

ZEBRA TECHNOLOGIES CORP
Form 10-K
February 23, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS

PURSUANT TO SECTIONS 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

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

For the fiscal year ended December 31, 2011

OR

.. 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 000-19406

Zebra Technologies Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

36-2675536
(I.R.S. Employer

Identification No.)

475 Half Day Road, Suite 500, Lincolnshire, IL 60069

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(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (847) 634-6700

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on which Registered
Class A Common Stock, par value \$.01 per share	The NASDAQ Stock Market, LLC
Securities registered pursuant to Section 12(g) of the Act: None	

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act). Yes No

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. Yes ___ No

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 No ___

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 No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

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 definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Act) (Check one):

Large accelerated filer

Accelerated filer ___

Non-accelerated filer ___ (Do not check if a smaller reporting company)

Smaller reporting company ___

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

As of July 2, 2011, the aggregate market value of each of the registrant's Class A Common held by non-affiliates was approximately \$2,322,274,000. The closing price of the Class A Common Stock on July 1, 2011, as reported on the Nasdaq Stock Market, was \$42.87 per share.

As of February 10, 2012, 51,994,927 shares of Class A Common Stock, par value \$.01 per share, were outstanding.

Documents Incorporated by Reference

Certain sections of the registrant's Notice of Annual Meeting of Stockholders and Proxy Statement for its Annual Meeting of Stockholders to be held on May 18, 2012, are incorporated by reference into Part III of this report.

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ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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PART I

References in this document to Zebra, we, us, or our refer to Zebra Technologies Corporation and its subsidiaries, unless the context specifically indicates otherwise.

Safe Harbor

Forward-looking statements contained in this filing are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995 and are highly dependent upon a variety of important factors which could cause actual results to differ materially from those expressed or implied in such forward looking statements. These forward-looking statements are based on current expectations, forecasts and assumptions and are subject to the risks and uncertainties inherent in Zebra's industry, market conditions, general domestic and international economic conditions, and other factors. These factors include:

- Market acceptance of Zebra's printer and software products and competitors' product offerings and the potential effects of technological changes,
- The effect of global market conditions, including North America, Europe, Middle East and Africa and other regions in which we do business,
- Our ability to control manufacturing and operating costs,
- The availability of credit and the volatility of capital markets, which may affect our suppliers and customers,
- Success of integrating acquisitions,
- Interest rate and financial market conditions because of our large investment portfolio,
- The effect of natural disasters on our business, such as those occurring in Japan and Thailand,
- Foreign exchange rates due to the large percentage of our international sales and operations, and
- The outcome of litigation in which Zebra is involved, particularly litigation or claims related to infringement of third-party intellectual property rights.

When used in this document and documents referenced, the words anticipate, believe, estimate, will and expect and similar expressions as they relate to Zebra or its management are intended to identify such forward-looking statements, but are not the exclusive means of identifying these statements. We encourage readers of this report to review Item 1A, Risk Factors, in this report for further discussion of issues that could affect Zebra's future results. Zebra undertakes no obligation, other than as may be required by law, 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.

Item 1. Business

The Company

Zebra is a global leader respected for innovation and reliability. Zebra provides enabling technologies that allow customers to take smarter actions. Our extensive portfolio of bar code, receipt, card, kiosk and RFID printers and supplies, as well as real-time location solutions give a digital voice to assets, people and transactions that provides greater visibility into mission-critical information.

We design, manufacture and sell specialty printing devices that print variable information on demand at the point of issuance. These devices are used worldwide by manufacturers, service and retail organizations and governments for automatic identification, data collection and personal identification in applications that improve productivity, deliver better customer service and provide more effective security. Our product range consists of direct thermal and thermal transfer label and receipt printers, passive radio frequency identification (RFID) printer/encoders and dye sublimation card printers. We also sell a comprehensive range of specialty supplies consisting of self-adhesive labels, thermal transfer ribbons, thermal printheads, batteries and other accessories, including software for label design and printer network management.

In 2007 and 2008, we acquired WhereNet Corp., proveo AG, Navis Holdings, LLC and Multispectral Solutions, Inc. These companies comprised the former Zebra Enterprise Solutions Group (ZES), through which we offered asset tracking and management solutions to optimize the flow of goods in complex logistical operations. These acquisitions provided us with new technologies to offer our customers, including active RFID, global positioning systems (GPS), telematics and ultra wideband radio (UWB) technologies. These solutions incorporate battery-powered wireless tags, fixed-position

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antennae, transponder modules and application software. We also provide consulting services, maintenance contracts and software licenses related to these solutions.

Discontinued Operations

Sale of Navis, LLC - On March 18, 2011, we sold our Navis marine terminal solutions business and the related WhereNet marine terminal solutions product line of our ZES business to Cargotec Corporation. Zebra has a short-term receivable from the buyer which represents funds held in escrow that are subject to adjustment according to terms of the agreement.

Sale of proveo AG - On August 3, 2011, we entered into a Share Purchase Agreement with F Two NV (a Belgium company) to sell all of our interest in Zebra Enterprise Solutions GmbH (formerly proveo AG) business.

Beginning in the first quarter of 2011, Zebra reported the results of these businesses as discontinued operations. The amounts presented in Zebra's financial statements for discontinued operations include Navis and proveo assets and liabilities, and the operating results of these businesses for 2011, 2010 and 2009. With the Navis sale, Zebra integrated the former ZES Location Solutions product line. The reporting of separate business segments is no longer required.

Continuing Operations

Zebra's continuing operations include our printer business and our integrated location solutions business.

Zebra's printer operations

We design our printer products to operate at the point of issuance to produce high-quality labels, tickets, receipts, and plastic cards on demand. The exceptional diversity of applications using our printer products for barcoding and personal identification includes routing and tracking, patient safety, transaction processing, and identification and authentication. These applications require high levels of data accuracy, where speed, reliability and durability are critical. They also include specialty printing for receipts and tickets where improved customer service and productivity gains may be the primary reason for using our on demand receipt printers. Plastic cards are used for secure, reliable personal identification, access control and financial cards (credit, debit and ATM cards) by financial institutions.

Applications for our printing technology span most industries and geographies. They include inventory control, small package delivery, baggage handling, automated warehousing, just-in-time (JIT) manufacturing, employee time and attendance records, file management systems, patient barcode wrist banding, medical specimen labeling, shop floor control, in-store product labeling, employee ID cards, driver's licenses, and access control systems. As of December 31, 2011, management estimates that Zebra has sold more than 10,600,000 printers to customers around the world.

We believe competitive forces on businesses worldwide to strengthen security, reduce costs, more effectively manage assets, improve quality, deliver better customer service, and increase productivity support the adoption of the printing and automatic identification applications Zebra provides. These solutions deliver significant and predictable economic benefits. Industry-mandated compliance requirements for bar code labeling and RFID tagging are also important catalysts in the deployment of these systems. Many of Zebra's applications enhance the use of enterprise resource planning (ERP) and other process improvement systems in manufacturing and service organizations. Greater emphasis on supply chain management, the drive to reduce errors in healthcare, and heightened concern over safety and security are also increasing the use of automatic identification systems. Still other applications are taking advantage of recent advances in wireless and hand-held computing technologies.

Concern for safety and security and personal identification contribute to demand for our card printer products. This concern has heightened interest in systems that provide personal identification and access control, including secure ID systems for driver's licenses, employee and visitor badges, national identification cards, event passes, club membership cards and keyless entry systems. Financial institutions utilize card printers for credit, debit and ATM cards.

Our printers are used to print bar code labels, receipts, plastic identification cards, wristbands, and tags and to encode passive RFID smart labels and cards. We also sell related specialty labeling materials, thermal ink ribbons, and bar code label design and network management software. These products are used to support bar code labeling, personal identification, and specialty printing solutions principally in the manufacturing supply chain, retail, healthcare and government sectors of the economy. We work closely with distributors, value-added resellers, kiosk manufacturers and end users of our products to design and implement printing solutions that meet their technical demands. To achieve this flexibility, we provide our customers with a broad selection of printer models, each of which can be configured for specific applications.

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Additionally, we will select and, if necessary, create appropriate labeling stock, ink ribbons and adhesives to suit a particular application. In-house engineering personnel in software, mechanical, electronic and chemical engineering participate in the creation and development of printing solutions for particular applications.

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We produce the industry's broadest range of rugged, on-demand thermal transfer and direct thermal printers. Our printing systems include hundreds of optional configurations that can be selected to meet particular customer needs. We believe this breadth of product offering is a unique and significant competitive strength.

Of the major printing technologies, which include ink jet, laser and impact dot matrix, we believe that direct thermal and thermal transfer technologies are best suited for most bar code labeling and other on-demand printing applications. Thermal transfer printing produces durable dark, solid blacks and sharply defined lines that are important for printing readily scannable bar codes. These images can be printed on a wide variety of labeling materials, which enable users to affix bar code labels to virtually any object. This capability is very important in the industrial and service sectors Zebra serves. Direct thermal printing is best suited where ease of use, smaller size and cost are important factors in the application. Accordingly, this technology is found principally in Zebra's mobile and desktop units.

As of December 31, 2011, we offered 58 thermal printer models with numerous variations, in eight categories as follows:

Performance tabletop printers for applications requiring continuous operation in high output, mission-critical and industrial settings.

Mid-range tabletop printers, which are designed for demanding commercial applications.

Desktop printers to deliver value and performance in applications with lower volume or space restrictions.

Mobile printers to meet the printing needs of mobile workers in a broad range of industries.

Print engines, which are sold to manufacturers and integrators of high-speed automatic label applicator systems and are available with or without RFID smart label capabilities.

Kiosk and ticket printers for use in kiosks and other unattended printing applications.

Card printers, which print and encode national identity cards, driver's licenses, employee identification badges, gift cards, personalized cards and financial cards (credit, debit and ATM cards).

RFID printer/encoders for passive high frequency and ultra-high frequency radio frequency identification in the retail supply chain, for defense logistics, and other applications. These units are used to print and encode smart labels in a single pass. Smart labels are printable labels embedded with an ultra-thin radio frequency transponder. Information encoded in these transponders can then be read and modified by a radio frequency reader.

In addition to their use in on-demand automatic identification applications, our thermal printers can also be used for on-site batch production of custom bar code labels and other graphics. This capability results in shorter lead times, reduced inventory, and more flexibility than can be provided with traditional off-site printing.

Zebra's Location Solutions

Businesses demand real-time responses to real-world events that impact their operations and business results. Zebra Location Solutions offer a range of solutions and services that enable businesses to have complete visibility of its edge level process, including personnel and assets.

Zebra Location Solutions extend Zebra's reach far beyond the abilities of passive RFID. Its state-of-the-art software and hardware locate, track, manage, and maximize the utilization of high-value assets, equipment, and people. Whether tracking containers through a supply chain, work in progress, optimizing manufacturing fulfillment, or providing wide-area asset traceability, real time location solutions from Zebra provide constant visibility.

Zebra Location Solutions include asset tags, call tags, sensors, exciters and application software. Each tag contains a unique ID that users can associate to a specific asset, part, or workstation. The complementary technologies in a Zebra location solution seamlessly work together to provide customers with asset visibility and tracking.

Applications for Zebra Location Solutions span a broad array of industries where tracking assets, transactions and people are critically important. Zebra Location Solutions are deployed in industrial manufacturing, process industry, aerospace, transportation and logistics and healthcare.

Printer Supplies

Supplies products consist of stock and customized thermal labels, wristbands, plastic cards, card laminates and thermal transfer ribbons. Zebra promotes the use of genuine Zebra brand supplies with its printing equipment.

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Zebra fully supports its printers, resellers and end users with an extensive line of superior quality, high-performance supplies optimized to a particular user's needs. Supplies are chosen in consultation with the reseller and end user based on the specific application, printer and environment in which the labeling system must perform. These printing solutions

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frequently include proprietary ribbon and label formulations that are designed to optimize image resolution and printer performance while meeting the most demanding end user application performance criteria. Factors such as adhesion, resistance to scratches, smudges and abrasion, and chemical and environmental exposures are all taken into account when selecting the type of ribbon and labeling materials. The use of supplies that are not carefully matched to specific printers can degrade image quality, and decrease the life of key printer components such as printheads.

Printer Related Software

Zebra has specialized printer management, label design and driver solutions to help unlock the full potential of Zebra printers. The ZebraLink Solutions suite of networking, software, firmware offerings, combined with the enhanced printer management capabilities of ZebraNet Bridge, makes Zebra's printers easy to use and integrate into small, medium and enterprise-wide environments. Our goal is to provide software that enables high levels of functionality to all major computer network and software systems. Network systems include Ethernet, 802.11b/g and Bluetooth®.

Zebra offers label design and integration software specifically designed to optimize the performance of Zebra bar code label printers. Zebra's suite of label design and printer configuration tools includes ZebraDesigner, ZebraDesigner Pro, ZebraDesigner for XML, and ZebraDesigner Label Design Software for use with mySAP Business Suite. Zebra's Enterprise Connector Solution for Oracle® Business Intelligence Publisher, delivers seamless integration between Oracle and Zebra printers, creating a versatile, easily managed, cost-effective printing platform.

Printer Maintenance and Services

Zebra provides depot maintenance and repair services at repair centers in Vernon Hills, Illinois; Etobicoke, Ontario, Canada; Mexico City, Mexico; Preston, U.K.; Singapore; Shanghai, China; and Heerenveen, Netherlands. Zebra Authorized Service Providers (ZASP) also provide repair services for most Zebra products at their locations. In addition, Zebra offers on-site repair services for tabletop printers in the United States. Outside of the United States, Zebra's resellers may provide maintenance service, either directly as ZASPs or through independent service agents. Zebra also provides technical support from in-house support personnel located in the United States, the United Kingdom and Singapore. For most Zebra products, Zebra provides interactive technical support via the Internet at www.zebra.com, 24 hours per day, seven days per week.

Printer Warranties

In general, Zebra provides warranty coverage of one year on printers against defects in material and workmanship. Printheads are warranted for nine months, and batteries are warranted for twelve months. Zebra supplies are warranted against defects in material and workmanship for their stated shelf life or twelve months, whichever ends first. Defective equipment and supplies may be returned for repair or replacement during the applicable warranty periods.

Zebra's Technology

Our customers rely on Zebra to provide products and systems to help identify, authenticate, track or route both items and people, and then process the related transactions. These products and systems use technologies that provide specific benefits in each application.

All Zebra printers and print engines incorporate thermal printing technology, either direct thermal printing, thermal transfer printing or dye-sublimation printing. This technology creates an image by heating certain pixels of an electrical printhead to selectively image a ribbon or heat-sensitive substrate.

Direct thermal printers apply the heat directly to a thermally-sensitive label, wristband, or receipt to create an image. This form of thermal printing technology benefits applications requiring simple and reliable operations such as shelf labeling, patient identification, and kiosk receipts. Some desktop label printers, mobile printers and kiosk printers support only direct thermal printing.

Thermal transfer printers apply heat to a ribbon to release ink onto labels or tags. This form of thermal printing technology allows a wider range of specialty label materials and associated inks to be used for applications such as circuit board labels, chemical identification and product labels that require resistance to chemicals, temperature extremes, abrasion, or labels requiring a long shelf life. Most of our printers in our high performance, midrange, print engine, desktop and mobile categories use thermal transfer printing but can also support direct thermal printing.

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Dye-sublimation card printers apply heat to a ribbon to release a dye that is absorbed into a plastic card, retransfer film or treated paper. This process creates full-color, photographic quality images that are well-suited for driver's licenses, access and identification cards, transaction cards, on-demand photographs, and financial cards (credit, debit and ATM cards).

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Direct thermal and thermal transfer printers create crisp images at high speeds, making them ideal for printing easily readable text and machine readable bar codes. Dye sublimation thermal printers quickly create full-color images with visual characteristics more similar to halide-based film than to pixel-based ink jet or laser printers, making them ideal for high quality photographs and personalized plastic cards. Some printers also include HF (13.56 MHz) or UHF (860-960 MHz) RFID technology that can encode data into passive RFID transponders embedded in a label, card, or wristband.

Zebra's printers integrate company-designed mechanisms, electrical systems, and firmware. Enclosures of metal or high-impact plastic ensure the durability of our printers. Special mechanisms optimize handling of labels, ribbons, and plastic cards. Fast, high-current electrical systems provide consistent image quality. Mobile printers use NiMH or LiIon batteries to optimize print quality over an extended operating shift. Firmware supports serial, parallel, Ethernet, USB, infrared, Bluetooth, or 802.11b/g wireless communications with appropriate security protocols. Printing instructions can be received as a proprietary language such as Zebra Programming Language II (ZPL II®), as a print driver-provided image, or as user-defined XML. These features make our printers easy to integrate into virtually all common computer systems including those operating on UNIX, Linux, MS/DOS®, or Microsoft® Windows® operating systems. Some independent software vendors, including Adobe, Oracle and SAP, have included Zebra printing support in applications for healthcare, warehouse management, manufacturing, passenger transportation, and retailing.

Printer Sales and Marketing

Sales. We sell our printer products primarily through distributors, value-added resellers (VARs), and original equipment manufacturers (OEMs). We also sell our printer products directly to a select number of named customer accounts. For media and consumables, we sell directly to end users through the Internet and telesales operations. Distributors and VARs purchase, stock and sell a variety of automatic identification components from different manufacturers and customize systems for end-user applications using their systems and application integration expertise. Because these sales channels provide specific software, configuration, installation, integration and support services required by end users within various market segments, these relationships allow Zebra to reach end users throughout the world in a wide variety of industries. Zebra experiences a minor amount of seasonality in sales, depending on the geographic region and industry served.

We functionally classify our direct VARs as Premier Partners, Advanced Partners, or Associate Partners, depending on their business competencies, depth and breadth of their sales teams, customer support capabilities, contributions to Zebra's strategic goals and sales commitment to Zebra. In addition, we offer VARs the opportunity to earn certifications for mobile/wireless printers, supplies, services and RFID products in specific industries. We also sell through distributors, which in turn sell to an extended VAR community. All VARs, as well as OEMs and systems integrators, provide customers with a variety of automatic identification components including scanners, accessories, applications software and systems integration expertise, and, in the case of some OEMs, resell the Zebra-manufactured products under their own brands as part of their own product offering. We believe that the breadth of this indirect channel network, both in terms of variety and geographic scope, enhances our ability to compete and more effectively offer our solutions to a greater number of end users.

In some instances, we have designated a customer as a strategic account when the customer is in a targeted high growth industry with applications for Zebra solutions that span our product categories. Zebra sales personnel, either alone or together with our partners, manage these strategic accounts to ensure their needs are being met.

The sales function also encompasses a team that manages four global alliances. They direct the business development strategies for third-party relationships that are strategic to new demand creation for specific vertical markets and/or specific applications.

Marketing. Marketing operations encompass global corporate marketing, field marketing, product marketing, industry marketing, market research and channel marketing functions. Corporate marketing manages our Zebra brand globally, corporate public relations, internal communications and our web site. The group is also responsible for market research and planning and industry marketing. Product marketing focuses on market analysis, positioning, product launch support and analyzes Zebra's competitive strengths and weaknesses. Field marketing encompasses demand generation, channel program management and marketing and sales enablement.

Printer Production and Manufacturing

We design our products to optimize product performance, quality, reliability, durability and versatility. These designs combine cost-efficient materials, sourcing and assembly methods with high standards of workmanship.

In 2010 we completed the transfer of final printer assembly to a third-party manufacturer, Jabil Circuit, Inc. This action has helped to reduce costs and optimize our global printer product supply chain and enabled us to be more responsive to

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customer needs and increase Zebra's flexibility to meet emerging business opportunities. See Note 10 to our Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussion of the transfer and transition process.

Jabil produces our printers to our design specifications in the quantities we order. We maintain control over portions of the supply chain including supplier selection and price negotiations of key component parts. Jabil is responsible for the procurement of the component parts and subassemblies used in the Zebra printers it produces. Zebra has a subsidiary located in Guangzhou, China, and has an office located near the Jabil facility in China where our products are assembled. This office is staffed with Zebra sourcing, engineering and quality personnel to help ensure that we receive optimal pricing on raw materials and the final printers meet our quality standards. The majority of Zebra printers manufactured by Jabil are shipped to Zebra's regional distribution centers. A small percentage of products are reconfigured at Zebra's distribution centers through firmware downloads, packaging and some other customization before they are shipped to customers. In addition, certain products are manufactured in accordance with federal procurement regulations and various international trade agreements, and remain eligible for sale to the United States government.

