Intermec, Inc.
Form 10-Q
July 30, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 28, 2009

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-13279

Intermec, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	95-4647021 (I.R.S. Employer Identification No.)
6001 36th Avenue West, Everett, WA (Address of principal executive offices)	98203-1264 (Zip Code)

(425) 265-2400
(Registrant's telephone number, including area code)

[None]
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act (Check one):.

Large accelerated filer ý	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No ý

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class	Outstanding at July 26, 2009
Common Stock, $0.01 par value per share	62,102,738 shares

INTERMEC, INC.

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FOR THE QUARTER ENDED JUNE 28, 2009

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTERMEC, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Revenues:				
Product	$ 123,339	$ 180,455	$ 252,002	$ 360,028
Service	34,376	37,806	68,286	75,011
Total Revenues	157,715	218,261	320,288	435,039
Costs and expenses:				
Cost of product revenues	80,927	108,189	164,293	215,894
Cost of service revenues	19,714	21,154	39,851	42,859
Research and development	15,375	17,822	31,288	35,015
Selling, general and administrative	44,711	58,828	95,719	116,793
Restructuring charges	7,345	-	15,927	-
Flood related charges	-	1,122	-	1,122
Total costs and expenses	168,072	207,115	347,078	411,683
Operating (loss) profit	(10,357)	11,146	(26,790)	23,356
Interest income	261	1,171	602	2,846
Interest expense	(227)	(345)	(452)	(2,135)
(Loss) earnings before income taxes	(10,323)	11,972	(26,640)	24,067
Income tax (benefit) expense	(3,781)	4,250	(9,698)	8,639
Net (loss) earnings	$ (6,542)	$ 7,722	$ (16,942)	$ 15,428
Basic (loss) earnings per share	$ (0.11)	$ 0.13	$ (0.28)	$ 0.25
Diluted (loss) earnings per share	$ (0.11)	$ 0.13	$ (0.28)	$ 0.25
Shares used in computing basic (loss) earnings per share	61,606	61,103	61,532	61,030
Shares used in computing diluted (loss) earnings per share	61,606	61,611	61,532	61,543

See accompanying notes to condensed consolidated financial statements.

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INTERMEC, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	June 28, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 227,075	$ 221,335
Short-term investments	132	156
Accounts receivable, net of allowance for doubtful accounts and sales returns of $8,188 and $10,789	106,260	138,549
Inventories	92,348	116,949
Net current deferred tax assets	66,568	56,295
Other current assets	18,041	14,405
Total current assets	510,424	547,689
Property, plant and equipment, net	38,924	41,348
Intangibles, net	3,006	3,521
Net deferred tax assets	153,428	167,834
Other assets	31,137	29,503
Total assets	$ 736,919	$ 789,895
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 78,964	$ 112,772
Payroll and related expenses	31,924	24,799
Deferred revenues	41,280	38,712
Total current liabilities	152,168	176,283
Long-term deferred revenues	22,219	25,980
Pension liability	53,158	92,129
Other long-term liabilities	12,478	13,747
Commitments		
Shareholders' equity:		
Common stock (250,000 shares authorized, 62,038 and 61,766 shares issued and outstanding)	620	618
Additional paid-in-capital	698,789	694,296
Accumulated deficit	(179,344)	(162,402)
Accumulated other comprehensive loss	(23,169)	(50,756)
Total shareholders' equity	496,896	481,756
Total liabilities and shareholders' equity	$ 736,919	$ 789,895

See accompanying notes to condensed consolidated financial statements.

