ZEBRA TECHNOLOGIES CORP
Form 10-K
February 24, 2011
Table of Contents

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, 2010

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	36-2675536
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)

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

(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 X No ____

Table of Contents

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 X

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 X 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 X 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 X	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 X

As of July 3, 2010, the aggregate market value of each of the registrant s Class A Common held by non-affiliates was approximately $1,410,451,000. The closing price of the Class A Common Stock on July 2, 2010, as reported on the Nasdaq Stock Market, was $24.66 per share.

As of February 11, 2011, 55,758,784 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 19, 2011, are incorporated by reference into Part III of this report.

2

Table of Contents

ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INDEX

Table of Contents

PART I

References in this document to Zebra, we, us, or our refer to Zebra Technologies Corporation and its subsidiaries, unless the context specificall 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,
- 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 th 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

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.

The Company

Zebra delivers products and solutions that improve our customers ability to put their critical assets to work smarter by identifying, tracking and managing assets, transactions and people.

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.

Sale of Navis Business and Marine Terminal Solution Software Product Line

In 2007 and 2008, we acquired WhereNet Corp., proveo AG, Navis Holdings, LLC and Multispectral Solutions, Inc. These companies comprised the 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 (UWB) technologies. These solutions incorporate battery-powered wireless tags, fixed-position antennae, transponder modules and application software. We also provide consulting services, maintenance contracts and software licenses related to these solutions.

Table of Contents

On January 28, 2011, we entered into a Securities Purchase Agreement with Cargotec Corporation to sell all of our interest in the Navis business and WhereNet Marine Terminal Solution software product line (MTS). Navis is a global solutions provider of operating systems to coordinate and automate the planning and management of container and equipment moves in marine terminals and other complex and demanding business environments. We are retaining the real-time location solutions, tags and readers portion of the WhereNet business, along with the WhereNet applications that are sold into non-maritime industries. The sale is expected to close in the first quarter of 2011.

Beginning with the first quarter of 2011, Navis and other ZES assets will be reported as assets/liabillities held for sale and the operating results will be reported as discontinued operations. Our financial statements for the three-year period ended December 31, 2010 do not treat the Navis business as discontinued operations in accordance with the appropriate accounting guidance. Our financial statements for the three-year period ended December 31, 2010 reflect our Specialty Printing Group (SPG) and ZES segments, including the management discussion and analysis of financial condition and results of operations. Consequently, the remainder of this business description describes Zebra s business consistent with our historical financial statements, including a business description of our SPG and ZES segments, while including comments to reflect the proposed sale of the Navis business entity, including MTS.

Zebra Specialty Printing Group (SPG)

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, JIT (Just-In-Time) 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, 2010, management estimates that Zebra has sold more than 9,400,000 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 that Zebra provides because 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.

Table of Contents

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 a specific application. 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.

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, because it allows Zebra to satisfy the widest variety of thermal printing applications and leverage our brand and reputation as customers install new systems that require on demand printing.

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, 2010, we offered 54 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 workers in the field.
- 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.

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.

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 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 part life of key printer components such as printheads.

6

Table of Contents

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 Printer 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.

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).

Table of Contents

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 also 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 purchases of Zebra products reach specified levels and support requirements for the account become highly customized. 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 group that manages a small number of global alliances. They direct the business development strategies for a limited number of third-party relationships that are strategic to new demand creation for specific vertical markets and/or specific applications.

Marketing. Marketing operations encompass corporate marketing, marketing communications, product marketing, vertical marketing, solutions marketing, market research and channel marketing functions. Corporate marketing conducts activities to enhance the Zebra corporate brand, corporate public relations, internal corporate communications and our Web site. The product marketing group identifies, evaluates and recommends new product opportunities and manages product introductions, positioning and demand creation. Product marketing also focuses on strategic planning and market definition and analyzes Zebra s competitive strengths and weaknesses.

Table of Contents

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 February 2008, we announced that final printer assembly would be transferred to a third-party manufacturer, Jabil Circuit, Inc. We completed the transition of transferring all printer lines to Jabil in 2010. This action has helped to reduce costs and optimize our global printer product supply chain and enabled us to be more responsive to customer needs and increase Zebra s flexibility to meet emerging business opportunities. See Note 9 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 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.

Printer Competition

Many companies are engaged in the design, manufacture and marketing of bar code label printers, RFID printer/encoder and card personalization 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.

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 competitors, including the following (listed in alphabetical order): 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; 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; 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.

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

Table of Contents

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.

Zebra Enterprise Solutions Group (ZES)

Zebra offers asset tracking and management solutions to optimize the flow of goods within the supply chain. Whether managing parts for lean manufacturing or tracking and managing vehicles through off-line processes during production, the automated asset tracking and management solutions from Zebra improve business processes. Utilizing the combined products offered by these businesses, Zebra provides greater asset visibility and business efficiency for the aerospace and defense, aviation, automotive, industrial manufacturing, maritime, petrochemical, and transportation and logistics industries. Customers within these industries benefit by increasing productivity, lowering operational costs, and improving safety and security throughout their logistics operations. As noted previously, Zebra has entered into an agreement to sell the Navis business and the WhereNet Marine Terminal Solution software product line. The sale is expected to close in the first quarter of 2011.

Zebra s asset tracking and management solutions business consists of the sale of software licenses and related services including maintenance, support and consulting services, and hardware including our proprietary real time asset management hardware. These products and services may be bundled and sold together to customers or sold separately.

- Software Licenses. We sell perpetual software licenses on both a fixed fee basis and for a fixed term. The amounts of the license fees are based primarily on the scope and functionality of the licenses purchased by the customer. The solutions we provide may also include third-party software.
- Hardware. We sell both proprietary real time asset management hardware and third-party hardware. Most of our hardware products provide electronic tagging of assets and real time information regarding the assets locations and telematics. We sell the hardware as part of an integrated solution and also replacement parts.
- Consulting Services. We provide consulting services for the planning and implementation of our solutions including initial installation and training. Our professional services team works with customers who are implementing our solutions for the first time, evaluating new technology automation solutions, integrating with third-party systems or upgrading to new platforms. Services are typically charged on a time and materials basis, although from time-to-time we may enter into fixed fee contracts.
- Maintenance and Support. We offer support to our customers 24 hours a day, 7 days a week, 365 days a year, usually for an annual fee, which entitles them to software upgrades and technical support.

These products extend Zebra s reach beyond passive RFID by employing technologically advanced hardware and software solutions to locate, track, manage and optimize high-value assets, equipment and people. We offer a wide range of scalable real time locating systems (RTLS) technologies used to generate accurate, on-demand information about the physical location and status of high-valued assets. Customers benefit by utilizing the choice or combination of asset tracking products that can be application matched based on ISO/IEC 24730-2, Cisco CCX Wi-Fi, precision global positioning systems (GPS), and ultra wideband (UWB) technologies.

Table of Contents

Our selection of RTLS asset tracking product offerings includes battery-powered active RFID WhereTag tags, WhereCall button tags, precision WhereTrack products, and Ultra-Wideband products from our Dart family of tags. These asset tags enable organizations to access accurate, real-time information on the location and status of their assets both indoors and outdoors.

In addition, we offer a selection of RTLS infrastructure products. These products receive tag transmissions and forward the information to the Visibility Server Software (a middleware application) which provides location calculations, database and system management functions and asset visibility. The flexible infrastructure supports large tag populations and coverage areas that can range from small to large.

We offer a broad set of software development tools for integrating ZES hardware, middleware applications and software applications, with customer and third-party applications. Our middleware application, Visibility Server Software, provides software tools to design, configure, operate and troubleshoot our RTLS products. Visibility Server Software serves as the central repository for all of the real-time location and communication data captured by the ZES RTLS infrastructure.

ZES sells its products and services into the following major industries:

- Airport Operations. Our Airport Visualizer provides integrated aviation solutions and helps to optimize motorized ground support equipment on the pavement immediately adjacent to an airport terminal area or hangers (commonly referred to as the apron). As of December 31, 2010, our Airport Visualizer solution helped to optimize the processes of approximately 3,600 airport ground service vehicles at over 20 leading airports.
- Distribution Operations. Our Yard Tracking and Management System (YTMS), is a yard planning, management and execution solution that leverages wireless location and communication technologies and configurable business rules to optimize yard operations and the systems with which they interface.
- Personnel Safety and Security. Designed to automate the detection of potential personnel safety risks, as well as improve the management of emergencies and evacuations, the Personnel Safety Solution provides real-time visibility into locating and tracking of valued assets both indoors and outdoors.
- Manufacturing Operations. We provide an integrated wireless infrastructure for real-time location, digital messaging, telemetry, and wireless networking applications to give manufacturers the ability to continuously manage the physical location and status of their critical assets for improving lean processes within the core manufacturing functions.

These products and services are primarily sold through a global direct sales force which is organized around geographic and vertical markets. We complement our direct sales through the use of other channels including systems integrators with particular vertical market expertise.

ZES s proprietary software and hardware are developed primarily by its internal team of engineers. Generally, our software is warranted for 90 days after going live to function consistently with its specifications, and our hardware is warranted to be free from material defects in materials and workmanship for up to one year after purchase.

Customers

Zebra has sold more than 9,400,000 thermal printers to customers as of December 31, 2010.

ScanSource, Inc., is our most significant customer. Our net sales to ScanSource, a global distributor of Zebra SPG products, as a percent of our total net sales, were as follows:

	Year Ended December 31,		
	2010	2009	2008
Percent of net sales	18.5%	16.1%	15.4%

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

Table of Contents

Sales

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

	Year Ended December 31,		
Product Category	**2010**	**2009**	**2008**
Hardware	$ 682,455	$ 539,934	$ 692,638
Supplies	167,633	155,847	172,106
Service and software	101,579	102,541	105,113
Subtotal	951,667	798,322	969,857
Shipping and handling	5,181	5,263	6,843
Total net sales	$ 956,848	$ 803,585	$ 976,700

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

	Year Ended December 31,		
	2010	**2009**	**2008**
Percent of net sales	57.4%	54.9%	54.5%

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.

Research and Development

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

	Year Ended December 31,		
	2010	**2009**	**2008**
Research and development expenses - SPG (excluding acquired in process technology)	$ 69,605	$ 55,614	$ 63,142
Percent of SPG net sales	8.0%	7.7%	7.2%
Research and development expenses - ZES (excluding acquired in process technology)	$ 32,325	$ 30,776	$ 32,658
Percent of ZES net sales	37.7%	38.0%	34.7%

We devote significant resources to developing new printing solutions for our target markets and ensuring that our products maintain high levels of reliability. Research and development resources are also directed toward enhancing our ZES systems.

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 375 United States and foreign patents and have 172 United States and foreign patent applications pending pertaining to products. The duration of these patents ranges from 1 to 22 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, 2011, Zebra employed approximately 2,750 persons, of which 2,020 are a part of SPG, 480 are a part of ZES and the remaining 250 are corporate employees. In connection with the sale of our Navis business and WhereNet Marine Terminal Solution software product line, we expect approximately 340 employees from ZES to become employees of the purchaser of these businesses. None of our employees is a member 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.

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. Zebra has two reportable segments for our operations and products. Financial information about segments and geographic areas is found in Note 19 to the Consolidated Financial Statements.

Table of Contents

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 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.

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 overseas 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:

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

Table of Contents

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.

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.

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 be a party to fixed-price contracts particularly for its ZES product lines that could become unfavorable contracts. From time to time we may enter into contracts to provide services to customers for fixed fees. Such a contract could result in material loss to Zebra if the cost to perform such contract ultimately exceeds the fees earned on such contract.

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 and acquisitions. 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,
- 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.

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 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.

Table of Contents

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, 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, in the United States or internationally, or reduced information technology spending may adversely impact our business. As widely reported, financial markets throughout the world experienced extreme disruption in 2008 and 2009, 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.

Item 1B. Unresolved Staff Comments

Not applicable.

Table of Contents

Item 2. Properties

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 in Camarillo, California. In March 2011, our operations that are located in Camarillo will be moved to a new facility located in Agoura Hills, California, and the Camarillo facility will be closed.

Zebra s principal facilities as of December 31, 2010, are listed below:

	Square Footage			
Location	Manufacturing, Production & Warehousing	Administrative, Research & Sales	Total	Lease Expires
Vernon Hills, Illinois, USA (S)	111,676	113,429	225,105	June 2014
Camarillo, California, USA (S)	97,921	72,156	170,077	March 2011
Agoura Hills, California, USA (S)		75,077	75,077	March 2021
Heerenveen, The Netherlands (S)	48,427	46,145	95,572	January 2012
Greenville, Wisconsin, USA (S)	55,000	5,000	60,000	January 2018
Oakland, California, USA (Z)*		47,210	47,210	July 2013
Lincolnshire, Illinois, USA (C)		46,339	46,339	June 2014
Lincoln, Rhode Island, USA (S)		40,116	40,116	April 2016
Preston, UK (S)	30,450	8,600	39,050	Owned by Zebra
Guangzhou, China (S)		32,655	32,655	January 2014
Flowery Branch, Georgia, USA (S)	28,255	2,145	30,400	April 2012
Bourne End, UK (S)		27,251	27,251	June 2014
Otay Mesa, California, USA (S)	21,739	4,900	26,639	September 2013
San Jose, California, USA (Z)		24,630	24,630	July 2015
Chennai, India (Z)*		19,234	19,234	March 2014
McAllen, Texas, USA (S)	15,500	2,500	18,000	September 2011
Chennai, India (Z)*		15,095	15,095	November 2012
Germantown, Maryland, USA (Z)		13,134	13,134	December 2015
Warsaw, Poland (S)	7,750	3,875	11,625	June 2012
Guangzhou, China (S)		11,624	11,624	May 2011
Shanghai, China (S)		7,524	7,524	January 2014
Mexico City, Mexico (S)	3,488	3,400	6,888	September 2012
Singapore, Singapore (S)		5,360	5,360	February 2012
Total	420,206	627,399	1,047,605	

S Specialty Printing Group; Z Zebra Enterprise Solution Group; C Corporate;

* Lease will be transferred to the purchaser in connection with the sale of the Navis business and WhereNet Marine Terminal Solution software product line, which is expected to close in the first quarter of 2011.

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.

Table of Contents

Item 3. Legal Proceedings

See Notes 11 and 20 in the Notes to the Consolidated Financial Statements included in this Form 10-K.

Item 4. Submission of Matters to a Vote of Security Holders

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 2010 and 2009, as reported by The NASDAQ Stock Market.

