

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

	Three Months Ended	
	July 3, 2021	June 27, 2020
Net sales from products	\$ 1,094	\$ 877
Net sales from services	877	741
Net sales	1,971	1,618
Costs of products sales	511	413
Costs of services sales	508	439
Costs of sales	1,019	852
Gross margin	952	766
Selling, general and administrative expenses	331	297
Research and development expenditures	181	161
Other charges	12	39
Intangibles amortization	58	51
Operating earnings	370	218
Other income (expense):		
Interest expense, net	(44)	(58)
Other, net	14	16
Total other expense	(30)	(42)
Net earnings before income taxes	340	176
Income tax expense	46	40
Net earnings	294	136
Less: Earnings attributable to non-controlling interests	1	1
Net earnings attributable to Motorola Solutions, Inc.	<u>\$ 293</u>	<u>\$ 135</u>
Earnings per common share:		
Basic	\$ 1.73	\$ 0.79
Diluted	\$ 1.69	\$ 0.78
Weighted average common shares outstanding:		
Basic	169.6	170.0
Diluted	173.1	173.6
	Percentage of Net Sales*	
Net sales from products	55.5 %	54.2 %
Net sales from services	44.5 %	45.8 %
Net sales	100.0 %	100.0 %
Costs of products sales	46.7 %	47.1 %
Costs of services sales	57.9 %	59.2 %
Costs of sales	51.7 %	52.7 %
Gross margin	48.3 %	47.3 %
Selling, general and administrative expenses	16.8 %	18.4 %
Research and development expenditures	9.2 %	10.0 %
Other charges	0.6 %	2.4 %
Intangibles amortization	2.9 %	3.2 %
Operating earnings	18.8 %	13.5 %
Other income (expense):		
Interest expense, net	(2.2)%	(3.6)%
Other, net	0.7 %	1.0 %
Total other expense	(1.5)%	(2.6)%
Net earnings before income taxes	17.3 %	10.9 %
Income tax expense	2.3 %	2.5 %
Net earnings	14.9 %	8.4 %
Less: Earnings attributable to non-controlling interests	0.1 %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	<u>14.9 %</u>	<u>8.3 %</u>

* 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 3, 2021	June 27, 2020
Net sales from products	\$ 2,027	\$ 1,764
Net sales from services	1,717	1,509
Net sales	3,744	3,273
Costs of products sales	952	812
Costs of services sales	980	908
Costs of sales	1,932	1,720
Gross margin	1,812	1,553
Selling, general and administrative expenses	633	638
Research and development expenditures	361	330
Other charges	34	5
Intangibles amortization	116	104
Operating earnings	668	476
Other income (expense):		
Interest expense, net	(98)	(109)
Other, net	60	34
Total other expense	(38)	(75)
Net earnings before income taxes	630	401
Income tax expense	90	67
Net earnings	540	334
Less: Earnings attributable to non-controlling interests	3	2
Net earnings attributable to Motorola Solutions, Inc.	<u>\$ 537</u>	<u>\$ 332</u>
<u>Earnings per common share:</u>		
Basic	\$ 3.17	\$ 1.95
Diluted	\$ 3.10	\$ 1.90
<u>Weighted average common shares outstanding:</u>		
Basic	169.4	170.3
Diluted	173.1	174.8
	Percentage of Net Sales*	
Net sales from products	54.1 %	53.9 %
Net sales from services	45.9 %	46.1 %
Net sales	100.0 %	100.0 %
Costs of products sales	47.0 %	46.0 %
Costs of services sales	57.1 %	60.2 %
Costs of sales	51.6 %	52.6 %
Gross margin	48.4 %	47.4 %
Selling, general and administrative expenses	16.9 %	19.5 %
Research and development expenditures	9.6 %	10.1 %
Other charges	0.9 %	0.2 %
Intangibles amortization	3.1 %	3.2 %
Operating earnings	17.8 %	14.5 %
Other income (expense):		
Interest expense, net	(2.6)%	(3.3)%
Other, net	1.6 %	1.0 %
Total other expense	(1.0)%	(2.3)%
Net earnings before income taxes	16.8 %	12.3 %
Income tax expense	2.4 %	2.0 %
Net earnings	14.4 %	10.2 %
Less: Earnings attributable to non-controlling interests	0.1 %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	<u>14.3 %</u>	<u>10.1 %</u>