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INTERMEC, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended	
	June 28, 2009	June 29, 2008
Cash and cash equivalents at beginning of the period	$ 221,335	$ 237,247
Cash flows from operating activities:		
Net (loss) earnings	(16,942)	15,428
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:		
Depreciation and amortization	7,846	7,842
Deferred taxes	(10,634)	7,295
Excess tax shortfall (benefit) from stock-based payment arrangements	547	(1,340)
Changes in operating assets and liabilities:		
Accounts receivable	32,289	31,823
Inventories	24,516	(27,481)
Accounts payable and accrued expenses	(34,968)	(21,754)
Payroll and related expenses	7,125	(3,192)
Other operating activities	(1,970)	13,795
Net cash provided by operating activities	7,809	22,416
Cash flows from investing activities:		
Capital expenditures	(4,720)	(5,779)
Proceeds from sale of property	1,867	5,497
Purchases of investments	-	(760)
Sales of investments	-	28,515
Capitalized patent legal fees	(2,321)	(778)
Net cash (used in) provided by investing activities	(5,174)	26,695
Cash flows from financing activities:		
Repayment of debt	-	(100,000)
Excess tax (shortfall) benefit from stock-based payment arrangements	(547)	1,340
Stock options exercised	218	3,595
Other financing activities	652	1,559
Net cash provided by (used in) financing activities	323	(93,506)
Effect of exchange rate changes on cash and cash equivalents	2,782	6,162
Resulting increase (decrease) in cash and cash equivalents	5,740	(38,233)
Cash and cash equivalents at end of the period	$ 227,075	$ 199,014

See accompanying notes to condensed consolidated financial statements.

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INTERMEC, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Basis of Presentation

Our interim financial periods are based on a thirteen-week internal accounting calendar. In our opinion, the accompanying balance sheets, interim statements of operations and statements of cash flows include all adjustments, consisting mainly of normal recurring items, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of Intermec and our subsidiaries. Intercompany transactions and balances have been eliminated. Preparing our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and financial data included in the accompanying notes to the financial statements. Actual results and outcomes may differ from our estimates and assumptions.

Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year-ended December 31, 2008 (the "Annual Report on Form 10-K for the year ended December 31, 2008").

We have evaluated subsequent events through the date the consolidated financial statements were issued on July 30, 2009.

Recently Adopted Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of SFAS 162. This standard identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). We adopted this standard for the quarter ended June 28, 2009.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events. This standard provides guidance to establish general accounting standards of accounting for and disclosures of events that occur after balance sheet date but before financial statements are issued or are available to be issued. We adopted this standard for the quarter ended June 28, 2009. The adoption of this standard did not have a material impact on our consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position ("FSP") No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments. This standard requires the fair value of financial instruments to be disclosed in the interim periods as well as in annual financial statements. We adopted this standard for the quarter ended June 28, 2009. The adoption of this standard did not have a material impact on our consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) ("SFAS No. 167"). SFAS No. 167 amends certain requirements of FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities to improve financial reporting by enterprises involved with variable interest entities. It is effective as of the beginning of the first fiscal year that begins after November 15, 2009. We are currently assessing the potential impact that adoption of this standard may have on our consolidated financial statements.

In December 2008, the FASB issued FSP No. FAS 132 (R) -1, Employers' Disclosures about Postretirement Benefit Plan Assets, an amendment of FASB Statement No. 132 (revised 2003). It provides guidance on an employer's disclosures about plan assets, including: how investment allocation decisions are made and factors that are pertinent to an understanding of investment policies and strategies; the major categories of plan assets; the inputs and valuation techniques used to measure the fair value of plan assets; the effect of fair value measurements using significant unobservable inputs (level 3) on changes in plan assets for the period, and significant concentrations of risks within plan assets. This standard is effective for fiscal years ending after December 15, 2009. We are currently assessing the disclosure requirements that adoption of this standard may have on the footnotes of our consolidated financial statements.

Reclassification

Certain amounts within the 2008 condensed consolidated financial statements have been reclassified to conform to the 2009 presentation.

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INTERMEC, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

2. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Our financial assets and liabilities subject to these fair value measurement provisions as of June 28, 2009, were comprised of the following (in thousands):

	Level 1	Level 2	Level 3	Balance as of June 28, 2009
Money market funds	$ 123,977	$ -	$ -	$ 123,977
Certificates of deposit	3,723	-	-	3,723
Stock	132	-	-	132
Derivative instruments – assets	-	817	-	817
Total assets at fair value	$ 127,832	$ 817	$ -	$ 128,649

	Level 1	Level 2	Level 3	Balance as of June 28, 2009
Derivative instruments – liabilities	$ -	$ (1,004)	$ -	$ (1,004)
Total liabilities at fair value	$ -	$ (1,004)	$ -	$ (1,004)

