\$ 3,517	(7)%

Operating Earnings

	Three Months Ended		% Change
	June 27, 2020	June 29, 2019	
Products and Systems Integration	\$ 49	\$ 201	(76)%
Software and Services	169	148	14 %
Total Motorola Solutions	\$ 218	\$ 349	(38)%

Six Months Ended

	June 27, 2020		% Change
	June 27, 2020	June 29, 2019	
Products and Systems Integration	\$ 141	\$ 310	(55)%
Software and Services	335	269	25 %
Total Motorola Solutions	\$ 476	\$ 579	(18)%

Operating Earnings %

	Three Months Ended	
	June 27, 2020	June 29, 2019
Products and Systems Integration	5.1 %	16.2 %
Software and Services	26.0 %	23.8 %
Total Motorola Solutions	13.5 %	18.8 %

Six Months Ended

	June 27, 2020	
	June 27, 2020	June 29, 2019
Products and Systems Integration	7.2 %	13.4 %
Software and Services	25.5 %	22.2 %
Total Motorola Solutions	14.5 %	16.5 %

Motorola Solutions, Inc. and Subsidiaries

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

(In millions)

Q1 2020

Non-GAAP Adjustments	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS impact
Intangibles amortization expense	Intangibles amortization	\$ 53	\$ 13	\$ 40	\$ 0.23
Share-based compensation expenses	Cost of sales, SG&A and R&D	38	9	29	0.17
Hytera-related legal expenses	SG&A	25	6	19	0.11
Reorganization of business charges	Cost of sales and Other charges (income)	18	4	14	0.08
Acquisition-related transaction fees	Other charges (income)	2	—	2	0.01
Legal settlements	Other charges (income)	2	—	2	0.01
Fair value adjustments to equity investments	Other income	(1)	—	(1)	(0.01)
Release of uncertain tax positions	Income tax expense	—	1	(1)	(0.01)
Gain on sale of property, plant, and equipment	Other charges (income)	(50)	(12)	(38)	(0.22)
Total impact on Net earnings		\$ 87	\$ 21	\$ 66	\$ 0.37

Q2 2020

Non-GAAP Adjustments	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS impact
Intangibles amortization expense	Intangibles amortization	\$ 51	\$ 12	\$ 39	\$ 0.22
Reorganization of business charges	Cost of sales and Other charges (income)	41	10	31	0.18
Share-based compensation expenses	Cost of sales, SG&A and R&D	31	7	24	0.14
Legal settlements	Other charges (income)	7	2	5	0.03
Hytera-related legal expenses	SG&A	5	1	4	0.02
Fixed asset impairment	Other charges (income)	5	1	4	0.02
Acquisition-related transaction fees	Other charges (income)	1	—	1	0.01
Release of uncertain tax positions	Income tax expense	—	(1)	1	0.01
Fair value adjustments to equity investments	Other income	(4)	(1)	(3)	(0.02)
Total impact on Net earnings		\$ 137	\$ 31	\$ 106	\$ 0.61

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

Net Sales

	Three Months Ended		% Change
	June 27, 2020	June 29, 2019	
Products and Systems Integration	\$ 968	\$ 1,238	(22)%
Software and Services	650	622	5 %
Total Motorola Solutions	\$ 1,618	\$ 1,860	(13)%

Six Months Ended

	June 27, 2020		% Change
	June 27, 2020	June 29, 2019	
Products and Systems Integration	\$ 1,961	\$ 2,307	(15)%
Software and Services	1,312	1,210	8 %
Total Motorola Solutions	\$ 3,273	\$ 3,517	(7)%

Non-GAAP Operating Earnings

	Three Months Ended		% Change
	June 27, 2020	June 29, 2019	
Products and Systems Integration	\$ 131	\$ 242	(46)%
Software and Services	228	202	13 %
Total Motorola Solutions	\$ 359	\$ 444	(19)%

Six Months Ended

	June 27, 2020		% Change
	June 27, 2020	June 29, 2019	
Products and Systems Integration	\$ 253	\$ 389	(35)%
Software and Services	452	370	22 %
Total Motorola Solutions	\$ 705	\$ 759	(7)%

Non-GAAP Operating Earnings %

	Three Months Ended	
	June 27, 2020	June 29, 2019
Products and Systems Integration	13.5 %	19.5 %
Software and Services	35.1 %	32.5 %
Total Motorola Solutions	22.2 %	23.9 %

Six Months Ended

	June 27, 2020	
	June 27, 2020	June 29, 2019
Products and Systems Integration	12.9 %	16.9 %
Software and Services	34.5 %	30.6 %
Total Motorola Solutions	21.5 %	21.6 %

Motorola Solutions, Inc. and Subsidiaries
Operating Earnings after Non-GAAP Adjustments
(In millions)

Q1 2020

	TOTAL	Products and Systems Integration	Software and Services
Net sales	\$ 1,655	\$ 993	\$ 662
Operating earnings ("OE")	\$ 259	\$ 92	\$ 167
Above-OE non-GAAP adjustments:			
Intangibles amortization expense	53	12	41
Share-based compensation expenses	38	27	11
Hytera-related legal expenses	25	25	—
Reorganization of business charges	18	14	4
Acquisition-related transaction fees	2	1	1
Legal settlements	2	2	—
Gain on sale of property, plant, and equipment	(50)	(50)	—
Total above-OE non-GAAP adjustments	88	31	57
Operating earnings after non-GAAP adjustments	\$ 347	\$ 123	\$ 224
Operating earnings as a percentage of net sales - GAAP	15.6 %	9.3 %	25.2 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	21.0 %	12.4 %	33.8 %

Q2 2020

	TOTAL	Products and Systems Integration	Software and Services
Net sales	\$ 1,618	\$ 968	\$ 650
Operating earnings ("OE")	\$ 218	\$ 49	\$ 169
Above-OE non-GAAP adjustments:			
Intangibles amortization expense	51	12	39
Reorganization of business charges	41	33	8
Share-based compensation expenses	31	22	9
Legal settlements	7	7	—
Hytera-related legal expenses	5	5	—
Fixed asset impairment	5	3	2
Acquisition-related transaction fees	1	—	1
Total above-OE non-GAAP adjustments	141	82	59
Operating earnings after non-GAAP adjustments	\$ 359	\$ 131	\$ 228
Operating earnings as a percentage of net sales - GAAP	13.5 %	5.1 %	26.0 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	22.2 %	13.5 %	35.1 %

Motorola Solutions, Inc. and Subsidiaries
Non-GAAP Organic Revenue
(In millions)

	Three Months Ended		% Change
	June 27, 2020	June 29, 2019	
Net sales	\$ 1,618	\$ 1,860	(13)%
Non-GAAP adjustments:			
Sales from acquisitions	40	—	
Organic revenue	\$ 1,578	\$ 1,860	(15)%

	Six Months Ended		% Change
	June 27, 2020	June 29, 2019	
Net sales	\$ 3,273	\$ 3,517	(7)%
Non-GAAP adjustments:			
Sales from acquisitions	91	3	
Organic revenue	\$ 3,182	\$ 3,514	(9)%