Competition

Many companies are engaged in the design, manufacture and marketing of bar code label printers, RFID printer/encoder, card personalization solutions and active RFID/Real Time Locating System (RTLS) solutions.

We consider our direct competition in bar code label and receipt printing to be producers of on-demand thermal transfer and direct thermal label printing systems, printer/encoders, mobile printers and supplies. We also compete, however, with companies engaged in the design, manufacture and marketing of printing systems that use alternative technologies, such as ink-jet and laser printing. Many of these companies are substantially larger than Zebra.

Dye sublimation, the technology used in our card printers, is only one of several commercially available types of processes used to personalize cards. We also compete with companies that produce identification cards using alternative technologies, which include ink-jet, thermal transfer, embossing, film-based systems, encoders, laser engraving and large-scale dye sublimation printers. These card personalization technologies offer viable alternatives to Zebra's card printers and provide effective competition from a variety of companies, many of which are substantially larger than Zebra. In addition, service bureaus compete for end user business and provide an alternative to the purchase of our card printing equipment and supplies.

We compete with a diverse group of companies marketing RTLS solutions.

Our ability to compete effectively depends on a number of factors. These factors include the reliability, quality and reputation of the manufacturer and its products; hardware and software innovations and specifications; breadth of product offerings; information systems connectivity; price; level of technical support; supplies and applications support offered by the manufacturer; available distribution channels; and financial resources to support new product design and innovation. We believe that Zebra presently competes favorably with respect to these factors.

We face competition from many companies, including the following (listed in alphabetical order): Aeroscout, Argox; Avery Dennison; Boca Systems; Brother International; Canon; CIM; Citizen; Cognitive TPG; Custom; Danaher; Datacard; Datamax-O'Neil, a unit of Dover Corporation; Dymo, a Newell Rubbermaid Company; Ekahau, Epson; Evolis; Fargo Electronics, a unit of HID Global; Godex; Hewlett-Packard; Hitachi; Intermec Inc.; Lexmark International; MagiCard; Matica; Microcom; Mitsubishi; NBS Technologies; Nisca; Oki Data; Olympus; Practical Automation; Printronix; Sato; Seiko Instruments; Song Woo Electronics; Sony; Star Micronics; Taiwan Semiconductor; Toshiba TEC; Ubisense, Victor Data Systems; Woosim; and Xerox.

The supplies business is highly fragmented and competition is comprised of numerous competitors of various sizes depending on the geographic area.

Zebra's competitors in the Location Solutions space include Aeroscout, Ekahau and Ubisense.

Alternative Printing Technologies

We believe thermal printing will be the preferred label, card and receipt printer technology in Zebra's target applications for the foreseeable future. Among the many advantages of direct thermal and thermal transfer printing is the ability to print high-resolution, durable images on a wide variety of label materials at relatively low costs and high speeds compared with alternative printing technologies. We view passive RFID smart label encoding and active RFID location systems as

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complementary technologies to bar coded printing, offering growth opportunities to Zebra as the technologies become more widely adopted.

If other technologies were to evolve or become available to Zebra, it is possible that those technologies would be incorporated into our products. Alternatively, if such technologies were to evolve or become available to our competitors, Zebra's products may become obsolete. This obsolescence would have a significant negative effect on Zebra's business, financial position, results of operations and cash flows.

Therefore, we continually assess competitive and complementary methods of bar code printing and other means of automatic identification. Alternative print technologies assessed include ink jet, laser and direct marking. While we cannot be sure that new technology will not supplant thermal printing for labels, cards and receipts, we are not aware of any developing technology that offers the advantages of thermal printing for our targeted applications. We continually monitor and evaluate new RFID technologies, support their standards development, and rapidly adopt RFID into new Zebra products and systems as new markets and applications emerge.

Customers

Zebra has sold more than 10,600,000 thermal printers to customers as of December 31, 2011. Our net sales to significant customers as a percentage of total net sales were as follows:

	Year Ended December 31,		
	2011	2010	2009
Customer A	20.7%	19.8%	17.5%
Customer B	10.5%	9.8%	5.7%

No other customer accounted for 10% or more of total net sales during these years.

Sales

Net sales by product category for the last three years were (in thousands):

Product Category	Year Ended December 31,		
	2011	2010	2009
Hardware	\$ 743,308	\$ 676,738	\$ 534,993
Supplies	187,457	167,633	155,847
Service and software	47,206	44,829	42,379
Subtotal	977,971	889,200	733,219
Shipping and handling	5,517	5,159	5,263
Total net sales	\$ 983,488	\$ 894,359	\$ 738,482

Net sales to international customers, as a percent of total net sales, were as follows:

	Year Ended December 31,		
	2011	2010	2009
Percent of net sales	58.4%	55.9%	52.8%

We believe that international sales have the long-term potential to increase faster than domestic sales because of the lower penetration of automatic identification applications outside North America and Western Europe and generally higher economic growth rates in developing countries. As a result, Zebra has invested resources to support our international growth and currently operates facilities and sales offices, or has representation, in 30 different countries.

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Zebra's research and development expenditures for the last three years were as follows (in thousands, except percentages):

	Year Ended December 31,		
	2011	2010	2009
Research and development expenses (excluding acquired in process technology)	\$ 89,926	\$ 82,575	\$ 66,477
Percent of net sales	9.1%	9.2%	9.0%

We devote significant resources to developing new printing solutions for our target markets and ensuring that our products maintain high levels of reliability and value to our customers.

Intellectual Property Rights

Zebra relies on a combination of trade secrets, patents, employee and third party nondisclosure agreements, copyright laws and contractual rights to establish and protect its proprietary rights in its products. We have and actively protect many domestic and international trademarks. We hold 394 United States and foreign patents and have 176 United States and foreign patent applications pending pertaining to products. The duration of these patents ranges from 6 months to 23 years. The expiration of any individual patent would not have a significant negative impact on our business.

Despite our efforts to protect our intellectual property rights, it may be possible for unauthorized third parties to copy portions of our products or to reverse engineer or otherwise obtain and use some technology and information that we regard as proprietary. Moreover, the laws of some countries do not afford Zebra the same protection to proprietary rights, as do United States laws. There can be no assurance that legal protections relied upon by Zebra to protect its proprietary position will be adequate. While Zebra's intellectual property is valuable and provides certain competitive advantages, we do not believe that the legal protections afforded to our intellectual property are fundamental to our success.

Other trademarks mentioned in this report are the property of their respective holders and include IBM, a registered trademark of International Business Machines; UNIX, a registered trademark of UNIX Systems Laboratories; MS/DOS and Windows, registered trademarks of Microsoft; SAP, a registered trademark of SAP AG; and Linux, a registered trademark of Linus Torvalds. Bluetooth is a trademark owned by Bluetooth SIG and used by Zebra under license.

Employees

As of January 28, 2012, Zebra employed approximately 2,510 persons, of which 260 are corporate employees. None of our employees are members of a union. Some portions of our business, primarily in Europe, are subject to labor laws that differ significantly from those in the United States. For example, it is common for a works council to represent employees when discussing matters such as compensation, benefits or terminations of employment. We consider our employee relations to be very good.

Contact Information

Zebra Technologies Corporation is a Delaware corporation. Our principal offices are located at 475 Half Day Road, Suite 500, Lincolnshire, Illinois 60069. Our main telephone number is (847) 634-6700 and our primary Internet Web site address is www.zebra.com. You can find all of Zebra's filings with the SEC free of charge through the investor page on this Web site, immediately upon filing.

Additional Information

For financial information regarding Zebra, see Zebra's Consolidated Financial Statements and the related Notes, which are included in this Annual Report on Form 10-K.

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Item 1A. Risk Factors

Investors should carefully consider the risks, uncertainties and other factors described below, as well as other disclosures in Management's Discussion and Analysis of Financial Condition and Results of Operations, because they could have a material adverse effect on Zebra's business, financial condition, operating results, cash flows and growth prospects.

Final assembly of our thermal printers is performed by Jabil Circuit, a third-party electronics manufacturer. We are dependent on Jabil for the manufacture of such printers. A failure by Jabil to provide manufacturing services to Zebra as Zebra requires, or any disruption in such manufacturing services, may adversely affect Zebra's business results. Because we rely on a third-party provider such as Jabil to manufacture its products, Zebra may incur increased business continuity risks.

Zebra is no longer able to exercise direct control over the assembly or related operations of its thermal printers Jabil produces. If Jabil experiences business difficulties or fails to meet Zebra's manufacturing needs, then Zebra may be unable to satisfy customer product demands, lose sales and be unable to maintain customer relationships. Longer production lead times may result in shortages of certain products and inadequate inventories during periods of unanticipated higher demand. Without Jabil's continuing manufacture of Zebra's products, Zebra will have no other means of final assembly of its thermal printers until Zebra is able to secure the manufacturing capability at another facility or develop an alternative manufacturing facility. This transition could be costly and time consuming.

Although Zebra carries business interruption insurance to cover lost sales and profits in an amount it considers adequate, in the event of supply disruption, this insurance does not cover all possible situations. In addition, the business interruption insurance would not compensate Zebra for the loss of opportunity and potential adverse impact, both short-term and long-term, on relations with our existing customers.

A third-party provider such as Jabil will have access to Zebra's intellectual property, which increases the risk of infringement or misappropriation of this intellectual property.

Zebra has significant operations outside the United States and sells a significant portion of its products internationally and purchases important components from foreign suppliers. These circumstances create a number of risks. Zebra has significant operations outside the United States which present added risks. In addition, Zebra sells a significant amount of its products to customers outside the United States. Shipments to international customers are expected to continue to account for a material portion of net sales.

Risks associated with operations, sales and purchases outside the United States include:

- Fluctuating foreign currency rates could restrict sales, or increase costs of purchasing, in foreign countries,

- Volatility in foreign credit markets may affect our customers and suppliers,

- Adverse changes in, or uncertainty of, local business laws or practices, including the following:

 - Foreign governments may impose burdensome tariffs, quotas, taxes, trade barriers or capital flow restrictions,

 - Restrictions on the export or import of technology may reduce or eliminate the ability to sell in or purchase from certain markets,

 - Political and economic instability may reduce demand for our products, or put our foreign assets at risk,

- Potentially limited intellectual property protection in certain countries may limit recourse against infringing products or cause Zebra to refrain from selling in certain geographic territories,

- Staffing and turnover at international operations may be unusually difficult,

- A government controlled exchange rate and limitations on the convertibility of the Chinese *yuan*, and

- Transportation delays that may affect production and distribution of Zebra's products,

- Inadequately managing and overseeing operations that are distant and remote from corporate headquarters.

Customers have the right to return products that do not function properly within a limited time after delivery. Zebra monitors and tracks product returns and records a provision for the estimated future returns based on historical experience and any notification received of pending returns. Zebra, however, cannot guarantee that it will continue to experience return rates consistent with historical patterns.

Zebra may not be able to continue to develop products to address user needs effectively in an industry characterized by ongoing change. To be successful, Zebra must adapt to rapidly changing technological and application needs by continually improving its products as well as introducing new products and services to address user demands.

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Zebra's industry is characterized by:

- Evolving industry standards,
- Frequent new product and service introductions,
- Evolving distribution channels,
- Increasing demand for customized product and software solutions, and
- Changing customer demands.

Future success will depend on Zebra's ability to cost effectively adapt in this evolving environment. Zebra could incur substantial costs if it has to modify its business to adapt to these changes, and may even be unable to adapt to these changes.

Zebra competes in a competitive industry, which may become more competitive. Competitors may be able to respond more quickly to new or emerging technology and changes in customer requirements. Zebra faces significant competition in developing and selling its products and solutions. Some competitors have substantial marketing, financial, development and personnel resources. To remain competitive, Zebra believes it must continue to cost effectively provide:

- Technologically advanced systems that satisfy user demands,
- Superior customer service,
- High levels of quality and reliability, and
- Dependable and efficient distribution networks.

Zebra cannot assure it will be able to compete successfully against current or future competitors. Increased competition in printers or supplies may result in price reductions, lower gross profit margins and loss of market share, and could require increased spending on research and development, sales and marketing and customer support. Some competitors may make strategic acquisitions or establish cooperative relationships with suppliers or companies that produce complementary products.

Zebra is vulnerable to the potential difficulties associated with the rapid increase in the complexity of its business. Zebra has grown rapidly over the last several years through domestic and international growth. This growth has caused increased complexities in the business. We believe our future success depends in part on our ability to manage our growth and increased complexities of our business and the demands from increased responsibility on our management personnel. The following factors could present difficulties to us:

- Compliance with evolving laws and regulations,
- Managing our distribution channel partners,
- Manufacturing an increased number of products,
- Increased administrative and operational burden,
- Maintaining and improving information technology infrastructure to support growth,
- Increased logistical problems common to complex, expansive operations, and
- Managing increasing international operations.

Zebra could encounter difficulties in any acquisition it undertakes, including unanticipated integration problems and business disruption. Acquisitions could also dilute stockholder value and adversely affect operating results. Zebra may acquire or make investments in other businesses, technologies, services or products. An acquisition may present business issues which are new to Zebra. The process of integrating any acquired business, technology, service or product into operations may result in unforeseen operating difficulties and expenditures. Integration of an acquired company also may consume considerable management time and attention, which could otherwise be available for ongoing operations and development of the business. The expected benefits of any acquisition may not be realized.

Acquisitions also may involve a number of risks:

- Difficulties and uncertainties in transitioning the customers or other business relationships from the acquired entities to Zebra,
- The loss of key employees of acquired entities,

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The ability of acquired entities to fulfill obligations to their customers,
The discovery of unanticipated issues or liabilities,
The failure of acquired entities to meet or exceed expected returns, and
The acquired entities' ability to improve internal controls and accounting systems to be compliant with requirements applicable to public companies subject to SEC reporting.

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Future acquisitions could result in potentially dilutive issuances of equity securities or the incurrence of debt and contingent liabilities.

Zebra sources some of its component parts from sole source suppliers. A disruption in the supply of such component parts could have a material adverse effect on our ability to meet customer demand and negatively affect our financial results.

Infringement by Zebra or Zebra suppliers on the proprietary rights of others could put Zebra at a competitive disadvantage, and any related litigation could be time consuming and costly. Third parties may claim that Zebra or Zebra suppliers violated their intellectual property rights. To the extent of a violation of a third party's patent or other intellectual property right, Zebra may be prevented from operating its business as planned, and may be required to pay damages, to obtain a license, if available, or to use a non-infringing method, if possible, to accomplish its objectives. Any of these claims, with or without merit, could result in costly litigation and divert the attention of key personnel. If such claims are successful, they could result in costly judgments or settlements. Also, as new technologies emerge, such as RFID, the intellectual property rights of parties in such technologies can be uncertain. As a result, products involving such technologies may have higher risk of claims of infringement of the intellectual proprietary rights of third parties.

The inability to protect intellectual property could harm Zebra's reputation, and its competitive position may be materially damaged. Zebra's intellectual property is valuable and provides Zebra with certain competitive advantages. Copyrights, patents, trade secrets and contracts are used to protect these proprietary rights. Despite these precautions, it may be possible for third parties to copy aspects of Zebra's products or, without authorization, to obtain and use information which Zebra regards as trade secrets.

Zebra may incur liabilities as a result of product failures due to actual or apparent design or manufacturing defects. Zebra may be subject to product liability claims, which could include claims for property or economic damage or personal injury, in the event our products present actual or apparent design or manufacturing defects. Such design or manufacturing defects may occur not only in Zebra's own designed products but also in components provided by third party suppliers. Zebra generally has insurance protection against property damage and personal injury liabilities and also seeks to limit such risk through product design, manufacturing quality control processes, product testing and contractual indemnification from suppliers. However, due to the large and growing size of Zebra's installed printer base, a design or manufacturing defect involving this large installed printer base could result in product recalls or customer service costs that could have material adverse effects on Zebra's financial results.

Zebra's products are subject to U.S. and non-U.S. foreign regulations that pertain to electrical and electronic equipment, which may materially adversely affect Zebra's business. These regulations influence the design, components or operation of such products. New regulations and changes to current regulations are always possible and, in some jurisdictions, regulations may be introduced with little or no time to bring related products into compliance with these regulations. Zebra's failure to comply with these regulations may prevent Zebra from selling our products in a certain country. In addition, these regulations may increase our cost of supplying the products by forcing us to redesign existing products or to use more expensive designs or components. In these cases, Zebra may experience unexpected disruptions in our ability to supply customers with products, or we may incur unexpected costs or operational complexities to bring products into compliance. This could have an adverse effect on Zebra's revenues, gross profit margins and results of operations and increase the volatility of our financial results.

Zebra is implementing a new company-wide enterprise resource planning (ERP) system. The implementation process is complex and involves a number of risks that may adversely affect Zebra's business and results of operations. Zebra is currently replacing its multiple legacy business systems at its different sites with a new company-wide, integrated enterprise resource planning (ERP) system to handle various business, operating and financial processes for Zebra and its subsidiaries. The new system will enhance a variety of important functions, such as order entry, invoicing, accounts receivable, accounts payable, financial consolidation, logistics, and internal and external financial and management reporting matters.

ERP implementations are complex and time-consuming projects that involve substantial expenditures on system hardware and software and implementation activities that often continue for several years. Such an integrated, wide-scale implementation is extremely complex and requires transformation of business and financial processes in order to reap the benefits of the ERP system. Significant efforts are required for requirements identification, functional design, process documentation, data conversion, user training and post implementation support. Problems in any of these areas could result in operational issues including delayed shipments or production, missed sales, billing and accounting errors and other operational issues. System delays or malfunctioning could also disrupt Zebra's ability to timely and accurately process and report key components of the results of its consolidated operations, its financial position and cash flows,

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which could impact Zebra's ability to timely complete important business processes such as the evaluation of its internal controls and attestation activities pursuant to Section 404 of the Sarbanes-Oxley Act of 2002.

Until the new ERP system is fully implemented, Zebra expects to incur additional selling, general and administrative expenses and capital expenditures to implement and test the system, and there can be no assurance that other issues relating to the ERP system will not occur or be identified. Zebra's business and results of operations may be adversely affected if it experiences operating problems and/or cost overruns during the ERP implementation process or if the ERP system and the associated process changes, do not function as expected or give rise to the expected benefits.

Zebra depends on the ongoing service of its senior management and ability to attract and retain other key personnel. The future success of Zebra is substantially dependent on the continued service and continuing contributions of senior management and other key personnel.

The ability to attract, retain and motivate highly skilled employees is important to Zebra's long-term success. Competition for skill sets in certain functions within our industry is intense, and Zebra may be unable to retain key employees or attract, assimilate or retain other highly qualified employees in the future.

Terrorist attacks or war could lead to further economic instability and adversely affect Zebra's stock price, operations, and profitability. The terrorist attacks that occurred in the United States on September 11, 2001, caused major instability in the U.S. and other financial markets. The possibility of further acts of terrorism and current and future war risks could have a similar impact. Any such attacks could, among other things, cause further instability in financial markets and could directly, or indirectly through reduced demand, negatively affect Zebra's facilities and operations or those of its customers or suppliers.

Taxing authority challenges may lead to tax payments exceeding current reserves. Zebra is subject to ongoing tax examinations in various jurisdictions. As a result, we may record incremental tax expense based on expected outcomes of such matters. In addition, we may adjust previously reported tax reserves based on expected results of these examinations. Such adjustments could result in an increase or decrease to Zebra's effective tax rate.