2010	High	Low	2009	High	Low
First Quarter	$ 30.72	$ 26.10	First Quarter	$ 21.70	$ 16.00
Second Quarter	31.00	24.32	Second Quarter	24.55	18.61
Third Quarter	34.13	24.14	Third Quarter	27.67	20.98
Fourth Quarter	39.31	33.14	Fourth Quarter	28.87	23.76

Source: The NASDAQ Stock Market

At February 11, 2011, the last reported price for the Class A Common Stock was $41.18 per share, and there were 237 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 2010, pursuant to our Rule 10b5-1 purchase plan, Zebra purchased 900,000 shares of Zebra s Class A Common Stock at a weighted average share price of $38.56 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 2010 (October 3 October 30)	0	$ 0.00	0	2,750,000
November 2010 (October 31 November 27)	0	$ 0.00	0	2,750,000
December 2010 (November 28 December 31)	900,000	$ 38.56	900,000	1,850,000

(1) In July 2010, Zebra purchased the then remaining authorized shares under our stock repurchase program. On August 3, 2010, Zebra s Board authorized the purchase of up to an additional 3,000,000 shares under the same terms as previous authorizations. The August 2010 authorization does not have an expiration date.

(2) During the fourth quarter, Zebra did not acquire any 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.

Table of Contents

Item 6. Selected Financial Data

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) DATA

(In thousands, except per share amounts)

	Year Ended December 31,									
	2010		2009		2008		2007		2006	
Net sales	$ 956,848		$ 803,585		$ 976,700		$ 868,279		$ 759,524	
Cost of sales	495,979		442,864		497,395		451,161		401,104	
Gross profit	460,869		360,721		479,305		417,118		358,420	
Total operating expenses	317,017	(1)	291,919	(2)	494,651	(3)	273,933		277,991	(4)
Operating income (loss)	143,852		68,802		(15,346)		143,185		80,429	
Income (loss) before income taxes and cumulative effect of accounting change	144,935		70,523		(11,913)		167,375		101,642	
Income (loss) before cumulative effect of accounting change	101,778		47,104		(38,421)		110,113		69,627	
Cumulative effect of accounting change									1,319	(5)
Net income (loss)	$ 101,778		$ 47,104		$ (38,421)		$ 110,113		$ 70,946	
Earnings (loss) per share before cumulative effect of accounting change										
Basic	$ 1.78		$ 0.79		$ (0.60)		$ 1.61		$ 0.99	
Diluted	$ 1.77		$ 0.79		$ (0.60)		$ 1.60		$ 0.98	
Earnings (loss) per share										
Basic	$ 1.78		$ 0.79		$ (0.60)		$ 1.61		$ 1.01	
Diluted	$ 1.77		$ 0.79		$ (0.60)		$ 1.60		$ 1.00	
Weighted average shares outstanding										
Basic	57,143		59,306		64,524		68,463		70,516	
Diluted	57,428		59,425		64,524		68,908		70,956	

CONSOLIDATED BALANCE SHEET DATA

(In thousands)

	December 31,				
	2010	2009	2008	2007	2006
Cash and cash equivalents, restricted cash, investments and marketable securities (current and long-term) (6)	$ 259,899	$ 246,721	$ 224,886	$ 281,179	$ 559,189
Working capital	340,253	306,127	271,831	298,660	404,836
Total assets	878,864	830,479	850,878	1,034,278	963,142
Long-term obligations (7)	10,375	9,432	10,250	8,452	9,969
Stockholders equity	730,032	712,129	710,738	902,693	877,681

(1) Includes litigation settlement proceeds received of $1,082,000 and exit, restructuring and integration (ERI) charges of $4,197,000.
(2) Includes asset impairment reversal of $1,058,000 and ERI charges of $12,191,000.
(3) Includes asset impairment charges of $157,600,000 and ERI charges of $20,009,000.
(4) Includes litigation settlement paid of $53,392,000 and insurance receivable reserve of $12,543,000.
(5) Relates to the estimation of forfeitures on prior year compensation expense outstanding at the adoption date of Accounting Standards Codification (ASC) 505 and ASC 718. See Note 15 in the Notes to the Consolidated Financial Statements included in this Form 10-K.
(6)

The decrease in 2007 and 2008 was principally the result of (i) our acquisitions of WhereNet, proveo AG, and Navis during 2007 and our acquisition of Multispectral Solutions Inc., and (ii) purchase of our stock during 2008. See Note 20 in the Notes to the Consolidated Financial Statements included in this Form 10-K for further discussion of the acquisitions.

(7) Long-term obligations include deferred compensation and unearned revenue. See Note 16 in the Notes to the Consolidated Financial Statements included in this Form 10-K for further discussion of the Deferred Compensation Plan.

Table of Contents

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations: Fourth Quarter of 2010 versus Fourth Quarter of 2009

Consolidated Results of Operations

(Amounts in thousands, except percentages)

	Three Months Ended December 31, 2010	December 31, 2009	Percent Change	Percent of Net Sales 2010	Percent of Net Sales 2009
Net Sales					
Tangible products	$ 223,071	$ 197,097	13.2	89.9	88.6
Service & software	25,104	25,425	(1.3)	10.1	11.4
Total net sales	248,175	222,522	11.5	100.0	100.0
Cost of Sales					
Tangible products	113,191	110,611	2.3	45.6	49.7
Service & software	11,343	10,433	8.7	4.6	4.7
Total cost of sales	124,534	121,044	2.9	50.2	54.4
Gross profit	123,641	101,478	21.8	49.8	45.6
Operating expenses	83,207	75,240	10.6	33.5	33.8
Operating income	40,434	26,238	54.1	16.3	11.8
Other income	(211)	945	(122.3)	(0.1)	0.4
Income before income taxes	40,223	27,183	48.0	16.2	12.2
Income taxes	12,006	9,553	25.7	4.8	4.3
Net income	$ 28,217	$ 17,630	60.1	11.4	7.9
Diluted earnings per share	$ 0.50	$ 0.30			

Consolidated Results of Operations Fourth quarter

Sales

Net sales for the fourth quarter of 2010 compared with the 2009 quarter increased 11.5% from a broad-based increase in demand for Zebra products, driven by the global economic recovery. This was the fourth consecutive quarter of year-over-year growth. The increase in sales was largely attributable to 14.8% growth in hardware sales (including all printer categories and aftermarket parts). Printer unit volume increased 13.3% for the fourth quarter of 2010 compared to levels in 2009.

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

Product Category	Three Months Ended December 31, 2010	December 31, 2009	Percent Change	Percent of Net Sales 2010	Percent of Net Sales 2009
Hardware	$ 179,956	$ 156,706	14.8	72.5	70.4
Supplies	41,719	39,011	6.9	16.8	17.5

Service and software	25,104	25,425	(1.3)	10.1	11.4
Subtotal	246,779	221,142	11.6	99.4	99.3
Shipping and handling	1,396	1,380	1.2	0 .6	0.7
Total sales	$ 248,175	$ 222,522	11.5	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 increasing investment in sales and marketing resources in those regions. Movements in foreign exchange rates decreased sales by $6,364,000 in the Europe, Middle East and Africa regions for the quarter due principally to a weaker euro against the dollar from the prior year.

Table of Contents

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

	Three Months Ended				
Geographic Region	**December 31, 2010**	**December 31, 2009**	**Percent Change**	**Percent of Net Sales 2010**	**Percent of Net Sales 2009**
Europe, Middle East and Africa	$ 91,800	$ 82,377	11.4	37.0	37.0
Latin America	23,215	20,196	14.9	9.4	9.1
Asia-Pacific	34,458	21,984	56.7	13.9	9.9
Total International	149,473	124,557	20.0	60.3	56.0
North America	98,702	97,965	0.8	39.7	44.0
Total sales	$ 248,175	$ 222,522	11.5	100.0	100.0

Gross Profit

Gross profit increased 21.8% due to higher volumes and an improved product mix, with increased sales primarily in mobile, high-performance, mid-range table top printers and lower freight costs of $1,224,000 in 2010. Gross profit was affected by unfavorable foreign currency movements which decreased fourth quarter gross profit by $5,628,000. As a percentage of sales, gross margin improved from 45.6% to 49.8%. The benefit of outsourcing printer production to a third party, higher volumes, improved product mix and continued cost control contributed to the increase in gross margin.

Operating Expenses

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

	Three Months Ended				
Operating Expenses	**December 31, 2010**	**December 31, 2009**	**Percent Change**	**Percent of Net Sales 2010**	**Percent of Net Sales 2009**
Selling and marketing	$ 34,496	$ 28,543	20.9	13.9	12.8
Research and development	26,741	21,838	22.5	10.8	9.8
General and administrative	19,492	19,514	(0.1)	7.9	8.8
Amortization of intangible assets	2,426	2,608	(7.0)	1.0	1.2
Litigation settlement	(1,082)			(0.4)	
Exit, restructuring and integration costs	1,134	2,737	(58.5)	0.5	1.2
Total operating expenses	$ 83,207	$ 75,240	10.6	33.5	33.8

Operating expenses for the quarter increased 10.6% due mainly to greater selling and marketing expenses and research and development expenses. Several categories accounted for these increases, including compensation costs which include salaries, benefits, bonuses and commissions. Business development, outside professional services, project expenses, and travel and entertainment expenses all increased over 2009 levels. Litigation settlement relates to escrowed purchase funds received in 2010. Exit, restructuring and integration costs decreased $1,602,000 in the fourth quarter of 2010 as compared to 2009. Zebra s program for outsourcing its manufacturing operations was completed in 2010. Integration costs associated with the Zebra Enterprise Solutions (ZES) businesses were completed in 2009.

Other Income

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

	Three Months Ended	
	December 31, 2010	**December 31, 2009**
Investment income	$ 570	$ 695
Foreign exchange gain (loss)	(448)	795
Other, net	(333)	(545)
Total other income	$ (211)	$ 945

24

Table of Contents

Investment income declined from lower short-term interest rates in the fourth quarter of 2010 compared with 2009. Zebra recorded a foreign exchange gain in the fourth quarter of 2009 as the U.S. dollar strengthened against the euro.

Operating Income (Loss)

The increased operating income for the fourth quarter of 2010 over the same period in 2009 is the result of increased sales in a stronger economy as noted above.

Income Taxes

The effective income tax rate for the fourth quarter of 2010 was 29.8% compared with 35.1% for the same quarter last year. The tax rate decrease for the fourth quarter of 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.

Business Groups

Specialty Printing Group Fourth Quarter

(Amounts in thousands, except percentages):

	Three Months Ended				
	December 31, 2010	**December 31, 2009**	**Percent Change**	**Percent of Net Sales 2010**	**Percent of Net Sales 2009**
Net Sales					
Tangible products	$ 217,899	$ 194,566	12.0	95.9	95.8
Service & software	9,264	8,556	8.3	4.1	4.2
Total net sales	227,163	203,122	11.8	100.0	100.0
Cost of Sales					
Tangible products	109,148	108,521	0.6	48.1	53.5
Service & software	6,128	4,732	29.5	2.7	2.3
Total cost of sales	115,276	113,253	1.8	50.7	55.8
Gross profit	111,887	89,869	24.5	49.3	44.2
Operating expenses	49,445	42,519	16.3	21.8	20.9
Operating income	$ 62,442	$ 47,350	31.9	27.5	23.3

Specialty Printing Group Fourth quarter

Net sales in our Specialty Printing Group (SPG) increased 11.8% with the highest percentage growth in sales occurring in Latin America and Asia Pacific, and the highest dollar growth occurring in Asia-Pacific and the Europe, Middle East and Africa region.

The increase in sales was largely attributable to increased hardware sales, with notable increases in sales of high-performance and mid-range tabletop, desktop, mobile printers and aftermarket parts.

Gross profit increased due to higher volumes and an improved product mix, with increased sales primarily in mobile, high-performance, mid-range table top printers and lower freight costs of $1,224,000 in 2010. Gross profit for SPG was affected by unfavorable foreign currency movements which decreased fourth quarter gross profit by $5,628,000. As a percentage of sales, gross margin increased. The benefit of outsourcing printer production to a third party, higher volumes, improved product mix and continued cost control contributed to the increase in gross margin.

Table of Contents

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

	Three Months Ended		
	December 31, 2010	December 31, 2009	Percent Change
Total printers shipped	276,597	244,100	13.3
Average selling price of printers shipped	$535	$531	0.8

For the fourth quarter of 2010, unit volumes increased in nearly all printer product lines compared to the same period of 2009, with notable volume increases in high-performance tabletop, desktop and mobile printers.

Operating expense changes for SPG in 2010, compared to the same periods in 2009, are due to the following (in thousands):

	Three Months Ended		
	December 31, 2010	December 31, 2009	Increase / (Decrease)
Payroll and benefit costs	$ 30,419	$ 24,463	$ 5,956
Business development	4,843	4,094	749
Project expenses	2,302	1,163	1,139
Travel and entertainment	2,266	1,698	568
Exit, restructuring and integration costs		1,817	(1,817)
Other changes	9,615	9,284	331
Total operating expenses	$ 49,445	$ 42,519	$ 6,926

Operating expenses for SPG increased primarily due to greater selling and marketing expenses from the higher level of business activity and expansion into new geographic markets. Project expenses increased due to greater expenses related to bringing new products to market. Exit and restructuring charges have declined as the activities related to the outsourcing of our printer manufacturing began to ramp down in the fourth quarter of 2009 and were completed by the second quarter of 2010.

Zebra Enterprise Solutions Fourth Quarter

(Amounts in thousands, except percentages)

	Three Months Ended				
	December 31, 2010	December 31, 2009	Percent Change	Percent of Net Sales 2010	Percent of Net Sales 2009
Net Sales					
Tangible products	$ 5,172	$ 2,531	104.3	24.6	13.0
Service & software	15,840	16,869	(6.1)	75.4	87.0
Total net sales	21,012	19,400	8.3	100.0	100.0
Cost of Sales					
Tangible products	4,043	2,090	93.4	19.2	10.8
Service & software	5,215	5,701	(8.5)	24.9	29.4
Total cost of sales	9,258	7,791	18.8	44.1	40.2
Gross profit	11,754	11,609	1.2	55.9	59.8

Operating expenses	17,135	17,024	0.7	81.5	87.8
Operating loss	$ (5,381)	$ (5,415)	(0.6)	(25.6)	(28.0)

Table of Contents

Zebra Enterprise Solutions   Fourth quarter

ZES sales increased 8.3% for the fourth quarter of 2010 compared to 2009 primarily due to increased hardware revenue. The improved economic conditions helped increase ZES sales primarily in the automotive and industrial manufacturing verticals. Increases were offset by a reduction to installation services revenue associated with customer project implementations delays. Gross margin dollars increased slightly in the fourth quarter over 2009, yet the margin percentages for the 2010 quarter declined primarily driven by revenue mix change and license revenue which was not recognized from customer project implementation delays.

