

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

	Three Months Ended	
	July 2, 2022	July 3, 2021
Net sales from products	\$ 1,212	\$ 1,094
Net sales from services	928	877
Net sales	2,140	1,971
Costs of products sales	637	511
Costs of services sales	513	508
Costs of sales	1,150	1,019
Gross margin	990	952
Selling, general and administrative expenses	356	331
Research and development expenditures	191	181
Other charges	20	12
Intangibles amortization	65	58
Operating earnings	358	370
Other income (expense):		
Interest expense, net	(56)	(44)
Other, net	(2)	14
Total other expense	(58)	(30)
Net earnings before income taxes	300	340
Income tax expense	71	46
Net earnings	229	294
Less: Earnings attributable to non-controlling interests	1	1
Net earnings attributable to Motorola Solutions, Inc.	<u>\$ 228</u>	<u>\$ 293</u>
Earnings per common share:		
Basic	\$ 1.36	\$ 1.73
Diluted	\$ 1.33	\$ 1.69
Weighted average common shares outstanding:		
Basic	167.2	169.6
Diluted	170.9	173.1
	Percentage of Net Sales*	
Net sales from products	56.6 %	55.5 %
Net sales from services	43.4 %	44.5 %
Net sales	100.0 %	100.0 %
Costs of products sales	52.6 %	46.7 %
Costs of services sales	55.3 %	57.9 %
Costs of sales	53.7 %	51.7 %
Gross margin	46.3 %	48.3 %
Selling, general and administrative expenses	16.6 %	16.8 %
Research and development expenditures	8.9 %	9.2 %
Other charges	0.9 %	0.6 %
Intangibles amortization	3.0 %	2.9 %
Operating earnings	16.7 %	18.8 %
Other income (expense):		
Interest expense, net	(2.6)%	(2.2)%
Other, net	(0.1)%	0.7 %
Total other expense	(2.7)%	(1.5)%
Net earnings before income taxes	14.0 %	17.3 %
Income tax expense	3.3 %	2.3 %
Net earnings	10.7 %	14.9 %
Less: Earnings attributable to non-controlling interests	— %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	<u>10.7 %</u>	<u>14.9 %</u>

* Percentages may not add up due to rounding

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(In millions, except per share amounts)

	Six Months Ended	
	July 2, 2022	July 3, 2021
Net sales from products	\$ 2,258	\$ 2,027
Net sales from services	1,774	1,717
Net sales	4,032	3,744
Costs of products sales	1,185	952
Costs of services sales	1,001	980
Costs of sales	2,186	1,932
Gross margin	1,846	1,812
Selling, general and administrative expenses	692	633
Research and development expenditures	380	361
Other charges	46	34
Intangibles amortization	131	116
Operating earnings	597	668
Other income (expense):		
Interest expense, net	(112)	(98)
Gain on sales of investments and businesses, net	2	—
Other, net	33	60
Total other expense	(77)	(38)
Net earnings before income taxes	520	630
Income tax expense	23	90
Net earnings	497	540
Less: Earnings attributable to non-controlling interests	2	3
Net earnings attributable to Motorola Solutions, Inc.	\$ 495	\$ 537
Earnings per common share:		
Basic	\$ 2.95	\$ 3.17
Diluted	\$ 2.88	\$ 3.10
Weighted average common shares outstanding:		
Basic	167.6	169.4
Diluted	172.0	173.1
	Percentage of Net Sales*	
Net sales from products	56.0 %	54.1 %
Net sales from services	44.0 %	45.9 %
Net sales	100.0 %	100.0 %
Costs of products sales	52.5 %	47.0 %
Costs of services sales	56.4 %	57.1 %
Costs of sales	54.2 %	51.6 %
Gross margin	45.8 %	48.4 %
Selling, general and administrative expenses	17.2 %	16.9 %
Research and development expenditures	9.4 %	9.6 %
Other charges	1.1 %	0.9 %
Intangibles amortization	3.2 %	3.1 %
Operating earnings	14.8 %	17.8 %
Other income (expense):		
Interest expense, net	(2.8)%	(2.6)%
Gain on sales of investments and businesses, net	— %	— %
Other, net	0.8 %	1.6 %
Total other expense	(1.9)%	(1.0)%
Net earnings before income taxes	12.9 %	16.8 %
Income tax expense	0.6 %	2.4 %
Net earnings	12.3 %	14.4 %
Less: Earnings attributable to non-controlling interests	— %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	12.3 %	14.3 %
* Percentages may not add up due to rounding		