Our financial assets and liabilities subject to these fair value measurement provisions as of December 31, 2008, were comprised of the following (in thousands):

	Level 1	Level 2	Level 3	Balance as of December 31, 2008
Money market funds	$ 132,309	$ -	$ -	$ 132,309
Certificates of deposit	3,709	-	-	3,709
Stock	156	-	-	156
Derivative instruments – assets	-	3,712	-	3,712
Total assets at fair value	$ 136,174	$ 3,712	$ -	$ 139,886

	Level 1	Level 2	Level 3	Balance as of December 31, 2008
Derivative instruments – liabilities	$ -	$ (7,271)	$ -	$ (7,271)
Total liabilities at fair value	$ -	$ (7,271)	$ -	$ (7,271)

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Effective January 1, 2009, all other nonfinancial assets and liabilities measured at fair values in the financial statements on a nonrecurring basis are subject to fair value measurements and disclosures. Nonfinancial nonrecurring assets and liabilities included on our condensed consolidated balance sheets include long lived assets that are measured at fair value to test for and measure an impairment charge, when necessary. No such nonfinancial assets or liabilities were subject to fair value measurements for the quarter ended June 28, 2009.

The estimated fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and payroll and related expenses at June 28, 2009, approximate their carrying values due to their short-term nature.

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INTERMEC, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

3. Derivative Instruments

Effective January 1, 2009, we adopted the disclosure requirements for our derivative instruments and hedging activities. Due to our global operations, we are exposed to foreign currency exchange rate fluctuations in the normal course of our businesses. Our treasury policies allow us to offset the risks associated with the effects of certain foreign currency exposures through the purchase of foreign exchange forward contracts. Our policy prohibits speculation in financial instruments for profit on the exchange rate price fluctuation. We enter into foreign exchange forward contracts primarily to hedge the impact of fluctuations of foreign exchange arising from intercompany transactions, specifically for inventory purchases made by our subsidiaries that are denominated in U.S. dollars. Our foreign exchange forward contracts are not designated as hedging instruments, accordingly, we record these contracts at fair value on the consolidated balance sheets, with changes in fair value recognized in earnings in the period of change. As of June 28, 2009, the aggregate notional amounts of the forward contracts we held for foreign currencies were $108.3 million. These contracts do not contain any credit-risk-related contingent features.

We attempt to manage the counterparty risk associated with these foreign forward exchange contracts by limiting transactions to counterparties with which we have an established banking relationship. In addition, these contracts generally settle in approximately 30 days. See Note 2, Fair Value Measurements, for information on the fair value of these contracts.

The amount of net gain recorded in selling, general and administrative expense in the condensed consolidated statements of operations was not material for the three and six months ended June 28, 2009.

4. Inventories

Inventories were comprised of the following (in thousands):

	June 28, 2009	December 31, 2008
Raw materials	$ 37,533	$ 45,908
Service parts	8,054	8,772
Work in process	162	269
Finished goods	46,599	62,000
Inventories	$ 92,348	$ 116,949

In addition to the inventories described above, service parts inventories totaling $4.1 and $4.0 million that were not expected to be sold within the next 12 months are classified as other assets as of June 28, 2009, and December 31, 2008, respectively.

5. Provision for Income Taxes

The tax expense for the three and six months ended June 28, 2009, reflects an effective tax rate for continuing operations of 36.6 % and 36.4%, respectively, compared to a U.S. statutory rate of 35%. The effective tax rate reflects our estimated annual effective tax rate of approximately 37% for fiscal year 2009, which excludes the impact of discrete items.

The tax expense for the three and six months ended June 29, 2008, reflects an effective tax rate for continuing operations of 35.5% and 35.9%, respectively, compared to a U.S. statutory rate of 35%.

INTERMEC, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

6. Shares Used in Computing (Loss) Earnings per Share

Basic (loss) earnings per share is calculated using the weighted average number of common shares outstanding and issuable for the applicable period. Diluted (loss) earnings per share is computed using basic weighted average shares plus the dilutive effect of unvested restricted stock and outstanding stock options using the “treasury stock” method.