ZES operating expenses in the fourth quarter of 2010 compared to 2009 are summarized below (in thousands):

	Three Months Ended		
	December 31, 2010	December 31, 2009	Increase / (Decrease)
Payroll and benefit costs	$ 10,575	$ 9,951	$ 624
Business development	744	276	468
Travel and entertainment	1,074	822	252
Exit, restructuring and integration costs	443	866	(423)
Litigation settlement	(1,082)		(1,082)
Amortization expense	1,589	1,917	(328)
Other changes	3,792	3,192	600
Total operating expenses	$ 17,135	$ 17,024	$ 111

ZES operating expenses for the fourth quarter of 2010 were higher than 2009 due to increases in payroll and benefit costs, selling and marketing, consulting, project expenses and travel and entertainment costs. These increases were offset by reductions to exit, restructuring and integration costs and lower amortization expense due to an intangible asset being fully amortized at the end of 2009. ZES received funds in the fourth quarter of 2010 from a litigation settlements related to escrowed purchase funds.

Table of Contents

Results of Operations: Year ended December 31, 2010 versus Year ended December 31, 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	$ 855,269	$ 701,044	22.0	89.4	87.2
Service & software	101,579	102,541	(0.9)	10.6	12.8
Total net sales	956,848	803,585	19.1	100.0	100.0
Cost of Sales					
Tangible products	455,007	401,727	13.3	47.6	50.0
Service & software	40,972	41,137	(0.4)	4.3	5.1
Total cost of sales	495,979	442,864	12.0	51.8	55.1
Gross profit	460,869	360,721	27.8	48.2	44.9
Operating expenses	317,017	291,919	8.6	33.1	36.3
Operating income	143,852	68,802	109.1	15.0	8.6
Other income	1,083	1,721	(37.1)	0.1	0.2
Income before income taxes	144,935	70,523	105.5	15.1	8.8
Income taxes	43,157	23,419	84.3	4.5	2.9
Net income	$ 101,778	$ 47,104	116.1	10.6	5.9
Diluted earnings per share	$ 1.77	$ 0.79			

Consolidated Results of Operations Year to date

Sales

Net sales for the year ended December 31, 2010 compared with 2009 increased 19.1% 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.

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

Product Category	Year Ended December 31, 2010	December 31, 2009	Percent Change	Percent of Net Sales 2010	Percent of Net Sales 2009
Hardware	$ 682,455	$ 539,934	26.4	71.4	67.1

Supplies	167,633	155,847	7.6	17.5	19.4
Service and software	101,579	102,541	(0.9)	10.6	12.8
Subtotal	951,667	798,322	19.2	99.5	99.3
Shipping and handling	5,181	5,263	(1.6)	0.5	0.7
Total sales	$ 956,848	$ 803,585	19.1	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 the Europe, Middle East and Africa regions principally due to a weaker euro against the dollar compared to 2009 levels.

Table of Contents

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

	Year Ended				
Geographic Region	**December 31, 2010**	**December 31, 2009**	**Percent Change**	**Percent of Net Sales 2010**	**Percent of Net Sales 2009**
Europe, Middle East and Africa	$ 338,573	$ 294,296	15.0	35.4	36.6
Latin America	87,278	65,060	34.2	9.1	8.1
Asia-Pacific	123,796	82,120	50.8	12.9	10.2
Total International	549,647	441,476	24.5	57.4	54.9
North America	407,201	362,109	12.5	42.6	45.1
Total sales	$ 956,848	$ 803,585	19.1	100.0	100.0

Gross Profit

Gross profit increased 27.8% 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 44.9% to 48.2%. 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.

Operating Expenses

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

	Year Ended				
Operating Expenses	**December 31, 2010**	**December 31, 2009**	**Percent Change**	**Percent of Net Sales 2010**	**Percent of Net Sales 2009**
Selling and marketing	$ 122,689	$ 102,535	19.7	12.8	12.8
Research and development	101,930	86,390	18.0	10.7	10.7
General and administrative	79,710	81,395	(2.1)	8.3	10.1
Amortization of intangible assets	9,573	10,466	(8.5)	1.0	1.3
Litigation settlement	(1,082)			(0.1)	
Asset impairment charges		(1,058)	(100.0)		(0.1)
Exit, restructuring and integration costs	4,197	12,191	(65.6)	0.4	1.5
Total operating expenses	$ 317,017	$ 291,919	8.6	33.1	36.3

Operating expenses for the 2010 compared to 2009 increased 8.6% 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 decreased $893,000 due to an intangible asset being fully amortized at the end of 2009. Expenses in 2010 were reduced by the receipt of an escrow claim litigation settlement received in the fourth quarter of 2010. During the second quarter of 2009, $1,495,000 of the goodwill impairment charge recorded at the end of 2008 was reversed and a $437,000 impairment charge was recorded related to an intangible asset in our ZES segment.

Exit, restructuring and integration 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 and the integration of our ZES businesses have decreased substantially in 2010. Zebra s program for outsourcing its manufacturing operations is complete and the related restructuring costs for this program ended. In addition, integration costs associated with integrating the Zebra Enterprise Solutions (ZES) businesses were completed in 2009.

29

Table of Contents

Selling and Marketing Expenses

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

	Year Ended December 31, 2010	December 31, 2009	Increase / (Decrease)
Payroll and benefit costs	$ 76,720	$ 64,491	$ 12,229
Business Development	21,660	17,781	3,879
Travel and entertainment expenses	7,834	5,681	2,153
Other changes	16,475	14,582	1,893
Total selling and marketing expenses	$ 122,689	$ 102,535	$ 20,154

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

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

In 2010, Zebra Enterprise Solutions introduced new gate, vessel, billing, automation, analytics and monitoring capabilities in its terminal operating system solution, support for rack tracking, RFID support, and goods return for our manufacturing solution along with a new tag form factor for parts replenishment and a new Ethernet enabled proximity exciter. ZES also released enhancements to its equipment fleet management solution to provide added visibility for operator safety and equipment maintenance.

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 December 31, 2010	December 31, 2009	Increase / (Decrease)
Payroll and benefit costs	$ 70,243	$ 63,036	$ 7,207
Professional services expenses	8,069	5,165	2,904
Project expenses	7,943	4,765	3,178
Travel and entertainment expenses	2,749	1,867	882
Other changes	12,926	11,557	1,369
Total research and development costs	$ 101,930	$ 86,390	$ 15,540

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 December 31, 2010	December 31, 2009	Increase / (Decrease)
Payroll and benefit costs	$ 41,446	$ 38,351	$ 3,095
Professional services expenses	10,372	12,474	(2,102)
Travel and entertainment expenses	1,837	1,332	505
Depreciation expense	9,519	9,869	(350)
Gain (loss) on equipment	(61)	829	(890)
Other changes	16,597	18,540	(1,943)
Total general and administrative expenses	$ 79,710	$ 81,395	$ (1,685)

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 intangible assets decreased $893,000 during 2010 due to an intangible asset being fully amortized at the end of 2009.

Litigation Settlement

In 2010 Zebra received litigation settlement proceeds related to our acquisition of MSSI in 2008. See Note 20 for further information related to the litigation settlement.

Asset Impairment Charges

During the fourth quarter of 2008, we determined that certain impairment indicators existed related to identified intangible assets and conducted an additional impairment test of intangibles. Due to the deterioration of the economy and a significant reduction in the price of our stock, we determined that our goodwill and other intangible assets were impaired requiring total estimated impairment charges of $157,600,000 at December 31, 2008. Upon completion of a detailed second step impairment analysis we recorded a credit of $1,495,000 in the second quarter of 2009 to adjust a portion of our original goodwill impairment. In 2009, we also recorded an impairment charge for an intangible asset of $437,000. See Note 7 of the Consolidated Financial Statements included in this Annual Report on Form 10-K for a more detailed discussion of the asset impairment charges.

Exit, Restructuring and Integration Charges

For 2010, exit and restructuring costs were $4,197,000. For 2009, exit and restructuring costs were $8,985,000 and integration costs were $3,206,000. The reduction is due to the completion of our production outsourcing. See Note 9 of the Consolidated Financial Statements included in this Annual Report on Form 10-K for a more detailed discussion of the exit, restructuring and integration charges.

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	$ 2,681	$ 2,933
Foreign exchange loss	(213)	(45)
Other, net	(1,385)	(1,167)
Total other income	$ 1,083	$ 1,721

31

Table of Contents

Rate of Return Analysis:	Year Ended December 31, 2010	December 31, 2009
Average cash and marketable securities balances	$ 253,310	$ 235,803
Annualized rate of return	1.1%	1.2%

Investment income for 2009 was $958,000 lower due to write-downs recorded in 2009 related to losses on equity investments. Investment income for 2009 was $2,933,000 compared to $2,681,000 in 2010. Excluding the 2009 write-downs, Zebra s annualized rate of return would have been 1.6% for 2009. Considering this item, investment income in 2010 actually 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

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 29.8% compared with an income tax rate of 33.2% for 2009. Zebra s effective tax rate for 2010 included a $2,764,000 reduction of federal taxes related to prior years adjustments for intercompany profit in ending inventory which reduced our effective rate by 1.9%. 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.

Business Groups

Specialty Printing Group - Year to date

(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	$ 834,392	$ 688,057	21.3	95.8	95.2
Service & software	36,644	34,499	6.2	4.2	4.8
Total net sales	871,036	722,556	20.5	100.0	100.0
Cost of Sales					
Tangible products	437,936	392,298	11.6	50.3	54.3
Service & software	19,432	18,013	7.9	2.2	2.5
Total cost of sales	457,368	410,311	11.5	52.5	56.8
Gross profit	413,668	312,245	32.5	47.5	43.2
Operating expenses	183,770	164,124	12.0	21.1	22.7
Operating income (loss)	$ 229,898	$ 148,121	55.2	26.4	20.5

Specialty Printing Group Year to date

Net sales for SPG increased 20.5% for 2010 as compared to 2009 with the highest percentage growth in sales occurring in Latin America and Asia Pacific, and the highest dollar growth occurring in North America, Latin America and the Europe, Middle East and Africa region.

32

Table of Contents

The increase in sales was largely attributable to increased hardware sales, with notable increases in sales of high-performance and mid-range tabletop, desktop, mobile printers and aftermarket parts. Supplies sales increased from higher shipments of labels and thermal ribbons.

Gross profit for SPG increased from 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 increased. The benefit of outsourcing printer production to a third party, higher volumes, improved 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, 2010	December 31, 2009	Percent Change
Total printers shipped	1,057,744	850,230	24.4
Average selling price of printers shipped	$ 533	$ 522	2.1

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.

Operating expenses for SPG are summarized below (in thousands):

	Year Ended December 31, 2010	December 31, 2009	Increase / (Decrease)
Payroll and benefit costs	$ 112,824	$ 97,010	$ 15,814
Business development	17,996	15,530	2,466
Project expenses	6,646	4,411	2,235
Travel & entertainment	7,314	5,416	1,898
I.S. expenses	2,977	2,278	699
Recruiting Fees	761	272	489
Sales meeting expenses	883	441	442
Exit and restructuring costs	2,123	7,819	(5,696)
Other changes	32,246	30,947	1,299
Total operating expenses	$ 183,770	$ 164,124	$ 19,646

Operating expenses for SPG increased primarily due to greater selling and marketing expenses from the higher level of business activity and expansion into new markets. Operating expenses are higher due to increases in payroll and benefit costs, advertising and marketing costs, consulting fees, compliance costs, and travel and entertainment expenses. Exit, restructuring and integration costs are being reduced as the outsourcing project was completed in 2010.

Table of Contents

Zebra Enterprise Solutions - Year to date

(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	$ 20,877	$ 12,987	60.8	24.3	16.0
Service & software	64,935	68,042	(4.6)	75.7	84.0
Total net sales	85,812	81,029	5.9	100.0	100.0
Cost of Sales					
Tangible products	17,071	9,429	81.0	19.9	11.6
Service & software	21,540	23,124	(6.9)	25.1	28.5
Total cost of sales	38,611	32,553	18.6	45.0	40.2
Gross profit	47,201	48,476	(2.6)	55.0	59.8
Operating expenses	66,772	63,730	4.8	77.8	78.7
Operating loss	$ (19,571)	$ (15,254)	28.3	(22.8)	(18.9)

Zebra Enterprise Solutions Year to date

ZES sales increased 5.9% for the year compared to 2009 primarily due to higher sales of hardware related to bookings and steady license revenue. ZES sales increased primarily in the automotive and industrial manufacturing verticals. Services remained steady in a difficult economy. Margins declined as a result of the change in sales mix.

ZES operating expenses are summarized below (in thousands):

	Year Ended December 31, 2010	December 31, 2009	Increase / (Decrease)
Payroll and benefit costs	$ 40,944	$ 37,576	$ 3,368
Business development	2,326	1,108	1,218
Outside professional services	2,539	1,696	843
Project expenses	1,203	508	695
Travel & entertainment	3,809	2,569	1,240
Exit, restructuring and integration costs	673	4,210	(3,537)
Impairment charges		(1,059)	1,059
Amortization expense	6,568	7,712	(1,144)
Litigation settlements	(1,082)		(1,082)
Other changes	9,792	9,410	382
Total operating expenses	$ 66,772	$ 63,730	$ 3,042

ZES operating expenses for the year were higher than the 2009 period due to increases in payroll and benefit costs, consulting, project expenses and travel and entertainment costs. These increases were offset due to lower provision required for receivables, reduced integration costs, and lower amortization expense due to an intangible asset being fully amortized at the end of 2009. Included in operating expenses for 2010 is a $1,082,000 in litigation settlement proceeds from escrow claims related to our acquisitions. See Note 20 of the Notes to the Consolidated

Financial Statements for further information related to the escrow claim.