* Percentages may not add up due to rounding

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

	July 3, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$ 1,921	\$ 1,254
Accounts receivable, net	1,169	1,390
Contract assets	757	933
Inventories, net	559	508
Other current assets	254	242
Total current assets	4,660	4,327
Property, plant and equipment, net	1,028	1,022
Operating lease assets	430	468
Investments	181	158
Deferred income taxes	981	966
Goodwill	2,219	2,219
Intangible assets, net	1,123	1,234
Other assets	509	482
Total assets	\$ 11,131	\$ 10,876
Liabilities and Stockholders' Equity (Deficit)		
Current portion of long-term debt	\$ 9	\$ 12
Accounts payable	547	612
Contract liabilities	1,416	1,554
Accrued liabilities	1,212	1,311
Total current liabilities	3,184	3,489
Long-term debt	5,686	5,163
Operating lease liabilities	340	402
Other liabilities	2,265	2,363
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(358)	(558)
Non-controlling interests	14	17
Total liabilities and stockholders' equity (deficit)	\$ 11,131	\$ 10,876

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

	Three Months Ended	
	July 3, 2021	June 27, 2020
Operating		
Net earnings	\$ 294	\$ 136
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	110	98
Non-cash other charges (income)	(17)	11
Share-based compensation expenses	31	31
Loss from the extinguishment of long-term debt	18	—
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	(77)	11
Inventories	(29)	1
Other current assets and contract assets	(14)	88
Accounts payable, accrued liabilities, and contract liabilities	128	(153)
Other assets and liabilities	(32)	(11)
Deferred income taxes	(24)	(3)
Net cash provided by operating activities	<u>388</u>	<u>209</u>
Investing		
Acquisitions and investments, net	(7)	(65)
Proceeds from sales of investments and businesses, net	1	4
Capital expenditures	(62)	(54)
Proceeds from sale of property, plant and equipment	6	—
Net cash used for investing activities	<u>(62)</u>	<u>(115)</u>
Financing		
Net proceeds from issuance of debt	844	—
Repayments of debt	(345)	(4)
Repayment of revolving credit facility draw	—	(300)
Issuances of common stock	15	44
Purchases of common stock	(102)	(83)
Payments of dividends	(121)	(109)
Payments of dividends to non-controlling interests	(5)	(4)
Net cash provided by (used for) financing activities	<u>286</u>	<u>(456)</u>
Effect of exchange rate changes on total cash and cash equivalents	(11)	31
Net increase (decrease) in total cash and cash equivalents	601	(331)
Cash and cash equivalents, beginning of period	1,320	1,672
Cash and cash equivalents, end of period	<u>\$ 1,921</u>	<u>\$ 1,341</u>
Reconciliation of Net cash provided by operating activities to Free cash flow		
Net cash provided by operating activities	\$ 388	\$ 209
Capital expenditures	(62)	(54)
Free cash flow*	<u>\$ 326</u>	<u>\$ 155</u>

*Free cash flow is a non-GAAP financial measure and is calculated as 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 3, 2021	June 27, 2020
Operating		
Net earnings	\$ 540	\$ 334
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	220	197
Non-cash other income	(24)	(40)
Share-based compensation expenses	60	69
Loss from the extinguishment of long-term debt	18	—
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	221	286
Inventories	(53)	3
Other current assets and contract assets	134	136
Accounts payable, accrued liabilities, and contract liabilities	(298)	(454)
Other assets and liabilities	(37)	(15)
Deferred income taxes	(23)	1
Net cash provided by operating activities	<u>758</u>	<u>517</u>
Investing		
Acquisitions and investments, net	(9)	(102)
Proceeds from sales of investments and businesses, net	3	7
Capital expenditures	(114)	(102)
Proceeds from sales of property, plant and equipment	6	56
Net cash used for investing activities	<u>(114)</u>	<u>(141)</u>
Financing		
Net proceeds from issuance of debt	844	—
Proceeds from revolving credit facility draw	—	800
Repayments of debt	(348)	(8)
Repayment of revolving credit facility draw	—	(300)
Revolving credit facility renewal fees	(7)	—
Issuances of common stock	60	49
Purchases of common stock	(272)	(336)
Payments of dividends	(242)	(218)
Payments of dividends to non-controlling interests	(5)	(4)
Net cash provided by (used for) financing activities	<u>30</u>	<u>(17)</u>
Effect of exchange rate changes on total cash and cash equivalents	<u>(7)</u>	<u>(19)</u>
Net increase in total cash and cash equivalents	667	340
Cash and cash equivalents, beginning of period	1,254	1,001
Cash and cash equivalents, end of period	<u>\$ 1,921</u>	<u>\$ 1,341</u>
Reconciliation of Net cash provided by operating activities to Free cash flow		
Net cash provided by operating activities	\$ 758	\$ 517
Capital expenditures	(114)	(102)
Free cash flow*	<u>\$ 644</u>	<u>\$ 415</u>