	Three Months Ended		Six Months Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Weighted average shares - basic	61,606,452	61,103,147	61,532,026	61,030,212
Dilutive effect of unvested restricted shares and stock options	-	507,476	-	512,975
Weighted average shares - diluted	61,606,452	61,610,623	61,532,026	61,543,187

Our employees and directors held options to purchase 3,152,452 and 2,931,060 shares of our common stock for the three and six months ended June 28, 2009, respectively, and 1,393,889 and 1,458,477 shares of our common stock for the three and six months ended June 29, 2008, respectively, that were not included in weighted average shares diluted calculation because they were anti-dilutive to the diluted (loss) earnings per share computation. These options would become dilutive in future periods if the average market price of our common stock exceeds the exercise price of the outstanding options and we report net earnings.

7. Equity

A summary of share-based compensation expense related to employee stock option, Restricted Stock Units (“RSU”) and Performance Stock Units (“PSU”) for the three and six months ended June 28, 2009 (in thousands) was as follows:

	Three Months Ended June 28, 2009	Six Months Ended June 28, 2009
Stock based compensation expense:		
Cost of revenue	$ 42	$ 105
Selling, general and administrative	1,965	3,783
Total	$ 2,007	$ 3,888

For the three and six months ended June 28, 2009, we granted 580,109 and 689,109 options, respectively, to employees with an average fair value of $4.88 and $4.89 per option, respectively, which will vest annually in substantially equal quantities over four years from the date of grant. For the three and six months ended June 28, 2009, we granted 85,560 options to our directors with a fair value of $5.48 per option, which will vest quarterly over one year from the date of grant. The Black-Scholes assumptions used for these calculations were as follows:

	Stock Options Granted to Employees		Stock Options Granted to Directors
	Three Months Ended June 28, 2009	Six Months Ended June 28, 2009	Three and Six Months Ended June

			28, 2009
Fair value assumptions:			
Expected term in years	4.99	4.95	6.45
Expected volatility	45.20%	46.39%	46.86%
Expected dividend yield	0.00%	0.00%	0.00%
Risk-free interest rate	2.39%	2.28%	2.38%

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INTERMEC, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

7. Equity (continued)

Our accumulated other comprehensive loss was comprised of the following (in thousands):

	June 28, 2009	December 31, 2008
Foreign currency translation adjustment, net of tax	$ 1,545	$ (792)
Unamortized benefit plan costs, net of tax	(24,379)	(49,645)
Unrealized loss on securities, net of tax	(335)	(319)
Accumulated other comprehensive loss	$ (23,169)	$ (50,756)

Other comprehensive income for the three and six months ended June 28, 2009, and June 29, 2008, was as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Net (loss) earnings	$ (6,542)	$ 7,722	$ (16,942)	$ 15,428
Other comprehensive income:				
Change in equity due to foreign currency translation adjustments, net of tax	5,906	672	2,337	5,427
Unrealized gain (loss) on investment, net of tax	40	(54)	(16)	(118)
Remeasurement and amortization of benefit plan costs (credits), net of tax	24,558	(190)	25,266	(201)
Other comprehensive income	$ 23,962	$ 8,150	$ 10,645	$ 20,536

8. Segment Reporting

Our reportable segments are comprised of products and services. The product segment generates revenue from the design, development, manufacture, sale and resale of wired and wireless automated identification and data collection (“AIDC”) products, mobile computing products, wired and wireless bar code printers, label media and radio frequency identification (“RFID”) products and license fees. The service segment generates revenue from customer support, product maintenance and other services related to the products and systems integration.

The accounting policies of our two reportable segments are the same as those used to prepare our condensed consolidated financial statements. Performance and resource allocations are primarily measured by sales and gross profit. All other earnings, costs and expenses are aggregated and reported on a consolidated basis.

One distributor, ScanSource Inc., accounted for more than 10% of our revenues. Total sales to this distributor were $31.4 and $52.0 million for the three and six months ended June 28, 2009, respectively, and $24.3 and $49.1 million for the three and six months ended June 29, 2008, respectively.

