

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

	Three Months Ended	
	April 1, 2023	April 2, 2022
Net sales from products	\$ 1,224	\$ 1,046
Net sales from services	947	846
Net sales	2,171	1,892
Costs of products sales	576	548
Costs of services sales	549	487
Costs of sales	1,125	1,035
Gross margin	1,046	857
Selling, general and administrative expenses	368	338
Research and development expenditures	210	188
Other charges	14	26
Intangibles amortization	55	66
Operating earnings	399	239
Other income (expense):		
Interest expense, net	(54)	(56)
Gain on sales of investments and businesses, net	1	2
Other, net	12	34
Total other expense	(41)	(20)
Net earnings before income taxes	358	219
Income tax expense (benefit)	79	(49)
Net earnings	279	268
Less: Earnings attributable to non-controlling interests	1	1
Net earnings attributable to Motorola Solutions, Inc.	\$ 278	\$ 267
Earnings per common share:		
Basic	\$ 1.66	\$ 1.59
Diluted	\$ 1.61	\$ 1.54
Weighted average common shares outstanding:		
Basic	167.4	168.0
Diluted	172.6	173.1
	Percentage of Net Sales*	
Net sales from products	56.4 %	55.3 %
Net sales from services	43.6 %	44.7 %
Net sales	100.0 %	100.0 %
Costs of products sales	47.1 %	52.4 %
Costs of services sales	58.0 %	57.6 %
Costs of sales	51.8 %	54.7 %
Gross margin	48.2 %	45.3 %
Selling, general and administrative expenses	17.0 %	17.9 %
Research and development expenditures	9.7 %	9.9 %
Other charges	0.6 %	1.4 %
Intangibles amortization	2.5 %	3.5 %
Operating earnings	18.4 %	12.6 %
Other income (expense):		
Interest expense, net	(2.5)%	(3.0)%
Gain on sales of investments and businesses, net	— %	0.1 %
Other, net	0.6 %	1.8 %
Total other expense	(1.9)%	(1.1)%
Net earnings before income taxes	16.5 %	11.6 %
Income tax expense (benefit)	3.6 %	(2.6)%
Net earnings	12.9 %	14.2 %
Less: Earnings attributable to non-controlling interests	— %	0.1 %
Net earnings attributable to Motorola Solutions, Inc.	12.8 %	14.1 %

* Percentages may not add up due to rounding

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

	April 1, 2023	December 31, 2022
Assets		
Cash and cash equivalents	\$ 1,022	\$ 1,325
Accounts receivable, net	1,340	1,518
Contract assets	1,024	974
Inventories, net	1,082	1,055
Other current assets	358	383
Total current assets	4,826	5,255
Property, plant and equipment, net	927	927
Operating lease assets	472	485
Investments	144	147
Deferred income taxes	1,073	1,036
Goodwill	3,287	3,312
Intangible assets, net	1,302	1,342
Other assets	322	310
Total assets	\$ 12,353	\$ 12,814
Liabilities and Stockholders' Equity		
Current portion of long-term debt	\$ 1	\$ 1
Accounts payable	719	1,062
Contract liabilities	1,793	1,859
Accrued liabilities	1,453	1,638
Total current liabilities	3,966	4,560
Long-term debt	6,014	6,013
Operating lease liabilities	398	419
Other liabilities	1,726	1,691
Total Motorola Solutions, Inc. stockholders' equity	234	116
Non-controlling interests	15	15
Total liabilities and stockholders' equity	\$ 12,353	\$ 12,814

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

	Three Months Ended	
	April 1, 2023	April 2, 2022
Operating		
Net earnings	\$ 279	\$ 268
Adjustments to reconcile Net earnings to Net cash provided by (used for) operating activities:		
Depreciation and amortization	98	111
Non-cash other charges	7	2
Share-based compensation expenses	55	37
Gain on sales of investments and businesses, net	(1)	(2)
Changes in assets and liabilities, net of effects of acquisitions, dispositions, and foreign currency translation adjustments:		
Accounts receivable	179	248
Inventories	(26)	(162)
Other current assets and contract assets	(40)	47
Accounts payable, accrued liabilities and contract liabilities	(536)	(188)
Other assets and liabilities	(5)	(30)
Deferred income taxes	(18)	(179)
Net cash provided by (used for) operating activities	<u>(8)</u>	<u>152</u>
Investing		
Acquisitions and investments, net	(4)	(512)
Proceeds from sales of investments and businesses, net	5	9
Capital expenditures	(54)	(54)
Net cash used for investing activities	<u>(53)</u>	<u>(557)</u>
Financing		
Repayments of debt	—	(2)
Issuances of common stock	26	52
Purchases of common stock	(140)	(493)
Payments of dividends	(148)	(134)
Payments of dividends to non-controlling interests	(1)	—
Net cash used for financing activities	<u>(263)</u>	<u>(577)</u>
Effect of exchange rate changes on total cash and cash equivalents	21	(14)
Net decrease in total cash and cash equivalents	<u>(303)</u>	<u>(996)</u>
Cash and cash equivalents, beginning of period	1,325	1,874
Cash and cash equivalents, end of period	<u>\$ 1,022</u>	<u>\$ 878</u>