Economic conditions and financial market disruptions may adversely affect Zebra's business and results of operations. Adverse economic conditions or reduced information technology spending may adversely impact our business. As widely reported, financial markets throughout the world experienced extreme disruption since 2008, including historically high volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others, failure and potential failures of major financial institutions and unprecedented government support of financial institutions and corporations. A recurrence of these developments and a related general economic downturn could adversely affect Zebra's business and financial condition through a reduction in demand for our products by our customers. If a slowdown were severe enough, it could require further impairment testing and write-downs of goodwill and other intangible assets. Cost reduction actions may be necessary and lead to restructuring charges. A tightening of financial credit could adversely affect our customers, suppliers, outsource manufacturer and channel partners (e.g., distributors and resellers) from obtaining adequate credit for the financing of significant purchases. Another economic downturn could also result in a decrease in or cancellation of orders for Zebra's products and services; negatively impact Zebra's ability to collect its accounts receivable on a timely basis; result in additional reserves for uncollectible accounts receivable; and require additional reserves for inventory obsolescence. Higher volatility and fluctuations in foreign exchange rates for the U.S. dollar against currencies such as the euro, the British pound, the Chinese yuan, and the Brazilian real could negatively impact product sales, margins and collections.

A natural disaster, like the recent natural disasters in Japan and Thailand, may cause supply disruptions that could adversely affect Zebra's business and results of operations. As widely reported, a powerful earthquake centered off the northeastern coast of Japan on March 11, 2011, resulted in the loss of many lives, wide-spread damage to and destruction of property, disruption of electric power, and the release of radiation from a crippled nuclear power plant. This devastation disrupted the operations to varying degrees of companies with business activity in the affected region, including the business of Zebra suppliers. Other natural disasters may occur in the future and Zebra is not able to predict to what extent, or duration, any such or similar of these disruptions will have on our ability to maintain ordinary business operations. The consequences of an unfortunate natural disaster may have a material adverse effect on Zebra's business and results of operations.

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Item 1B. Unresolved Staff Comments

Not applicable.

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Zebra's corporate headquarters are located in Lincolnshire, Illinois, a northern suburb of Chicago. Zebra also conducts its sales, marketing, engineering and operations activities from facilities in Vernon Hills, Illinois, and Agoura Hills, California.

Zebra's principal facilities as of December 31, 2011, are listed below:

Location	Square Footage			Lease Expires
	Manufacturing, Production & Warehousing	Administrative, Research & Sales	Total	
Vernon Hills, Illinois, USA	110,000	115,000	225,000	June 2014
Heerenveen, The Netherlands	89,843	4,729	94,572	January 2015
Agoura Hills, California, USA		75,077	75,077	March 2021
Greenville, Wisconsin, USA	55,000	5,000	60,000	January 2018
Lincolnshire, Illinois, USA		46,339	46,339	June 2014
Flowery Branch, Georgia, USA	38,375	2,145	40,520	June 2017
Lincoln, Rhode Island, USA		40,116	40,116	April 2016
Preston, UK	30,450	8,600	39,050	Owned by Zebra
Guangzhou, China		32,655	32,655	January 2014
Bourne End, UK		27,251	27,251	June 2014
Otay Mesa, California, USA	21,739	4,900	26,639	September 2013
San Jose, California, USA		24,630	24,630	July 2015
McAllen, Texas, USA	15,500	2,500	18,000	September 2016
Germantown, Maryland, USA		13,134	13,134	December 2015
Warsaw, Poland	7,750	3,875	11,625	June 2012
Singapore, Singapore		9,248	9,248	February 2017
Shanghai, China		7,524	7,524	January 2014
Mexico City, Mexico	3,488	3,400	6,888	September 2012
Singapore, Singapore		5,360	5,360	February 2012
Shanghai, China		5,287	5,287	January 2015
Total	372,145	436,770	808,915	

Zebra leases various other facilities around the world, which are dedicated to administrative, research and sales functions. These other leases, solely or in aggregate, are not material to Zebra.

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Item 3. Legal Proceedings

See Note 12 in the Notes to the Consolidated Financial Statements included in this Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Stock Information: Price Range and Common Stock**

Our Class A Common Stock is traded on The NASDAQ Stock Market under the symbol ZBRA. The following table shows the high and low trade prices for each fiscal quarter in 2011 and 2010, as reported by The NASDAQ Stock Market.

2011	High	Low	2010	High	Low
First Quarter	\$ 41.48	\$ 34.66	First Quarter	\$ 30.72	\$ 26.10
Second Quarter	44.53	36.55	Second Quarter	31.00	24.32
Third Quarter	43.61	28.20	Third Quarter	34.13	24.14
Fourth Quarter	38.48	29.54	Fourth Quarter	39.31	33.14

Source: The NASDAQ Stock Market

At February 10, 2012, the last reported price for the Class A Common Stock was \$39.25 per share, and there were 479 registered stockholders of record for Zebra's Class A Common Stock. In addition, we had approximately 16,000 stockholders who owned Zebra stock in street name.

Dividend Policy

Since our initial public offering in 1991, we have not declared any cash dividends or distributions on our capital stock. Zebra currently does not anticipate paying any cash dividends in the foreseeable future.

Treasury Shares

During the fourth quarter of 2011, pursuant to our Rule 10b5-1 purchase plan, Zebra purchased 428,891 shares of Zebra's Class A Common Stock at a weighted average share price of \$32.24 per share, as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program	Maximum number of shares that may yet be purchased under the program
October 2011 (October 2 – October 29)	428,891	\$ 32.24	428,891	496,199
November 2011 (October 30 – November 26)	0	\$ 0.00	0	3,496,199
December 2011 (November 27 – December 31)	0	\$ 0.00	0	3,496,199

- (1) On November 4, 2011, Zebra's Board authorized the purchase of up to an additional 3,000,000 shares under the purchase plan program. The November 2011 authorization does not have an expiration date.

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- (2) During the fourth quarter, Zebra acquired 2,360 shares of Zebra Class A Common Stock through the withholding of shares necessary to satisfy tax withholding obligations upon the vesting of restricted stock awards. These shares were acquired at an average price of \$36.41 per share.

Table of Contents**Item 6. Selected Financial Data****CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) DATA**

(In thousands, except per share amounts)

	Year Ended December 31,				
	2011	2010	2009	2008	2007
Net sales	\$ 983,488	\$ 894,359	\$ 738,482	\$ 910,065	\$ 860,343
Cost of sales	496,719	473,584	420,895	471,546	447,340
Gross profit	486,769	420,775	317,587	438,519	413,003
Total operating expenses	304,733	272,560	(1) 247,308	(2) 427,730	(3) 269,300
Operating income	182,036	148,215	70,279	10,789	143,703
Income from continuing operations before income taxes	179,719	149,607	72,319	15,085	167,757
Income (loss) from continuing operations	130,343	104,614	48,491	(19,047)	110,611
Income (loss) from discontinued operations, net of tax	44,300	(2,836)	(1,387)	(19,374)	(498)
Net income (loss)	\$ 174,643	\$ 101,778	\$ 47,104	\$ (38,421)	\$ 110,113
Basic earnings per share:					
Income (loss) from continuing operations	\$ 2.42	\$ 1.83	\$ 0.81	\$ (0.30)	\$ 1.62
Loss from discontinued operations	0.82	(0.05)	(0.02)	(0.30)	(0.01)
Net income	\$ 3.24	\$ 1.78	\$ 0.79	\$ (0.60)	\$ 1.61
Diluted earnings per share:					
Income (loss) from continuing operations	\$ 2.40	\$ 1.82	\$ 0.81	\$ (0.30)	\$ 1.61
Loss from discontinued operations	0.82	(0.05)	(0.02)	(0.30)	(0.01)
Net income	\$ 3.22	\$ 1.77	\$ 0.79	\$ (0.60)	\$ 1.60
Weighted average shares outstanding					
Basic	53,854	57,143	59,306	64,524	68,463
Diluted	54,191	57,428	59,425	64,524	68,908

CONSOLIDATED BALANCE SHEET DATA

(In thousands)

	December 31,				
	2011	2010	2009	2008	2007
Cash and cash equivalents, restricted cash, investments and marketable securities (current and long-term)	\$ 326,695	\$ 258,598	\$ 245,027	\$ 221,409	\$ 264,960
Working capital (4)	475,899	455,143	429,277	400,883	452,031
Total assets	899,006	878,864	830,479	850,878	1,034,278
Long-term obligations (5)	11,515	10,191	9,012	9,345	8,451
Stockholders equity	776,925	730,032	712,129	710,738	902,693

(1) Includes litigation settlement proceeds received of \$1,082,000 and exit and restructuring costs of \$2,262,000.

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- (2) Includes exit and restructuring costs of \$9,902,000.
- (3) Includes asset impairment charges of \$144,950,000 and exit and restructuring costs of \$17,932,000.
- (4) Calculated as current assets minus current liabilities.
- (5) Long-term obligations include deferred compensation and unearned revenue. See Note 17 Deferred Compensation Plan in the Notes to the Consolidated Financial Statements included in this Form 10-K.

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Results of Operations: Fourth Quarter of 2011 versus Fourth Quarter of 2010*Consolidated Results of Operations*

(Amounts in thousands, except percentages)

	Three Months Ended				
	December 31, 2011	December 31, 2010	Percent Change	Percent of Net Sales - 2011	Percent of Net Sales - 2010
Net Sales					
Tangible products	\$ 235,714	\$ 222,048	6.2	95.3	94.9
Service & software	11,594	11,971	(3.1)	4.7	5.1
Total net sales	247,308	234,019	5.7	100.0	100.0
Cost of Sales					
Tangible products	118,792	112,550	5.5	48.1	48.1
Service & software	6,996	7,113	(1.6)	2.8	3.0
Total cost of sales	125,788	119,663	5.1	50.9	51.1
Gross profit	121,520	114,356	6.3	49.1	48.9
Operating expenses	79,397	71,326	11.3	32.1	30.5
Operating income	42,123	43,030	(2.1)	17.0	18.4
Other income (expense)	(1,011)	(278)	N/M	(0.4)	(0.1)
Income from continuing operations before income taxes	41,112	42,752	(3.8)	16.6	18.3
Income taxes	8,253	13,117	(37.1)	3.3	5.6
Income from continuing operations	32,859	29,635	10.9	13.3	12.7
Income (loss) from discontinued operations, net of tax	2,185	(1,418)	N/M	0.9	(0.6)
Net income	\$ 35,044	\$ 28,217	24.2	14.2	12.1
Diluted earnings per share:					
Income from continuing operations	\$ 0.63	\$ 0.53	18.9		
Income (loss) from discontinued operations	0.04	(0.03)	N/M		
Net income	\$ 0.67	\$ 0.50	34.0		

*Consolidated Results of Operations - Fourth quarter**Sales*

Net sales for the fourth quarter of 2011 compared with the 2010 quarter increased 5.7% primarily due to a broad-based increase in demand, new product introductions and expansion of go-to-market channels. New products introduced over the past year helped us meet more of our customers' needs for improving asset visibility in complex supply chain markets. The increase in sales was largely attributable to 5.2% growth in hardware sales with notable increases in desktop, mobile, card printers and aftermarket parts. Printer unit volume increased 12.9% from the fourth quarter of 2010.

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Sales by product category were as follows (amounts in thousands, except percentages):

Product category	Three Months Ended		Percent Change	Percent of Net Sales 2011	Percent of Net Sales 2010
	December 31, 2011	December 31, 2010			
Hardware	\$ 188,198	\$ 178,933	5.2	76.1	76.5
Supplies	46,135	41,719	10.6	18.6	17.8
Service and software	11,594	11,971	(3.1)	4.7	5.1
Subtotal products	245,927	232,623	5.7	99.4	99.4
Shipping and handling	1,381	1,396	(1.1)	0.6	0.6
Total net sales	\$ 247,308	\$ 234,019	5.7	100.0	100.0

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Sales increased in all international geographic regions, in part from the impact of our investments in sales and sales-related personnel to expand Zebra's presence in high-growth regions including China, Brazil and Eastern Europe. Sales in the regions targeted by Zebra for geographic expansion increased by 11% in the fourth quarter of 2011 compared to the fourth quarter of 2010. Zebra continues to build a broader base of customers to penetrate targeted industries more deeply. Movements in foreign exchange rates decreased sales by \$420,000 in the Europe, Middle East and Africa regions for the quarter due principally to a weaker euro against the U.S. dollar from the prior year.

Sales to customers by geographic region were as follows (in thousands, except percentages):

Geographic region	Three Months Ended		Percent Change	Percent of Net Sales 2011	Percent of Net Sales 2010
	December 31, 2011	December 31, 2010			
Europe, Middle East and Africa	\$ 88,360	\$ 84,531	4.5	35.7	36.1
Latin America	21,578	21,380	0.9	8.7	9.1
Asia-Pacific	32,470	32,334	0.4	13.1	13.8
Total International	142,408	138,245	3.0	57.5	59.0
North America	104,900	95,774	9.5	42.5	41.0
Total sales	\$ 247,308	\$ 234,019	5.7	100.0	100.0

Gross profit

Gross profit increased 6.3% from lower costs for raw materials and higher volumes. Gross profit was affected by unfavorable foreign currency movements which decreased fourth quarter gross profit by \$330,000. As a percentage of sales, gross margin improved from 48.9% to 49.1%.

Printer unit volumes and average selling price information is summarized below:

	Three Months Ended		Percent Change
	December 31, 2011	December 31, 2010	
Total printers shipped	312,409	276,597	12.9
Average selling price of printers shipped	\$ 506	\$ 535	(5.4)

For the fourth quarter of 2011, unit volumes increased in nearly all printer product lines compared to the same period of 2010, with notable volume increases in card, desktop and mobile printers. The decrease in average selling price is a result primarily of a change in product mix from one quarter compared to another.

Operating expenses

Operating expenses are summarized below (in thousands, except percentages):

Operating expenses	Three Months Ended		Percent Change	Percent of Net Sales 2011	Percent of Net Sales 2010
	December 31, 2011	December 31, 2010			
Selling and marketing	\$ 36,377	\$ 31,942	13.9	14.7	13.7
Research and development	23,174	21,736	6.6	9.4	9.3
General and administrative	19,089	17,809	7.2	7.7	7.6
Amortization of intangible assets	806	891	(9.5)	0.3	0.4

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Litigation settlement	0	(1,082)	N/M	0.0	(0.5)
Exit and restructuring costs	(49)	30	N/M	0.0	0.0
Total operating expenses	\$ 79,397	\$ 71,326	11.3	32.1	30.5

Operating expenses for the quarter increased 11.3% due mainly to greater selling and marketing expenses and research and development expenses. Several categories accounted for these increases, including compensation costs related to higher head count which includes salaries, benefits, bonuses and commissions. Business development, outside professional services, a 2011 global partners conference, project expenses, and travel and entertainment expenses all increased over 2010 levels. Litigation settlement relates to escrowed purchase funds received in 2010.

Table of Contents*Other income (expense)*

Zebra's non-operating income and expense items are summarized in the following table (in thousands):

	Three Months Ended	
	December 31,	December 31,
	2011	2010
Investment income	\$ 594	\$ 567
Foreign exchange loss	(706)	(613)
Other, net	(899)	(232)
 Total other income (expense)	 \$ (1,011)	 \$ (278)

Other expense increased in the fourth quarter of 2011 primarily as a result of increases in miscellaneous expenses as Zebra expands its international presence.

Operating income

Operating income for the fourth quarter of 2011 compared to the same period in 2010 is consistent. See comments above for explanation of changes in individual categories.

Income taxes

The effective income tax rate for the fourth quarter of 2011 was 20.1% compared with 30.7% for the same quarter last year. Zebra's effective tax rate decreased in 2011 due primarily to higher profits in lower rate international jurisdictions and favorable adjustments of prior year state tax returns which were filed in the fourth quarter of 2011.

Income (loss) from discontinued operations

The income from discontinued operations in 2011 relates to the finalization of the accounting and taxes related to discontinued operations transactions during 2011. The loss from discontinued operations in 2010 relates to the operating results of those companies (Navis, LLC and proveo AG) Zebra sold prior to the fourth quarter of 2011.

Table of Contents**Results of Operations: Year ended December 31, 2011 versus Year ended December 31, 2010****Consolidated Results of Operations**

(Amounts in thousands, except percentages)

	Year Ended			Percent of	Percent of
	December 31,	December 31,	Percent	Net Sales -	Net Sales -
	2011	2010	Change	2011	2010
Net Sales					
Tangible products	\$ 936,282	\$ 849,530	10.2	95.2	95.0
Service & software	47,206	44,829	5.3	4.8	5.0
Total net sales	983,488	894,359	10.0	100.0	100.0
Cost of Sales					
Tangible products	469,834	450,630	4.3	47.8	50.4
Service & software	26,885	22,954	17.1	2.7	2.6
Total cost of sales	496,719	473,584	4.9	50.5	53.0
Gross profit	486,769	420,775	15.7	49.5	47.0
Operating expenses	304,733	272,560	11.8	31.0	30.5
Operating income	182,036	148,215	22.8	18.5	16.5
Other income (expense)	(2,317)	1,392	N/M	(0.2)	0.2
Income from continuing operations before income taxes	179,719	149,607	20.1	18.3	16.7
Income taxes	49,376	44,993	9.7	5.0	5.0
Income from continuing operations	130,343	104,614	24.6	13.3	11.7
Income (loss) from discontinued operations, net of tax	44,300	(2,836)	N/M	4.5	(0.3)
Net income	\$ 174,643	\$ 101,778	71.6	17.8	11.4
Diluted earnings per share:					
Income from continuing operations	\$ 2.40	\$ 1.82	31.9		
Income (loss) from discontinued operations	0.82	(0.05)	N/M		
Net income	\$ 3.22	\$ 1.77	81.9		

Consolidated Results of Operations Full Year**Sales**

Net sales for the 2011 year compared with 2010 increased 10.0% due to a broad-based increase in demand, complemented by a focused business strategy of geographic expansion, new product introductions and expansion of go-to-market channels. New products introduced over the past year helped us meet more of our customers' needs for improving asset visibility in complex supply chain environments. The increase in sales was largely attributable to increased hardware sales with notable volume increases in high-performance and mid-range tabletop, desktop, mobile printers and aftermarket parts. Supplies sales increased from greater shipments of labels and thermal ribbons. Printer unit volume increased 12.4% for 2011 compared to levels in 2010.

Sales by product category were as follows (amounts in thousands, except percentages):

Product category	Year Ended		Percent Change	Percent of	Percent of
	December 31, 2011	December 31, 2010		Net Sales 2011	Net Sales 2010
Hardware	\$ 743,308	\$ 676,738	9.8	75.5	75.7
Supplies	187,457	167,633	11.8	19.1	18.7
Service and software	47,206	44,829	5.3	4.8	5.0
Subtotal products	977,971	889,200	10.0	99.4	99.4
Shipping and handling	5,517	5,159	6.9	0.6	0.6
Total sales	\$ 983,488	\$ 894,359	10.0	100.0	100.0

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Sales increased in all geographic regions, in part from the impact of our investments in sales and sales-related personnel to expand Zebra's presence in high-growth regions including China, Brazil and Eastern Europe. Sales in the regions targeted by Zebra for geographic expansion increased by 22%. Movements in foreign exchange rates increased sales by \$14,412,000 in the Europe, Middle East and Africa region due principally to a stronger euro against the U.S. dollar for the first three quarters of 2011.

Sales to customers by geographic region were as follows (in thousands, except percentages):

Geographic region	Year Ended		Percent Change	Percent of Net Sales 2011	Percent of Net Sales 2010
	December 31, 2011	December 31, 2010			
Europe, Middle East and Africa	\$ 342,578	\$ 305,659	12.1	34.8	34.2
Latin America	89,715	80,679	11.2	9.1	9.0
Asia-Pacific	141,987	113,156	25.5	14.5	12.7
Total International	574,280	499,494	15.0	58.4	55.9
North America	409,208	394,865	3.6	41.6	44.1
Total sales	\$ 983,488	\$ 894,359	10.0	100.0	100.0

Gross profit

Gross profit increased 15.7% due to higher volumes and lower material costs. Lower freight costs in 2011 of \$4,963,000 versus 2010 helped improve profit. Gross profit was also affected by favorable foreign currency movements which also improved gross profit by \$12,730,000. The above factors contributed to the increase in gross margin from 47.0% to 49.5%.