*Free cash flow is a non-GAAP financial measure and is calculated as Net cash provided by operating activities - Capital expenditures

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

Net Sales

	Three Months Ended		% Change
	July 3, 2021	June 27, 2020	
Products and Systems Integration	\$ 1,198	\$ 968	24 %
Software and Services	773	650	19 %
Total Motorola Solutions	\$ 1,971	\$ 1,618	22 %

	Six Months Ended		% Change
	July 3, 2021	June 27, 2020	
Products and Systems Integration	\$ 2,213	\$ 1,961	13 %
Software and Services	1,531	1,312	17 %
Total Motorola Solutions	\$ 3,744	\$ 3,273	14 %

Operating Earnings

	Three Months Ended		% Change
	July 3, 2021	June 27, 2020	
Products and Systems Integration	\$ 139	\$ 49	184 %
Software and Services	231	169	37 %
Total Motorola Solutions	\$ 370	\$ 218	70 %

	Six Months Ended		% Change
	July 3, 2021	June 27, 2020	
Products and Systems Integration	\$ 216	\$ 141	53 %
Software and Services	452	335	35 %
Total Motorola Solutions	\$ 668	\$ 476	40 %

Operating Earnings %

	Three Months Ended	
	July 3, 2021	June 27, 2020
Products and Systems Integration	11.6 %	5.1 %
Software and Services	29.9 %	26.0 %
Total Motorola Solutions	18.8 %	13.5 %

	Six Months Ended	
	July 3, 2021	June 27, 2020
Products and Systems Integration	9.8 %	7.2 %
Software and Services	29.5 %	25.5 %
Total Motorola Solutions	17.8 %	14.5 %

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

(In millions)

Q1 2021

Non-GAAP Adjustments	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS Impact
Intangible assets amortization expense	Intangibles amortization	\$ 58	\$ 13	\$ 45	\$ 0.26
Share-based compensation expenses	Cost of sales, SG&A and R&D	29	6	23	0.13
Reorganization of business charges	Cost of sales and Other charges (income)	16	3	13	0.07
Operating lease asset impairments	Other charges (income)	7	1	6	0.03
Hytera-related legal expenses	SG&A	2	1	1	0.01
Acquisition-related transaction fees	Other charges (income)	1	—	1	0.01
Fair value adjustments to equity investments	Other income (expense)	(5)	(1)	(4)	(0.02)
Release of uncertain tax positions	Other income (expense)	(1)	4	(5)	(0.03)
Total impact on Net earnings		\$ 107	\$ 27	\$ 80	\$ 0.46

Q2 2021

Non-GAAP Adjustments	Statement Line	PBT (Inc)/Exp	Tax Inc/(Exp)	PAT (Inc)/Exp	EPS Impact
Intangible assets amortization expense	Intangibles amortization	\$ 58	\$ 9	\$ 49	\$ 0.28
Share-based compensation expenses	Cost of sales, SG&A and R&D	31	2	29	0.17
Loss from extinguishment of long-term debt	Other expense	18	4	14	0.08
Reorganization of business charges	Cost of sales and Other charges (income)	9	2	7	0.04
Hytera-related legal expenses	SG&A	8	1	7	0.04
Acquisition-related transaction fees	Other charges (income)	3	—	3	0.02
Legal settlements	Other charges (income)	3	1	2	0.01
Impact of tax law changes on deferred tax balances	Income tax expense	—	(2)	2	0.01
Fair value adjustments to equity investments	Other income	(8)	(2)	(6)	(0.03)
Adjustments to uncertain tax positions	Interest income, net and Income tax expense	(9)	(1)	(8)	(0.05)
Release of valuation allowance on deferred tax assets	Income tax expense	—	33	(33)	(0.19)
Total impact on Net earnings		\$ 113	\$ 47	\$ 66	\$ 0.38