Table of Contents

Comparison of Years Ended December 31, 2009 and 2008

Consolidated Results of Operations

(Amounts in thousands, except percentages)

	Year Ended				
	December 31, 2009	December 31, 2008	Percent Change	Percent of Net Sales - 2009	Percent of Net Sales - 2008
Net Sales					
Tangible products	$ 701,044	$ 871,587	(19.6)	87.2	89.2
Service & software	102,541	105,113	(2.4)	12.8	10.8
Total net sales	803,585	976,700	(17.7)	100.0	100.0
Cost of Sales					
Tangible products	401,727	452,208	(11.2)	50.0	46.3
Service & software	41,137	45,187	(9.0)	5.1	4.6
Total cost of sales	442,864	497,395	(11.0)	55.1	50.9
Gross profit	360,721	479,305	(24.7)	44.9	49.1
Operating expenses	291,919	494,651	(41.0)	36.3	50.6
Operating income (loss)	68,802	(15,346)	548.3	8.6	(1.5)
Other income	1,721	3,433	(49.9)	0.2	0.3
Income (loss) before income taxes	70,523	(11,913)	692.0	8.8	(1.2)
Income taxes	23,419	26,508	(11.7)	2.9	2.7
Net income (loss)	$ 47,104	$ (38,421)	222.6	5.9	(3.9)
Diluted earnings (loss) per share	$ 0.79	$ (0.60)			

Consolidated Results of Operations Year to date

Sales

Net sales for the year ended December 31, 2009 compared with 2008 decreased 17.7%, due primarily to global economic conditions. Sales in each geographic region also were down by similar percentages. The decreases in sales were largely attributable to a decline in hardware sales volume. Hardware sales declined proportionally more for our high-performance, midrange table top and desk top printers, which carry a higher sales price and are more profitable. Notable weakness in sales from the economic downturn began in the third quarter of 2008 and continued throughout 2009.

Cash flow hedging activities in 2009 increased revenues by $603,000 compared with a decrease in revenues from cash flow hedging in 2008 of $12,354,000.

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

	Year Ended				
Product Category	**December 31, 2009**	**December 31, 2008**	**Percent Change**	**Percent of Net Sales - 2009**	**Percent of Net Sales - 2008**
Hardware	$ 539,934	$ 692,638	(22.0)	67.1	70.9
Supplies	155,847	172,106	(9.4)	19.4	17.6
Service and software	102,541	105,113	(2.4)	12.8	10.8
Shipping and handling	5,263	6,843	(23.1)	0.7	0.7
Total sales	$ 803,585	$ 976,700	(17.7)	100.0	100.0

35

Table of Contents

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

Geographic Region	Year Ended December 31, 2009	December 31, 2008	Percent Change	Percent of Net Sales - 2009	Percent of Net Sales - 2008
Europe, Middle East and Africa	$ 294,296	$ 353,273	(16.7)	36.6	36.2
Latin America	65,060	76,489	(14.9)	8.1	7.8
Asia-Pacific	82,120	102,672	(20.0)	10.2	10.5
Total International	441,476	532,434	(17.1)	54.9	54.5
North America	362,109	444,266	(18.5)	45.1	45.5
Total sales	$ 803,585	$ 976,700	(17.7)	100.0	100.0

Gross Profit

Gross profit in 2009 compared with 2008 decreased due to lower volumes and a less favorable product mix. Higher freight costs were incurred in order to meet customer demand in 2009, primarily in the fourth quarter. Unfavorable foreign exchange rates in 2009 decreased gross profit in 2009 by $16,745,000, net of hedges. These factors were partially offset by the benefit of outsourcing and the full year effect of continued cost containment efforts in 2009.

Operating Expenses

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

Operating Expenses	Year Ended December 31, 2009	December 31, 2008	Percent Change	Percent of Net Sales 2009	Percent of Net Sales 2008
Selling and marketing	$ 102,535	$ 126,325	(18.8)	12.8	12.9
Research and development	86,390	95,800	(10.0)	10.7	9.8
General and administrative	81,395	81,644		10.1	8.4
Amortization of intangible assets	10,466	18,575	(43.7)	1.3	1.9
Litigation settlement		(5,302)	100.0		(0.5)
Asset impairment charges	(1,058)	157,600	(100.7)	(0.1)	16.1
Exit, restructuring and integration costs	12,191	20,009	(39.1)	1.5	2.0
Total operating expenses	$ 291,919	$ 494,651	(41.0)	36.3	50.6

Lower overall operating expenses for 2009 compared to 2008 resulted from decreases in several categories including payroll costs primarily from lower staffing levels, outside commissions, project costs, and travel and entertainment expenses. Amortization of intangibles decreased due to impairments recorded in the fourth quarter of 2008 for the impairment of goodwill, intellectual property and other assets. Expenses in 2008 were reduced by the receipt of an escrow claim litigation settlement received in the third quarter of 2008. The above reductions were partially offset by increases in general and administrative expenses for consulting and benefit costs in 2009.

During the fourth quarter or 2008, we took charges totaling $157,600,000 for the impairment of goodwill, intellectual property and other assets. During the second quarter of 2009, $1,495,000 of the goodwill impairment charge was reversed and a $437,000 impairment charge was recorded related to an intangible asset in our ZES segment.

Exit, restructuring and integration costs decreased in 2009 as compared to 2008 as activities related to the ramp down of our production lines and the integration of our ZES businesses have substantially decreased.

Table of Contents

Selling and Marketing Expenses

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

	Year Ended December 31, 2009	December 31, 2008	Increase/(Decrease)
Payroll and benefit costs	$ 64,920	$ 75,986	$ (11,066)
Advertising and market development fund costs	17,781	23,078	(5,297)
Professional services expenses	2,826	3,434	(608)
Travel and entertainment expenses	5,681	8,133	(2,452)
Offsite meetings	418	3,659	(3,241)
Other changes	10,909	12,035	(1,126)
Total selling and marketing expenses	$ 102,535	$ 126,325	$ (23,790)

Selling and marketing expenses decreased in 2009 due to a cost reduction program consisting primarily of headcount reductions implemented during the second half of 2008 in response to the current difficult business environment. Expenditures for all types of advertising and marketing costs were reduced in 2009 as part of our corporate wide cost control efforts in a challenging economy. Zebra s reduced sales volume also resulted in lower commissions.

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 2009 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 predetermined areas of a label using any Zebra thermal label printer. This breakthrough product enhances readability, increases business efficiency and improves safety.

In 2009, Zebra Enterprise Solutions introduced new gate, vessel, billing, automation, analytics and monitoring capabilities in its TOS solution, support for rack tracking, RFID support, and goods return for our manufacturing solution along with a new tag form factor for parts replenishment and a new Ethernet enabled proximity exciter. ZES also released enhancements to its equipment fleet management solution to provide added visibility for operator safety and equipment maintenance.

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 December 31, 2009	December 31, 2008	Increase/(Decrease)
Payroll and benefit costs	$ 63,323	$ 66,652	$ (3,329)
Professional services expenses	5,165	7,144	(1,979)
Project expenses	4,765	8,341	(3,576)
Travel and entertainment expenses	1,867	2,445	(578)
Other changes	11,270	11,218	52
Total research and development costs	$ 86,390	$ 95,800	$ (9,410)

Table of Contents

The decreases are primarily related to cost reductions taken in 2008 which decreased research and development costs for the full year of 2009. Expenditures in this area were reduced as part of our corporate wide cost control efforts in a challenging economy.

General and Administrative Expenses

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

	Year Ended		
	December 31, 2009	**December 31, 2008**	**Increase/(Decrease)**
Payroll and benefit costs	$ 38,609	$ 40,394	$ (1,785)
Professional services expenses	12,474	10,626	1,848
Travel and entertainment expenses	1,332	2,172	(840)
Recruiting fees	216	2,888	(2,672)
Depreciation expense	9,869	8,101	1,768
Gain/loss on sale of assets and equipment	810	(1,127)	1,937
Other changes	18,085	18,590	(505)
Total general and administrative expenses	$ 81,395	$ 81,644	$ (249)

General and administrative expenses decreased due to a cost reduction program consisting primarily of headcount reductions implemented during the second half of 2008 in response to the current difficult business environment. Offsetting the previously mentioned cost reduction were increases in consulting expenses related to business improvement initiatives and depreciation related to a worldwide enterprise resource planning system implementation.

Amortization of Intangible Assets

Amortization of intangible assets decreased $8,109,000 during 2009 due to intangible asset write-downs in the fourth quarter of 2008. See Asset impairment charges below for more details.

Litigation Settlement

In 2008 Zebra received a litigation settlement related to our recent acquisition of WhereNet. See Note 20 for further information related to the litigation settlement.

Asset Impairment Charges

During the fourth quarter of 2008, we determined that certain impairment indicators existed related to identified intangible assets and conducted an additional impairment test of intangibles. Due to the deterioration of the economy and a significant reduction in the price of our stock, we determined that our goodwill and other intangible assets were impaired requiring total estimated impairment charges of $157,600,000 at December 31, 2008. Upon completion of a detailed second step impairment analysis we recorded a credit of $1,495,000 in the second quarter of 2009 to adjust a portion of our original goodwill impairment. In 2009, we also recorded an impairment charge for an intangible asset or $437,000. See Note 7 of the Consolidated Financial Statements included in this Annual Report on Form 10-K for a more detailed discussion of the asset impairment charges.

Exit, Restructuring and Integration Charges

For 2009, exit and restructuring costs were $8,985,000 and integration costs were $3,206,000. For 2008, exit and restructuring costs were $16,650,000 and integration costs were $3,359,000. The reduction is due to the substantial completion of our production outsourcing. See Note 9 of the Consolidated Financial Statements included in this Annual Report on Form 10-K for a more detailed discussion of the exit, restructuring and integration charges.

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, 2009	December 31, 2008
Investment income (loss)	$ 2,933	$ 1,281
Foreign exchange gain (loss)	(45)	3,518
Other, net	(1,167)	(1,366)
Total other income (loss)	$ 1,721	$ 3,433
Rate of Return Analysis:		
Average cash and marketable securities balances	$ 235,803	$ 253,033
Annualized rate of return	1.2%	0.5%

Investment income for 2009 would have been $958,000 higher due to write-downs recorded in 2009 related to losses on equity investments. Investment income for 2008 would have been $7,271,000 higher due to losses related to the write-down of an auction rate security of $4,374,000 and a long term equity investment in the amount of $2,897,000 in 2008. Excluding these write-downs, investment income for 2009 would have been $3,891,000 compared to $8,552,000 in 2008. Excluding the 2008 write-downs, Zebra s annualized rate of return would have been 3.4% for 2008, while the 2009 rate of return would have been 1.6%. The investment income for 2008 was higher due to interest rates being higher in 2008 and Zebra s cash balances also being higher throughout 2008. Cash and marketable securities balances for 2009 have decreased compared to 2008 as a result of payments for acquisitions and for the repurchase of Zebra Class A common stock.

Operating Income (Loss)

The increase in operating income for 2009 over 2008 is the result of cost containment efforts, reduced exit, restructuring and integration costs and the impairment charge recorded in 2008. The operating loss for 2008 is the result of the impairment charges which totaled $157,600,000. See Note 7 of the Consolidated Financial Statements included in this Annual Report on Form 10-K for a more detailed discussion of the asset impairment charges. Also significantly contributing to the operating loss in 2008 were exit, restructuring and integrations costs of $20,009,000, offset by the WhereNet litigation settlement of $5,302,000.

Income Taxes

The effective income tax rate for 2009 was 33.2%. The effective income tax rate for 2008 was not meaningful because a substantial portion of the impairment charges recorded in the fourth quarter of 2008 was not deductible for income tax purposes.

Table of Contents

Business Groups

Specialty Printing Group - Year to date

(Amounts in thousands, except percentages)

	Year Ended				
	December 31, 2009	**December 31, 2008**	**Percent Change**	**Percent of Net Sales - 2009**	**Percent of Net Sales - 2008**
Net Sales					
Tangible products	$ 688,057	$ 851,561	(19.2)	95.2	96.5
Service & software	34,499	30,898	11.7	4.8	3.5
Net sales	722,556	882,459	(18.1)	100.0	100.0
Cost of Sales					
Tangible products	392,298	439,471	(10.7)	54.3	49.8
Service & software	18,013	14,866	21.2	2.5	1.7
Cost of sales	410,311	454,337	(9.7)	56.8	51.5
Gross profit	312,245	428,122	(27.1)	43.2	48.5
Operating expenses	164,124	221,934	(26.0)	22.7	25.1
Operating income	$ 148,121	$ 206,188	(28.2)	20.5	23.4

Specialty Printing Group   Year to date

Net sales for SPG decreased 18.1% for 2009 as compared to 2008, with comparable percentage declines in all regions, except for APAC which decreased modestly more than the other regions. New printer products (defined as printers released within 18 months prior to the end of the applicable fiscal period) accounted for 9.0% of printer sales during 2009, compared with 19.1% of printer sales for 2008.

Our international SPG sales are denominated in multiple currencies, primarily the U.S. dollar, British pound and euro. This diversity causes our reported sales to be subject to fluctuations based on changes in currency rates. The stronger U.S. dollar to the euro and the pound had a negative impact of approximately $21,890,000, net of hedges, on sales during 2009 compared with 2008. We typically hedge a portion of anticipated euro-denominated sales to partially protect Zebra against exchange rate movements. For the year, this program resulted in a gain on hedges of $603,000.

Gross profit margin for SPG was affected by unfavorable foreign currency rate movements, which decreased year to date gross profit versus 2008 gross profit by $16,745,000, net of hedges. Lower volume and a less favorable product mix reduced gross margins. Outsourcing of our manufacturing operations resulted in favorable improvement to gross margin in 2009.

Lower overall operating expenses resulted from decreases in payroll costs, business development costs, recruiting and relocation costs, outside commissions, project costs, travel and entertainment expenses, and offsite meetings. Much of the decreased payroll and benefit costs were a result of lower staffing levels and cost reduction initiatives. Amortization of intangibles was reduced by $3,010,000 for 2009 as compared to 2008 due to asset write-downs taken in 2008.

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

	Year Ended December 31,	Percent

	2009	2008	Change
Total printers shipped	850,230	972,478	(12.6)
Average selling price of printers shipped	$ 522	$ 603	(13.4)

For 2009, unit volumes decreased in nearly all printer product lines compared to the same periods of 2008, with notable volume decreases in high-performance and midrange table top, partially offset by an increase in kiosk volumes.

Table of Contents

Operating expenses for SPG are summarized below (in thousands):

	Year Ended		
	December 31, 2009	December 31, 2008	Increase/(Decrease)
Payroll and benefit costs	$ 97,010	$ 115,461	$ (18,451)
Business development	15,530	22,395	(6,865)
Project expenses	4,411	6,609	(2,198)
Travel & entertainment	5,416	7,198	(1,782)
Sales meeting expenses	441	3,109	(2,668)
Exit and restructuring costs	7,819	16,488	(8,669)
Impairment charges		14,680	(14,680)
Loss (gain) on sale of assets & equipment	802	(1,101)	1,903
Facility relocation costs	5	1,092	(1,087)
Amortization expense	2,754	5,764	(3,010)
Stock options	3,787	5,151	(1,364)
Other changes	26,149	25,088	1,061
Total operating expenses	$ 164,124	$ 221,934	$ (57,810)

Lower operating expenses for 2009 compared to 2008 resulted from decreases in payroll costs primarily from lower staffing levels and reduced spending as part of a corporate wide initiative to reduce costs in a challenging economy.