Printer unit volumes and average selling price information is summarized below:

	Year Ended		Percent Change
	December 31, 2011	December 31, 2010	
Total printers shipped	1,188,892	1,057,744	12.4
Average selling price of printers shipped	\$ 527	\$ 533	(1.1)

For 2011, product unit volumes increased in nearly all printer product lines with notable volume increases in high-performance and mid-range table top, desktop, and mobile.

Operating expenses

Operating expenses are summarized below (in thousands, except percentages):

Operating Expenses	Year Ended		Percent Change	Percent of Net Sales 2011	Percent of Net Sales 2010
	December 31, 2011	December 31, 2010			
Selling and marketing	\$ 127,797	\$ 112,365	13.7	13.1	12.5
Research and development	89,926	82,575	8.9	9.1	9.2
General and administrative	81,649	73,229	11.5	8.3	8.2
Amortization of intangible assets	3,320	3,211	3.4	0.3	0.4
Litigation settlement	0	(1,082)	N/M	0.0	(0.1)

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Exit and restructuring costs	2,041	2,262	(9.8)	0.2	0.3
Total operating expenses	\$ 304,733	\$ 272,560	11.8	31.0	30.5

Operating expenses for 2011 increased 11.8% due to greater selling and marketing, research and development, and general and administrative expenses. Several categories accounted for these increases, including compensation costs which include salaries, stock option expense, and commissions. These increases are primarily related to more employees in 2011 versus 2010. Business development, outside professional services, travel and entertainment, rent, information systems, recruiting, offsite meetings, shipping and depreciation expenses all increased over 2010 levels.

Table of Contents*Selling and marketing expenses*

Selling and marketing expenses are summarized below (in thousands):

	Year Ended		Increase / (Decrease)
	December 31, 2011	December 31, 2010	
Payroll and benefit costs	\$ 75,436	\$ 70,539	\$ 4,897
Business development	23,022	20,608	2,414
Professional services expense	3,538	2,308	1,230
Travel and entertainment expenses	8,068	6,421	1,647
Offsite meetings	3,362	884	2,478
Other changes	14,371	11,605	2,766
Total selling and marketing expenses	\$ 127,797	\$ 112,365	\$ 15,432

Selling and marketing expenses were higher in 2011 primarily due to increased payroll and benefit costs related to the addition of more sales-related Zebra personnel in geographic regions with high-growth opportunities and increased sales volume. Payroll and benefit cost increases include salaries, bonus, commissions, benefits and payroll taxes. Other selling and marketing expense categories also increased over 2010 levels due to higher expenses relating to the addition of Zebra sales representatives to expand Zebra's global reach into new developing geographic regions and a global partner conference in 2011.

Research and development costs

The development of new products and enhancement of existing products are important to Zebra's business and growth prospects. To maintain and build our product pipeline, we continue to make investments in research and development. In 2011 we introduced 13 new printer related products and 10 location software and hardware releases. Products introduced in 2011 include printers in the mobile, desktop, and card lines and well as related accessories. Zebra is receiving positive customer responses to its recently introduced QLn wireless mobile printer which incorporates a flexible user interface for easy configuration. Also introduced and meeting Zebra's customers' needs in 2011 is Zebra's ZXP8 retransfer card printer which is utilized for printing secure employee IDs. In 2010, we introduced an updated two inch plus light duty printer and a new Xi4 high-performance printer. We also introduced innovative new IQ color labels which enables customers to print spot colors on predetermined areas of a label using any Zebra thermal label printer. This breakthrough product enhances readability, increases business efficiency and improves safety.

Quarterly product development expenses fluctuate depending on the status of ongoing projects. We are committed to a long-term strategy of significant investment in product development. Research and development costs are summarized below (in thousands):

	Year Ended		Increase / (Decrease)
	December 31, 2011	December 31, 2010	
Payroll and benefit costs	\$ 59,087	\$ 54,602	\$ 4,485
Professional services expenses	8,708	7,802	906
Travel and entertainment expenses	2,585	2,164	421
Shipping expense	693	238	455
Other changes	18,853	17,769	1,084
Total research and development costs	\$ 89,926	\$ 82,575	\$ 7,351

The increases in research and development costs relate to increased payroll and benefit costs, compliance and project expenses to bring new products to market.

Table of Contents*General and administrative expenses*

General and administrative expenses are summarized below (in thousands):

	Year Ended		Increase / (Decrease)
	December 31, 2011	December 31, 2010	
Payroll and benefit costs	\$ 40,975	\$ 36,833	\$ 4,142
Professional services expenses	10,848	9,987	861
Information systems expenses	12,138	10,547	1,591
Depreciation expense	9,232	8,221	1,011
Other changes	8,456	7,641	815
 Total general and administrative expenses	 \$ 81,649	 \$ 73,229	 \$ 8,420

General and administrative expenses increased over 2010 amounts from larger incentive costs related to merit increases and equity incentives. Professional fees increased slightly due to the Navis and proveo dispositions in 2011, and the utilization of professional services in the expanding geographic regions. Information systems costs increased slightly primarily in the maintenance and service contracts area.

Amortization of intangible assets

Amortization of intangible assets increased \$109,000 during 2011 due to additions of patents during the year.

Litigation settlement

In 2010 Zebra received litigation settlement proceeds of \$1,082,000 related to our acquisition of MSSSI in 2008.

Exit and restructuring costs

Exit and restructuring costs in 2011 of \$2,041,000 relate to the consolidation of our Location Solutions product line following the divestiture of Navis in the first quarter of 2011. Costs in 2010 of \$2,262,000 relate to the completion of the production transfer to Jabil. See Note 10 of the Consolidated Financial Statements included in this Annual Report on Form 10-K for a more detailed discussion of exit and restructuring charges.

Operating income

The operating income increase for 2011 was the result of increased sales and gross profit as noted above.

Other income (expense)

Zebra's non-operating income and expense items are summarized in the following table (in thousands):

	Year Ended	
	December 31, 2011	December 31, 2010
Investment income	\$ 1,944	\$ 2,678
Foreign exchange loss	(2,006)	(169)
Other, net	(2,255)	(1,117)
 Total other income (expense)	 \$ (2,317)	 \$ 1,392

	Year Ended	
	December 31, 2011	December 31, 2010
Rate of return analysis:		
Average cash and marketable securities balances	\$ 292,646	\$ 251,812
Annualized rate of return	0.7%	1.1%
Investment income declined overall from lower short-term interest rates in 2011 compared with 2010 even though cash and investment balances were higher in 2011 versus 2010.		

Table of Contents*Income taxes*

The effective income tax rate for 2011 was 27.5% compared with an income tax rate of 30.1% for 2010. Zebra's effective tax rate for the first quarter of 2010 included a \$2,764,000 reduction of federal taxes related to improperly accounting for the tax impact on intercompany profit generated from intercompany sales in 2009. This adjustment reduced our effective rate for 2010 by approximately 1.8%. Zebra's effective rate has also decreased in 2011 due to higher profits in lower rate international jurisdictions.

Income (loss) discontinued operations

The income from discontinued operations in 2011 relates to the sale of Navis LLC and proveo AG, offset by losses on discontinued operations. The loss from discontinued operations for 2010 represents the results of operations for the entities we divested in 2011.

Comparison of Years Ended December 31, 2010 and 2009*Consolidated Results of Operations*

(Amounts in thousands, except percentages)

	Year Ended				
	December 31, 2010	December 31, 2009	Percent Change	Percent of Net Sales - 2010	Percent of Net Sales - 2009
Net Sales					
Tangible products	\$ 849,530	\$ 696,103	22.0	95.0	94.3
Service & software	44,829	42,379	5.8	5.0	5.7
Total net sales	894,359	738,482	21.1	100.0	100.0
Cost of Sales					
Tangible products	450,630	398,316	13.1	50.4	53.9
Service & software	22,954	22,579	1.7	2.6	3.1
Total cost of sales	473,584	420,895	12.5	53.0	57.0
Gross profit	420,775	317,587	32.5	47.0	43.0
Operating expenses	272,560	247,308	10.2	30.5	33.5
Operating income	148,215	70,279	110.9	16.5	9.5
Other income (expense)	1,392	2,040	(31.8)	0.2	0.3
Income from continuing operations before income taxes	149,607	72,319	106.9	16.7	9.8
Income taxes	44,993	23,828	88.8	5.0	3.2
Income from continuing operations	104,614	48,491	115.7	11.7	6.6
Income (loss) from discontinued operations, net of tax	(2,836)	(1,387)	104.5	(0.3)	(0.2)
Net income	\$ 101,778	\$ 47,104	116.1	11.4	6.4
Diluted earnings per share:					
Income from continuing operations	\$ 1.82	\$ 0.81	124.7		
Income (loss) from discontinued operations	(0.05)	(0.02)	150.0		
Net income	\$ 1.77	\$ 0.79	124.1		

Consolidated Results of Operations Year to date

Sales

Net sales for the year ended December 31, 2010, compared with 2009 increased 21.1% from a broad-based increase in demand for Zebra products and global economic recovery. The increase in sales was largely attributable to increased hardware sales with notable volume increases in high-performance tabletop, desktop, mobile printers and aftermarket parts. Supplies sales increased from greater shipments of labels and thermal ribbons. Printer unit volume increased 24.4% for the 2010 year compared to levels in 2009. The average selling price increased from \$522 in 2009 to \$533 in 2010, or by 2.1% due primarily to changes in product mix.

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Sales by product category were as follows (amounts in thousands, except percentages):

Product Category	Year Ended		Percent Change	Percent of Net Sales 2010	Percent of Net Sales 2009
	December 31, 2010	December 31, 2009			
Hardware	\$ 676,738	\$ 534,993	26.5	75.7	72.5
Supplies	167,633	155,847	7.6	18.7	21.1
Service and software	44,829	42,379	5.8	5.0	5.7
Subtotal	889,200	733,219	21.3	99.4	99.3
Shipping and handling	5,159	5,263	(2.0)	0.6	0.7
Total sales	\$ 894,359	\$ 738,482	21.1	100.0	100.0

Sales to customers by geographic region were as follows (in thousands, except percentages):

Geographic Region	Year Ended		Percent Change	Percent of Net Sales 2010	Percent of Net Sales 2009
	December 31, 2010	December 31, 2009			
Europe, Middle East and Africa	\$ 305,659	\$ 256,939	19.0	34.2	34.8
Latin America	80,679	60,466	33.4	9.0	8.2
Asia-Pacific	113,156	72,735	55.6	12.7	9.8
Total International	499,494	390,140	28.0	55.9	52.8
North America	394,865	348,342	13.4	44.1	47.2
Total sales	\$ 894,359	\$ 738,482	21.1	100.0	100.0

Sales increased in all geographic territories due primarily to the global economic recovery. The sales growth on a percentage basis was greatest in Latin America and Asia Pacific because of higher rates of economic growth in those regions and as a result of greater investment in sales and marketing resources. Movements in foreign exchange rates decreased sales in 2010 by \$13,733,000 in Europe, Middle East and Africa regions principally due to a weaker euro against the dollar compared to 2009 levels.

Gross profit

Gross profit increased 32.5% due to higher volumes and an improved product mix, with increased sales primarily in mobile, high-performance and mid-range table top printers, partially offset by \$13,552,000 in higher freight costs in 2010. Gross profit was affected by unfavorable foreign currency movements which decreased gross profit by \$12,172,000. As a percentage of sales, gross margin improved from 43% to 47%. The benefit of outsourcing printer production to a third party, higher volumes, a favorable product mix and continued cost control contributed to the increase in gross margin.

Printer unit volumes and average selling price information is summarized below:

	Year Ended December 31,		Percent Change
	2010	2009	
Total printers shipped	1,057,744	850,230	24.4
Average selling price of printers shipped	\$ 533	\$ 522	2.1

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For 2010, product unit volumes increased in nearly all printer product lines compared to the same periods of 2009, with notable volume increases in high-performance and midrange table top, desktop, and mobile. These increases were offset by a reduction in photo printers as this line was discontinued in 2009. Printer unit volume increased 24.4% for the 2010 year compared to levels in 2009. The average selling price increased from \$522 in 2009 to \$533 in 2010, or by 2.1% due primarily to changes in product mix.

Table of Contents*Operating expenses*

Operating expenses are summarized below (in thousands, except percentages):

	Year Ended		Percent Change	Percent of Net Sales 2010	Percent of Net Sales 2009
	December 31, 2010	December 31, 2009			
Operating Expenses					
Selling and marketing	\$ 112,365	\$ 92,043	22.1	12.6	12.5
Research and development	82,575	66,477	24.2	9.2	9.0
General and administrative	73,229	75,932	(3.6)	8.2	10.3
Amortization of intangible assets	3,211	2,954	8.7	0.4	0.4
Litigation settlement	(1,082)			(0.1)	
Exit and restructuring costs	2,262	9,902	(77.2)	0.3	1.3
Total operating expenses	\$ 272,560	\$ 247,308	10.2	30.5	33.5

Operating expenses for the 2010 compared to 2009 increased 10.2% due to greater selling and marketing expenses and research and development expenses. Several categories accounted for these increases, including compensation costs, business development, project expenses, outside professional services, travel and entertainment, and offsite meeting expenses. Amortization of intangibles increased by \$257,000 due to software license and license agreement purchases in the second half of 2010. Expenses in 2010 were reduced by the receipt of an escrow claim litigation settlement received in the fourth quarter of 2010.

Exit and restructuring costs decreased in 2010 as compared to 2009 as activities related to the shutdown of our production lines as part of the transition to outsourcing. Zebra's program for outsourcing its manufacturing operations is complete and the related restructuring costs for this program ended.

Selling and marketing expenses

Selling and marketing expenses are summarized below (in thousands):

	Year Ended		Increase /(Decrease)
	December 31, 2010	December 31, 2009	
Payroll and benefit costs	\$ 70,539	\$ 57,546	\$ 12,993
Business Development	20,608	17,110	3,498
Travel and entertainment expenses	6,421	4,565	1,856
Other changes	14,797	12,822	1,975
Total selling and marketing expenses	\$ 112,365	\$ 92,043	\$ 20,322

Selling and marketing expenses were higher in 2010 primarily due to increased payroll and benefit costs related to expanding markets and increased sales volume. Payroll and benefit cost increases include salaries, bonus, commissions, benefits and payroll taxes. Other selling and marketing expense categories also increased over 2009 levels due to higher expenses relating to the addition of Zebra sales representatives to expand Zebra's global reach into new developing geographic regions.

In 2009, comparable costs were lower due to a cost reduction program consisting primarily of headcount reductions implemented during the second half of 2008 in response to the difficult business environment. Expenditures for all types of advertising and marketing costs were lower in 2009 as part of our corporate wide cost control efforts in a challenging economy.

Research and development costs

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The development of new products and enhancement of existing products are important to Zebra's business and growth prospects. To maintain and build our product pipeline, we continue to make investments in research and development. In 2010 we introduced an updated two inch plus light duty printer and a new Xi4 high-performance printer. In the fourth quarter of 2009 we began shipping our first re-transfer card printer which has photo-quality imaging for security and government use. We also introduced innovative new IQ color labels which enables customers to print spot colors on

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predetermined areas of a label using any Zebra thermal label printer. This breakthrough product enhances readability, increases business efficiency and improves safety.

Quarterly product development expenses fluctuate widely depending on the status of ongoing projects. We are committed to a long-term strategy of significant investment in product development. Research and development costs are summarized below (in thousands):

	Year Ended		Increase / (Decrease)
	December 31, 2010	December 31, 2009	
Payroll and benefit costs	\$ 54,602	\$ 46,545	\$ 8,057
Professional services	7,802	5,001	2,801
Project expenses	7,943	4,765	3,178
Travel and entertainment expenses	2,164	1,554	610
Other changes	10,064	8,612	1,452
Total research and development costs	\$ 82,575	\$ 66,477	\$ 16,098

The increases in research and development costs relate to increased payroll and benefit costs, compliance and project expenses to bring new products to market.

General and administrative expenses

General and administrative expenses are summarized below (in thousands):

	Year Ended		Increase / (Decrease)
	December 31, 2010	December 31, 2009	
Payroll and benefit costs	\$ 36,833	\$ 34,640	\$ 2,193
Professional services	9,987	11,937	(1,950)
Gain/(loss) on sale of equipment	(61)	829	(890)
Other changes	26,470	28,526	(2,056)
Total general and administrative expenses	\$ 73,229	\$ 75,932	\$ (2,703)

General and administrative expenses decreased slightly overall. Payroll and benefit costs increased due to increased amounts in 2010 for bonus and benefits related to improved operating results in 2010. Consulting expenses related to business improvement initiatives in 2009 were reduced in 2010.

Amortization of intangible assets

Amortization of intangibles increased by \$257,000 due to software license and license agreement purchases in the second half of 2010.

Litigation settlement

In 2010 Zebra received litigation settlement proceeds of \$1,082,000 related to our acquisition of MSSSI in 2008.

Exit and restructuring costs

For 2010, exit and restructuring costs were \$2,262,000. For 2009, exit and restructuring costs were \$9,902,000. The reduction is due to the completion of our production outsourcing. See Note 10 for further information related to exit and restructuring costs.

Table of Contents*Other Income*

Zebra's non-operating income and expense items are summarized in the following table (in thousands):

	Year Ended	
	December 31, 2010	December 31, 2009
Investment income	\$ 2,678	\$ 2,931
Foreign exchange loss	(169)	(104)
Other, net	(1,117)	(787)
Total other income	\$ 1,392	\$ 2,040

	Year Ended	
	December 31, 2010	December 31, 2009
Rate of Return Analysis:		
Average cash and marketable securities balances	\$ 251,812	\$ 233,218
Annualized rate of return	1.1%	1.3%

Investment income for 2009 was reduced by \$958,000 from write-downs recorded in 2009 related to losses on equity investments. Excluding the 2009 write-downs, Zebra's annualized rate of return would have been 1.7% for 2009. Considering this item, investment income in 2010 declined primarily from lower short-term interest rates in 2010 compared with 2009. Cash and marketable securities balances for 2010 have increased compared to 2009 as a result of increased cash from operations.

Operating Income (Loss)

The operating income increase for 2010 was the result of increased sales and gross profit as noted above.

Income Taxes

The effective income tax rate for 2010 was 30.1% compared with an income tax rate of 32.9% for 2009. Zebra's effective tax rate for the first quarter of 2010 included a \$2,764,000 reduction of federal taxes related to improperly accounting for the tax impact on intercompany profit generated from intercompany sales in 2009. This adjustment reduced our effective rate for 2010 by approximately 1.8%. The tax rate decrease for 2010 versus 2009 reflects an extension of Federal R&D tax credits. The company's consolidated global tax rate has declined as Zebra's business continued to expand more rapidly in international regions that have lower tax rates.

Critical Accounting Policies and Estimates

Management prepared the consolidated financial statements of Zebra under accounting principles generally accepted in the United States of America. These principles require the use of estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions we used are reasonable, based upon the information available.

Our estimates and assumptions affect the reported amounts in our financial statements. The following accounting policies comprise those that we believe are the most critical in understanding and evaluating Zebra's reported financial results.

Revenue Recognition

Product revenue is recognized once four criteria are met: (1) we have persuasive evidence that an arrangement exists; (2) delivery has occurred and title has passed to the customer, which happens at the point of shipment (except in Asia where the terms are FOB destination) provided that no significant obligations remain; (3) the price is fixed and determinable; and (4) collectability is reasonably assured. Other items that affect our revenue recognition include:

Customer returns

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Customers have the right to return products that do not function properly within a limited time after delivery. We monitor and track product returns and record a provision for the estimated future returns based on historical experience and any notification received of pending returns. Returns have historically been within expectations and the provisions established, but Zebra cannot guarantee that it will continue to experience return rates consistent with

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historical patterns. Historically, our product returns have not been significant. However, if a significant issue should arise, it could have a material impact on our financial statements.

Growth Rebates

Some of our channel program partners are offered incentive rebates based on the attainment of specific growth targets related to products they purchase from us over a quarter or year. These rebates are recorded as a reduction to revenue. Each quarter, we estimate the amount of outstanding rebates and establish a reserve for them based on shipment history. Historically, actual rebates have been in line with our estimates.

