

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

	Three Months Ended	
	March 28, 2020	March 30, 2019
Net sales from products	\$ 884	\$ 945
Net sales from services	771	712
Net sales	1,655	1,657
Costs of products sales	397	444
Costs of services sales	471	440
Costs of sales	868	884
Gross margin	787	773
Selling, general and administrative expenses	341	327
Research and development expenditures	168	162
Other charges (income)	(34)	5
Intangibles amortization	53	50
Operating earnings	259	229
Other income (expense):		
Interest expense, net	(52)	(55)
Gains on sales of investments and businesses, net	—	1
Other, net	17	10
Total other expense	(35)	(44)
Net earnings before income taxes	224	185
Income tax expense	26	33
Net earnings	198	152
Less: Earnings attributable to non-controlling interests	1	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 197	\$ 151
Earnings per common share:		
Basic	\$ 1.15	\$ 0.92
Diluted	\$ 1.12	\$ 0.86
Weighted average common shares outstanding:		
Basic	170.6	164.0
Diluted	175.9	174.6
	Percentage of Net Sales*	
Net sales from products	53.4 %	57.0 %
Net sales from services	46.6 %	43.0 %
Net sales	100.0 %	100.0 %
Costs of products sales	44.9 %	47.0 %
Costs of services sales	61.1 %	61.8 %
Costs of sales	52.4 %	53.3 %
Gross margin	47.6 %	46.7 %
Selling, general and administrative expenses	20.6 %	19.7 %
Research and development expenditures	10.2 %	9.8 %
Other charges (income)	(2.1)%	0.3 %
Intangibles amortization	3.2 %	3.0 %
Operating earnings	15.6 %	13.8 %
Other income (expense):		
Interest expense, net	(3.1)%	(3.3)%
Gains on sales of investments and businesses, net	— %	— %
Other, net	1.0 %	0.6 %
Total other expense	(2.1)%	(2.7)%
Net earnings before income taxes	13.5 %	11.2 %
Income tax expense	1.6 %	2.0 %
Net earnings	12.0 %	9.2 %
Less: Earnings attributable to non-controlling interests	0.1 %	— %
Net earnings attributable to Motorola Solutions, Inc.	11.9 %	9.1 %

* Percentages may not add up due to rounding

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

	March 28, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 1,672	\$ 1,001
Accounts receivable, net	1,122	1,412
Contract assets	958	1,046
Inventories, net	442	447
Other current assets	287	272
Total current assets	4,481	4,178
Property, plant and equipment, net	932	992
Operating lease assets	521	554
Investments	154	159
Deferred income taxes	918	943
Goodwill	2,075	2,067
Intangible assets, net	1,242	1,327
Other assets	393	422
Total assets	\$ 10,716	\$ 10,642
Liabilities and Stockholders' Equity (Deficit)		
Current portion of long-term debt	\$ 814	\$ 16
Accounts payable	531	618
Contract liabilities	1,278	1,449
Accrued liabilities	1,256	1,356
Total current liabilities	3,879	3,439
Long-term debt	5,111	5,113
Operating lease liabilities	458	497
Other liabilities	2,198	2,276
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(948)	(700)
Non-controlling interests	18	17
Total liabilities and stockholders' equity (deficit)	\$ 10,716	\$ 10,642

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

	Three Months Ended	
	March 28, 2020	March 30, 2019
Operating		
Net earnings attributable to Motorola Solutions, Inc.	\$ 197	\$ 151
Earnings attributable to non-controlling interests	1	1
Net earnings	198	152
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	99	95
Non-cash other charges	(51)	10
Share-based compensation expenses	38	27
Gain on sales of investments and businesses, net	—	(1)
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	275	168
Inventories	2	(63)
Other current assets and contract assets	48	136
Accounts payable, accrued liabilities, and contract liabilities	(301)	(261)
Other assets and liabilities	(4)	(6)
Deferred income taxes	4	(6)
Net cash provided by operating activities	308	251
Investing		
Acquisitions and investments, net	(36)	(368)
Proceeds from sales of investments and businesses, net	2	2
Capital expenditures	(48)	(66)
Proceeds from sales of property, plant and equipment	56	—
Net cash used for investing activities	(26)	(432)
Financing		
Repayments of debt	(4)	(8)
Net proceeds from revolver draw	800	—
Issuances of common stock	5	45
Purchases of common stock	(253)	(145)
Payments of dividends	(109)	(93)
Net cash provided by (used for) financing activities	439	(201)
Effect of exchange rate changes on total cash and cash equivalents	(50)	22
Net increase (decrease) in total cash and cash equivalents	671	(360)
Cash and cash equivalents, beginning of period	1,001	1,257
Cash and cash equivalents, end of period	\$ 1,672	\$ 897
Financial Ratios:		
Free cash flow*	\$ 260	\$ 185

*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
	March 28, 2020	March 30, 2019	
Products and Systems Integration	\$ 993	\$ 1,069	(7)%
Software and Services	662	588	13 %
Total Motorola Solutions	\$ 1,655	\$ 1,657	— %

Operating Earnings

	Three Months Ended		% Change
	March 28, 2020	March 30, 2019	
Products and Systems Integration	\$ 92	\$ 108	(15)%
Software and Services	167	121	38 %
Total Motorola Solutions	\$ 259	\$ 229	13 %

Operating Earnings %

	Three Months Ended	
	March 28, 2020	March 30, 2019
Products and Systems Integration	9.3 %	10.1 %
Software and Services	25.2 %	20.6 %
Total Motorola Solutions	15.6 %	13.8 %

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 expense	(1)	—	(1)	(0.01)
Release of uncertain tax positions	Other income, 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

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

	Net Sales		
	Three Months Ended		
	March 28, 2020	March 30, 2019	% Change
Products and Systems Integration	\$ 993	\$ 1,069	(7)%
Software and Services	662	588	13 %
Total Motorola Solutions	\$ 1,655	\$ 1,657	— %

	Non-GAAP Operating Earnings		
	Three Months Ended		
	March 28, 2020	March 30, 2019	% Change
Products and Systems Integration	\$ 123	\$ 147	(16)%
Software and Services	224	168	33 %
Total Motorola Solutions	\$ 347	\$ 315	10 %

	Non-GAAP Operating Earnings %		
	Three Months Ended		
	March 28, 2020	March 30, 2019	
Products and Systems Integration	12.4 %	13.8 %	
Software and Services	33.8 %	28.6 %	
Total Motorola Solutions	21.0 %	19.0 %	

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 %

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

Total Motorola Solutions

	Three Months Ended		
	March 28, 2020	March 30, 2019	% Change
Net sales	\$ 1,655	\$ 1,657	— %
Non-GAAP adjustments:			
Sales from acquisitions	51	3	
Organic revenue	\$ 1,604	\$ 1,654	(3)%