The following table sets forth our revenues and gross profit by reportable segment (in thousands):

	Three Months Ended		Six Months Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Revenues:				

Product	$	123,339	$	180,455	$	252,002	$	360,028
Service		34,376		37,806		68,286		75,011
Total	$	157,715	$	218,261	$	320,288	$	435,039
Gross profit:								
Product	$	42,412	$	72,266	$	87,709	$	144,134
Service		14,662		16,652		28,435		32,152
Total	$	57,074	$	88,918	$	116,144	$	176,286

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INTERMEC, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

8. Segment Reporting (continued)

The following table sets forth our revenues by product lines (in thousands):

	Three Months Ended		Six Months Ended	
	June 28, 2009	June 29, 2008	June 28, 2009	June 29, 2008
Revenues:				
Systems and solutions	$ 86,249	$ 129,235	$ 179,387	$ 255,201
Printer and media	37,090	51,220	72,615	104,827
Service	34,376	37,806	68,286	75,011
Total	$ 157,715	$ 218,261	$ 320,288	$ 435,039

9. Commitments and Contingencies

The following table indicates the change in our warranty accrual included in current liabilities (in thousands):

	June 28, 2009	December 31, 2008
Beginning balance	$ 4,220	$ 4,305
Payments or parts usage	(2,094)	(2,402)
Additional provision	1,110	2,317
Ending balance	$ 3,236	$ 4,220

We have entered into a variety of agreements with third parties that include indemnification clauses, both in the ordinary course of business and in connection with our divestitures of certain product lines. These clauses require us to compensate these third parties for certain liabilities and damages incurred by them.

We currently, and from time to time, are subject to claims and lawsuits arising in the ordinary course of business. The ultimate resolution of currently pending proceedings is not expected to have a material adverse effect on our business, financial condition, results of operations or liquidity.

10. Pension and Other Postretirement Benefit Plans

The components of net pension and postretirement periodic benefit cost (income) for the three and six months ended June 28, 2009, and June 29, 2008, were as follows (in thousands):

	U.S. Defined Benefit Plans		Non U.S. Defined Benefit Plans		Other Postretirement Benefit Plans	
	2009	2008	2009	2008	2009	2008
Three Months Ended June 28, 2009, and June 29, 2008						
Service cost	$ 241	$ 366	$ -	$ -	$ -	$ -
Interest cost	2,975	2,705	426	666	64	44
Expected return on plan assets	(2,703)	(2,871)	(407)	(903)	-	-

Amortization and deferrals:						
Transition asset	-	-	(31)	(43)	-	-
Actuarial loss	339	349	9	-	-	-
Prior service cost	(246)	144	-	-	-	-
Curtailment gain	(475)	-	-	-	-	-
Net pension and postretirement periodic benefit cost (income)	$ 131	$ 693	$ (3)	$ (280)	$ 64	$ 44

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INTERMEC, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

10. Pension and Other Postretirement Benefit Plans (continued)

	U.S. Defined Benefit Plans		Non U.S. Defined Benefit Plans		Other Postretirement Benefit Plans	
	2009	2008	2009	2008	2009	2008
Six Months Ended June 28, 2009, and June 29, 2008						
Service cost	$ 569	$ 733	$ -	$ -	$ -	$ -
Interest cost	5,912	5,410	853	1,331	128	88
Expected return on plan assets	(5,397)	(5,742)	(815)	(1,807)	-	-
Amortization and deferrals:						
Transition asset	-	-	(61)	(85)	-	-
Actuarial loss	1,291	697	17	-	-	-
Prior service cost	(103)	289	-	-	-	-
Curtailment gain	(475)	-		-	-	-
Net pension and postretirement periodic benefit cost (income)	$ 1,797	$ 1,387	$ (6)	$ (561)	$ 128	$ 88

Our business restructuring plan in April 2009 (see Note 11, Restructuring Charges) resulted in a reduction of our workforce and the curtailment of pension benefits to the terminated employees who were participants in the U.S. pension plans. The curtailment required a new measurement of the liability to determine the gain or loss on curtailment. Additionally, the measurement resulted in a decrease in pension liability and a decrease in losses as a component of accumulated other comprehensive income of $36.9 million as of June 28, 2009. The curtailment gain recorded in our condensed consolidated Statements of Operations was $0.5 million for the three and six months ended June 28, 2009.