Exit and restructuring costs decreased in 2009 as compared to 2008 due to the reduction in activities associated with the transfer of our printer manufacturing to a third-party manufacturer and the closure in 2008 of our Warwick, Rhode Island, supplies manufacturing facility. Restructuring costs relate to organizational changes made in December 2008. Facility relocation costs relate to the move of our UK facility into a new location. Amortization of intangibles decreased due to impairments recorded in the fourth quarter of 2008. Impairment charges relate to the write-down of intellectual property from changes in valuations related to current economic conditions and the business outlook. The above reductions were partially offset by increases in general and administrative expenses for consulting and benefit costs in 2009.

Zebra Enterprise Solutions - Year to date

(Amounts in thousands, except percentages)

	Year Ended				
	December 31, 2009	December 31, 2008	Percent Change	Percent of Net Sales - 2009	Percent of Net Sales - 2008
Net Sales					
Tangible products	$ 12,987	$ 20,025	(35.1)	16.0	21.2
Service & software	68,042	74,216	(8.3)	84.0	78.8
Net sales	81,029	94,241	(14.0)	100.0	100.0
Cost of Sales					
Tangible products	9,429	12,737	(26.0)	11.6	13.5
Service & software	23,124	30,321	(23.7)	28.5	32.2
Cost of sales	32,553	43,058	(24.4)	40.2	45.7
Gross profit	48,476	51,183	(5.3)	59.8	54.3
Operating expenses	63,730	217,149	(70.7)	78.7	230.4

Operating loss	$ (15,254)	$ (165,966)	(90.8)	(18.9)	(176.1)

Zebra Enterprise Solutions Year to date

ZES sales decreased 14.0% for 2009 as compared to 2008 primarily due to the severely challenging economic conditions of ZES key markets, namely maritime and automotive markets. Sales declined in hardware and services but remained steady in license fees and maintenance support. Margins improved in services provided to customers due to reduced service costs.

Table of Contents

ZES operating expenses are summarized below (in thousands):

	Year Ended		
	December 31, 2009	December 31, 2008	Increase/(Decrease)
Payroll and benefit costs	$ 37,576	$ 36,841	$ 735
Outside professional services	1,696	5,869	(4,173)
Research & development	149	1,827	(1,678)
Travel & entertainment	2,569	4,510	(1,941)
Office services and supplies	599	(1,052)	1,651
Offsite meetings	(16)	673	(689)
Building allocation	(1,696)	(572)	(1,124)
Bad debt expense	(74)	937	(1,011)
Exit and restructuring	1,004		1,004
ZES integration	3,206	3,359	(153)
Impairment charges	(1,059)	142,920	(143,979)
Amortization expense	7,712	12,811	(5,099)
WhereNet escrow claim net settlement		(5,302)	5,302
Other changes	12,064	14,328	(2,264)
Total increase (decrease)	$ 63,730	$ 217,149	$ (153,419)

ZES operating expenses for 2009 were lower than the 2008 level due to lower staffing levels which were offset by increased benefit costs and contract employees. Other operating expenses reductions resulted from cost containment efforts, collection of previously reserved accounts, reduced outside service costs, and lower amortization of intangibles due to asset write-downs in the fourth quarter of 2008. Amortization of intangibles was reduced by $5,099,000 for 2009 as compared to 2008. Included in operating expenses for 2008 is a $5,302,000 expense reduction related to a payment received from an escrow claim settlement related to our prior acquisition of WhereNet. See Note 20 of the Notes to the Consolidated Financial Statements for further information related to the WhereNet escrow claim net settlement and Note 7 for further information related to the impairment charges.

Table of Contents

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 exits; (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

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 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:

- ZES has *fixed fee software implementation projects*, for which we use the percentage of completion method for revenue recognition. Under this method of accounting, we recognize revenue based on the ratio of costs incurred to total estimated costs. If increases in projected costs-to-complete are sufficient to create a loss contract, the entire estimated loss is charged to operations in the period the loss first becomes known.
- 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.

Table of Contents

We recognize license revenue under Accounting Standards Codification (ASC) 985 (formerly Statement of Position No. 97-2, *Software Revenue Recognition* , as amended by Statement of Position No. 98-9, *Software Revenue Recognition, With Respect to Certain Transactions*), 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, 2010, consisted of the following:

U.S. government and agency securities	10.1%
Obligations of government sponsored enterprises (1)	2.7%
State and municipal bonds	63.7%
Corporate securities	23.5%

(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-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, 2010, Zebra s investments in marketable debt securities are classified as available-for-sale. In addition, as of December 31, 2010, 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 to hold them until maturity.

See Note 3 in the Notes to the Consolidated Financial Statements included in this Form 10-K for the fair value discussion of auction rate security investment valuations.

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.

Table of Contents

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 1.3% to 3.0% of total accounts receivable. Accounts receivable reserves as of December 31, 2010, were $2,161,000, or 1.4% of the balance due. We believe this reserve level is appropriate considering the quality of the portfolio as of December 31, 2010. 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 6.8% to 11.0% of gross inventory. As of December 31, 2010, inventory reserves were $9,837,000, or 8.0% of gross inventory. We believe this reserve level is appropriate considering the quantities and quality of the inventories as of December 31, 2010.

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 2010 and determined that our goodwill was not impaired as of the end of May 2010.

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 (formerly SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*) 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.

Due to the deterioration of the economy in 2008 and a significant reduction in the price of our stock, we performed an interim test of our goodwill in the fourth quarter of 2008 and determined that the goodwill associated with our ZES segment was impaired. See Note 7 of the Consolidated Financial Statements for further discussion of this impairment charge.

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.

Under the Income Approach Discounted Cash Flow Analysis the key assumptions consider sales, cost of sales and operating expenses projected through the year 2015. 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.

45

Table of Contents

Under the Market Approach Guideline Company Method we identified 12 publicly traded companies, including Zebra, which we believe have significant relevant similarities. For these 12 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 22 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.

Due to the deterioration of the economy and a significant reduction in the price of our stock, we determined that our goodwill from our 2007 and 2008 ZES acquisitions was impaired requiring total estimated goodwill impairment charges of $113,679,000 at December 31, 2008. Upon completion of a detailed second step impairment analysis we recorded a credit of $1,495,000 in the second quarter of 2009 to adjust a portion of the original estimated goodwill impairment for ZES.

Valuation of Long-Lived and Other Intangible Assets

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.

During the fourth quarter of 2008, we determined that certain impairment indicators related to identified intangible assets existed and conducted an additional impairment test of intangibles. Due to the deterioration of the economy and a significant reduction in the price of our stock, we determined that our other intangible assets consisting of our 2007 and 2008 ZES acquisitions and intellectual property were impaired requiring total estimated impairment charges of $43,921,000 at December 31, 2008. The intangible asset impairment charges in our SPG segment were related primarily to radio frequency identification patents and patent rights. The intangible asset impairment charges in our ZES segment were related to customer relationships, technology, third party technology licenses and non-competition agreements. We recorded an impairment charge to a ZES intangible asset of $437,000 in 2009. No impairment charges were recorded in 2010.

Net intangible assets, long-lived assets and goodwill amounted to $290,622,000 as of December 31, 2010.

Income Taxes

On January 1, 2007, we adopted ASC 740 (formerly FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109*). 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.

Table of Contents

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	
Balance at December 31, 2010	$ 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, 2010 and December 31, 2009, we did not accrue any interest or penalties into income tax expense.

Zebra has concluded all U.S. federal income tax audits for years through 2006. The tax years 2006 through 2009 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.

The effective income tax rate for the year ended December 31, 2010 was 29.8%.

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 11 in the Notes to the Consolidated Financial Statements included in the Form 10-K.

Equity-Based Compensation

As of December 31, 2010, 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 (formerly SFAS No. 123(R), *Share-Based Payments*). Zebra recognizes compensation costs using the straight-line method over the vesting period of 1 month to 5 years. See Notes 2 and 15 to the Consolidated Financial Statements included in the Form 10-K for further information.

Table of Contents

Liquidity and Capital Resources

(Amounts in thousands, except percentages):

Rate of Return Analysis:	Year Ended December 31, 2010	December 31, 2009
Average cash and marketable securities balances	$ 253,310	$ 235,803
Annualized rate of return	1.1%	1.2%

Average cash and marketable securities balances for the year of 2010 increased compared to 2009 as a result of increased cash provided by operations in 2010 versus 2009.

As of December 31, 2010, Zebra had $259,899,000 in cash, restricted cash, investments and marketable securities, compared with $246,721,000 at December 31, 2009. Factors affecting cash and investment balances during 2010 include the following (changes below include the impact of foreign currency):

- Operations provided cash in the amount of $140,459,000, primarily from net income.
- Accounts receivable increased $4,603,000 because of higher sales.
- Inventories increased $33,884,000 due to increases in raw materials and finished goods.
- Accounts payable increased $6,619,000, due to the timing of vendor payments and increased purchasing as a result of higher demand.
- Accrued liabilities increased $15,386,000, due to increased bonus and benefit accruals.
- Taxes payable increased $9,272,000 due to increased earnings.
- Purchases of property and equipment totaled $30,721,000.
- Net sales of investments totaled $102,485,000.
- Purchases of treasury shares totaled $102,091,000. Zebra made open market repurchases of our shares under authorizations of the Board of Directors announced October 27, 2008 and August 3, 2010.
- Stock option exercises and purchases under the stock purchase plan contributed $8,975,000.

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

Contractual Obligations

Zebra s contractual obligations as of December 31, 2010 were (in thousands):

	Payments due by period Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations	$ 48,017	$ 12,269	$ 19,354	$ 7,908	$ 8,486
Deferred compensation liability	3,427				3,427
Deferred revenue	33,521	26,757	6,764		
Purchase obligations	69,742	69,742			
Total	$ 154,707	$ 108,768	$ 26,118	$ 7,908	$ 11,913

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

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 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, 2010, we had established letters of credit amounting to $3,858,000, which reduce the funds available for borrowing under the agreement. No amounts were outstanding under the credit agreement as of December 31, 2010.

On January 28, 2011, we entered into a Securities Purchase Agreement with Cargotec Corporation to sell all of our interest in the Navis business and MTS for approximately $190 million in cash. We are retaining the real time location, tags and readers portion of the WhereNet business, along with the WhereNet applications that are sold into non-maritime industries. The sale is expected to close in the first quarter of 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 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 standard did not have a material effect upon our consolidated financial statements.

In January 2010, the FASB issued update 2010-06, ASC 820, *Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements*. This updated guidance requires new disclosures related to transfers in and out of Levels 1 and 2. The standard also provides guidance on the disclosures related to Level 3 activities. In addition, existing disclosures related to disaggregation levels and disclosures about inputs and valuation techniques are clarified. This standard is effective for interim and annual periods beginning after December 15, 2009. 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 Perfrom 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 and 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 December 2010, the FASB issued update 2010-29, ASC 805, *Business Combinations: Disclosure of Supplementary Pro Forma Information for Business Combinations* (a consensus of the FASB Emerging Issues Task Force). The standard provides updated guidance on the disclosures related to business combinations. 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.

Table of Contents

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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, the investment portfolio is viewed as a strategic resource that will be managed to achieve above market rates of return in exchange for accepting a prudent amount of incremental risk, which includes the risk of interest rate movements. Risk tolerance is constrained by an overriding objective to preserve capital across each quarterly reporting cycle.

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 investment strategies, 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).

	As of December 31,	
Interest rate sensitive instruments	**2010**	**2009**
+1 percentage point movement		
Effect on Pretax Income	$ (1,974)	$ (2,284)
Effect on Diluted EPS (after tax)	$ (0.02)	$ (0.03)
-1 percentage point movement		
Effect on Pretax Income	$ 1,974	$ 2,284
Effect on Diluted EPS (after tax)	$ 0.02	$ 0.03

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 10 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 10. 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).

	As of December 31,	
Foreign exchange	**2010**	**2009**
Dollar/pound		
Effect on Pretax Income	$ 1,233	$ 575
Effect on Diluted EPS (after tax)	$ 0.02	$ 0.01
Dollar/euro		
Effect on Pretax Income	$ 5,585	$ 2,805
Effect on Diluted EPS (after tax)	$ 0.07	$ 0.03
Euro/pound		
Effect on Pretax Income	$ 0	$ 1,971
Effect on Diluted EPS (after tax)	$ 0.00	$ 0.02

Table of Contents

Equity Price Risk

Zebra s investment manager uses a variety of investment strategies, some of which involve the use of equity securities. 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. However, at the end of 2010 and 2009, Zebra held no equity positions.

Table of Contents

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-38. 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.

Table of Contents

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, 2010. 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, 2010, 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 56 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 portions 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 are a fundamental element of the design and implementation of these systems. As of January 1, 2010, we changed the functional currency of our UK subsidiary from the pound to the U.S. dollar. As a result we modified and enhanced our reconciliation and management review controls over this subsidiary. The modified controls have been in effect since the conversion date. During 2010, we made additional changes to our controls and procedures as part of our ongoing monitoring of our controls. However, none of these changes has materially affected, or is reasonably likely to materially affect, and there were no other changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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.

Table of Contents

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, 2010, 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, 2010, 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, 2010 and 2009, and the related consolidated statements of earnings (loss), comprehensive income (loss), stockholders equity, and cash flows for each of the three years in the period ended December 31, 2010 and the schedule listed in the index at Item 15, our report dated February 24, 2011 expressed an unqualified opinion thereon.

/s/Ernst & Young LLP

Chicago, Illinois

February 24, 2011

Table of Contents

Item 9B. Other Information

Not applicable.

Table of Contents

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, 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 Executive Compensation, Compensation Discussion and Analysis, 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.

Table of Contents

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 24th day of February 2011.

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
/s/Anders Gustafsson	Chief Executive Officer and Director	February 24, 2011
Anders Gustafsson	(Principal Executive Officer)	
/s/Gerhard Cless	Executive Vice President,	February 24, 2011
Gerhard Cless	Director	
/s/ Michael C. Smiley	Chief Financial Officer	February 24, 2011
Michael C. Smiley	(Principal Financial Officer)	
/s/Todd R. Naughton	Vice President, Finance	February 24, 2011
Todd R. Naughton	(Principal Accounting Officer)	
/s/Michael A. Smith	Director and Chairman of the Board of	February 24, 2011
Michael A. Smith	Directors	
/s/ Andrew Ludwick	Director	February 24, 2011
Andrew Ludwick		
/s/Ross W. Manire	Director	February 24, 2011
Ross W. Manire		
/s/Robert J. Potter	Director	February 24, 2011
Robert J. Potter		
/s/ Richard Keyser	Director	February 24, 2011
Richard Keyser		

Table of Contents

ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

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.