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

	July 2, 2022	December 31, 2021
Assets		
Cash and cash equivalents	\$ 717	\$ 1,874
Accounts receivable, net	1,284	1,386
Contract assets	1,045	1,105
Inventories, net	1,071	788
Other current assets	294	259
Total current assets	4,411	5,412
Property, plant and equipment, net	1,039	1,042
Operating lease assets	366	382
Investments	162	209
Deferred income taxes	1,004	916
Goodwill	2,873	2,565
Intangible assets, net	1,255	1,105
Other assets	562	558
Total assets	\$ 11,672	\$ 12,189
Liabilities and Stockholders' Equity (Deficit)		
Current portion of long-term debt	\$ 2	\$ 5
Accounts payable	919	851
Contract liabilities	1,556	1,650
Accrued liabilities	1,324	1,557
Total current liabilities	3,801	4,063
Long-term debt	6,011	5,688
Operating lease liabilities	308	313
Other liabilities	1,982	2,148
Total Motorola Solutions, Inc. stockholders' equity (deficit)	(443)	(40)
Non-controlling interests	13	17
Total liabilities and stockholders' equity (deficit)	\$ 11,672	\$ 12,189

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

	Three Months Ended	
	July 2, 2022	July 3, 2021
Operating		
Net earnings	\$ 229	\$ 294
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	112	110
Non-cash other charges (income)	17	(17)
Share-based compensation expenses	44	31
Loss from the extinguishment of long-term debt	6	18
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	(142)	(77)
Inventories	(115)	(29)
Other current assets and contract assets	(61)	(14)
Accounts payable, accrued liabilities and contract liabilities	(111)	128
Other assets and liabilities	(27)	(32)
Deferred income taxes	58	(24)
Net cash provided by operating activities	<u>10</u>	<u>388</u>
Investing		
Acquisitions and investments, net	(59)	(7)
Proceeds from sales of investments and businesses, net	2	1
Capital expenditures	(59)	(62)
Proceeds from sale of property, plant and equipment	—	6
Net cash used for investing activities	<u>(116)</u>	<u>(62)</u>
Financing		
Repayments of debt	(281)	(345)
Net proceeds from issuance of debt	595	844
Issuances of common stock	(1)	15
Purchases of common stock	(162)	(102)
Payments of dividends	(132)	(121)
Payments of dividends to non-controlling interests	(6)	(5)
Net cash provided by financing activities	<u>13</u>	<u>286</u>
Effect of exchange rate changes on total cash and cash equivalents	(68)	(11)
Net increase (decrease) in total cash and cash equivalents	(161)	601
Cash and cash equivalents, beginning of period	878	1,320
Cash and cash equivalents, end of period	<u>\$ 717</u>	<u>\$ 1,921</u>

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

	Six Months Ended	
	July 2, 2022	July 3, 2021
Operating		
Net earnings	\$ 497	\$ 540
Adjustments to reconcile Net earnings to Net cash provided by operating activities:		
Depreciation and amortization	223	220
Non-cash other charges (income)	19	(24)
Share-based compensation expenses	81	60
Gain on sales of investments and businesses, net	(2)	—
Loss from the extinguishment of long-term debt	6	18
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	106	221
Inventories	(277)	(53)
Other current assets and contract assets	(14)	134
Accounts payable, accrued liabilities and contract liabilities	(299)	(298)
Other assets and liabilities	(57)	(37)
Deferred income taxes	(121)	(23)
Net cash provided by operating activities	162	758
Investing		
Acquisitions and investments, net	(571)	(9)
Proceeds from sales of investments and businesses, net	11	3
Capital expenditures	(113)	(114)
Proceeds from sales of property, plant and equipment	—	6
Net cash used for investing activities	(673)	(114)
Financing		
Net proceeds from issuance of debt	595	844
Repayments of debt	(283)	(348)
Revolving credit facility renewal fees	—	(7)
Issuances of common stock	51	60
Purchases of common stock	(655)	(272)
Payments of dividends	(266)	(242)
Payments of dividends to non-controlling interests	(6)	(5)
Net cash provided by (used for) financing activities	(564)	30
Effect of exchange rate changes on total cash and cash equivalents	(82)	(7)
Net increase (decrease) in total cash and cash equivalents	(1,157)	667
Cash and cash equivalents, beginning of period	1,874	1,254
Cash and cash equivalents, end of period	\$ 717	\$ 1,921