Price Protection

Some of our customers are offered price protection by Zebra as an incentive to carry inventory of our product. These price protection plans provide that if we lower prices, we will credit them for the price decrease on inventory they hold. We estimate future payments under price protection programs quarterly and establish a reserve, which is charged against revenue. Our customers typically carry limited amounts of inventory, and Zebra infrequently lowers prices on current products. As a result, the amounts paid under these plans have been minimal.

Software Revenue

We sell four types of software and record revenue as follows:

Our printers contain *embedded firmware*, which is part of the hardware purchase. We consider the sale of this firmware to be incidental to the sale of the printer and do not attribute any revenue to it.

We sell a limited amount of *prepackaged, or off-the-shelf, software* for the creation of bar code labels using our printers. There is no customization required to use this software, and we have no post-shipment obligations on the software. Revenue is recognized at the time this prepackaged software is shipped.

We sometimes provide *custom software* as part of a printer installation project. We bill custom software development services separate from the related hardware. Revenue related to custom software is recognized once the custom software development services have been completed and accepted by the customer.

We recognize license revenue under ASC (Accounting Standards Codification) 985, when (1) a signed contract is obtained; (2) delivery of the product has occurred; (3) the license fee is fixed or determinable; and (4) collection is probable.

Maintenance and Support Agreements

We enter into post-contract maintenance and support agreements. Revenues are recognized ratably over the service period and the cost of providing these services is expensed as incurred.

Shipping and Handling

We charge our customers for shipping and handling services based upon our internal price list for these items. The amounts billed to customers are recorded as revenue when the product ships. Any costs incurred related to these services are included in cost of sales.

Zebra enters into sales transactions that include more than one product type. This bundle of products might include printers, current or future supplies, and services. When this type of transaction occurs, we allocate the purchase price to each product type based on the fair value of the individual products determined by vendor specific objective evidence. The revenue for each individual product is then recognized when the recognition criteria for that product is fully met.

Investments and Marketable Securities

Investments and marketable securities at December 31, 2011, consisted of the following:

U.S. government and agency securities	17.5%
Obligations of government sponsored enterprises (1)	5.7%
State and municipal bonds	49.2%

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Corporate securities

27.6%

- (1) Includes investments in notes issued by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association and the Federal Home Loan Bank.

We classify our debt and marketable equity securities in one of three categories: trading, available-for-sale or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-

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maturity securities are those debt securities that Zebra has the ability and intent to hold until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of discounts or premiums. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of stockholders' equity until realized. As of December 31, 2011, Zebra's investments in marketable debt securities are classified as available-for-sale. In addition, as of December 31, 2011, all of our investments in marketable debt securities with maturities greater than one year are classified as long-term investments on the balance sheet due to our ability and intent to hold them until maturity.

Accounts Receivable

We have standardized credit granting and review policies and procedures for all customer accounts, including:

- Credit reviews of all new customer accounts,
- Ongoing credit evaluations of current customers,
- Credit limits and payment terms based on available credit information,
- Adjustments to credit limits based upon payment history and the customer's current credit worthiness,
- An active collection effort by regional credit functions, reporting directly to the corporate financial officers, and
- Limited credit insurance on the majority of our international revenues.

We reserve for estimated credit losses based upon historical experience and specific customer collection issues. Over the last three years, accounts receivable reserves varied from 0.9% to 1.5% of total accounts receivable. Accounts receivable reserves as of December 31, 2011, were \$1,560,000, or 1.0% of the balance due. We believe this reserve level is appropriate considering the quality of the portfolio as of December 31, 2011. While credit losses have historically been within expectations and the provisions established, we cannot guarantee that our credit loss experience will continue to be consistent with historical experience.

Inventories

We value our inventories at the lower of the actual cost to purchase or manufacture using the first-in, first-out (FIFO) method, or the current estimated market value. We review inventory quantities on hand and record a provision for excess and obsolete inventory based on forecasts of product demand and production requirements for the subsequent twelve months.

Over the last three years, our inventory reserves have ranged from 8.0% to 11.4% of gross inventory. As of December 31, 2011, inventory reserves were \$14,710,000, or 9.9% of gross inventory. We believe this reserve level is appropriate considering the quantities and quality of the inventories as of December 31, 2011.

Valuation of Goodwill

We test the impairment of goodwill each year or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We completed our annual assessment during June 2011 and determined that our goodwill was not impaired as of the end of May 2011.

During the first quarter of 2011, we announced an agreement to sell Navis and our decision to divest certain other operations. These operations constituted a portion of our Zebra Enterprise Solutions (ZES) segment, which was also deemed to be the reporting unit for goodwill impairment testing purposes. As a result of our decision to sell Navis, goodwill attributable to the ZES segment was allocated to the three businesses that constituted the prior reporting unit based on the relative fair value of those businesses. Goodwill was allocated between continuing operations (\$9,114,000) and discontinued operations (\$72,795,000) based on the relative fair value of each of the businesses.

The goodwill allocated above to continuing operations was tested for impairment and we determined that our goodwill related to this reporting unit was not impaired.

Beginning with the first quarter of 2011, the continuing operations of the former ZES reporting unit have been combined with the former Specialty Printing Group (SPG) operating segment to form one Zebra operating segment.

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Goodwill of a reporting unit should be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Examples of such events or circumstances include:

- Significant adverse change in legal factors or in the business climate,
- Adverse action or assessment by a regulator,
- Unanticipated competition,
- Loss of key personnel,
- More-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of,
- Testing for recoverability under ASC 360 of a significant asset group within a reporting unit,
- Recognition of a goodwill impairment loss in the financial statement of a subsidiary that is a component of a reporting unit, or
- Allocation of a portion of goodwill to a business to be disposed of.

If we believe that one or more of the above indicators of impairment have occurred, we perform an impairment test. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. We generally determine the fair value of our reporting units using three valuation methods: Income Approach Discounted Cash Flow Analysis, Market Approach Guideline Public Company Method, and Market Approach Comparative Transactions Method. The approach defined below is based upon our last impairment test conducted in June 2011 as of the end of May 2011.

Under the Income Approach Discounted Cash Flow Analysis the key assumptions consider sales, cost of sales and operating expenses projected through the year 2018. These assumptions were determined by management utilizing our internal operating plan and assuming growth rates for revenues and operating expenses, and margin assumptions. The fourth key assumption under this approach is the discount rate which is determined by looking at current risk-free rates of capital, current market interest rates and the evaluation of risk premium relevant to the business segment. If our assumptions relative to growth rates were to change or were incorrect, our fair value calculation may change which could result in impairment. The company's risk factors are discussed under Item 1A of this Form 10-K.

Under the Market Approach Guideline Company Method we identified five publicly traded companies, including Zebra, which we believe have significant relevant similarities. For these five companies we calculated the mean ratio of invested capital to revenues and invested capital to EBITDA. Similar to the Income approach discussed above, sales, cost of sales, operating expenses and their respective growth rates were the key assumptions utilized. The market prices of Zebra and other guideline company shares are key assumptions. If these market prices increase, the estimated market value would increase. If the market prices decrease, the estimated market value would decrease.

Under the Market Approach Comparative Transactions Method we looked at eight market based transactions for companies that have similarities to our business segment, including similarities to one or more of the business lines, markets, growth prospects, margins and size. We calculated mean revenue and EBITDA multiples for the selected transactions. These multiples were applied to forecasted Zebra results for that segment to estimate market value. The key assumptions and impact to changes to those assumptions would be similar to those assumptions under the Income Approach Discounted Cash Flow Analysis and the Market Approach Guideline Company Method .

The results of these three methods are weighted based upon managements' determination with more weight attached to the Income approach because it considers anticipated future financial performance. The Market approaches are based upon historical and current economic conditions which might not reflect the long term prospects or opportunities for our business segment being evaluated.

If the carrying amount of a reporting unit exceeds the reporting unit's fair value, we perform the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill.

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We evaluate the impairment of identifiable intangibles and other long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered that may trigger an impairment review consist of:

- Significant underperformance relative to expected historical or projected future operating results,
- Significant changes in the manner of use of the acquired assets or the strategy for the overall business,
- Significant negative industry or economic trends,
- Significant decline in Zebra's stock price for a sustained period, and
- Significant decline in market capitalization relative to net book value.

If we believe that one or more of the above indicators of impairment have occurred and the undiscounted cash flow test has failed in the case of amortizable assets, we measure impairment based on projected discounted cash flows using a discount rate that incorporates the risk inherent in the cash flows.

Net intangible assets, long-lived assets and goodwill amounted to \$190,192,000 as of December 31, 2011.

Income Taxes

On January 1, 2007, we adopted ASC 740. According to ASC 740, we identified, evaluated, and measured the amount of income tax benefits to be recognized for all of our income tax positions. During 2008, we recognized an increase of approximately \$4,000,000 in the liability for unrecognized tax benefits related to an acquisition.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance at January 1, 2008	\$
Additions based on tax positions related to 2008	4,000
Additions based on tax positions related to 2009	
Additions based on tax positions related to 2010	
Additions based on tax positions related to 2011	
Balance at December 31, 2011	\$ 4,000

Zebra's continuing practice is to recognize interest and penalties related to income tax matters as part of income tax expense. For the years ended December 31, 2011 and December 31, 2010, we did not accrue any interest or penalties into income tax expense.

Zebra is currently under U.S. federal income tax audits for years of 2008 and 2009. The tax years 2006 through 2010 remain open to examination by multiple state taxing jurisdictions. Tax authorities in the United Kingdom have completed income tax audits for tax years through 2006.

Included in deferred tax assets are amounts related to federal and state net operating losses that resulted from our acquisition of WhereNet Corp. As of December 31, 2010, we had approximately \$21,932,000 of federal net operating loss carryforwards available to offset future taxable income which expire in 2022 through 2027. As of December 31, 2010, we also had approximately \$27,134,000 of state net operating loss carryforwards which expire in 2012 through 2020. Zebra's intention is to utilize these net operating loss carryforwards to offset future income tax expense. Under the United States Tax Reform Act of 1986, the amounts of benefits from net operating loss carryforwards may be impaired or limited in certain circumstances, including significant changes in ownership interests. In addition, as of December 31, 2010 Zebra had approximately \$8,832,000 of foreign net operating loss carryforwards which currently can be carried forward indefinitely.

Year Ended

	December 31, 2011	December 31, 2010
Effective tax rate	27.5%	30.1%

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Zebra's effective tax rate for the first quarter of 2010 included a \$2,764,000 reduction of federal taxes related to improperly accounting for the tax impact on intercompany profit generated from intercompany sales in 2009. This adjustment reduced our effective rate for 2010 by approximately 1.8%. Zebra's effective tax rate decreased in 2011 due primarily to higher profits in lower rate international jurisdictions.

Contingencies

We record estimated liabilities related to contingencies based on our estimates of the probable outcomes. Quarterly, we assess the potential liability related to pending litigation, tax audits and other contingencies and confirm or revise estimates and reserves as appropriate.

For further information regarding material pending legal proceedings, see Note 12 in the Notes to the Consolidated Financial Statements included in the Form 10-K.

Equity-Based Compensation

As of December 31, 2011, Zebra had an active equity-based compensation plan and a stock purchase plan available for future grants. We accounted for these plans in accordance with ASC 505 and ASC 718. Zebra recognizes compensation costs using the straight-line method over the vesting period of up to 5 years. See Notes 2 and 15 to the Consolidated Financial Statements included in the Form 10-K for further information.

Liquidity and Capital Resources

(Amounts in thousands, except percentages):

Rate of Return Analysis:	Year Ended	
	December 31, 2011	December 31, 2010
Average cash and marketable securities balances	\$ 292,646	\$ 251,812
Annualized rate of return	0.7%	1.1%

Average cash and marketable securities balances for 2011 increased compared to 2010 as a result of increased cash provided by the divestiture of Navis.

As of December 31, 2011, Zebra had \$326,695,000 in cash, restricted cash, investments and marketable securities, compared with \$258,598,000 at December 31, 2010. Factors affecting cash and investment balances during 2011 include the following (changes below include the impact of foreign currency):

- Accounts receivable increased \$3,269,000 due to the increased sales and the timing of receipts.
- Inventories increased \$19,545,000 due to increases in raw materials and finished goods.
- Accounts payable decreased \$5,439,000 due to the timing of payments at period end.
- Accrued liabilities decreased \$11,086,000 due to the lower benefit accruals in 2011.
- Deferred revenue decreased \$14,131,000 due to the divestiture of Navis.
- Income taxes decreased \$14,983,000 due to the timing of tax payments and benefits realized.
- Purchases of property and equipment totaled \$26,918,000.
- Proceeds from the sale of Navis and proveo AG provided \$161,206,000.
- Sales of investments totaled \$303,801,000.
- Purchases of treasury stock totaled \$160,200,000.
- Stock option exercises and purchases under the stock purchase plan contributed \$13,009,000.

Management believes that existing capital resources and funds generated from operations are sufficient to finance anticipated capital requirements.

Zebra earns a significant amount of our operating income outside the U.S., which is deemed to be permanently reinvested in foreign jurisdictions. Zebra does not currently foresee a need to repatriate funds, however, should Zebra require more capital in the U.S. than is generated by our operations locally, Zebra could elect to repatriate funds held in foreign jurisdictions or raise capital in the U.S. through debt or

equity issuances. These alternatives could result in higher effective tax rates or increased interest expense. Included in Zebra's cash, restricted cash, investments and marketable

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securities are amounts held by foreign subsidiaries. Zebra had \$96,829,000 as of December 31, 2011, and \$42,367,000 as of December 31, 2010 of foreign cash and investments, which are generally invested in U.S. dollar-denominated holdings.

Contractual Obligations

Zebra's contractual obligations as of December 31, 2011 were (in thousands):

	Total	Payments due by period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations	\$ 41,539	\$ 10,888	\$ 16,938	\$ 6,954	\$ 6,759
Deferred compensation liability	3,199				3,199
Deferred revenue	19,405	11,089	8,316		
Purchase obligations	67,870	67,870			
Total	\$ 132,013	\$ 89,847	\$ 25,254	\$ 6,954	\$ 9,958

Purchase obligations are for purchases made in the normal course of business to meet operational requirements, primarily raw materials and finished goods.

In 2008, Zebra entered into a revolving credit agreement for a five-year \$100 million revolving credit facility. The funds under this credit agreement are available for general corporate purposes of Zebra and its subsidiaries in the ordinary course of business and other purposes permitted by the agreement. As of December 31, 2011, we had established letters of credit amounting to \$3,500,000, which reduce the funds available for borrowing under the agreement. No amounts were outstanding under the credit agreement as of December 31, 2011.

Management believes that existing capital resources and funds generated from operations are sufficient to finance anticipated capital requirements.

Recently Issued Accounting Pronouncements

In October 2009, the FASB issued update 2009-13, ASC 605, *Revenue Recognition: Multiple Deliverable Revenue Arrangements-a consensus of the FASB Emerging Issues Task Force*. The revised guidance provides for two significant changes to existing multiple element arrangement guidance. The first relates to the determination of when the individual deliverables included in a multiple-element arrangement may be treated as separate units of accounting. This change is significant as it will likely result in the requirement to separate more deliverables within an arrangement, ultimately leading to less revenue deferral. The second change modifies the manner in which the transaction consideration is allocated across the separately identifiable deliverables. These changes are likely to result in earlier recognition of revenue for multiple-element arrangements than under previous guidance. This standard is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. This standard did not have a material effect upon our consolidated financial statements.

In December 2010, the FASB issued update 2010-28, ASC 350, *Intangibles - Goodwill and Other: When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* (a consensus of the FASB Emerging Issues Task Force). This updated guidance requires entities with reporting units with zero or negative carrying amounts to perform an additional test to determine if goodwill has been impaired and to calculate the amount of impairment (Step 2). This standard is effective for interim and annual periods beginning after December 15, 2010. This standard will not have a material effect upon our consolidated financial statements.

In June 2011, the FASB issued update 2011-05, ASC 220, *Comprehensive Income: Presentation of Comprehensive Income*.

This updated guidance eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The main provisions of this update provide that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements. This standard is effective for interim and annual periods

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beginning after December 15, 2011. This standard did not have a material effect upon our consolidated financial statements.

In September 2011, the FASB issued update 2011-08, ASC 350, *Intangibles Goodwill and Other: Testing Goodwill for Impairment*. This updated guidance simplifies how companies test goodwill for impairment. Essentially, companies are no longer required to calculate the fair value of a reporting unit unless the entity determines that it is more-likely-than-not that its

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fair value is less than its carrying amount using a qualitative assessment. This standard is effective for fiscal years beginning after December 15, 2011. This standard will not have a material effect upon our consolidated financial statements.

In December 2011, the FASB issued update 2011-12, ASC 220, *Comprehensive Income: Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. This update is to defer only those changes in ASU No. 2011-05 that relate to the presentation of reclassification adjustments, the paragraphs in this update supersede certain pending paragraphs in update 2011-05. While the Board is re-deliberating, entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU 2011-05. All other requirements in ASU 2011-05 are not affected by this update. This standard is effective for fiscal years and interim periods within those years, beginning after December 15, 2011. This standard will not have a material effect upon our consolidated financial statements.

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Interest Rate Risk

Zebra is exposed to the impact of changes in interest rates because of our large investment portfolio. As stated in our written investment policy, our objective is to achieve stable and predictable targeted rates of return, and to provide the liquidity necessary for the operation of the business.

Zebra mitigates interest rate risk with an investment policy that requires the use of outside professional investment managers, specified investment liquidity levels, and broad diversification across investments, and which limits the types of investments that may be made. Moreover, the policy requires due diligence of each investment manager both before employment and on an ongoing basis.

The following table sets forth the full year impact of a one-percentage point movement in interest rates on the value of Zebra's investment portfolio (in thousands, except per share data).

	\$000,000,00	\$000,000,00
	As of December 31,	
Interest rate sensitive instruments	2011	2010
+1 percentage point movement		
Effect on Pretax Income	\$ (3,423)	\$ (1,974)
Effect on Diluted EPS (after tax)	\$ (0.05)	\$ (0.02)
-1 percentage point movement		
Effect on Pretax Income	\$ 3,423	\$ 1,974
Effect on Diluted EPS (after tax)	\$ 0.05	\$ 0.02

Because these securities are classified as available-for-sale under ASC 320 (formerly SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*), the impact of a one-percentage point movement in interest rates occurs over an extended period of time as investments are sold and the funds are subsequently reinvested.

Foreign Exchange Risk

We conduct business in over 100 countries throughout the world and, therefore, at times are exposed to risk based on movements in foreign exchange rates. On occasion, we invoice customers in their local currency and have a resulting foreign currency denominated revenue transaction and accounts receivable. We also purchase certain raw materials and other items in foreign currencies. We manage these risks using derivative financial instruments. See Note 11 of the Notes to the Consolidated Financial Statements included in this form 10-K for further discussions of hedging activities.

The following table sets forth the impact of a ten percent movement in the dollar/pound and dollar/euro rates measured as if Zebra did not engage in the selective hedging practices described above and in Note 11. It is based on the dollar/euro and dollar/pound exchange rates and euro and pound denominated assets and liabilities (in thousands, except per share data).

	\$000,000,00	\$000,000,00
	As of December 31,	
Foreign exchange	2011	2010
Dollar/pound		
Effect on Pretax Income	\$ 895	\$ 1,233
Effect on Diluted EPS (after tax)	\$ 0.01	\$ 0.02
Dollar/euro		
Effect on Pretax Income	\$ 5,970	\$ 5,585
Effect on Diluted EPS (after tax)	\$ 0.08	\$ 0.07

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Equity Price Risk

Zebra's investment manager uses an investment strategy that is principally designed to preserve capital. Zebra utilizes a Value-at-Risk (VaR) model to determine the maximum potential one-day loss in the fair value of its interest rate, foreign exchange and equity price sensitive instruments.

From time to time, Zebra has taken direct equity positions in companies. These investments relate to potential acquisitions and other strategic business opportunities. To the extent that it has a direct investment in the equity securities of another company, Zebra is exposed to the risks associated with such investments. At the end of 2011 and 2010, Zebra held no direct equity positions.