During the three months ended June 28, 2009, we contributed approximately $2.7 million to our pension and other postretirement benefit plans, comprising $1.6 million in benefits paid pertaining to funded and unfunded U.S. defined benefit plans, $0.6 million in matching contributions to our 401(k) plan, and $0.5 million in contributions to our foreign pension plans.

During the six months ended June 28, 2009, we contributed approximately $6.0 million to our pension and other postretirement benefit plans, comprising $3.7 million in benefits paid pertaining to funded and unfunded U.S. defined benefit plans, $1.3 million in matching contributions to our 401(k) plan, and $1.0 million in contributions to our foreign pension plans. Benefits paid pertaining to our other postretirement benefit plans were not material during the three and six month periods ended June 28, 2009. We expect to contribute an additional $6.3 million to these plans during the remainder of 2009, of which $3.7 million relates to benefit payments on our funded and unfunded U.S. defined benefit plans, $1.4 million in matching contributions to our 401(k) plan, $1.0 million in contributions to our foreign pension plans and $0.2 million in benefit payments pertaining to our other postretirement benefit plans.

11. Restructuring Charges

2008 Restructuring Charges:

In July 2008, we committed to a business restructuring plan intended to reduce our cost structure and streamline operations. Pursuant to this plan, we relocated the final assembly of our product lines from Everett, Washington, to Venture Corporation Limited, a global electronics services provider. As part of the plan, we also consolidated two U.S. service depots into existing locations in Charlotte, North Carolina and Monterey, Mexico and transferred our on-site field service repair to a third party supplier.

We commenced implementation of the plan in the third quarter of 2008, and it was fully implemented as of June 28, 2009. All severance and other periodic transitional costs were cash expenditures. All restructuring costs related to this action were accrued in 2008.

INTERMEC, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

11. Restructuring Charges (continued)

2009 Restructuring Charges:

In January 2009, we committed to a business restructuring plan intended to reorganize our sales function and to reduce our operating cost structure and improve efficiency. The total restructuring costs for this plan are expected to be approximately $10.1 million, including employee termination costs of approximately $9.1 million, and $1.0 million of other transitional costs. We recorded most of the restructuring charge in the first two quarters of 2009, and the remainder will be recorded through the first quarter of 2010. We anticipate that substantially all of the severance related and periodic transitional costs will be cash expenditures.

In April 2009, we committed to a business restructuring plan primarily consisting of a reduction of our work force. The total restructuring costs for this plan are expected to be approximately $15.0 million, including employee termination costs of approximately $12.0 million, and approximately $3.0 million of other transitional costs. We recorded some restructuring charges in the second quarter of 2009, and expected to record the remainder through the first quarter of 2010. We anticipate that substantially all of the severance related and periodic transitional costs will be cash expenditures.

The following table displays the restructuring charges incurred by business segment (in millions):

		Restructuring charges recorded for		
Segment	Total charges for 2008 and 2009 restructuring plans expected to be incurred	Three Months Ended June 28, 2009	Six Months Ended June 28, 2009	Total restructuring charges incurred to date
Product	$ 5.2	$ 1.1	$ 1.3	$ 3.6
Service	2.4	-	1.0	2.2
Unallocated	22.5	6.2	13.6	15.9
Total	$ 30.1	$ 7.3	$ 15.9	$ 21.7

The reconciliation of accrued restructuring charges is summarized in the table below (in millions):

	Accrued employee termination costs per contract	Accrued one-time employee termination costs	Accrued total employee termination costs	Accrued other costs	Total accrued restructuring charges
Balance at December 31, 2008	$ 1.2	$ -	$ 1.2	$ 0.1	$ 1.3
2009 restructuring charges	8.4	6.9	15.3	0.6	15.9
Utilization of 2008 restructuring plan	(0.8)	-	(0.8)	-	(0.8)
Utilization of 2009 restructuring plans	(4.9)	(1.8)	(6.7)	(0.7)	(7.4)
Balance at June 28, 2009	$ 3.9	$ 5.1	$ 9.0	$ -	$ 9.0

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements and Risk Factors

Forward-looking statements contained in this filing are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995 (alternatively: Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) and are dependent upon a variety of important factors that could cause actual results to differ materially from those reflected in such forward-looking statements. These factors include but are not limited to our ability to maintain or to improve the revenues and profits of our continuing operations, maintain or reduce expenses, maintain or improve operational efficiency, use our investment in research and development to generate future revenue, maintain or improve year-over-year growth in the revenues and profits of our continuing operations and the other factors described in Part I, “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and in Part II, “Item 1A, Risk Factors,” of this filing. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this report on Form 10-Q.

