

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

	Three Months Ended	
	July 1, 2023	July 2, 2022
Net sales from products	\$ 1,349	\$ 1,212
Net sales from services	1,054	928
Net sales	2,403	2,140
Costs of products sales	636	637
Costs of services sales	578	513
Costs of sales	1,214	1,150
Gross margin	1,189	990
Selling, general and administrative expenses	390	356
Research and development expenditures	215	191
Other charges	23	20
Intangibles amortization	43	65
Operating earnings	518	358
Other income (expense):		
Interest expense, net	(57)	(56)
Other, net	26	(2)
Total other expense	(31)	(58)
Net earnings before income taxes	487	300
Income tax expense	114	71
Net earnings	373	229
Less: Earnings attributable to non-controlling interests	2	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 371	\$ 228
Earnings per common share:		
Basic	\$ 2.21	\$ 1.36
Diluted	\$ 2.15	\$ 1.33
Weighted average common shares outstanding:		
Basic	167.5	167.2
Diluted	172.6	170.9

	Percentage of Net Sales*	
Net sales from products	56.1 %	56.6 %
Net sales from services	43.9 %	43.4 %
Net sales	100.0 %	100.0 %
Costs of products sales	47.1 %	52.6 %
Costs of services sales	54.8 %	55.3 %
Costs of sales	50.5 %	53.7 %
Gross margin	49.5 %	46.3 %
Selling, general and administrative expenses	16.2 %	16.6 %
Research and development expenditures	8.9 %	8.9 %
Other charges	1.0 %	0.9 %
Intangibles amortization	1.8 %	3.0 %
Operating earnings	21.6 %	16.7 %
Other income (expense):		
Interest expense, net	(2.4)%	(2.6)%
Other, net	1.1 %	(0.1)%
Total other expense	(1.3)%	(2.7)%
Net earnings before income taxes	20.3 %	14.0 %
Income tax expense	4.7 %	3.3 %
Net earnings	15.5 %	10.7 %
Less: Earnings attributable to non-controlling interests	0.1 %	— %
Net earnings attributable to Motorola Solutions, Inc.	15.4 %	10.7 %

* 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, 2023	July 2, 2022
Net sales from products	\$ 2,573	\$ 2,258
Net sales from services	2,001	1,774
Net sales	4,574	4,032
Costs of products sales	1,209	1,185
Costs of services sales	1,130	1,001
Costs of sales	2,339	2,186
Gross margin	2,235	1,846
Selling, general and administrative expenses	757	692
Research and development expenditures	426	380
Other charges	37	46
Intangibles amortization	98	131
Operating earnings	917	597
Other income (expense):		
Interest expense, net	(111)	(112)
Gain on sales of investments and businesses, net	1	2
Other, net	39	33
Total other expense	(71)	(77)
Net earnings before income taxes	846	520
Income tax expense	194	23
Net earnings	652	497
Less: Earnings attributable to non-controlling interests	3	2
Net earnings attributable to Motorola Solutions, Inc.	\$ 649	\$ 495
<u>Earnings per common share:</u>		
Basic	\$ 3.88	\$ 2.95
Diluted	\$ 3.76	\$ 2.88
<u>Weighted average common shares outstanding:</u>		
Basic	167.4	167.6
Diluted	172.5	172.0
	Percentage of Net Sales*	
Net sales from products	56.3 %	56.0 %
Net sales from services	43.7 %	44.0 %
Net sales	100.0 %	100.0 %
Costs of products sales	47.0 %	52.5 %
Costs of services sales	56.5 %	56.4 %
Costs of sales	51.1 %	54.2 %
Gross margin	48.9 %	45.8 %
Selling, general and administrative expenses	16.6 %	17.2 %
Research and development expenditures	9.3 %	9.4 %
Other charges	0.8 %	1.1 %
Intangibles amortization	2.1 %	3.2 %
Operating earnings	20.0 %	14.8 %
Other income (expense):		
Interest expense, net	(2.4)%	(2.8)%
Gain on sales of investments and businesses, net	— %	— %
Other, net	0.9 %	0.8 %
Total other expense	(1.6)%	(1.9)%
Net earnings before income taxes	18.5 %	12.9 %
Income tax expense	4.2 %	0.6 %
Net earnings	14.3 %	12.3 %
Less: Earnings attributable to non-controlling interests	0.1 %	— %
Net earnings attributable to Motorola Solutions, Inc.	14.2 %	12.3 %
* Percentages may not add up due to rounding		