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Item 8. Financial Statements and Supplementary Data

The financial statements and schedule of Zebra are annexed to this report as pages F-2 through F-36. An index to such materials appears on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this Form 10-K. The evaluation was conducted under the supervision of our Disclosure Committee, and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to provide reasonable assurance that (i) the information required to be disclosed by us in this Form 10-K was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) information required to be disclosed by us in our reports that we file or furnish under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2011. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. Based on this assessment and those criteria, our management believes that, as of December 31, 2011, our internal control over financial reporting is effective. Our independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on Zebra's internal control over financial reporting. Ernst & Young LLP's report is included on page 44 of this report on Form 10-K.

Changes in Internal Control over Financial Reporting

In January 2008, Zebra began a program to update substantially all of its key financial systems. As pieces of these systems are completed, they will be subject to the requirements related to internal control over financial reporting. The requirements for internal control over financial reporting will be a fundamental element of the design and implementation of these systems.

As of January 31, 2011, we completed the implementation of the new systems for our EMEA region. This implementation included customer order entry and invoicing, inventory procurement and management, certain accounts payable activity, and other related operational systems. As part of the implementation, we changed many of the related internal controls, primarily by replacing manual controls with system controls and streamlining Zebra's internal operations. These new controls were subject to testing throughout 2011.

During 2011, we made additional changes to our controls and procedures as part of our ongoing monitoring of our controls. None of these changes has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. In addition, there were no other changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Inherent Limitations on the Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within Zebra have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

of Zebra Technologies Corporation:

We have audited Zebra Technologies Corporation internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Zebra Technologies Corporation’s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Zebra Technologies Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Zebra Technologies Corporation as of December 31, 2011 and 2010, and the related consolidated statements of earnings, comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2011 and the schedule listed in the index at Item 15, our report dated February 23, 2012 expressed an unqualified opinion thereon.

/s/Ernst & Young LLP

Chicago, Illinois

February 23, 2012

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Item 9B. Other Information

Not applicable.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

We have adopted a Code of Ethics for Senior Financial Officers that applies to Zebra's Chief Executive Officer, Chief Financial Officer and the Vice President, Finance. The Code of Ethics is posted on the Investor Relations Corporate Governance page of Zebra's Internet Web site, www.zebra.com, and is available for download. Any waiver from the Code of Ethics and any amendment to the Code of Ethics will be disclosed on such page of Zebra's Web site.

All other information in response to this item is incorporated by reference from the Proxy Statement sections entitled Corporate Governance, Election of Directors, Board and Committees of the Board, Executive Officers, and Section 16(a) Beneficial Ownership Reporting Compliance.

Item 11. Executive Compensation

The information in response to this item is incorporated by reference from the Proxy Statement sections entitled Compensation Discussion and Analysis-Executive Summary, Compensation Discussion and Analysis, Executive Compensation, Director Compensation, Compensation Committee Interlocks and Insider Participation and Compensation Committee Report.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information in response to this item is incorporated by reference from the Proxy Statement sections entitled Ownership of our Common Stock and Equity Compensation Plan Information.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information in response to this item is incorporated by reference from the Proxy Statement section entitled Corporate Governance.

Item 14. Principal Accounting Fees and Services

The information in response to this item is incorporated by reference from the Proxy Statement section entitled Fees of Independent Auditors.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

The financial statements and schedule filed as part of this report are listed in the accompanying Index to Financial Statements and Schedule. The exhibits filed as a part of this report are listed in the accompanying Index to Exhibits.

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 23rd day of February 2012.

ZEBRA TECHNOLOGIES CORPORATION

By: /s/ Anders Gustafsson
Anders Gustafsson
Chief Executive Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, the report has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/Anders Gustafsson</u>	Chief Executive Officer and Director	February 23, 2012
Anders Gustafsson	(Principal Executive Officer)	
<u>/s/Gerhard Cless</u>	Executive Vice President,	February 23, 2012
Gerhard Cless	Director	
<u>/s/ Michael C. Smiley</u>	Chief Financial Officer	February 23, 2012
Michael C. Smiley	(Principal Financial Officer)	
<u>/s/Todd R. Naughton</u>	Vice President, Finance	February 23, 2012
Todd R. Naughton	(Principal Accounting Officer)	
<u>/s/Michael A. Smith</u>	Director and Chairman of the Board of	February 23, 2012
Michael A. Smith	Directors	
<u>/s/ Andrew Ludwick</u>	Director	February 23, 2012
Andrew Ludwick		
<u>/s/Ross W. Manire</u>	Director	February 23, 2012
Ross W. Manire		
<u>/s/Robert J. Potter</u>	Director	February 23, 2012
Robert J. Potter		
<u>/s/ Richard Keyser</u>	Director	February 23, 2012
Richard Keyser		

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ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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<u>the years ended December 31, 2011, 2010, and 2009</u>	F-5
<u>Consolidated Statements of Stockholders' Equity</u>	
<u>for the years ended December 31, 2011, 2010, and 2009</u>	F-6
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010, and 2009</u>	F-7
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Financial Statement Schedule	
The following financial statement schedule is included herein:	
<u>Schedule II - Valuation and Qualifying Accounts</u>	F-36
<i>All other financial statement schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or related notes.</i>	

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

of Zebra Technologies Corporation:

We have audited the accompanying consolidated balance sheets of Zebra Technologies Corporation (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index referenced in Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Zebra Technologies Corporation at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Zebra Technologies Corporation's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2012 expressed an unqualified opinion thereon.

/s/Ernst & Young LLP

Chicago, Illinois

February 23, 2012

Table of Contents**ZEBRA TECHNOLOGIES CORPORATION****CONSOLIDATED BALANCE SHEETS**

(Amounts in thousands)

	December 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 36,353	\$ 46,175
Restricted cash	65	1,378
Investments and marketable securities	182,398	125,567
Accounts receivable, net	155,230	130,143
Receivable from buyer	27,580	0
Inventories, net	133,288	112,970
Deferred income taxes	13,931	15,670
Income tax receivable	13,111	0
Prepaid expenses and other current assets	22,917	11,505
Assets of discontinued operations	0	148,169
Total current assets	584,873	591,577
Property and equipment at cost, less accumulated depreciation and amortization	97,822	87,093
Long-term deferred income taxes	11,866	21,254
Goodwill	79,703	79,703
Other intangibles, net	12,667	9,755
Long-term investments and marketable securities	107,879	85,478
Other assets	4,196	4,004
Total assets	\$ 899,006	\$ 878,864
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 33,273	\$ 34,578
Accrued liabilities	64,612	65,163
Deferred revenue	11,089	8,966
Income taxes payable	0	5,900
Liabilities of discontinued operations	0	21,827
Total current liabilities	108,974	136,434
Deferred rent	1,592	2,207
Other long-term liabilities	11,515	10,191
Total liabilities	122,081	148,832
Stockholders' equity:		
Preferred Stock	0	0
Class A Common Stock	722	722
Additional paid-in capital	131,422	129,715

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Treasury stock	(596,622)	(462,029)
Retained earnings	1,245,616	1,070,973
Accumulated other comprehensive loss	(4,213)	(9,349)
Total stockholders equity	776,925	730,032
Total liabilities and stockholders equity	\$ 899,006	\$ 878,864

See accompanying notes to consolidated financial statements.

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ZEBRA TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS

(Amounts in thousands, except per share data)

	2011	Year Ended December 31, 2010	2009
Net sales			
Net sales of tangible products	\$ 936,282	\$ 849,530	\$ 696,103
Revenue from services and software	47,206	44,829	42,379
Total net sales	983,488	894,359	738,482
Cost of sales			
Cost of sales of tangible products	469,834	450,630	398,316
Cost of services and software	26,885	22,954	22,579
Total cost of sales	496,719	473,584	420,895
Gross profit	486,769	420,775	317,587
Operating expenses:			
Selling and marketing	127,797	112,365	92,043
Research and development	89,926	82,575	66,477
General and administrative	81,649	73,229	75,932
Amortization of intangible assets	3,320	3,211	2,954
Litigation settlement	0	(1,082)	0
Exit and restructuring costs	2,041	2,262	9,902
Total operating expenses	304,733	272,560	247,308
Operating income	182,036	148,215	70,279
Other income (expense):			
Investment income	1,944	2,678	2,931
Foreign exchange gain (loss)	(2,006)	(169)	(104)
Other, net	(2,255)	(1,117)	(787)
Total other income (expense)	(2,317)	1,392	2,040
Income from continuing operations before income taxes	179,719	149,607	72,319
Income taxes	49,376	44,993	23,828
Income from continuing operations	130,343	104,614	48,491
Income (loss) from discontinued operations, net of tax	44,300	(2,836)	(1,387)

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Net income	\$ 174,643	\$ 101,778	\$ 47,104
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Basic earnings (loss) per share			
Income from continuing operations	\$ 2.42	\$ 1.83	\$ 0.81
Income (loss) from discontinued operations	0.82	(0.05)	(0.02)

Net Income	\$ 3.24	\$ 1.78	\$ 0.79
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Diluted earnings (loss) per share			
Income from continuing operations	\$ 2.40	\$ 1.82	\$ 0.81
Income (loss) from discontinued operations	0.82	(0.05)	(0.02)

Net Income	\$ 3.22	\$ 1.77	\$ 0.79
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Basic weighted average shares outstanding	53,854	57,143	59,306
Diluted weighted average and equivalent shares outstanding	54,191	57,428	59,425

See accompanying notes to consolidated financial statements.

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Table of Contents**ZEBRA TECHNOLOGIES CORPORATION****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in thousands)

	Year Ended December 31,		
	2011	2010	2009
Net income	\$ 174,643	\$ 101,778	\$ 47,104
Other comprehensive income (loss):			
Unrealized gain (loss) on hedging transactions, net of income taxes	6,209	(949)	19
Unrealized holding gains (losses) on investments, net of income taxes	(385)	(406)	737
Foreign currency translation adjustment	(688)	67	3,972
Comprehensive income	\$ 179,779	\$ 100,490	\$ 51,832

See accompanying notes to consolidated financial statements.

Table of Contents**ZEBRA TECHNOLOGIES CORPORATION****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(Dollars in thousands)

	<i>Class A Common Stock</i>	<i>Additional Paid-in Capital</i>	<i>Treasury Stock</i>	<i>Retained Earnings</i>	<i>Accumulated Other Comprehensive Income (Loss)</i>	<i>Total</i>
Balance at December 31, 2008	\$ 722	\$ 144,861	\$ (344,147)	\$ 922,091	\$ (12,789)	\$ 710,738
Repurchase of 3,173,182 shares of Class A Common Stock			(65,445)			(65,445)
Issuance of 691,176 treasury shares upon exercise of stock options, purchases under stock purchase plan and grants of restricted stock awards		(18,789)	23,761			4,972
Additional tax benefit resulting from exercise of options		(1,435)				(1,435)
Equity-based compensation		11,467				11,467
Net income				47,104		47,104
Unrealized holding gain on investments (net of income taxes)					737	737
Unrealized holding gain on hedging transactions (net of income taxes)					19	19
Foreign currency translation adjustment					3,972	3,972
Balance at December 31, 2009	\$ 722	\$ 136,104	\$ (385,831)	\$ 969,195	\$ (8,061)	\$ 712,129
Repurchase of 3,349,286 shares of Class A Common Stock			(102,091)			(102,091)
Issuance of 765,078 treasury shares upon exercise of stock options, purchases under stock purchase plan and grants of restricted stock awards		(16,918)	25,893			8,975
Additional tax benefit resulting from exercise of options		(1,342)				(1,342)
Equity-based compensation		11,871				11,871
Net income				101,778		101,778
Unrealized holding loss on investments (net of income taxes)					(406)	(406)
Unrealized holding loss on hedging transactions (net of income taxes)					(949)	(949)
Foreign currency translation adjustment					67	67
Balance at December 31, 2010	\$ 722	\$ 129,715	\$ (462,029)	\$ 1,070,973	\$ (9,349)	\$ 730,032
Repurchase of 4,353,801 shares of Class A Common Stock			(160,200)			(160,200)
Issuance of 809,084 treasury shares upon exercise of stock options, purchases under stock purchase plan and grants of restricted stock awards		(12,598)	25,607			13,009
Additional tax benefit resulting from exercise of options		210				210
Equity-based compensation		14,095				14,095
Net income				174,643		174,643
Unrealized holding loss on investments (net of income taxes)					(385)	(385)
Unrealized holding gain on hedging transactions (net of income taxes)					6,209	6,209
Foreign currency translation adjustment					(688)	(688)
Balance at December 31, 2011	\$ 722	\$ 131,422	\$ (596,622)	\$ 1,245,616	\$ (4,213)	\$ 776,925

See accompanying notes to consolidated financial statements.

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ZEBRA TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Year Ended December 31,		
	2011	2010	2009
Cash flows from operating activities:			
Net income	\$ 174,643	\$ 101,778	\$ 47,104
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	24,000	31,209	32,913
Equity-based compensation	14,095	11,871	11,467
Asset impairment charges	0	0	(1,058)
Impairment of investments	219	0	958
Excess tax benefit from share-based compensation	(1,392)	(244)	(13)
Loss (gain) on sale of fixed assets	284	(58)	829
Gain on sale of business	(68,745)	0	0
Deferred income taxes	10,796	(1,347)	12,550
Changes in assets and liabilities, net of businesses acquired:			
Accounts receivable, net	(3,269)	(4,603)	8,747
Inventories, net	(19,545)	(33,884)	22,315
Other assets	(11,408)	(3,993)	(733)
Accounts payable	(5,439)	6,619	(16,105)
Accrued liabilities	(11,086)	15,386	(16,315)
Deferred revenue	(14,131)	3,414	4,966
Income taxes	(14,983)	16,980	(2,008)
Other operating activities	5,582	(2,669)	81
Net cash provided by operating activities	79,621	140,459	105,698
Cash flows from investing activities:			
Purchases of property and equipment	(26,918)	(30,721)	(24,890)
Proceeds from the sale of businesses	161,206	0	0
Acquisition of intangible assets	(1,232)	(3,497)	(425)
Purchases of investments and marketable securities	(991,633)	(382,091)	(329,292)
Maturities of investments and marketable securities	607,996	274,208	257,936
Proceeds from sales of investments	303,801	102,485	56,020
Net cash provided by (used in) investing activities	53,220	(39,616)	(40,651)
Cash flows from financing activities:			
Purchase of treasury stock	(160,200)	(102,091)	(65,445)
Proceeds from exercise of stock options and stock purchase plan purchases	13,009	8,975	4,972
Excess tax benefit from equity-based compensation	1,392	244	13
Net cash used in financing activities	(145,799)	(92,872)	(60,460)
Effect of exchange rate changes on cash	1,835	562	1,089
Net increase (decrease) in cash and cash equivalents	(11,123)	8,533	5,676
Cash balance of discontinued operations at beginning of period	1,301	1,694	3,440
Less: Cash balance of discontinued operations at end of period	0	1,301	1,694
Cash and cash equivalents at beginning of period	46,175	37,249	29,827

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Cash and cash equivalents at end of period	\$ 36,353	\$ 46,175	\$ 37,249
Supplemental disclosures of cash flow information:			
Income taxes paid	\$ 65,364	\$ 26,563	\$ 10,742
See accompanying notes to consolidated financial statements.			

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ZEBRA TECHNOLOGIES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Description of Business

Zebra Technologies Corporation and its wholly-owned subsidiaries (Zebra) design, manufacture, sell and support a broad range of direct thermal and thermal transfer label printers, radio frequency identification printer/encoders, dye sublimation card printers, real-time locating solutions, related accessories and support software. These products are used principally in automatic identification (auto ID), data collection and personal identification applications and are distributed world-wide through a network of resellers, distributors and end users representing a wide cross-section of industrial, service and government organizations.

In 2008 and 2007, we acquired WhereNet Corp., proveo AG, Navis Holdings, LLC (Navis) and Multispectral Solutions Inc., which we referred to as Zebra Enterprise Solutions Group (ZES). On January 31, 2011, we announced a definitive agreement to sell the Navis operations and certain other assets of ZES. Upon completion of the transaction we consolidated the remaining operations of ZES and no longer report ZES as a separate segment since it is not greater than 10% of Zebra's consolidated totals.

Reclassifications. Prior-period financial results have been reclassified to account for the impact of the disposition of Navis, Zebra Enterprise Solutions GmbH (formerly proveo AG), and other immaterial Zebra operations. In January 2011, Zebra announced its entry into an agreement to sell Navis to Cargotec Corporation and on March 18, 2011, Zebra completed the transaction. In August 2011 Zebra sold its interest in proveo AG to F Two NV. Our audited balance sheet at December 31, 2010, has been adjusted to reflect these transactions by separately classifying assets and liabilities of Zebra's discontinued operations. As a result, the statement of earnings for the Navis business, proveo AG and other immaterial Zebra operations as of and for the all periods presented are reported as discontinued operations. Prior-period amounts will differ from amounts previously reported because of the classification of the above operations as discontinued. See Note 23 Discontinued Operations.

Note 2 Summary of Significant Accounting Policies

Principles of Consolidation. These consolidated financial statements were prepared on a consolidated basis to include the accounts of Zebra and its wholly owned subsidiaries. All significant intercompany accounts, transactions and unrealized profit were eliminated in consolidation.

Fiscal Calendar. Zebra operates on a 4 week/4 week/5 week fiscal quarter, and each fiscal quarter ends on a Saturday. The fiscal year always begins on January 1 and ends on December 31. This fiscal calendar results in some fiscal quarters being either greater than or less than 13 weeks, depending on the days of the week those dates fall. During the 2011 fiscal year, our quarter end dates were as follows:

April 2,
July 2,
October 1, and
December 31.

Use of Estimates. These consolidated financial statements were prepared using estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents. Cash consists primarily of deposits with banks. In addition, Zebra considers highly liquid short-term investments with original maturities of less than seven days to be cash equivalents.

Restricted Cash. In the Netherlands, we had an agreement with the import authorities to place 1,000,000 in a bank deposit account, which acted as security for the VAT payable as of December 31, 2010. This deferment agreement allows Zebra to simply quote our deferment number at import and quickly clear customs without the need to pay VAT. The bank deposit account cannot be accessed or used without cancelling the deferment agreement. This agreement was cancelled in the first quarter of 2011. The remaining balance primarily collateralizes payroll guarantees in foreign jurisdictions.

Investments and Marketable Securities. Investments and marketable securities at December 31, 2011, consisted of U.S. government and agency securities, state and municipal bonds, corporate bonds, and other security interests. Zebra classifies its debt and marketable equity securities in

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one of three categories: trading, available-for-sale or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those debt securities that Zebra has the ability and intent to hold until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

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Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of discounts or premiums. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of stockholders' equity until realized. As of December 31, 2011, our investments and marketable securities are classified as available-for-sale securities except for those securities held in the deferred compensation plan which are considered trading securities. In addition, all investments in marketable debt securities with maturities greater than one year are classified as long-term in the balance sheet due to our ability and intent to hold them until maturity.

Accounts Receivable and Allowance for Doubtful Accounts. Accounts receivable consist primarily of amounts due to us from our normal business activities. Collateral on trade accounts receivable is generally not required. Zebra maintains an allowance for doubtful accounts for estimated uncollectible accounts receivable. The allowance is based on our assessment of known delinquent accounts. Accounts are written off against the allowance account when they are determined to be no longer collectible.

Inventories. Inventories are stated at the lower of cost or market, and cost is determined by the first-in, first-out (FIFO) method. Manufactured inventories consist of the following costs: component, direct labor and manufacturing overhead. Purchased inventories consist of purchased costs and purchasing overhead.

Property and Equipment. Property and equipment is stated at cost. Depreciation and amortization is computed primarily using the straight-line method over the estimated useful lives of the various classes of property and equipment, which are 30 years for buildings and range from 3 to 10 years for other property. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset.