Such forward-looking statements involve and are dependent upon certain risks and uncertainties. When used in this document and in documents it refers to, the words “anticipate,” “believe,” “will,” “intend,” “project” and “expect” and similar expressions as they relate to us or our management are intended to identify such forward-looking statements.

Forward-looking statements are not guarantees of future performance. A number of factors can impact our business and determine whether we can or will achieve any forward-looking statement made in this report. Any one of these factors could cause our actual results to differ materially from those discussed in a forward-looking statement. We outline these risk factors in reports that we file with the SEC, in press releases and on our website, www.intermec.com.

You are encouraged to review the discussion below in Part I, “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and Part II, “Item 1A. Risk Factors,” of this filing, as well as the Risk Factors set forth in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2008, which discuss risk factors associated with our business.

Overview

Intermec, Inc. (“Intermec”, “us”, “we”, “our”) designs, develops, integrates, sells, resells and services wired and wireless automated identification and data collection (“AIDC”) products and provides related services. Our products include mobile computing products, bar code scanners, radio frequency identification (“RFID”) products, wired and wireless bar code printers and label media products. These products and services allow customers to identify, track and manage their assets and other resources in ways that improve the efficiency and effectiveness of their business operations. Our products are designed to withstand mobile use and rugged warehouse and field conditions.

Our products are sold globally for field mobility applications such as asset visibility and management, direct store delivery, maintenance and repair, in-transit visibility, routing and navigation, and telematics. Our products are also sold globally for in-premise applications such as asset visibility, freight yard operations, inventory management, warehouse operations, and work-in-process management.

The key elements of our strategy are to target high growth opportunities in selected application markets; focus on developing and selling differentiated new products and services; emphasize channel fulfillment; pursue geographic expansion opportunities; and continue the transformation of our supply chain and our other efficiency initiatives.

Our financial reporting currency is the U.S. Dollar, and changes in exchange rates can significantly affect our financial trends and reported results. Our consolidated revenues and operating expenses are more vulnerable to the fluctuations of exchange rates; however, our cost of revenues is less affected by changes in exchange rates as it is primarily denominated in U.S. dollars. If the U.S. Dollar weakens year-over-year relative to currencies in our international locations, our consolidated revenues and operating expenses will be higher than if currencies had remained constant. If the U.S. Dollar strengthens year-over-year relative to currencies in our international locations, our consolidated revenues and operating expenses will be lower than if currencies had remained constant. We believe it is important to evaluate our operating results and growth rates before and after the effect of currency changes.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Results of Operations

The following discussion compares our results of operations for the three and six months ended June 28, 2009, and June 29, 2008.

Results of operations and percentage of revenues were as follows (in millions):

	Three Months Ended		Six Months Ended	
	June 28, 2009 Amounts	June 29, 2008 Amounts	June 28, 2009 Amounts	June 29, 2008 Amounts
Revenues	$ 157.7	$ 218.3	$ 320.3	$ 435.0
Costs and expenses:				
Cost of revenues	100.6	129.4	204.1	258.8
Research and development	15.4	17.8	31.3	35.0
Selling, general and administrative	44.7	58.8	95.7	116.8
Restructuring charges	7.3	-	15.9	-
Flood related charges	-	1.1	-	1.1
Total costs and expenses	168.0	207.1	347.0	411.7
Operating (loss) profit	(10.3)	11.2	(26.7)	23.3
Interest, net	0.0	0.8	0.1	0.7
(Loss) earnings before income taxes	(10.3)	12.0	(26.6)	24.0
Income tax (benefit) expense	(3.8)	4.3	(9.7)	8.6
Net (loss) earnings	$ (6.5)	$ 7.7	$ (16.9)	$ 15.4
Basis (loss) earnings per share	$ (0.11)	$ 0.13	$ (0.28)	$ 0.25
Diluted (loss) earnings per share	$ (0.11)	$ 0.13	$ (0.28)	$ 0.25