Table of Contents

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, 2010 and 2009, and the related consolidated statements of earnings (loss), comprehensive income (loss), stockholders equity and cash flows for each of the three years in the period ended December 31, 2010. 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, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, 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, 2010, 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 24, 2011 expressed an unqualified opinion thereon.

/s/Ernst & Young LLP

Chicago, Illinois

February 24, 2011

Table of Contents

ZEBRA TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	December 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 47,476	$ 38,943
Restricted cash	1,378	1,725
Investments and marketable securities	125,567	114,064
Accounts receivable, net of allowances of $2,161 in 2010 and $2,186 in 2009	154,146	150,992
Inventories, net	113,742	79,926
Deferred income taxes	19,162	10,792
Income taxes receivable		4,724
Prepaid expenses and other current assets	14,833	9,771
Total current assets	476,304	410,937
Property and equipment at cost, net of accumulated depreciation and amortization	88,983	77,589
Long term deferred income taxes	21,254	35,842
Goodwill	151,933	153,225
Other intangibles, net	49,706	55,982
Long term investments and marketable securities	85,478	91,989
Other assets	5,206	4,915
Total assets	$ 878,864	$ 830,479
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 35,304	$ 28,137
Accrued liabilities	68,090	52,591
Deferred revenue	26,757	24,082
Income taxes payable	5,900	
Total current liabilities	136,051	104,810
Deferred rent	2,406	4,108
Other long-term liabilities	10,375	9,432
Total liabilities	148,832	118,350
Commitments and contingencies (Note 11)		
Stockholders equity:		
Preferred stock		
Class A Common Stock	722	722
Additional paid-in capital	129,715	136,104
Treasury stock	(462,029)	(385,831)
Retained earnings	1,070,973	969,195
Accumulated other comprehensive income (loss)	(9,349)	(8,061)

Total stockholders equity		730,032		712,129
Total liabilities and stockholders equity	$	878,864	$	830,479

See accompanying notes to consolidated financial statements.

Table of Contents

ZEBRA TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(Amounts in thousands, except per share data)

	Year Ended December 31, 2010	2009	2008
Net sales			
Net sales of tangible products	$ 855,269	$ 701,044	$ 871,587
Revenue from services and software	101,579	102,541	105,113
Total net sales	956,848	803,585	976,700
Cost of sales			
Cost of sales of tangible products	455,007	401,727	452,208
Cost of services and software	40,972	41,137	45,187
Total cost of sales	495,979	442,864	497,395
Gross profit	460,869	360,721	479,305
Operating expenses:			
Selling and marketing	122,689	102,535	126,325
Research and development	101,930	86,390	95,800
General and administrative	79,710	81,395	81,644
Amortization of intangible assets	9,573	10,466	18,575
Litigation settlement	(1,082)		(5,302)
Exit, restructuring and integration costs	4,197	12,191	20,009
Asset impairment charges		(1,058)	157,600
Total operating expenses	317,017	291,919	494,651
Operating income (loss)	143,852	68,802	(15,346)
Other income (expense):			
Investment income	2,681	2,933	1,281
Foreign exchange gain (loss)	(213)	(45)	3,518
Other, net	(1,385)	(1,167)	(1,366)
Total other income	1,083	1,721	3,433
Income (loss) before income taxes	144,935	70,523	(11,913)
Income taxes	43,157	23,419	26,508
Net income (loss)	$ 101,778	$ 47,104	$ (38,421)

Basic earnings (loss) per share	$ 1.78	$ 0.79	$ (0.60)
Diluted earnings (loss) per share	$ 1.77	$ 0.79	$ (0.60)
Basic weighted average shares outstanding	57,143	59,306	64,524
Diluted weighted average and equivalent shares outstanding	57,428	59,425	64,524

See accompanying notes to consolidated financial statements.

Table of Contents

ZEBRA TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Amounts in thousands)

	Year Ended December 31,		
	2010	**2009**	**2008**
Net income (loss)	$ 101,778	$ 47,104	$ (38,421)
Other comprehensive income (loss):			
Unrealized gain/(loss) on hedging transactions, net of income taxes	(949)	19	5,750
Unrealized holding gains/(losses) on investments, net of income taxes	(406)	737	(543)
Foreign currency translation adjustment	67	3,972	(22,991)
Comprehensive income (loss)	$ 100,490	$ 51,832	$ (56,205)

See accompanying notes to consolidated financial statements.

F-5

Table of Contents

ZEBRA TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Dollars in thousands)

	Class A Common Stock	*Additional Paid-in Capital*	*Treasury Stock*	*Retained Earnings*	*Accumulated Other Comprehensive Income (Loss)*	*Total*
Balance at December 31, 2007	$ 722	$ 141,522	$ (205,058)	$ 960,512	$ 4,995	$ 902,693
Repurchase of 6,008,232 shares of Class A Common Stock			(157,582)			(157,582)
Issuance of 499,576 treasury shares upon exercise of stock options, purchases under stock purchase plan and grants of restricted stock awards		(11,348)	18,493			7,145
Additional tax benefit resulting from exercise of options		(275)				(275)
Equity-based compensation		14,962				14,962
Net loss				(38,421)		(38,421)
Unrealized holding loss on investments (net of income taxes)					(543)	(543)
Unrealized holding gain on hedging transactions (net of income taxes)					5,750	5,750
Foreign currency translation adjustment					(22,991)	(22,991)
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

See accompanying notes to consolidated financial statements.

Table of Contents

ZEBRA TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Year Ended December 31, 2010	2009	2008
Cash flows from operating activities:			
Net income (loss)	$ 101,778	$ 47,104	$ (38,421)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	31,209	32,913	38,581
Equity-based compensation	11,871	11,467	14,962
Asset impairment charges		(1,058)	157,600
Impairment of investments		958	7,271
Excess tax benefit from share-based compensation	(244)	(13)	(192)
Loss (gain) on sale of assets	(58)	829	(1,121)
Deferred income taxes	(1,347)	12,550	(23,138)
Changes in assets and liabilities, net of businesses acquired:			
Accounts receivable, net	(4,603)	8,747	(21,891)
Inventories, net	(33,884)	22,315	(26,222)
Other assets	(3,993)	(733)	(2,758)
Accounts payable	6,619	(16,105)	17,891
Accrued liabilities	15,386	(16,315)	1,429
Deferred revenue	3,414	4,966	11,281
Income taxes payable	16,980	(2,008)	(1,002)
Other operating activities	(2,669)	81	4,012
Net cash provided by operating activities	140,459	105,698	138,282
Cash flows from investing activities:			
Purchases of property and equipment	(30,721)	(24,890)	(40,889)
Proceeds from sale of asset			14,796
Acquisition of businesses, net of cash acquired			(18,588)
Acquisition of intangible assets	(3,497)	(425)	(1,384)
Purchases of investments	(382,091)	(329,292)	(723,791)
Maturities of investments	274,208	257,936	592,749
Proceeds from sales of investments	102,485	56,020	198,541
Net cash provided by (used in) investing activities	(39,616)	(40,651)	21,434
Cash flows from financing activities:			
Purchase of treasury shares	(102,091)	(65,445)	(157,582)
Proceeds from exercise of stock options and stock purchase plan purchases	8,975	4,972	7,145
Excess tax benefit from share-based compensation	244	13	192
Net cash used in financing activities	(92,872)	(60,460)	(150,245)
Effect of exchange rate changes on cash	562	1,089	(14,415)
Net increase (decrease) in cash and cash equivalents	8,533	5,676	(4,944)
Cash and cash equivalents at beginning of year	38,943	33,267	38,211

Cash and cash equivalents at end of year	$ 47,476	$ 38,943	$ 33,267
Supplemental disclosures of cash flow information:			
Income taxes paid	$ 26,563	$ 10,742	$ 49,092

See accompanying notes to consolidated financial statements.

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 and Multispectral Solutions Inc., which we refer to as Zebra Enterprise Solutions Group (ZES). In 2009 and 2008, we integrated these businesses into a single business group and are reporting their results separately from our specialty printing business. Together, these ZES companies give Zebra the ability to deliver more high-value applications that help our customers identify, track and manage assets, transactions and people. The solutions these companies provide are sold on a contract basis and are typically installed over several quarters. These contracts cover a range of services, including design, installation and ongoing maintenance services. 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, which is expected to occur in the first quarter of 2011, we will consolidate the remaining operations of ZES into Zebra s SPG segment and no longer report ZES as a separate segment, as the remaining ZES entities will not be material.

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 2010 fiscal year, our quarter end dates were as follows:

April 3,
July 3,
October 2, 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. Zebra has two types of restricted cash. In the Netherlands, we have an agreement with the import authorities to place 1,000,000 in a bank deposit account, which acts as security for the VAT payable. 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. The remaining restricted cash primarily collateralizes payroll guarantees in a foreign jurisdiction.

Investments and Marketable Securities. Investments and marketable securities at December 31, 2010, consisted of U.S. government and agency securities, state and municipal bonds, corporate bonds, and other interests. Zebra classifies its 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-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, 2010, our investments and marketable securities are classified as available-for-sale securities except for those securities held in the deferred compensation plan which would be 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.

Table of Contents

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. 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	
Balance at December 31, 2010	$ 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, 2010 and December 31, 2009, we did not accrue any interest or penalties into income tax expense.

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. Goodwill is no longer being amortized, as required by ASC 350.

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 last annual assessment during June 2010. At that time, no adjustment to goodwill was necessary due to impairment. Due to economic conditions in late 2008, we performed an additional assessment of our goodwill during December 2008 and found the goodwill of our Zebra Enterprise Solutions Group to be impaired. See Note 7 for further information related to goodwill impairment charges.

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 SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* 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.

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. Due to economic conditions in 2008, we performed an assessment of our identifiable intangibles during December 2008 and found that several of our identifiable intangible assets were impaired. See Note 7 for further information related to asset impairment charges.

Other intangible assets capitalized consist primarily of current technology, customer relationships and patents and patent rights. These assets are recorded at cost and amortized on a straight-line basis over a weighted-average life of 5.0 years, which approximates the estimated useful lives. Weighted average lives remaining by intangible asset class are as follows: Current technology 3.1 years; Patent and patent rights 2.9 years; Customer relationships 9.5 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 exits; (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.

ZES has fixed fee software implementation projects, for which we use the percentage of completion method for revenue recognition. Under this method of accounting, we recognize revenue based on the ratio of costs incurred to total estimated costs. Contract terms generally provide for progress billings on advance terms or based on completion of certain phases of the work. At December 31, 2010, unbilled revenue was $7,401,000 and receivables for contracts in progress included in accounts receivable were $12,291,000. At December 31, 2009, unbilled revenue was $8,480,000 and receivables for contracts in progress included in accounts receivable were $14,682,000.

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, 2010, 2009 and 2008 totaled $7,115,000, $6,118,000 and $7,318,000, respectively.

F-10

Table of Contents

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 SPG printers against defects in material and workmanship. SPG printheads are warranted for nine months and batteries are warranted for twelve months. Warranty coverage for most ZES hardware products is similar, with coverage periods ranging from 90 days to one year depending on the nature of the product. Battery based products, such as location tags, are covered by a 30 day warranty. For ZES software products, the warranty period is generally 90 days and provides coverage against defects in material and workmanship as well as performance materially in compliance with the accompanying documentation. 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):

	Year Ended December 31,		
Warranty Reserve	**2010**	**2009**	**2008**
Balance at the beginning of the year	$ 3,813	$ 2,814	$ 3,411
Warranty expense	6,427	4,629	4,094
Warranty payments	(5,686)	(3,630)	(4,691)
Balance at the end of the period	$ 4,554	$ 3,813	$ 2,814

In the European Union, we have an obligation to recycle printers. We reserve for this obligation based on the number of new printers sold after August 13, 2005, and printers sold prior to that date that are returned to us upon our sale of a new printer to a customer. The following is a summary of Zebra s accrued recycling obligation (in thousands):

	Year Ended December 31,		
Recycling Reserve	**2010**	**2009**	**2008**
Balance at the beginning of the year	$ 1,001	$ 1,207	$ 3,706
Recycling expense	114	324	1,664
Reserve adjustment		(640)	(3,757)
Recycling payments	(8)	(13)	(3)
Other adjustments	6	123	(403)
Balance at the end of the period	$ 1,113	$ 1,001	$ 1,207

During the second quarter of 2009 and 2008 we reviewed the environmental recycling reserves based on our experience of providing for such reserves and decreased our estimates as noted in the above schedule.

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 10 for additional information on our derivatives and hedging activities.

Equity-Based Compensation. At December 31, 2010, Zebra had a general equity-based compensation plan and a stock purchase plan under which shares of our common stock was available for future grants and sales, and which are described more fully in Note 15. 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 1 month 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):

	For the years ended December 31,		
Compensation costs and related income tax benefit:	**2010**	**2009**	**2008**
Cost of sales	$ 1,216	$ 1,198	$ 1,206
Selling and marketing	2,010	1,954	2,849
Research and development	1,610	1,709	2,426
General and administration	7,035	6,606	8,083
Acquisition integration expenses			398
Total compensation expense	$ 11,871	$ 11,467	$ 14,962
Income tax benefit	$ 4,095	$ 3,956	$ 5,162

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 financing cash flows.

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 Translations. 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).

Acquisition Costs. Zebra periodically has external expenditures related to potential acquisitions. During 2008 and previously, these expenditures were recorded as prepaid expenses until such time as Zebra either completed the transaction or abandoned the transaction. If the transaction completed, the costs were treated as part of the cost of the acquisition. If the transaction was abandoned, the costs were expensed during the period in which it was abandoned. In 2009, Zebra expensed these costs as incurred in accordance with the adoption of ASC 805.

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 7 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. This standard will not have a material effect upon our consolidated financial statements.

Table of Contents

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 standard will not have a material effect upon our consolidated financial statements.

In January 2010, the FASB issued update 2010-06, ASC 820, *Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements*. This updated guidance requires new disclosures related to transfers in and out of Levels 1 and 2. The standard also provides guidance on the disclosures related to Level 3 activities. In addition, existing disclosures related to disaggregation levels and disclosures about inputs and valuation techniques are clarified. This standard is effective for interim and annual periods beginning after December 15, 2009. 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 Perfrom 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 and 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 December 2010, the FASB issued update 2010-29, ASC 805, *Business Combinations: Disclosure of Supplementary Pro Forma Information for Business Combinations* (a consensus of the FASB Emerging Issues Task Force). The standard provides updated guidance on the disclosures related to business combinations. 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.