Income Taxes. Zebra's continuing practice is to recognize interest and penalties related to income tax matters as part of income tax expense. For the years ended December 31, 2011 and December 31, 2010, we did not accrue any interest or penalties into income tax expense.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance at January 1, 2009	\$ 4,000
Additions based on tax positions related to 2009	0
Additions based on tax positions related to 2010	0
Additions based on tax positions related to 2011	0
Balance at December 31, 2011	\$ 4,000

Goodwill and Other Intangibles. Goodwill represents the unamortized excess of the cost of acquiring a business over the fair values of the net assets received at the date of acquisition.

We test the impairment of goodwill each year or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We performed our annual impairment test in June 2011 and determined that our goodwill was not impaired as of the end of May 2011.

During the first quarter of 2011, we announced an agreement to sell Navis and our decision to divest certain other operations, which constituted a portion, but not all, of our Zebra Enterprise Solutions (ZES) segment, which was also deemed to be the reporting unit for goodwill impairment testing purposes. As a result of our decision to sell Navis, goodwill attributable to the ZES segment was allocated to the three businesses that constituted the prior reporting unit based on the relative fair value of those businesses. Goodwill was allocated between continuing operations (\$9,114,000) and discontinued operations (\$72,795,000) based on the relative fair value of each of the businesses. The goodwill allocated above to continuing operations was tested for impairment, and we determined that our goodwill related to this reporting unit was not impaired.

Goodwill of a reporting unit should be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Examples of such events or circumstances include:

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Significant adverse change in legal factors or in the business climate,
Adverse action or assessment by a regulator,
Unanticipated competition,
Loss of key personnel,
More-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of,
Testing for recoverability under ASC 360 of a significant asset group within a reporting unit,
Recognition of a goodwill impairment loss in the financial statement of a subsidiary that is a component of a reporting unit, or
Allocation of a portion of goodwill to a business to be disposed of.

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We evaluate the impairment of identifiable intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered that might trigger an impairment review consist of:

- Significant underperformance relative to expected historical or projected future operating results,
- Significant changes in the manner of use of the acquired assets or the strategy for the overall business,
- Significant negative industry or economic trends,
- Significant decline in Zebra's stock price for a sustained period, and
- Significant decline in market capitalization relative to net book value.

If we believe that one or more of the above indicators of impairment have occurred and the undiscounted cash flow test has failed in the case of amortizable assets, we measure impairment by comparing the carrying value of the asset group to its fair value, which is estimated by using projected discounted cash flows and using a discount rate that incorporates the risk inherent in the cash flows.

Other intangible assets capitalized consist primarily of current technology, customer relationships, patents and patent rights. These assets are recorded at cost and amortized on a straight-line basis over a weighted-average life of 3.0 years, which approximates the estimated useful lives. Weighted average lives remaining by intangible asset class are as follows: Current technology 3.2 years; Patent and patent rights 3.0 years; Customer relationships 0.8 years.

Revenue Recognition. Revenue includes sales of hardware, supplies, software and services (including repair services, extended service contracts, and professional services). Product revenue is recognized once four criteria are met: (1) we have persuasive evidence that an arrangement exists; (2) delivery has occurred and title has passed to the customer, which happens at the point of shipment provided that no significant obligations remain; (3) the price is fixed and determinable; and (4) collectability is reasonably assured. We provide for an estimate of product returns based on historical experience. Revenue related to extended warranty and service contracts is recorded as deferred revenue and recognized over the life of the contract. Professional services revenue is recorded when performed. Zebra enters into sales transactions that include more than one product type. This bundle of products might include printers, current or future supplies, and services. When this type of transaction occurs, we allocate the purchase price to each product type based on the fair value of the individual products determined by vendor specific objective evidence. The revenue for each individual product is then recognized when the earning process for that product is complete. We enter into post-contract maintenance and support agreements. Revenues are recognized ratably over the service period and the cost of providing these services is expensed as incurred.

Zebra records payments to resellers of its product as reductions to revenue unless these payments meet the requirements for operating expense treatment under ASC 605. See the market development funds accounting policy for further details.

Revenue includes all customer billings for shipping and handling charges. The related costs of shipping and handling revenue are recorded as cost of goods sold.

Research and Development Costs. Research and development costs are expensed as incurred. These costs include:

- Salaries, benefits, and other R&D personnel related costs,
- Consulting and other outside services used in the R&D process,
- Engineering supplies,
- Engineering related information systems costs, and
- Allocation of building and related costs.

Advertising. Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2011, 2010 and 2009 totaled \$8,070,000, \$6,836,000 and \$5,843,000, respectively.

Market Development Funds. Zebra makes market development funds available to its resellers to support demand generation activity by the resellers. These funds require the reseller to provide specific services or benefits to Zebra and substantiate the fair value of such services rendered. Zebra reimburses resellers for agreed activities up to the amounts approved by Zebra. These payments are treated as marketing costs consistent with the requirements of ASC 605. Any payments to resellers that do not meet these requirements are recorded as reductions to revenue.

Warranty. In general, Zebra provides warranty coverage of one year on printers against defects in material and workmanship. Printheads are warranted for nine months and batteries are warranted for twelve months. Battery based products, such as location

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tags, are covered by a 30 day warranty. A provision for warranty expense is recorded at the time of shipment and adjusted quarterly based on historical warranty experience. The following table is a summary of Zebra's accrued warranty obligation (in thousands):

Warranty Reserve	Year Ended December 31,		
	2011	2010	2009
Balance at the beginning of the year	\$ 4,554	\$ 3,813	\$ 2,814
Warranty expense	5,856	6,427	4,629
Warranty payments	(5,797)	(5,686)	(3,630)
Balance at the end of the period	\$ 4,613	\$ 4,554	\$ 3,813

Fair Value of Financial Instruments. Zebra estimates the fair value of its financial instruments as follows:

Instrument	Method for determining fair value
Cash, cash equivalents, restricted cash, accounts receivable and accounts payable	Cost, which approximates fair value due to the short-term nature of these instruments
Investments in marketable debt securities	Market quotes from independent pricing services
Investments in auction rate securities	Broker quotations, discounted cash flow analysis or other types of valuation adjustment methodologies
Foreign currency forward contracts	Estimated using market quoted rates for foreign currency at the balance sheet date
Foreign currency option contracts	Estimated using market quoted rates for foreign currency at the balance sheet date and application of such rates subject to the option terms

In accordance with ASC 815 we recognize derivative instruments and hedging activities as either assets or liabilities on the balance sheet and measure them at fair value. Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. See Note 11 for additional information on our derivatives and hedging activities.

Equity-Based Compensation. At December 31, 2011, Zebra had a general equity-based compensation plan and a stock purchase plan under which shares of our common stock were available for future grants and sales, and which are described more fully in Note 16. We account for these plans in accordance with ASC 505 and ASC 718. Zebra recognizes compensation costs using the straight-line method over the vesting period of upon grant to up to 5 years.

The compensation expense and the related income tax benefit for share-based payments were included in the Consolidated Statement of Earnings (Loss) as follows (in thousands):

Compensation costs and related income tax benefit:	For the years ended December 31,		
	2011	2010	2009
Cost of sales	\$ 1,029	\$ 882	\$ 844
Selling and marketing	1,463	1,368	1,404
Research and development	1,387	1,282	1,426
General and administration	9,228	6,580	6,315
Total compensation expense	\$ 13,107	\$ 10,112	\$ 9,989
Income tax benefit	\$ 4,522	\$ 3,489	\$ 3,446

ASC 505 and ASC 718 requires the cash flows resulting from the tax benefits from tax deductions in excess of the compensation cost recognized (excess tax benefits) to be classified as cash flows from financing activities.

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Deferred Compensation Plan. Zebra has a deferred compensation plan that permits directors, management and highly compensated employees to defer portions of their compensation. Zebra immediately pays deferred amounts into a Rabbi Trust, and plan participants select a method of investing these funds into hypothetical investments. Zebra tracks the performance of these hypothetical investments in order to determine the value of each participant's deferral. Zebra accrues the deferred compensation liability in other long-term liabilities as the amount that is actually owed to the participants.

Foreign Currency Translation. The consolidated balance sheets of Zebra's foreign subsidiaries, not having a U.S. dollar functional currency, are translated into U.S. dollars using the year-end exchange rate, and statement of earnings items are translated using the average exchange rate for the year. The resulting translation gains or losses are recorded in stockholders' equity as a cumulative translation adjustment, which is a component of accumulated other comprehensive income (loss).

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Acquisition Costs. Zebra expenses acquisition costs as incurred. Acquisition costs are included in the operating expense line item general and administrative expense. Acquisition costs were not significant for 2011, 2010 and 2009.

Concentration risks. Final assembly of our thermal printers is performed by Jabil Circuit, a third-party electronics manufacturer. We are now dependent on Jabil for the manufacture of such printers. A failure by Jabil to provide manufacturing services to Zebra as Zebra now requires, or any disruption in such manufacturing services, may adversely affect Zebra's business results. Because we rely on a third-party provider such as Jabil to manufacture its products, Zebra may incur increased business continuity risks.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of. Zebra accounts for long-lived assets in accordance with the provisions of ASC 350. The statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the sum of the undiscounted cash flows expected to result from the use and the eventual disposition of the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. See Note 8 for further information related to impairment charges.

Recently Issued Accounting Pronouncements. In October 2009, the FASB issued update 2009-13, ASC 605, *Revenue Recognition: Multiple Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force*. The revised guidance provides for two significant changes to existing multiple element arrangement guidance. The first relates to the determination of when the individual deliverables included in a multiple-element arrangement may be treated as separate units of accounting. This change is significant as it will likely result in the requirement to separate more deliverables within an arrangement, ultimately leading to less revenue deferral. The second change modifies the manner in which the transaction consideration is allocated across the separately identifiable deliverables. These changes are likely to result in earlier recognition of revenue for multiple-element arrangements than under previous guidance. This standard is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of this standard did not have a material effect upon our consolidated financial statements.

In October 2009, the FASB issued update 2009-14, ASC 985, *Software: Certain Revenue Arrangements That Include Software Elements—a consensus of the FASB Emerging Issues Task Force*. This updated guidance is expected to significantly affect how entities account for revenue arrangements that contain both hardware and software elements. This standard is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. This adoption of this standard did not have any effect upon our consolidated financial statements.

In June 2011, the FASB issued update 2011-05, ASC 220, *Comprehensive Income: Presentation of Comprehensive Income*.

This updated guidance eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The main provisions of this update provide that an entity that reports items of other comprehensive income has the option to present comprehensive income in either one or two consecutive financial statements. This standard is effective for interim and annual periods beginning after December 15, 2011. This adoption of this standard did not have any effect upon our consolidated financial statements.

In September 2011, the FASB issued update 2011-08, ASC 350, *Intangibles Goodwill and Other: Testing Goodwill for Impairment*. This updated guidance simplifies how companies test goodwill for impairment. Essentially, companies are no longer required to calculate the fair value of a reporting unit unless the entity determines that it is more-likely-than-not that its fair value is less than its carrying amount using a qualitative assessment. This standard is effective for fiscal years beginning after December 15, 2011. This standard will not have a material effect upon our consolidated financial statements.

In December 2011, the FASB issued update 2011-12, ASC 220, *Comprehensive Income: Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. This update is to defer only those changes in ASU No. 2011-05 that relate to the presentation of reclassification adjustments, the paragraphs in this update supersede certain pending paragraphs in update 2011-05. While the Board is re-deliberating, entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU 2011-05. All other requirements in ASU 2011-05 are not affected by this update. This standard is effective for fiscal years and interim periods within those years, beginning after December 15, 2011. This standard will not have a material effect upon our consolidated financial statements.

Subsequent events. We have evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through the date the financial statements were issued.

Table of Contents**Note 3 Fair Value Measurements**

Financial assets and liabilities are to be measured using inputs from three levels of the fair value hierarchy. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Zebra uses a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. (i.e. U.S. Treasuries and money market funds)
- Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider counterparty credit risk in the assessment of fair value. Included in our investment portfolio at December 31, 2011, is an auction rate security which is classified as available for sale and is reflected at fair value. Due to events in credit markets, however, the auction event for the instrument held by Zebra is failed. Therefore, the fair value of this security is estimated utilizing broker quotations, discounted cash flow analysis or other types of valuation adjustment methodologies at December 31, 2011. These analyses consider, among other items, the collateral underlying the security instruments, the creditworthiness of the counterparty, the timing of expected future cash flows, estimates of the next time the security is expected to have a successful auction, and Zebra's intent and ability to hold such securities until credit markets improve. The security was also compared, when possible, to other securities with similar characteristics.

In June 2010, one of the four auction rate securities held at the end of 2009 was called by the issuer and redeemed at par value. Zebra received proceeds in the amount of \$1,650,000 and adjusted other comprehensive income by \$200,000.

In May 2011, one of the three remaining auction rate securities held at the end of 2010 was converted to actively traded securities in the amount of \$2,550,000. The remaining \$450,000 carrying value of this security was sold during the second quarter at a loss of \$36,000. Of the two auction rate security instruments still owned as of October 1, 2011, Zebra determined in 2008 that one security was other than temporarily impaired and recorded a decline of \$4,374,000 in 2008. We further reduced the remaining carrying value of \$326,000 to zero in the third quarter of 2011. That security was later sold in the fourth quarter of 2011 for \$107,000.

The decline in the market value of the remaining auction rate security is considered temporary and has been recorded in accumulated other comprehensive income (loss) on Zebra's balance sheet. Since Zebra has the intent and ability to hold this auction rate security until it is sold at auction, redeemed at carrying value or reach maturity, we have classified it as a long-term investment on the balance sheet.

Financial assets and liabilities carried at fair value as of December 31, 2011, are classified below (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
U.S. government and agency securities	\$ 25,540	\$ 25,307	\$ 0	\$ 50,847
Obligations of government-sponsored enterprises (1)	0	16,612	0	16,612
State and municipal bonds	0	142,873	0	142,873
Corporate securities	0	77,321	2,588	79,909
Other investments	0	36	0	36
Investments subtotal	25,540	262,149	2,588	290,277
Forward contracts (2)	2,626	6,584	0	9,210
Money market investments related to the deferred compensation plan	3,199	0	0	3,199
Total assets at fair value	\$ 31,365	\$ 268,733	\$ 2,588	\$ 302,686

Liabilities:

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Liabilities related to the deferred compensation plan	\$ 3,199	\$ 0	\$ 0	\$ 3,199
Total liabilities at fair value	\$ 3,199	\$ 0	\$ 0	\$ 3,199

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Financial assets and liabilities carried at fair value as of December 31, 2010, are classified below (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
U.S. government and agency securities	\$ 11,203	\$ 10,115	\$ 0	\$ 21,318
Obligations of government-sponsored enterprises (1)	0	5,785	0	5,785
State and municipal bonds	0	131,626	2,683	134,309
Corporate securities	0	46,683	2,914	49,597
Other investments	0	36	0	36
Investments subtotal	11,203	194,245	5,597	211,045
Forward contracts (2)	1,569	1,706	0	3,275
Money market investments related to the deferred compensation plan	3,427	0	0	3,427
Total assets at fair value	\$ 16,199	\$ 195,951	\$ 5,597	\$ 217,747
Liabilities:				
Liabilities related to the deferred compensation plan	\$ 3,427	\$ 0	\$ 0	\$ 3,427
Total liabilities at fair value	\$ 3,427	\$ 0	\$ 0	\$ 3,427

- 1) Includes investments in notes issued by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Farm Credit Banks and the Federal Home Loan Bank.
- 2) The fair value of forward contracts are calculated as follows:
 - a. Fair value of forward collar contract associated with forecasted sales hedges are calculated using the midpoint of ask and bid rates for similar contracts.
 - b. Fair value of regular forward contracts associated with forecasted sales hedges are calculated using the period-end exchange rate adjusted for the discount rate (3 month LIBOR rate).
 - c. Fair value of balance sheet hedges are calculated at the period end exchange rate adjusted for current forward points unless the hedge has been traded but not settled at period end. If this is the case, the fair value is calculated at the rate at which the hedge is being settled.

The following table presents Zebra's activity for assets measured at fair value on a recurring basis using significant unobservable inputs, Level 3 as defined in ASC 820 for the years ended December 31 (in thousands):

	Year Ended	
	December 31,	December 31,
	2011	2010
Balance at beginning of the year	\$ 5,597	\$ 7,047
Transfers to Level 3	0	0
Total losses (realized or unrealized):		
Included in earnings	(255)	0
Included in other comprehensive income (loss)	317	200
Purchases and settlements (net)	(3,071)	(1,650)
Balance at end of period	\$ 2,588	\$ 5,597

Total gains (losses) for the period included in earnings attributable to the change in unrealized losses relating to assets still held at end of period	\$	0	\$	0
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As of December 31, 2011 and December 31, 2010, there were no other Level 3 unrealized losses that Zebra believes to be other-than-temporary. No realized gains or losses were recorded for the years ended December 31, 2010 and 2009.

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The following is a summary of short-term and long-term investments at December 31, 2011 and December 31, 2010 (in thousands):

	As of December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government and agency securities	\$ 50,738	\$ 115	\$ (6)	\$ 50,847
Obligations of government-sponsored enterprises	16,581	32	(1)	16,612
State and municipal bonds	142,586	330	(43)	142,873
Corporate securities	81,132	164	(1,387)	79,909
Other investments	36	0	0	36
Total investments	\$ 291,073	\$ 641	\$ (1,437)	\$ 290,277

	As of December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government and agency securities	\$ 21,226	\$ 98	\$ (6)	\$ 21,318
Obligations of government-sponsored enterprises	5,731	54	0	5,785
State and municipal bonds	134,370	402	(463)	134,309
Corporate securities	49,884	199	(486)	49,597
Other investments	36	0	0	36
Total investments	\$ 211,247	\$ 753	\$ (955)	\$ 211,045

The maturity dates of investments as of December 31, 2011 are as follows (in thousands):

	As of December 31, 2011	
	Amortized Cost	Estimated Fair Value
Less than 1 year	\$ 182,982	\$ 182,398
1 to 5 years	106,777	106,560
6 to 10 years	1,314	1,319
Thereafter	0	0
Total	\$ 291,073	\$ 290,277

The carrying value for Zebra's financial instruments classified as current assets (other than short-term investments) and current liabilities approximate fair value due to short maturities.

Note 4 Investments and Marketable Securities

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We classify our investments in marketable debt securities as available-for-sale. As of December 31, 2011, all of our investments in marketable debt securities with maturities greater than one year are classified as long-term in the balance sheet due to our ability and intent to hold them until maturity.

Changes in the market value of available-for-sale securities are reflected in the accumulated other comprehensive income caption of stockholders' equity in the balance sheet, until we dispose of the securities. Once these securities are disposed of, either by sale or maturity, the accumulated changes in market value are transferred to investment income. On the statement of cash flows, changes in the balances of *available-for-sale* securities are shown as purchases, sales and maturities of investments and marketable securities under investing activities.

Changes in market value of *trading* securities would be recorded in investment income as they occur, and the related cash flow statement includes changes in the balances of trading securities as operating cash flows.

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Changes in unrealized gains and losses on available-for-sale securities are included in these financial statements as follows (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Changes in unrealized gains and losses on available-for-sale securities, net of tax, recorded in accumulated other comprehensive income (loss)	\$ (385)	\$ (406)	\$ 737

The following table shows the number, aggregate market value and unrealized losses (in thousands) of investments with market values that were less than amortized cost as of December 31, 2011. These lower market values are primarily caused by fluctuations in credit spreads. Market values are expected to recover to the amortized cost prior to maturity.