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

	July 1, 2023	December 31, 2022
Assets		
Cash and cash equivalents	\$ 710	\$ 1,325
Accounts receivable, net	1,513	1,518
Contract assets	1,033	974
Inventories, net	1,020	1,055
Other current assets	350	383
Total current assets	4,626	5,255
Property, plant and equipment, net	935	927
Operating lease assets	478	485
Investments	162	147
Deferred income taxes	1,172	1,036
Goodwill	3,295	3,312
Intangible assets, net	1,261	1,342
Other assets	323	310
Total assets	\$ 12,252	\$ 12,814
Liabilities and Stockholders' Equity		
Current portion of long-term debt	\$ —	\$ 1
Accounts payable	676	1,062
Contract liabilities	1,764	1,859
Accrued liabilities	1,326	1,638
Total current liabilities	3,766	4,560
Long-term debt	6,015	6,013
Operating lease liabilities	391	419
Other liabilities	1,729	1,691
Total Motorola Solutions, Inc. stockholders' equity	337	116
Non-controlling interests	14	15
Total liabilities and stockholders' equity	\$ 12,252	\$ 12,814

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

	Three Months Ended	
	July 1, 2023	July 2, 2022
Operating		
Net earnings	\$ 373	\$ 229
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	87	112
Non-cash other charges (income)	(11)	17
Share-based compensation expenses	53	44
Loss from the extinguishment of long-term debt	—	6
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	(169)	(142)
Inventories	62	(115)
Other current assets and contract assets	11	(61)
Accounts payable, accrued liabilities and contract liabilities	(215)	(111)
Other assets and liabilities	6	(27)
Deferred income taxes	(104)	58
Net cash provided by operating activities	93	10
Investing		
Acquisitions and investments, net	(6)	(59)
Proceeds from sales of investments and businesses, net	1	2
Capital expenditures	(53)	(59)
Net cash used for investing activities	(58)	(116)
Financing		
Repayments of debt	(1)	(281)
Net proceeds from issuance of debt	—	595
Issuances of common stock	10	(1)
Purchases of common stock	(224)	(162)
Payments of dividends	(148)	(132)
Payments of dividends to non-controlling interests	(3)	(6)
Net cash provided by (used for) financing activities	(366)	13
Effect of exchange rate changes on total cash and cash equivalents	19	(68)
Net decrease in total cash and cash equivalents	(312)	(161)
Cash and cash equivalents, beginning of period	1,022	878
Cash and cash equivalents, end of period	\$ 710	\$ 717

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

	Six Months Ended	
	July 1, 2023	July 2, 2022
Operating		
Net earnings	\$ 652	\$ 497
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	185	223
Non-cash other charges (income)	(4)	19
Share-based compensation expenses	108	81
Gain on sales of investments and businesses, net	(1)	(2)
Loss from the extinguishment of long-term debt	—	6
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	10	106
Inventories	36	(277)
Other current assets and contract assets	(29)	(14)
Accounts payable, accrued liabilities and contract liabilities	(751)	(299)
Other assets and liabilities	(1)	(57)
Deferred income taxes	(120)	(121)
Net cash provided by operating activities	85	162
Investing		
Acquisitions and investments, net	(10)	(571)
Proceeds from sales of investments and businesses, net	6	11
Capital expenditures	(107)	(113)
Net cash used for investing activities	(111)	(673)
Financing		
Net proceeds from issuance of debt	—	595
Repayments of debt	(1)	(283)
Issuances of common stock	36	51
Purchases of common stock	(364)	(655)
Payments of dividends	(296)	(266)
Payments of dividends to non-controlling interests	(4)	(6)
Net cash used for financing activities	(629)	(564)
Effect of exchange rate changes on total cash and cash equivalents	40	(82)
Net decrease in total cash and cash equivalents	(615)	(1,157)
Cash and cash equivalents, beginning of period	1,325	1,874
Cash and cash equivalents, end of period	\$ 710	\$ 717

Motorola Solutions, Inc. and Subsidiaries
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow
(In millions)

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net cash provided by operating activities	\$ 93	\$ 10	\$ 85	\$ 162
Capital expenditures	(53)	(59)	(107)	(113)
Free cash flow	<u>\$ 40</u>	<u>\$ (49)</u>	<u>\$ (22)</u>	<u>\$ 49</u>

Motorola Solutions, Inc. and Subsidiaries
Reconciliation of Net Earnings Attributable to MSI to Non-GAAP Net Earnings Attributable to MSI
(In millions)