Reclassifications . Certain amounts in the prior years financial statements have been reclassified to conform to the current year s presentation. Selling and marketing expenses of $2,336,000 and research and development expenses of $1,301,000 for the year ended December 31, 2009 have been reclassified from general and administrative expenses. Selling and marketing expenses of $4,890,000 and research and development expenses of $1,351,000 for the year ended December 31, 2008 have been reclassified from general and administrative expenses to realign Zebra s SPG product management group. Prior period amounts will differ in these categories from amounts previously reported.

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. See Note 23 Subsequent Events.

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.
- 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 are three auction rate security instruments. These instruments are classified as available-for-sale securities and are reflected at fair value. Due to events in credit markets, however, the auction events for the instruments held by Zebra as of December 31, 2010, are failed. Therefore, the fair values of these securities are estimated utilizing broker quotations, discounted cash flow analysis or other types of valuation adjustment methodologies at December 31, 2010. These analyses consider,

Table of Contents

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. These securities were 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. See Level 3 table below for more details.

Of the three auction rate security instruments still held, Zebra deemed one to be other than temporarily impaired and recorded the market value decline in 2008. The decline in the market value of the other securities 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 these securities until they are sold at auction, redeemed at carrying value or reach maturity, we have classified them as long-term investments on the balance sheet.

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	$ 21,318	$	$	$ 21,318
Obligations of government-sponsored enterprises (1)	5,785			5,785
State and municipal bonds	131,626		2,683	134,309
Corporate securities	46,683		2,914	49,597
Other investments	36			36
Investments subtotal	205,448		5,597	211,045
Forward contracts (2)	3,275			3,275
Money market investments related to the deferred compensation plan	3,427			3,427
Total assets at fair value	$ 212,150	$	$ 5,597	$ 217,747
Liabilities:				
Liabilities related to the deferred compensation plan	$ 3,427	$	$	$ 3,427
Total liabilities at fair value	$ 3,427	$	$	$ 3,427

Financial assets and liabilities carried at fair value as of December 31, 2009, are classified below (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
U.S. government and agency securities	$ 12,811	$	$	$ 12,811
Obligations of government-sponsored enterprises (1)	10,666			10,666
State and municipal bonds	161,839		4,133	165,972
Corporate securities	13,654		2,914	16,568
Other investments	36			36
Investments subtotal	199,006		7,047	206,053
Forward contracts (2)	851			851
Money market investments related to the deferred compensation plan	3,155			3,155
Total assets at fair value	$ 203,012	$	$ 7,047	$ 210,059

Liabilities:				
Liabilities related to the deferred compensation plan	$ 3,155	$	$	$ 3,155
Total liabilities at fair value	$ 3,155	$	$	$ 3,155

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

Table of Contents

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, 2010	Year Ended December 31, 2009
Balance at beginning of the year	$ 7,047	$ 7,047
Transfers to Level 3		
Total losses (realized or unrealized):		
Included in earnings		
Included in other comprehensive income (loss)	200	
Purchases and settlements (net)	(1,650)	
Balance at end of period	$ 5,597	$ 7,047
Total gains and (losses) for the period included in earnings attributable to the change in unrealized losses relating to assets still held at end of period	$	$

As of December 31, 2010 and December 31, 2009, 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, 2009 and 2008.

The following is a summary of short-term and long-term investments at December 31, 2010 and December 31, 2009 (in thousands):

	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		5,785
State and municipal bonds	134,370	402	(463)	134,309
Corporate securities	49,884	199	(486)	49,597
Other investments	36			36
Total investments	$ 211,247	$ 753	$ (955)	$ 211,045

	As of December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value

U.S. government and agency securities	$ 12,931	$ 45	$ (165)	$ 12,811
Obligations of government-sponsored enterprises	10,589	82	(5)	10,666
State and municipal bonds	165,366	1,177	(571)	165,972
Corporate securities	16,680	306	(418)	16,568
Other investments	36			36
Total investments	$ 205,602	$ 1,610	$ (1,159)	$ 206,053

The maturity dates of investments as of December 31, 2010 are as follows (in thousands):

	As of December 31, 2010	
	Amortized Cost	**Estimated Fair Value**
Less than 1 year	$ 125,292	$ 125,567
1 to 5 years	85,216	84,725
6 to 10 years	739	753
Thereafter		
Total	$ 211,247	$ 211,045

F-15

Table of Contents

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

We classify our investments in marketable debt securities as available-for-sale. As of December 31, 2010, 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 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.

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,		
	2010	**2009**	**2008**
Changes in unrealized gains and losses on available-for- sale securities, net of tax, recorded in accumulated other comprehensive income (loss)	$ (406)	$ 737	$ (543)

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, 2010. 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			$	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)

As of December 31, 2009, 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	12	$ 5,511	$ (164)	2	$ 2,361	$ (7)
State and municipal bonds	3	5,580	(1)	15	19,145	(570)
Corporate Securities	2	4,187	(413)	2	1,391	(5)

Total	17	$ 15,278	$ (578)	19	$ 22,897	$ (582)

Table of Contents

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

	2010	2009	2008
Proceeds	$ 102,485	$ 56,020	$ 165,177
Realized gains	458	260	376
Realized losses	(198)	(219)	(901)
Net realized losses included in other comprehensive income (loss) as of the end of the prior year	(264)	(26)	(441)

Note 5 Inventories

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

	As of	
	December 31, 2010	December 31, 2009
Raw material	$ 33,441	$ 27,953
Work in process	171	162
Deferred costs of long-term contracts	482	1,937
Finished goods	89,485	58,928
Total inventories, gross	123,579	88,980
Inventory reserves	(9,837)	(9,054)
Total inventories, net	$ 113,742	$ 79,926

Note 6 Property and Equipment

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

	December 31,	
	2010	2009
Buildings	$ 2,036	$ 2,036
Land	471	320
Machinery, equipment and tooling	77,873	74,311
Furniture and office equipment	11,695	11,191
Computers and software	81,306	81,096
Automobiles	20	20
Leasehold improvements	12,924	11,637
Projects in progress computers and software	26,844	11,594
Projects in progress - other	10,600	3,275
	223,769	195,480
Less accumulated depreciation and amortization	(134,786)	(117,891)
Net property and equipment	$ 88,983	$ 77,589

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

	December 31,	
	2010	2009
Unamortized computer software costs	$ 17,509	$ 21,545

	Year Ended December 31,		
	2010	2009	2008
Amortization of capitalized software	$ 5,624	$ 6,212	$ 5,058
Total depreciation expense charged to income	21,636	22,447	20,006

Table of Contents

Note 7 Goodwill and Other Intangible Asset Data

Intangible asset data are as follows (in thousands):

	As of December 31, 2010		
	Gross Amount	Accumulated Amortization	Net Amount
Amortized intangible assets			
Current technology	$ 31,846	$ (20,743)	$ 11,103
Patent and patent rights	17,160	(9,351)	7,809
Customer relationships	44,670	(13,876)	30,794
Total	$ 93,676	$ (43,970)	$ 49,706
Amortization expense for the year ended December 31, 2010		$ 9,573	

During the second quarter of 2010, Zebra entered into an agreement with an international technology provider to acquire patents and patent rights related to card printer solutions technology. The agreement required total consideration in the amount of approximately $3,047,000 or 2,400,000, of which Zebra has paid in full through the end of 2010. This agreement provides Zebra with a new distribution partner and enhanced technology solutions and software.

	As of December 31, 2009		
	Gross Amount	Accumulated Amortization	Net Amount
Amortized intangible assets			
Current technology	$ 32,038	$ (17,071)	$ 14,967
Patent and patent rights	13,663	(6,774)	6,889
Customer relationships	44,822	(10,696)	34,126
Total	$ 90,523	$ (34,541)	$ 55,982
Amortization expense for the year ended December 31, 2009		$ 10,466	

Estimated amortization expense:	
For the year ended December 31, 2011	9,553
For the year ended December 31, 2012	8,899
For the year ended December 31, 2013	7,550
For the year ended December 31, 2014	4,511
For the year ended December 31, 2015	3,797
Thereafter	15,396
Total	$ 49,706

Certain of our intangible assets including goodwill are denominated in foreign currency and, as such, include the effects of foreign currency translation.

	December 31, 2010	December 31, 2009
Unamortized intangible assets		
Goodwill at gross cost	$ 265,799	$ 265,799
Impairment charges	(112,184)	(112,184)
Foreign exchange impact	(1,682)	(390)
Goodwill	$ 151,933	$ 153,225

Table of Contents

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.

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 fourth quarter of 2008, we determined that certain impairment indicators existed related to identified intangible assets and conducted an additional impairment test of intangibles. Due to the deterioration of the economy and a significant reduction in the price of our stock, we determined that our goodwill and other intangible assets were impaired requiring total estimated impairment charges of $157,600,000 at December 31, 2008. (The portion of the goodwill associated with our ZES segment included in the estimated impairment charge was $113,679,000). Upon completion of a detailed second step impairment analysis we recorded a credit of $1,495,000 in the second quarter of 2009 to adjust a portion of our original goodwill impairment for ZES. In addition, we recorded an impairment charge for a ZES intangible asset or $437,000.

We performed our annual impairment test in June 2010 and determined that our goodwill was not impaired as of the end of May 2010.

Changes in the net carrying value amount of goodwill were as follows (in thousands):

	ZES	**SPG**	**Total**
Goodwill at December 31, 2008	80,837	70,519	151,356
Impairment reversal	1,495		1,495
Foreign exchange impact	304	70	374
Goodwill at December 31, 2009	$ 82,636	$ 70,589	$ 153,225
Impairment reversal			
Foreign exchange impact	(1,292)		(1,292)
Goodwill at December 31, 2010	$ 81,344	$ 70,589	$ 151,933

During 2010, we acquired intangible assets in the amount of $3,497,000 for patents and other intellectual property. During 2009, we acquired intangible assets in the amount of $425,000 for patent rights. These intangible assets have an estimated useful life of 2 to 9 years. In conjunction with our goodwill impairment testing in 2008, we also tested our identifiable intangible assets and found several of them to be impaired resulting in an additional impairment charge of $28,937,000 to our ZES segment and $14,680,000 to our SPG segment. The intangible asset impairment charges in our SPG segment in were related primarily to radio frequency identification patents and patent rights. The intangible asset impairment charges in our ZES segment were related to customer relationships, technology, third party technology licenses and non-competition agreements.

Note 8 Other Assets

Other assets consist of the following (in thousands):

	December 31,	
	2010	**2009**
Money market investments related to the deferred compensation plan (See Note 16)	$ 3,427	$ 3,155
Long-term equity securities	527	532
Deposits	1,194	1,120
Other long-term assets	58	108
Total	$ 5,206	$ 4,915

Note 9 Costs Associated with Exit or Disposal Activities

During 2008, we initiated two different plans to close facilities. These plans are being accounted for under ASC 420.

In January 2008, we initiated a plan to close our supplies manufacturing plant in Warwick, Rhode Island and transfer operations to a new facility in Flowery Branch, Georgia. This transition was completed during the second quarter of 2008. We do not expect to incur any further costs associated with this plan.

Costs incurred and included in the December 31, 2008 results were (in thousands):

Type of Cost	**2008**
Severance, stay bonuses, and other employee-related expenses	$ 341
Other exit costs	261
Total	$ 602

Also 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. These actions are intended to optimize our global printer product supply chain by improving responsiveness to customer needs and increasing Zebra s flexibility to meet emerging business opportunities. All printer manufacturing in our Vernon Hills, Illinois, and Camarillo, California, facilities have been transferred to Jabil s facility in Guangzhou, China as of December 31, 2010.

As of December 31, 2010, we have incurred the following exit costs (in thousands):

Type of Cost	**Cost incurred through December 31, 2009**	**Costs incurred for the year ended**	**Total costs incurred as of December 31, 2010**

	December 31,		
		2010	
Severance, stay bonuses, and other employee-related expenses	$ 7,633	$ 605	$ 8,238
Professional services	5,915	1,365	7,280
Relocation and transition costs	8,802	1,959	10,761
Other exit costs	30	268	298
Total	$ 22,380	$ 4,197	$ 26,577

Table of Contents

For the year ended December 31, 2010, we have incurred the following exit costs by segment (in thousands):

Type of Cost	Specialty Printing Group (SPG) costs	Zebra Enterprise Solutions (ZES) costs	Total costs incurred for the year ended December 31, 2010
Severance, stay bonuses, and other employee-related expenses	$ 94	$ 511	$ 605
Professional services	140	1,225	1,365
Relocation and transition costs	1,959	0	1,959
Other exit costs	0	268	268
Total	$ 2,193	$ 2,004	$ 4,197

For the year ended December 31, 2009, we incurred the following exit costs by segment (in thousands):

Type of Cost	Specialty Printing Group (SPG) costs	Zebra Enterprise Solutions (ZES) costs	Total costs incurred for the year ended December 31, 2009
Severance, stay bonuses, and other employee-related expenses	$ 2,356	$ 969	$ 3,325
Professional services	485	5	490
Relocation and transition costs	5,140	0	5,140
Other exit costs	0	30	30
Total	$ 7,981	$ 1,004	$ 8,985

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

	Year Ended	
	December 31, 2010	December 31, 2009
Balance at beginning of period	$ 3,038	$ 6,378
Charged to earnings	4,197	8,985
Cash paid	(5,534)	(12,325)
Balance at the end of period	$ 1,701	$ 3,038

Liabilities related to exit activities are included in the accrued liabilities line item on the balance sheet. All current exit costs are included in operating expenses for our SPG segment under the line item exit, restructuring and integration costs.

Also included in the line item exit, restructuring and integration costs are expenses related to an integration project to combine our acquisitions of WhereNet Corp., proveo AG, Navis Holdings, LLC, and Multispectral Solutions, Inc., to form our ZES segment. Expenses related to integrating these businesses totaled $3,206,000 for the year ended December 31, 2009, and $3,359,000 for the year ended December 31, 2008.

On January 31, 2011, Zebra announced that it will sell its Navis Holdings, LLC business unit to a third party. See Note 23 Subsequent events for further details. Zebra incurred costs in 2010 related to consulting and professional fees in order to prepare for the sale of this unit. Costs incurred related to the future disposition of $1,153,000 have been included in the exit, restructuring and integration costs line item for 2010.

Note 10 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 counter party 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. Our sales are not materially dependent on a single customer or a small group of customers.

Fair Value of Derivative Instruments

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.

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.