	Percent of Revenues	Percent of Revenues	Percent of Revenues	Percent of Revenues
Revenues				
Costs and expenses:				
Cost of revenues	63.8%	59.3%	63.7%	59.5%
Research and development	9.8%	8.2%	9.8%	8.0%
Selling, general and administrative	28.3%	26.9%	29.9%	26.9%
Restructuring charges	4.6%	0.0%	4.9%	0.0%
Flood related charges	0.0%	0.5%	0.0%	0.2%
Total costs and expenses	106.5%	94.9%	108.3%	94.6%
Operating (loss) profit	-6.5%	5.1%	-8.3%	5.4%
Interest, net	0.0%	0.4%	0.0%	0.1%
(Loss) earnings before income taxes	-6.5%	5.5%	-8.3%	5.5%
Income tax (benefit) expense	-2.4%	2.0%	-3.0%	2.0%
Net (loss) earnings	-4.1%	3.5%	-5.3%	3.5%

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Revenues

Revenues by category and geographic region and as a percentage of total revenues for the three and six months ended June 28, 2009, and June 29, 2008, as well as the same three and six months revenue changes were as follows (in millions):

	Three Months Ended					
	June 28, 2009	Percent of Revenues	June 29, 2008	Percent of Revenues	Change	Percentage Change
Revenues by category:						
Systems and solutions	$ 86.2	54.7%	$ 129.3	59.2%	$ (43.1)	-33.3%
Printer and media	37.1	23.5%	51.2	23.5%	(14.1)	-27.5%
Service	34.4	21.8%	37.8	17.3%	(3.4)	-9.0%
Total revenues	$ 157.7	100.0%	$ 218.3	100.0%	$ (60.6)	-27.8%
Revenues by geographic region:						
North America	$ 88.4	56.1%	$ 112.6	51.6%	$ (24.2)	-21.5%
Europe, Middle East and Africa (EMEA)	48.5	30.7%	76.1	34.9%	(27.6)	-36.3%
All others	20.8	13.2%	29.6	13.6%	(8.8)	-29.7%
Total revenues	$ 157.7	100.0%	$ 218.3	100.0%	$ (60.6)	-27.8%

The decrease in quarterly revenue of $60.6 million, or 27.8%, was attributable to a $57.2 million decrease in product revenue and a $3.4 million decrease in service revenue. The decrease in product revenue of $57.2 million, or 31.7%, was primarily due to a $43.1 million decrease in systems and solutions and a $14.1 million decrease in printer and media products. The reduction in sales revenues in systems and solutions and printer and media products was primarily driven by reduced product volumes and pricing pressure due to the economic and competitive environment.

The decrease in quarterly service revenues of $3.4 million, or 9.0%, was primarily due to a decline of service revenues from our EMEA region.

Geographically, revenues in North America and EMEA decreased $24.2 million, or 21.5%, and $27.6 million, or 36.3%, respectively, over the corresponding prior-year period. The changes in foreign currency conversion rates unfavorably impacted EMEA revenue by $9.0 million, or 12 percentage points, as compared to the prior-year period. Across all regions, the unfavorable impact of foreign currency rates on total revenue was $10.5 million, or 5 percentage points, as compared to the prior-year period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

	Six Months Ended					
	June 28, 2009	Percent of Revenues	June 29, 2008	Percent of Revenues	Change	Percentage Change
Revenues by category:						
Systems and solutions	$ 179.4	56.0%	$ 255.2	58.7%	$ (75.8)	-29.7%
Printer and media	72.6	22.7%	104.8	24.1%	(32.2)	-30.7%
Service	68.3	21.3%	75.0	17.2%	(6.7)	-8.9%
Total revenues	$ 320.3	100.0%	$ 435.0	100.0%	$ (114.7)	-26.4%
Revenues by geographic region:						
North America	$ 192.0	59.9%	$			