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

	Three Months Ended	
	April 1, 2023	April 2, 2022
Net cash provided by (used for) operating activities	\$ (8)	\$ 152
Capital expenditures	(54)	(54)
Free cash flow	<u>\$ (62)</u>	<u>\$ 98</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	
	April 1, 2023	April 2, 2022
Net earnings attributable to MSI	\$ 278	\$ 267
Non-GAAP adjustments before income taxes:		
Intangible assets amortization expense	\$ 55	\$ 66
Share-based compensation expenses	55	37
Reorganization of business charges	13	10
Investment impairments	6	1
Operating lease asset impairments	3	9
Hytera-related legal expenses	3	2
Acquisition-related transaction fees	2	10
Fixed asset impairments	2	3
Legal settlements	—	11
Adjustments to uncertain tax positions	—	(2)
Gain on Hytera legal settlement	—	(13)
Gain on TETRA Ireland equity method investment	—	(21)
Gain on sales of investments	(1)	(2)
Fair value adjustments to equity investments	(3)	18
Total Non-GAAP adjustments before income taxes	\$ 135	\$ 129
Income tax expense on Non-GAAP adjustments	29	102
Total Non-GAAP adjustments after income taxes	106	27
Non-GAAP Net earnings attributable to MSI	<u>\$ 384</u>	<u>\$ 294</u>

Calculation of Non-GAAP Tax Rate
(In millions)

	Three Months Ended	
	April 1, 2023	April 2, 2022
Net earnings before income taxes	\$ 358	\$ 219
Total Non-GAAP adjustments before income taxes*	135	129
Non-GAAP Net earnings before income taxes	493	348
Income tax expense (benefit)	79	(49)
Income tax expense on Non-GAAP adjustments**	29	102
Total Non-GAAP Income tax expense	108	53
Non-GAAP Tax rate	21.9 %	15.2 %

*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	
		April 1, 2023	April 2, 2022
Net earnings attributable to MSI		\$ 1.61	\$ 1.54
Non-GAAP adjustments before income taxes:			
Intangible assets amortization expense	Intangibles amortization	\$ 0.32	\$ 0.38
Share-based compensation expenses	Cost of sales, SG&A and R&D	0.32	0.21
Reorganization of business charges	Cost of sales and Other charges (income)	0.08	0.06
Investment impairments	Other (income) expense	0.03	0.01
Operating lease asset impairments	Other charges (income)	0.02	0.05
Hytera-related legal expenses	SG&A	0.02	0.01
Acquisition-related transaction fees	Other charges (income)	0.01	0.06
Fixed asset impairments	Other charges (income)	0.01	0.02
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	(0.02)	0.10
Total Non-GAAP adjustments before income taxes		\$ 0.78	\$ 0.75
Income tax expense on Non-GAAP adjustments		0.17	0.59
Total Non-GAAP adjustments after income taxes		0.61	0.16
Non-GAAP Net earnings attributable to MSI		<u>\$ 2.22</u>	<u>\$ 1.70</u>
Diluted Weighted Average Common Shares		172.6	173.1
<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					
	April 1, 2023			April 2, 2022		
	Products and Systems Integration	Software and Services	Total	Products and Systems Integration	Software and Services	Total
Net sales	\$ 1,303	\$ 868	\$ 2,171	\$ 1,103	\$ 789	\$ 1,892
Operating earnings ("OE")	\$ 176	\$ 223	\$ 399	\$ 39	\$ 200	\$ 239
Above-OE non-GAAP adjustments:						
Intangible assets amortization expense	13	42	55	15	51	66
Share-based compensation expenses	40	15	55	27	10	37
Reorganization of business charges	11	2	13	8	2	10
Operating lease asset impairments	2	1	3	9	—	9
Hytera-related legal expenses	3	—	3	2	—	2
Acquisition-related transaction fees	—	2	2	6	4	10
Fixed asset impairments	1	1	2	3	—	3
Legal settlements	—	—	—	—	11	11
Gain on Hytera legal settlement	—	—	—	(13)	—	(13)
Total above-OE non-GAAP adjustments	70	63	133	57	78	135
Operating earnings after non-GAAP adjustments	\$ 246	\$ 286	\$ 532	\$ 96	\$ 278	\$ 374
Operating earnings as a percentage of net sales - GAAP	13.5 %	25.7 %	18.4 %	3.5 %	25.3 %	12.6 %
Operating earnings as a percentage of net sales - after non-GAAP adjustments	18.9 %	32.9 %	24.5 %	8.7 %	35.2 %	19.8 %

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

	Three Months Ended		% Change
	April 1, 2023	April 2, 2022	
Net sales	\$ 2,171	\$ 1,892	15 %
Non-GAAP adjustments:			
Sales from acquisitions	44	2	
Organic revenue	\$ 2,127	\$ 1,890	13 %