		Three Months Ended		Six Months Ended	
Statement Line		July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net earnings attributable to MSI		\$ 371	\$ 228	\$ 649	\$ 495
Non-GAAP adjustments before income taxes:					
Share-based compensation expenses	Cost of sales, SG&A and R&D	\$ 53	\$ 44	\$ 108	\$ 81
Intangible assets amortization expense	Intangibles amortization	43	65	98	131
Environmental reserve expense	Other charges (income)	15	—	15	—
Hytera-related legal expenses	SG&A	7	8	10	10
Reorganization of business charges	Cost of sales and Other charges (income)	3	7	16	17
Investment impairments	Other (income) expense	3	—	9	1
Operating lease asset impairments	Other charges (income)	1	3	4	12
Fixed asset impairments	Other charges (income)	1	8	3	11
Acquisition-related transaction fees	Other charges (income)	—	4	2	14
Loss from extinguishment of long-term debt	Other (income) expense	—	6	—	6
Legal settlements	Other charges (income)	—	—	—	11
Adjustments to uncertain tax positions	Interest income, net	—	—	—	(2)
Gain on Hytera legal settlement	Other charges (income)	—	—	—	(13)
Gain on TETRA Ireland equity method investment	Other (income) expense	—	—	—	(21)
Gain on sales of investments	(Gain) or loss on sales of investments and businesses, net	—	—	(1)	(2)
Fair value adjustments to equity investments	Other (income) expense	(16)	12	(19)	30
Total Non-GAAP adjustments before income taxes		\$ 110	\$ 157	\$ 245	\$ 286
Income tax expense on Non-GAAP adjustments		23	31	52	133
Total Non-GAAP adjustments after income taxes		87	126	193	153
Non-GAAP Net earnings attributable to MSI		\$ 458	\$ 354	\$ 842	\$ 648

Calculation of Non-GAAP Tax Rate
(In millions)

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net earnings before income taxes	\$ 487	\$ 300	\$ 846	\$ 520
Total Non-GAAP adjustments before income taxes*	110	157	245	286
Non-GAAP Net earnings before income taxes	597	457	1,091	806
Income tax expense	114	71	194	23
Income tax expense on Non-GAAP adjustments**	23	31	52	133
Total Non-GAAP Income tax expense	137	102	246	156
Non-GAAP Tax rate	22.9 %	22.3 %	22.5 %	19.4 %

*See reconciliation on Non-GAAP-2 table above for detail on Non-GAAP adjustments before income taxes

**Income tax impact of highlighted items

Reconciliation of Earnings Per Share to Non-GAAP Earnings Per Share*

		Three Months Ended		Six Months Ended	
Statement Line		July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net earnings attributable to MSI		\$ 2.15	\$ 1.33	\$ 3.76	\$ 2.88
Non-GAAP adjustments before income taxes:					
Share-based compensation expenses	Cost of sales, SG&A and R&D	\$ 0.30	\$ 0.25	\$ 0.63	\$ 0.46
Intangible assets amortization expense	Intangibles amortization	0.24	0.38	0.57	0.76
Environmental reserve expense	Other charges (income)	0.09	—	0.09	—
Hytera-related legal expenses	SG&A	0.04	0.05	0.06	0.06
Reorganization of business charges	Cost of sales and Other charges (income)	0.02	0.04	0.09	0.10
Investment impairments	Other (income) expense	0.02	—	0.05	0.01
Operating lease asset impairments	Other charges (income)	0.01	0.02	0.02	0.07
Fixed asset impairments	Other charges (income)	0.01	0.05	0.02	0.06
Acquisition-related transaction fees	Other charges (income)	—	0.02	0.01	0.08
Loss from extinguishment of long-term debt	Other (income) expense	—	0.04	—	0.04
Legal settlements	Other charges (income)	—	—	—	0.06
Adjustments to uncertain tax positions	Interest income, net	—	—	—	(0.01)
Gain on Hytera legal settlement	Other charges (income)	—	—	—	(0.07)
Gain on TETRA Ireland equity method investment	Other (income) expense	—	—	—	(0.12)
Gain on sales of investments	(Gain) or loss on sales of investments and businesses, net	—	—	(0.01)	(0.01)
Fair value adjustments to equity investments	Other (income) expense	(0.09)	0.07	(0.11)	0.17
Total Non-GAAP adjustments before income taxes		\$ 0.64	\$ 0.92	\$ 1.42	\$ 1.66
Income tax expense on Non-GAAP adjustments		0.14	0.18	0.30	0.77
Total Non-GAAP adjustments after income taxes		0.50	0.74	1.12	0.89
Non-GAAP Net earnings attributable to MSI		<u>\$ 2.65</u>	<u>\$ 2.07</u>	<u>\$ 4.88</u>	<u>\$ 3.77</u>
Diluted Weighted Average Common Shares		172.6	170.9	172.5	172.0
<i>*Indicates Non-GAAP Diluted EPS</i>					