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 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Net cash provided by operating activities	\$ 10	\$ 388	\$ 162	\$ 758
Capital expenditures	(59)	(62)	(113)	(114)
Free cash flow	<u>\$ (49)</u>	<u>\$ 326</u>	<u>\$ 49</u>	<u>\$ 644</u>

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

Statement Line	Three Months Ended		Six Months Ended		
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021	
Net earnings attributable to MSI	\$ 228	\$ 293	\$ 495	\$ 537	
Non-GAAP adjustments before income taxes:					
Intangible assets amortization expense	Intangibles amortization	\$ 65	\$ 58	\$ 131	\$ 116
Share-based compensation expenses	Cost of sales, SG&A and R&D	44	31	81	60
Fair value adjustments to equity investments	Other (income) expense	12	(8)	30	(13)
Hytera-related legal expenses	SG&A	8	8	10	10
Fixed asset impairments	Other charges (income)	8	—	11	—
Reorganization of business charges	Cost of sales and Other charges (income)	7	9	17	25
Loss from extinguishment of long-term debt	Other (income) expense	6	18	6	18
Acquisition-related transaction fees	Other charges (income)	4	3	14	4
Operating lease asset impairments	Other charges (income)	3	—	12	7
Legal settlements	Other charges (Income)	—	3	11	3
Investment impairments	Other (income) expense	—	—	1	—
Gain on sales of investments	(Gain) or loss on sales of investments and businesses, net	—	—	(2)	—
Adjustments to uncertain tax positions	Interest income, net	—	(9)	(2)	(10)
Gain on Hytera legal settlement	Other charges (income)	—	—	(13)	—
Gain on TETRA Ireland equity method investment	Other (income) expense	—	—	(21)	—
Total Non-GAAP adjustments before income taxes		\$ 157	\$ 113	\$ 286	\$ 220
Income tax expense on Non-GAAP adjustments		31	47	133	74
Total Non-GAAP adjustments after income taxes		126	66	153	146
Non-GAAP Net earnings attributable to MSI		<u>\$ 354</u>	<u>\$ 359</u>	<u>\$ 648</u>	<u>\$ 683</u>

Calculation of Non-GAAP Tax Rate
(In millions)

	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Net earnings before income taxes	\$ 300	\$ 340	\$ 520	\$ 630
Total Non-GAAP adjustments before income taxes*	157	113	286	220
Non-GAAP Net earnings before income taxes	457	453	806	850
Income tax expense	71	46	23	90
Income tax expense on Non-GAAP adjustments**	31	47	133	74
Total Non-GAAP Income tax expense	102	93	156	164
Non-GAAP Tax rate	22.3 %	20.5 %	19.4 %	19.3 %

*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*

Statement Line	Three Months Ended		Six Months Ended		
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021	
Net earnings attributable to MSI	\$ 1.33	\$ 1.69	\$ 2.88	\$ 3.10	
Non-GAAP adjustments before income taxes:					
Intangible assets amortization expense	Intangibles amortization	\$ 0.38	\$ 0.34	\$ 0.76	\$ 0.67
Share-based compensation expenses	Cost of sales, SG&A and R&D	0.25	0.18	0.46	0.35
Fair value adjustments to equity investments	Other (income) expense	0.07	(0.05)	0.17	(0.07)
Hytera-related legal expenses	SG&A	0.05	0.05	0.06	0.06
Fixed asset impairments	Other charges (income)	0.05	—	0.06	—
Reorganization of business charges	Cost of sales and Other charges (income)	0.04	0.05	0.10	0.14
Loss from extinguishment of long-term debt	Other (income) expense	0.04	0.09	0.04	0.09
Acquisition-related transaction fees	Other charges (income)	0.02	0.02	0.08	0.03
Operating lease asset impairments	Other charges (income)	0.02	—	0.07	0.04
Legal settlements	Other charges (Income)	—	0.02	0.06	0.02
Investment impairments	Other (income) expense	—	—	0.01	—
Gain on sales of investments	(Gain) or loss on sales of investments and businesses, net	—	—	(0.01)	—
Adjustments to uncertain tax positions	Interest income, net	—	(0.05)	(0.01)	(0.06)
Gain on Hytera legal settlement	Other charges (income)	—	—	(0.07)	—
Gain on TETRA Ireland equity method investment	Other (income) expense	—	—	(0.12)	—
Total Non-GAAP adjustments before income taxes		\$ 0.92	\$ 0.65	\$ 1.66	\$ 1.27
Income tax expense on Non-GAAP adjustments		0.18	0.27	0.77	0.43
Total Non-GAAP adjustments after income taxes		0.74	0.38	0.89	0.84
Non-GAAP Net earnings attributable to MSI		<u>\$ 2.07</u>	<u>\$ 2.07</u>	<u>\$ 3.77</u>	<u>\$ 3.94</u>
Diluted Weighted Average Common Shares		170.9	173.1	172.0	173.1