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

Net Sales

	Three Months Ended		% Change
	July 3, 2021	June 27, 2020	
Products and Systems Integration	\$ 1,198	\$ 968	24 %
Software and Services	773	650	19 %
Total Motorola Solutions	\$ 1,971	\$ 1,618	22 %

	Six Months Ended		% Change
	July 3, 2021	June 27, 2020	
Products and Systems Integration	\$ 2,213	\$ 1,961	13 %
Software and Services	1,531	1,312	17 %
Total Motorola Solutions	\$ 3,744	\$ 3,273	14 %

Non-GAAP Operating Earnings

	Three Months Ended		% Change
	July 3, 2021	June 27, 2020	
Products and Systems Integration	\$ 194	\$ 131	48 %
Software and Services	288	228	26 %
Total Motorola Solutions	\$ 482	\$ 359	34 %

	Six Months Ended		% Change
	July 3, 2021	June 27, 2020	
Products and Systems Integration	\$ 325	\$ 253	28 %
Software and Services	568	452	26 %
Total Motorola Solutions	\$ 893	\$ 705	27 %

Non-GAAP Operating Earnings %

	Three Months Ended	
	July 3, 2021	June 27, 2020
Products and Systems Integration	16.2 %	13.5 %
Software and Services	37.2 %	35.1 %
Total Motorola Solutions	24.4 %	22.2 %

	Six Months Ended	
	July 3, 2021	June 27, 2020
Products and Systems Integration	14.7 %	12.9 %
Software and Services	37.1 %	34.5 %
Total Motorola Solutions	23.8 %	21.5 %

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

(In millions)

Q1 2021

	TOTAL	Products and Systems Integration	Software and Services
Net sales	\$ 1,773	\$ 1,015	\$ 758
Operating earnings ("OE")	\$ 298	\$ 77	\$ 221
Above-OE non-GAAP adjustments:			
Intangible assets amortization expense	58	13	45
Share-based compensation expenses	29	22	7
Reorganization of business charges	16	12	4
Operating lease asset impairment	7	5	2
Hytera-related legal expenses	2	2	—
Acquisition-related transaction fees	1	—	1
Total above-OE non-GAAP adjustments	113	54	59
Operating earnings after non-GAAP adjustments	\$ 411	\$ 131	\$ 280
Operating earnings as a percentage of net sales - GAAP	16.8 %	7.6 %	29.1 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	23.2 %	12.9 %	36.9 %

Q2 2021

	TOTAL	Products and Systems Integration	Software and Services
Net sales	\$ 1,971	\$ 1,198	\$ 773
Operating earnings ("OE")	\$ 370	\$ 139	\$ 231
Above-OE non-GAAP adjustments:			
Intangible assets amortization expense	58	13	45
Share-based compensation expenses	31	24	7
Reorganization of business charges	9	7	2
Hytera-related legal expenses	8	8	—
Legal settlements	3	2	1
Acquisition-related transaction fees	3	1	2
Total above-OE non-GAAP adjustments	112	55	57
Operating earnings after non-GAAP adjustments	\$ 482	\$ 194	\$ 288
Operating earnings as a percentage of net sales - GAAP	18.8 %	11.6 %	29.9 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	24.4 %	16.2 %	37.2 %

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

	Three Months Ended		% Change
	July 3, 2021	June 27, 2020	
Net sales	\$ 1,971	\$ 1,618	22 %
Non-GAAP adjustments:			
Sales from acquisitions	50	3	
Organic revenue	\$ 1,921	\$ 1,615	19 %
	Six Months Ended		% Change
	July 3, 2021	June 27, 2020	
Net sales	\$ 3,744	\$ 3,273	14 %
Non-GAAP adjustments:			
Sales from acquisitions	100	4	
Organic revenue	\$ 3,644	\$ 3,269	11 %