Motorola Solutions, Inc. and Subsidiaries
Reconciliations of Operating Earnings to Non-GAAP Operating Earnings and Operating Margin to Non-GAAP Operating Margin
(In millions)

	Three Months Ended					
	July 1, 2023			July 2, 2022		
	Products and Systems Integration	Software and Services	Total	Products and Systems Integration	Software and Services	Total
Net sales	\$ 1,437	\$ 966	\$ 2,403	\$ 1,285	\$ 855	\$ 2,140
Operating earnings ("OE")	\$ 212	\$ 306	\$ 518	\$ 118	\$ 240	\$ 358
Above OE non-GAAP adjustments:						
Share-based compensation expenses	38	15	53	32	12	44
Intangible assets amortization expense	10	33	43	15	50	65
Environmental reserve expense	10	5	15	—	—	—
Hytera-related legal expenses	7	—	7	8	—	8
Reorganization of business charges	6	(3)	3	6	1	7
Fixed asset impairments	1	—	1	6	2	8
Operating lease asset impairments	1	—	1	2	1	3
Acquisition-related transaction fees	—	—	—	1	3	4
Total above-OE non-GAAP adjustments	73	50	123	70	69	139
Operating earnings after non-GAAP adjustments	\$ 285	\$ 356	\$ 641	\$ 188	\$ 309	\$ 497
Operating earnings as a percentage of net sales - GAAP	14.8 %	31.7 %	21.6 %	9.2 %	28.1 %	16.7 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	19.8 %	36.9 %	26.7 %	14.6 %	36.1 %	23.2 %

Motorola Solutions, Inc. and Subsidiaries
Reconciliations of Operating Earnings to Non-GAAP Operating Earnings and Operating Margin to Non-GAAP Operating Margin
(In millions)

	Six Months Ended					
	July 1, 2023			July 2, 2022		
	Products and Systems Integration	Software and Services	Total	Products and Systems Integration	Software and Services	Total
Net sales	\$ 2,740	\$ 1,834	\$ 4,574	\$ 2,388	\$ 1,644	\$ 4,032
Operating earnings ("OE")	\$ 388	\$ 529	\$ 917	\$ 157	\$ 440	\$ 597
Above-OE non-GAAP adjustments:						
Share-based compensation expenses	78	30	108	59	22	81
Intangible assets amortization expense	23	75	98	30	101	131
Reorganization of business charges	17	(1)	16	14	3	17
Environmental reserve expense	10	5	15	—	—	—
Hytera-related legal expenses	10	—	10	10	—	10
Operating lease asset impairments	3	1	4	11	1	12
Fixed asset impairments	2	1	3	9	2	11
Acquisition-related transaction fees	—	2	2	7	7	14
Gain on Hytera legal settlement	—	—	—	(13)	—	(13)
Legal settlements	—	—	—	—	11	11
Total above-OE non-GAAP adjustments	143	113	256	127	147	274
Operating earnings after non-GAAP adjustments	\$ 531	\$ 642	\$ 1,173	\$ 284	\$ 587	\$ 871
Operating earnings as a percentage of net sales - GAAP	14.2 %	28.8 %	20.0 %	6.6 %	26.8 %	14.8 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	19.4 %	35.0 %	25.6 %	11.9 %	35.7 %	21.6 %

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

	Three Months Ended		% Change
	July 1, 2023	July 2, 2022	
Net sales	\$ 2,403	\$ 2,140	12 %
Non-GAAP adjustments:			
Sales from acquisitions	22	2	
Organic revenue	\$ 2,381	\$ 2,138	11 %
	Six Months Ended		% Change
	July 1, 2023	July 2, 2022	
Net sales	\$ 4,574	\$ 4,032	13 %
Non-GAAP adjustments:			
Sales from acquisitions	66	4	
Organic revenue	\$ 4,508	\$ 4,028	12 %