	Unrealized Loss < 12 months			Unrealized Loss > 12 months		
	Number of investments	Aggregate Market Value	Unrealized Losses	Number of investments	Aggregate Market Value	Unrealized Losses
Government securities	5	\$ 4,599	\$ (3)	6	\$ 6,708	\$ (4)
State and municipal bonds	16	24,556	(7)	11	18,612	(36)
Corporate Securities	35	31,461	(855)	53	17,057	(532)
Total	56	\$ 60,616	\$ (865)	70	\$ 42,377	\$ (572)

As of December 31, 2010, the number, aggregate market value and unrealized losses (in thousands) of investments with market values that were less than amortized cost were:

	Unrealized Loss < 12 months			Unrealized Loss > 12 months		
	Number of investments	Aggregate Market Value	Unrealized Losses	Number of investments	Aggregate Market Value	Unrealized Losses
Government securities	0	\$ 0	\$ 0	1	\$ 610	\$ (6)
State and municipal bonds	10	17,707	(6)	13	20,461	(457)
Corporate Securities	3	4,029	(8)	12	13,850	(478)
Total	13	\$ 21,736	\$ (14)	26	\$ 34,921	\$ (941)

Using the specific identification method, the proceeds and realized gains on the sales of available-for-sale securities were as follows (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Proceeds	\$ 303,801	\$ 102,485	\$ 56,020
Realized gains	388	458	260
Realized losses	(306)	(198)	(219)
	159	(264)	(26)

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Net realized losses included in other comprehensive income (loss) as of the end of the prior year

Included in Zebra's cash, restricted cash, investments and marketable securities are amounts held by foreign subsidiaries which are generally invested in U.S. dollar-denominated holdings. Zebra had \$96,829,000 as of December 31, 2011, and \$42,367,000 as of December 31, 2010 of foreign cash and investments. Amounts held by foreign subsidiaries are generally subject to U.S. income taxation upon repatriation, however, Zebra does not see a need to repatriate these funds.

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Table of Contents**Note 5 Accounts Receivable Reserves**

The components of accounts receivable are as follows (in thousands):

	December 31, 2011	As of December 31, 2010
Gross accounts receivable	\$ 156,790	\$ 131,602
Accounts receivable reserves	(1,560)	(1,459)
Accounts receivable, net	\$ 155,230	\$ 130,143

Note 6 Inventories

The components of inventories are as follows (in thousands):

	December 31, 2011	As of December 31, 2010
Raw material	\$ 44,213	\$ 33,441
Work in process	872	171
Deferred costs of long-term contracts	220	482
Finished goods	102,693	88,713
Total inventories, gross	147,998	122,807
Inventory reserves	(14,710)	(9,837)
Total inventories, net	\$ 133,288	\$ 112,970

Note 7 Property and Equipment

Property and equipment, which includes assets under capital leases, is comprised of the following (in thousands):

	As of December 31,	
	2011	2010
Buildings	\$ 2,086	\$ 2,036
Land	504	471
Machinery, equipment and tooling	81,464	76,617
Furniture and office equipment	12,003	11,456
Computers and software	111,793	76,637
Automobiles	18	14
Leasehold improvements	15,494	12,041
Projects in progress - computers and software	9,135	26,844
Projects in progress - other	11,332	10,600
	243,829	216,716
Less accumulated depreciation and amortization	(146,007)	(129,623)
Net property and equipment	\$ 97,822	\$ 87,093

Other items related to property and equipment are as follows (in thousands):

	As of December 31,	
	2011	2010
Unamortized computer software costs	\$ 42,134	\$ 17,298

	Year Ended December 31,		
	2011	2010	2009
Amortization of capitalized software	\$ 6,180	\$ 5,624	\$ 6,212
Total depreciation expense charged to income	20,680	20,291	20,945

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Table of Contents**Note 8 Goodwill and Other Intangible Asset Data**

Intangible asset data are as follows (in thousands):

	As of December 31, 2011		
	Gross Amount	Accumulated Amortization	Net Amount
Amortized intangible assets			
Current technology	\$ 12,718	\$ (11,403)	\$ 1,315
Patent and patent rights	23,392	(12,079)	11,313
Customer relationships	1,773	(1,734)	39
Total	\$ 37,883	\$ (25,216)	\$ 12,667

Amortization expense for the year ended December 31, 2011 \$ 3,320

Estimated amortization expense:	
For the year ended December 31, 2012	3,593
For the year ended December 31, 2013	2,662
For the year ended December 31, 2014	2,413
For the year ended December 31, 2015	1,950
For the year ended December 31, 2016	1,511
Thereafter	538
Total	\$ 12,667

During 2011, we acquired intangible assets in the amount of \$6,232,000 for patents and other intellectual property. During 2010, we acquired intangible assets in the amount of \$3,497,000 for patents and other intellectual property. These intangible assets have an estimated useful life of 2 to 9 years.

	As of December 31, 2010		
	Gross Amount	Accumulated Amortization	Net Amount
Amortized intangible assets			
Current technology	\$ 12,718	\$ (10,863)	\$ 1,855
Patent and patent rights	17,160	(9,351)	7,809
Customer relationships	1,773	(1,682)	91
Total	\$ 31,651	\$ (21,896)	\$ 9,755

Amortization expense for the year ended December 31, 2010 \$ 3,211

	As of December 31,	
	2011	2010
Unamortized intangible assets		
Goodwill at gross cost	\$ 180,731	\$ 180,731

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Impairment charges	(101,028)	(101,028)
Goodwill	\$ 79,703	\$ 79,703

We test goodwill for impairment on an annual basis or more frequently if we believe indicators of impairment exist. Factors considered that may trigger an impairment review consist of:

- Significant underperformance relative to historical or projected future operating results,
- Significant changes in the manner of use of the acquired assets or the strategy for the overall business,
- Significant negative industry or economic trends,
- Significant decline in Zebra's stock price for a sustained period, and
- Significant decline in market capitalization relative to net book value.

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If we believe that one or more of the above indicators of impairment have occurred, we perform an impairment test. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. We generally determine the fair value of our reporting units using three valuation methods: Income Approach Discounted Cash Flow Analysis, Market Approach Guideline Public Company Method and Market Approach Comparative Transactions Method. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, we perform the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. See detailed discussion on Valuation of Goodwill, Long-Lived and Other Intangible Assets in the Critical Accounting Policies and Estimates Section of Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-K.

During the first quarter of 2011, we announced an agreement to sell Navis and our decision to divest certain other operations, which constituted a portion, but not all, of our Zebra Enterprise Solutions (ZES) segment, which was also deemed to be the reporting unit for goodwill impairment testing purposes. As a result of our decision to sell Navis, goodwill attributable to the ZES segment was allocated to the three businesses that constituted the prior reporting unit based on the relative fair value of those businesses. Goodwill was allocated between continuing operations (\$9,114,000) and discontinued operations (\$72,795,000) based on the relative fair value of each of the businesses. The goodwill allocated above to continuing operations was tested for impairment and we determined that our goodwill related to this reporting unit was not impaired.

We performed our annual impairment test in June 2011 and determined that our goodwill was not impaired as of the end of May 2011.

Note 9 Other Assets

Other assets consist of the following (in thousands):

	As of December 31,	
	2011	2010
Money market investments related to the deferred compensation plan (See Note 17)	\$ 3,199	\$ 3,427
Long-term equity securities	80	98
Deposits	917	479
Total	\$ 4,196	\$ 4,004

Note 10 Costs Associated with Exit or Disposal Activities

In January 2011, we announced an agreement to sell a portion of ZES, which primarily consists of Navis, to Cargotec Corporation. Following the transaction which was completed on March 18, 2011, we retained the Location Solutions products from the former ZES, which includes active RFID real-time location solutions and associated tags and readers. In the first quarter of 2011, we also announced a plan to consolidate any remaining administrative and accounting functions from the former ZES into our corporate facilities in Illinois. The costs below incurred for the year ended December 31, 2011, represent the costs related to the consolidation and relocation of the administrative and accounting functions. Costs expected in 2012 related to consolidating the former ZES into the corporate facility are not expected to be material.

In 2008, we announced plans to establish regional distribution and configuration centers, consolidate our supplier base, and transfer final assembly of thermal printers to Jabil Circuit, Inc., a global third-party electronics manufacturer. We substantially completed these actions in 2010, and the costs noted below incurred through December 31, 2010, relate to the completion of this transfer. No more costs are expected to be incurred related to the transfer of Zebra's final assembly to Jabil.

As of December 31, 2011, we have incurred the following exit costs related to consolidating the former ZES function into our corporate facilities (in thousands):

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Type of Cost	Costs incurred for the year ended December 31, 2011	Additional costs expected to be incurred	Total costs expected to be incurred
Severance, stay bonuses, and other employee-related expenses	\$ 1,113	\$ 50	\$ 1,163
Professional services	890	50	940
Relocation and transition costs	38	300	338
Total	\$ 2,041	\$ 400	\$ 2,441

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As of December 31, 2011, we have incurred the following exit costs related to transfer of our final assembly to Jabil (in thousands):

Type of Cost	Cost incurred through December 31, 2010	Costs incurred for the year ended December 31, 2011	Total costs incurred as of December 31, 2011
Severance, stay bonuses, and other employee-related expenses	\$ 6,764	\$ 0	\$ 6,764
Professional services	6,050	0	6,050
Relocation and transition costs	10,761	0	10,761
Other exit costs	63	0	63
Total	\$ 23,638	\$ 0	\$ 23,638

Liabilities and expenses related to exit activities were as follows (in thousands):

	Year Ended December 31,	
	2011	2010
Balance at beginning of period	\$ 1,479	\$ 3,038
Charged to earnings	2,041	2,262
Cash paid	(2,472)	(3,821)
Balance at the end of period	\$ 1,048	\$ 1,479

Liabilities related to exit activities are included in the accrued liabilities line item on the balance sheet. Exit costs are included in operating expenses under the line item exit and restructuring costs.

Note 11 Derivative Instruments

In the normal course of business, portions of our operations are subject to fluctuations in currency values. We manage these risks using derivative financial instruments. We conduct business on a multinational basis in a wide variety of foreign currencies. Our exposure to market risk for changes in foreign currency exchange rates arises from international financing activities between subsidiaries, foreign currency denominated monetary assets and liabilities and transactions arising from international trade. Our objective is to preserve the economic value of non-functional currency denominated cash flows. We attempt to hedge transaction exposures with natural offsets to the fullest extent possible and, once these opportunities have been exhausted, through foreign exchange forward and option contracts with third parties.

Credit and market risk

Financial instruments, including derivatives, expose us to counterparty credit risk for nonperformance and to market risk related to interest and currency exchange rates. We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties, and procedures to monitor concentrations of credit risk. Our counterparties in derivative transactions are commercial banks with significant experience using derivative instruments. We monitor the impact of market risk on the fair value and cash flows of our derivative and other financial instruments considering reasonably possible changes in interest rates and currency exchange rates and restrict the use of derivative financial instruments to hedging activities. We continually monitor the creditworthiness of our customers to which we grant credit terms in the normal course of business. The terms and conditions of our credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer.

Fair Value of Derivative Instruments

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Zebra has determined that derivative instruments for hedges that have traded but have not settled are considered Level 1 in the fair value hierarchy, and hedges that have not traded are considered Level 2 in the fair value hierarchy. Derivative instruments are used to manage risk and are not used for trading or other speculative purposes, nor do we use leveraged derivative financial instruments. Our foreign currency exchange contracts are valued using broker quotations or market transactions, in either the listed or over-the-counter markets.

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Table of Contents*Hedging of Net Assets*

We use forward contracts to manage exposure related to our pound and euro denominated net assets. Forward contracts typically mature within three months after execution of the contracts. We record gains and losses on these contracts and options in income each quarter along with the transaction gains and losses related to our net asset positions, which would ordinarily offset each other.

Summary financial information related to these activities included in our consolidated statement of earnings as other income (expense) is as follows (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Change in gains (losses) from foreign exchange derivatives	\$ (825)	\$ 5,074	\$ (512)
Gain (loss) on net foreign currency assets	(1,181)	(5,243)	408
Net foreign exchange loss	\$ (2,006)	\$ (169)	\$ (104)

	As of	
	December 31, 2011	December 31, 2010
Notional balance of outstanding contracts:		
Euro/US dollar	36,684	46,307
Pound/US dollar	£ 6,016	£ 6,162
Net fair value of outstanding contracts	\$ 54	\$ 667

Hedging of Anticipated Sales

We can manage the exchange rate risk of anticipated euro-denominated sales using purchased options, forward contracts, participating forwards and options. We designate these contracts as cash flow hedges which mature within twelve months after the execution of the contracts. Gains and losses on these contracts are deferred in other comprehensive income until the contracts are settled and the hedged sales are realized, the deferred gains or losses will then be reported as an increase or decrease to sales.

Summary financial information related to the cash flow hedges is as follows (in thousands):

	As of	
	December 31, 2011	December 31, 2010
Net unrealized gains (losses) deferred in other comprehensive income:		
Gross	\$ 8,878	\$ (1,522)
Income tax expense (benefit)	2,669	(573)
Net	\$ 6,209	\$ (949)

Summary financial information related to the cash flow hedges of future revenues follows (in thousands, except percentages):

As of

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	December 31, 2011	December 31, 2010
Notional balance of outstanding contracts versus the dollar	85,105	73,800
Hedge effectiveness	100%	100%

	Year Ended December 31,		
	2011	2010	2009
Net gains and (losses) included in revenue	\$ (4,159)	\$ (630)	\$ 603

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We record our forward contracts at fair value on our consolidated balance sheet as either long-term other assets or long-term other liabilities depending upon the fair value calculation as detailed in Note 3 of Zebra's financial statements. The amounts recorded on our consolidated balance sheets are as follows (in thousands):

	As of	
	December 31, 2011	December 31, 2010
Assets:		
Other assets	\$ 9,210	\$ 3,275
Total	\$ 9,210	\$ 3,275

Note 12 Commitments and Contingencies

Leases. Minimum future obligations under all non-cancelable operating leases as of December 31, 2011 are as follows (in thousands):

	Operating Leases
2012	\$ 10,888
2013	10,033
2014	6,905
2015	3,951
2016	3,003
Thereafter	6,759
Total minimum lease payments	\$ 41,539

Rent expense for operating leases charged to operations was as follows (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Rent expense	\$ 13,907	\$ 11,469	\$ 11,725

The operating lease information includes a variety of properties around the world. These properties are used as manufacturing facilities, distribution centers and sales offices. Lease terms range from one year to 17 years with breaking periods specified in the lease agreements.

Letters of Credit. In connection with various customer contracts, Zebra has entered into four letters of credit agreements with a bank. The contingent liability of Zebra under these agreements as of December 31, 2011, is \$1,468,000. See below for letters of credit related to our revolving credit agreement.

Revolving Credit Agreement. On August 14, 2008, Zebra entered into a revolving credit agreement for a five-year \$100 million revolving credit facility. The funds under this credit facility are available for general corporate purposes of Zebra and its subsidiaries in the ordinary course of business and other purposes permitted by the agreement.

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This credit agreement is guaranteed by certain of Zebra's domestic subsidiaries. Loans under the agreement bear interest at a rate equal to the prime rate or a spread over the applicable LIBOR rate, as selected by Zebra. This spread for LIBOR-based loans depends on our ratio of Total Debt to EBITDA, as defined in the agreement, and ranges from 0.50% to 1.25%. The spread in effect at closing for LIBOR-based loans was 0.50%.

The credit agreement includes customary representations, warranties, affirmative and negative covenants (including, among others, restrictions on the payment of cash dividends) and events of default (and related remedies, including acceleration and increased interest rates following an event of default). It also contains financial covenants tied to Zebra's leverage ratio and fixed charge coverage ratio. As of December 31, 2011, we had established letters of credit amounting to \$3,500,000, which reduce the funds available for borrowing under the agreement. As of December 31, 2011 and 2010, no amounts were outstanding under the credit agreement.

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Legal Proceedings. On April 9, 2008, a complaint was filed in the U.S. District Court for the Northern District of Illinois by Barcode Informatica, Ltd. (Barcode), a former Brazilian reseller, against Zebra. The complaint alleged that Zebra wrongfully terminated Barcode's reseller status and tortiously interfered with Barcode's alleged bid for the sale of printers to a Brazilian customer. On March 23, 2011, the district court dismissed Barcode's case and on October 14, 2011, Barcode re-filed its lawsuit in Brazil. In January of 2012, the Brazilian lawsuit was settled by the parties and the lawsuit dismissed. The amount of the settlement was not significant.

We are subject to a variety of investigations, claims, suits and other legal proceedings that arise from time to time in the ordinary course of business, including but not limited to, intellectual property, employment, tort and breach of contract matters. We currently believe that the outcomes of such proceedings, individually and in the aggregate, will not have a material adverse impact on our business, cash flows, financial position, or results of operations. Any legal proceedings are subject to inherent uncertainties, and management's view of these matters and their potential effects may change in the future.

Note 13 Savings and Profit Sharing Plans

Zebra has a Retirement Savings and Investment Plan (401(k) Plan), which is intended to qualify under Section 401(k) of the Internal Revenue Code. In 2009, Zebra announced changes to its 401(k) Plan, profit sharing plan and stock purchase plan. Qualified employees may participate in Zebra's 401(k) Plan by contributing up to 15% of their gross earnings to the plan subject to certain Internal Revenue Service restrictions. Effective March 1, 2009, Zebra reduced the company match to each participant's contribution from 6% of gross eligible earnings at the rate of 50%, to 3% of gross eligible earnings at the rate of 50%. Effective January 1, 2010, Zebra increased the company match to each participant's contribution to a total of 4%. Zebra will match 100% of the first 2% of gross eligible earnings, and also match the next 4% of gross eligible earnings at the rate of 50%. Zebra may contribute additional amounts to its 401(k) Plan at the discretion of the Board of Directors, subject to certain legal limits.

In 2009, Zebra announced that it was suspending any further contributions to the profit sharing plan until further notice. Participants are not permitted to make contributions under the profit-sharing plan.

Company contributions to these plans, which were charged to operations, approximated the following (in thousands):

	Year Ended December 31,		
	2011	2010	2009
401(k)	\$ 4,813	\$ 4,586	\$ 2,210
Profit sharing	0	0	145
Total	\$ 4,813	\$ 4,586	\$ 2,355

Note 14 Stockholders' Equity

Share count and par value data related to stockholders' equity are as follows:

	December 31, 2011	As of December 31, 2010
Preferred Stock		
Par value per share	\$ 0.01	\$ 0.01
Shares authorized	10,000,000	10,000,000
Shares outstanding	0	0
Common Stock - Class A		
Par value per share	\$ 0.01	\$ 0.01

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Shares authorized	150,000,000	150,000,000
Shares issued	72,151,857	72,151,857
Shares outstanding	52,095,166	55,711,325
Treasury stock		
Shares held	20,056,691	16,440,532

During the year ended December 31, 2011, Zebra purchased 4,353,801 shares of common stock for \$160,200,000 under board authorized share repurchase plans compared to the year ended December 31, 2010, in which Zebra purchased 3,349,286 shares of common stock for \$102,091,000. During the year ended December 31, 2009, Zebra purchased 3,173,182 shares of common stock for \$65,445,000.

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A roll forward of Class A common shares outstanding is as follows:

	Year Ended December 31,	
	2011	2010
Balance at the beginning of the year	55,711,325	58,318,983
Repurchases	(4,353,801)	(3,349,286)
Stock options, rights and ESPP issuances	593,574	389,799
Restricted share issuances	215,510	375,279
Restricted share forfeitures	(17,138)	(16,252)
Shares withheld for tax obligations	(54,304)	(7,198)
Balance at the end of the period	52,095,166	55,711,325

Stockholder Rights Agreement. Zebra's Board of Directors adopted a Stockholder Rights Agreement under which stock purchase rights were paid by dividend to stockholders of record on March 15, 2002, at the rate of one Class A Right for each outstanding share of Class A Common Stock. Each Class A Right, other than those held by an acquiring person, entitles the registered holder to purchase one ten-thousandth of a share of Series A Junior Participating Preferred Stock, par value \$0.01 per share, at a price of \$133.33 per four ninety-thousandth of Class A Preferred Share after the distribution date. The distribution date is 10 days after the date on which any person or group announces that it has acquired 15% or more of Zebra's outstanding common stock or 10 days (or a later date as determined by the Board of Directors) after the date on which any person or group announces or commences a tender offer that would result in the person or group becoming an owner of 15% or more of the outstanding common stock.

The Board of Directors has determined to allow the Rights to expire on March 14, 2012.

Note 15 Earnings (Loss) Per Share

For the years ended December 31, 2011, 2010, and 2009, earnings (loss) per share were computed as follows (in thousands, except per-share amounts):