*Indicates Non-GAAP Diluted EPS

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 2, 2022			July 3, 2021		
	Products and Systems Integration	Software and Services	Total	Products and Systems Integration	Software and Services	Total
Net sales	\$ 1,285	\$ 855	\$ 2,140	\$ 1,198	\$ 773	\$ 1,971
Operating earnings ("OE")	\$ 118	\$ 240	\$ 358	\$ 139	\$ 231	\$ 370
Above-OE non-GAAP adjustments:						
Intangible assets amortization expense	15	50	65	13	45	58
Share-based compensation expenses	32	12	44	24	7	31
Hytera-related legal expenses	8	—	8	8	—	8
Fixed asset impairments	6	2	8	—	—	—
Reorganization of business charges	6	1	7	7	2	9
Acquisition-related transaction fees	1	3	4	1	2	3
Operating lease asset impairments	2	1	3	—	—	—
Legal settlements	—	—	—	2	1	3
Total above-OE non-GAAP adjustments	70	69	139	55	57	112
Operating earnings after non-GAAP adjustments	\$ 188	\$ 309	\$ 497	\$ 194	\$ 288	\$ 482
Operating earnings as a percentage of net sales - GAAP	9.2 %	28.1 %	16.7 %	11.6 %	29.9 %	18.8 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	14.6 %	36.1 %	23.2 %	16.2 %	37.2 %	24.4 %

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 2, 2022			July 3, 2021		
	Products and Systems Integration	Software and Services	Total	Products and Systems Integration	Software and Services	Total
Net sales	\$ 2,388	\$ 1,644	\$ 4,032	\$ 2,213	\$ 1,531	\$ 3,744
Operating earnings ("OE")	\$ 157	\$ 440	\$ 597	\$ 216	\$ 452	\$ 668
Above-OE non-GAAP adjustments:						
Intangible assets amortization expense	30	101	131	26	90	116
Share-based compensation expenses	59	22	81	46	14	60
Reorganization of business charges	14	3	17	19	6	25
Acquisition-related transaction fees	7	7	14	1	3	4
Operating lease asset impairments	11	1	12	5	2	7
Fixed asset impairments	9	2	11	—	—	—
Legal settlements	—	11	11	2	1	3
Hytera-related legal expenses	10	—	10	10	—	10
Gain on Hytera legal settlement	(13)	—	(13)	—	—	—
Total above-OE non-GAAP adjustments	127	147	274	109	116	225
Operating earnings after non-GAAP adjustments	\$ 284	\$ 587	\$ 871	\$ 325	\$ 568	\$ 893
Operating earnings as a percentage of net sales - GAAP	6.6 %	26.8 %	14.8 %	9.8 %	29.5 %	17.8 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	11.9 %	35.7 %	21.6 %	14.7 %	37.1 %	23.8 %

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

	Three Months Ended		% Change
	July 2, 2022	July 3, 2021	
Net sales	\$ 2,140	\$ 1,971	9 %
Non-GAAP adjustments:			
Sales from acquisitions	34	—	
Organic revenue	\$ 2,106	\$ 1,971	7 %

	Six Months Ended		% Change
	July 2, 2022	July 3, 2021	
Net sales	\$ 4,032	\$ 3,744	8 %
Non-GAAP adjustments:			
Sales from acquisitions	51	—	
Organic revenue	\$ 3,981	\$ 3,744	6 %