Forward Contracts

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, 2010	December 31, 2009	
Assets:			
Other assets	$ 3,275	$	851
Total	$ 3,275	$	851
Liabilities:			
Other long-term liabilities	$	$	
Total	$	$	

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,		
	2010	2009	2008

Change in losses from foreign exchange derivatives	$ 5,074	$ (512)	$ (13,196)
Gain (loss) on net foreign currency assets	(5,287)	467	16,714
Net foreign exchange gain (loss)	$ (213)	$ (45)	$ 3,518

	December 31, 2010	December 31, 2009	December 31, 2008
Notional balance of outstanding contracts:			
Euro	46,307	37,042	18,500
Pound	£ 6,162	£ 7,476	£ 5,000
Euro/Pound			17,000
Net fair value of outstanding contracts	$ 667	$ (6)	$ (2,414)

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.

Table of Contents

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

	As of	
	December 31, 2010	December 31, 2009
Net unrealized gains (losses) deferred in other comprehensive income:		
Gross	$ (1,522)	$ 31
Income tax benefit	(573)	12
Net	$ (949)	$ 19

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

	As of	
	December 31, 2010	December 31, 2009
Notional balance of outstanding contracts versus the dollar	82,800	
Hedge effectiveness	100%	

	Year Ended December 31,		
	2010	2009	2008
Net gain and (losses) included in revenue	$ (630)	$ 603	$ (12,354)

Note 11 Commitments and Contingencies

Leases. Minimum future obligations under all non-cancelable operating leases as of December 31, 2010 are as follows (in thousands):

	Operating Leases
2011	$ 12,269
2012	10,450
2013	8,904
2014	5,078
2015	2,830
Thereafter	8,486
Total minimum lease payments	$ 48,017

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

	Year Ended December 31,		
	2010	2009	2008
Rent expense	$ 13,367	$ 13,312	$ 15,695

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, 2010, is $1,781,000. See below for letters of credit related to our revolving credit agreement.

Table of Contents

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.

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, 2010, we had established letters of credit amounting to $3,858,000, which reduce the funds available for borrowing under the agreement. As of December 31, 2010 and 2009, no amounts were outstanding under the credit agreement.

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 alleges 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. Barcode s claim seeks an unspecified amount of damages. Discovery in the case is on-going and we expect that a trial will occur in the second half of 2011. Zebra is vigorously defending this action, believes that Barcode s claims are without merit and that the matter will not have a material adverse impact on our business.

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 12 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. During the first quarter of 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.

Zebra has a discretionary profit-sharing plan for qualified employees, to which it contributes a percentage of eligible payroll each year. 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,		
	2010	**2009**	**2008**
401(k)	$ 4,586	$ 2,210	$ 4,156
Profit sharing	0	145	1,748
Total	$ 4,586	$ 2,355	$ 5,904

Percentage of eligible payroll contributed for profit sharing plan	N/A	N/A	1.5%

Table of Contents

Note 13 Stockholders Equity

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

	December 31, 2010	December 31, 2009
Preferred Stock		
Par value per share	$ 0.01	$ 0.01
Shares authorized	10,000,000	10,000,000
Shares outstanding		
Common Stock Class A		
Par value per share	$ 0.01	$ 0.01
Shares authorized	150,000,000	150,000,000
Shares issued	72,151,857	72,151,857
Shares outstanding	55,711,325	58,318,983
Treasury stock		
Shares held	16,440,532	13,832,874

During the year ended December 31, 2010, Zebra purchased 3,349,286 shares of common stock for $102,091,000 under board authorized share repurchase plans compared to the year ended December 31, 2009, in which Zebra purchased 3,173,182 shares of common stock for $65,445,000. During the year ended December 31, 2008, Zebra purchased 6,008,232 shares of common stock for $157,582,000.

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

	Year Ended December 31,	
	2010	2009
Balance at the beginning of the year	58,318,983	60,861,592
Repurchases	(3,349,286)	(3,173,182)
Stock option and ESPP issuances	389,799	281,975
Restricted share issuances	375,279	409,201
Restricted share forfeitures	(16,252)	(49,650)
Shares withheld for tax obligations	(7,198)	(10,953)
Balance at the end of the period	55,711,325	58,318,983

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 Rights will expire on March 14, 2012, unless that date is extended by the Board of Directors or unless the Rights are redeemed or terminated earlier. A committee of Zebra s independent directors reviews the Rights Plan at least every three years and decides whether it should continue or be revoked. Zebra generally may amend the Rights Plan or redeem the Rights at $0.001 per Right at any time prior to the time a person or group has acquired at least 15% of the outstanding common stock.

Note 14 Earnings (Loss) Per Share

For the years ended December 31, 2010, 2009, and 2008, earnings (loss) per share were computed as follows (in thousands, except per-share amounts):

	Year Ended December 31,		
	2010	2009	2008
Basic earnings (loss) per share:			
Net income (loss)	$ 101,778	$ 47,104	$ (38,421)
Weighted average common shares outstanding	57,143	59,306	64,524
Per share amount	$ 1.78	$ 0.79	$ (0.60)
Diluted earnings (loss) per share:			
Net income (loss)	$ 101,778	$ 47,104	$ (38,421)
Weighted average common shares outstanding	57,143	59,306	64,524
Add: Effect of dilutive securities stock options	285	119	
Diluted weighted average and equivalent shares outstanding	57,428	59,425	64,524
Per share amount	$ 1.77	$ 0.79	$ (0.60)

The potentially dilutive securities that were excluded from the earnings (loss) per share calculation consist of stock options and stock appreciation rights (SARs) with an exercise price greater than the average market price of the Class A Common Stock. These options were as follows:

	Year Ended December 31,		
	2010	**2009**	**2008**
Potentially dilutive shares	1,844,038	2,350,854	2,217,940

Note 15 Equity-Based Compensation

As of December 31, 2010, 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 below.

On May 9, 2006, Zebra s stockholders approved the 2006 Zebra Technologies Corporation Incentive Compensation Plan (the 2006 Plan), which included authorization for issuance of awards of 5,500,000 shares under the 2006 Plan. The 2006 Plan became effective immediately and superseded the 1997 Stock Option Plan (the 1997 Plan) and the 2002 Non-Employee Director Stock Option Plan (the 2002 Director Plan), except that the prior plans will remain in effect with respect to stock options granted under the prior plans until such options have been exercised, forfeited, cancelled, expired or otherwise terminated in accordance with the terms of such grants. The types of awards available under the 2006 Plan are incentive stock options, nonqualified stock options, SARs, restricted stock, performance shares and units and performance-based cash bonuses. Employees, directors and consultants of Zebra and its subsidiaries are eligible to participate in the 2006 Plan. The Compensation Committee of the Board of Directors administers the plan. As of December 31, 2010, 2,205,918 shares were available for grant under the plan, and options for 2,262,412 shares were outstanding under the 2006 Plan.

The options and SARs granted under the 2006 Plan have an exercise or grant price equal to the closing market price of Zebra s stock on the date of grant. Options and SAR s generally vest over a four or five-year period. These awards expire on the earlier of (a) ten years following the grant date, (b) immediately if the employee is terminated for cause, (c) ninety days after termination of employment if the employee is terminated involuntarily other than for cause, (d) thirty days after termination of employment if the employee voluntarily terminates his or her employment, or (e) one year after termination of employment if the employee s employment terminates due to death, disability, or retirement.

The following table shows the number of shares of time-vested restricted stock granted in 2010 and the vesting schedules of the restricted stock awards that were granted under the Plan to certain executive officers and other members of management.

Vesting period	Number of shares granted
After three years of service	341,580
After four years of service	11,233
After five years of service	22,466

These restricted stock awards will vest at each vesting date if the employee remains employed by Zebra throughout the applicable time period, but will vest in whole or in part (as set forth in each Restricted Stock Agreement) before the end of the each vesting period in the event of death, disability, resignation for good reason, a change in control (as defined in the 2006 Plan), or termination by Zebra other than for Cause, as defined in the Restricted Stock Agreement entered into by Zebra with each employee who was granted restricted stock. The restricted stock is forfeited in certain situations specified in the Restricted Stock Agreement, including, if the employee s employment is terminated by Zebra for Cause or if the employee resigns for other than good reason.

The 1997 Plan was superseded by the 2006 Plan. As of December 31, 2010, options for 1,080,576 shares were outstanding and exercisable under the 1997 Plan. These options expire on the earlier of (a) ten years following the grant date, or (b) immediately if the employee is terminated for cause, (c) ninety days after termination of employment if the employee is terminated involuntarily other than for cause, (d) thirty days after termination of employment if the employee voluntarily terminates his or her employment, or (e) one year after termination of employment if the employee s employment terminates due to death, disability, or retirement.

F-26

Table of Contents

The 2002 Director Plan was superseded by the 2006 Plan. As of December 31, 2010, options for 159,068 shares were outstanding and exercisable under the 2002 Director Plan. Unless otherwise provided in an option agreement, options granted under the 2002 Director Plan become exercisable in five equal increments beginning on the date of the grant and continuing on each of the four anniversaries thereafter. All such options expire on the earlier of (a) ten years following the grant date, (b) the first anniversary of the termination date of the non-employee director s directorship for any reason other than the termination of the non-employee director s directorship by Zebra s stockholders for cause, or resignation for cause, in each case as defined in the option agreement.

In connection with Zebra s acquisitions of Navis and WhereNet, Zebra assumed existing unvested stock options exercisable for shares of Navis common stock and WhereNet s common stock, respectively, and made them options exercisable for Zebra common stock. These new options have exercise prices and vesting dates based on their previous terms. The vesting dates extend in some cases until April 30, 2011 for the Navis options and extended until October 23, 2010 for the WhereNet options. As of December 31, 2010, outstanding Navis options were exercisable into 48,162 shares of Zebra Class A Common Stock. As of December 31, 2010, outstanding WhereNet options were exercisable into 23,278 shares of Zebra Class A Common Stock.

The Board of Directors and stockholders adopted the 2001 Stock Purchase Plan under which employees who work a minimum of 20 hours per week may elect to withhold up to 10% of their cash compensation through regular payroll deductions to purchase shares of Class A Common Stock from Zebra over a period not to exceed 12 months at a purchase price per share which prior to April 1, 2009 was equal to the lesser of: (1) 85% of the fair market value of the shares as of the date of the grant, or (2) 85% of the fair market value of the shares as of the date of purchase. Effective April 1, 2009, the purchase price per share is now equal to the lesser of: (1) 95% of the fair market value of the shares as of the date of the grant, or (2) 95% of the fair market value of the shares as of the date of purchase. The effect of this change to Zebra was to reduce the general and administrative expense related to this portion of Zebra s stock purchase plan. Stock purchase plan expense for the year ended December 31, 2010 was $315,000. Stock purchase plan expense for the year ended December 31, 2009 was $514,000.

For purposes of calculating the compensation cost, the fair value is estimated on the date of grant using a binomial model. Volatility is based on an average of the implied volatility in the open market and the annualized volatility of Zebra s stock prices over our entire stock history. Stock option grants in the table below include both stock options, all of which were non-qualified, and stock appreciation rights (SAR) that will be settled in Zebra stock. The following table shows the weighted-average assumptions used for grants of stock options and SARs as well as the fair value of the grants based on those assumptions (excluding the Navis and WhereNet options):

	2010	2009	2008
Expected dividend yield	0%	0%	0%
Forfeiture rate	9.78%	9.92%	8.99%
Volatility	39.50%	43.08%	37.79%
Risk free interest rate	2.26%	2.23%	3.17%
- Range of interest rates	0.06% - 3.41%	0.15% - 3.29%	0.81% - 3.87%
Expected weighted-average life	5.36 years	5.23 years	5.09 years
Fair value of options granted	$6,527,000	$6,046,000	$7,566,000
Weighted-average grant date fair value of options granted (per share underlying the options)	$10.64	$8.06	$13.33

The forfeiture rate is based on the historical annualized forfeiture rate, which is consistent with prior year rates. This rate includes only pre-vesting forfeitures. Volatility is based on an average of the implied volatility in the open market and the annualized volatility of Zebra s stock prices over our entire stock history. The risk free interest rate used is the implied yield currently available from the U.S. Treasury zero-coupon yield curve over the contractual term of the options. The expected weighted-average life is based on historical exercise behavior, which combines the average life of the options that have already been exercised or cancelled with the exercise life of all unexercised options. The exercise life of unexercised options assumes that the option will be exercised at the midpoint of the vesting date and the full contractual term. These assumptions are consistent with the assumptions used in prior years.

Stock option and SAR activity for the years ended December 31, 2010, 2009, and 2008, was as follows:

Options and SARs	2010 Shares	2010 Weighted-Average Exercise Price	2009 Shares	2009 Weighted-Average Exercise Price	2008 Shares	2008 Weighted-Average Exercise Price
Outstanding at beginning of year	3,451,945	$ 32.81	3,139,174	$ 35.83	3,029,138	$ 34.68
Granted	612,681	27.82	749,951	19.96	567,676	35.72
Exercised	(304,565)	23.03	(128,311)	17.53	(202,204)	16.77
Forfeited	(93,476)	30.44	(132,646)	37.28	(213,012)	36.11
Expired	(90,839)	38.02	(176,223)	39.88	(42,424)	41.38
Outstanding at end of year	3,575,746	$ 32.68	3,451,945	$ 32.81	3,139,174	$ 35.83
Exercisable at end of year	2,042,664	$ 36.24	1,884,449	$ 35.23	1,719,434	$ 33.30
Intrinsic value of exercised options and SARs	$ 2,567,000		$ 738,000		$ 3,138,000	

Table of Contents

For the year ended December 31, 2010, shares granted above include SARs with respect to 612,681 shares of Zebra stock. There were no stock options granted in 2010. The terms of the SARs are established under the 2006 Plan and the applicable SAR agreement. Once vested, a SAR entitles the holder to receive a payment equal to the difference between the per-share grant price of the SAR and the fair market value of a share of Zebra stock on the date the SAR is exercised, multiplied by the number of shares covered by the SAR. Exercised SARs will be settled in whole shares of Zebra stock, and any fraction of a share will be settled in cash. Vesting of SARs granted in 2010 is as follows: 18,000 SARs vest after one year, 474,382 SARs vest annually in four equal amounts on each of the first four anniversaries of the grant date; 120,299 vest 25% on the third and fourth anniversary of the grant date, with an additional 50% vesting on the fifth anniversary of the grant date. All SARs expire 10 years after the grant date.

The following table summarizes information about stock options and SARs outstanding at December 31, 2010:

	Outstanding			Exercisable	
Range of Exercise Prices	**Number of Shares**	**Weighted-Average Remaining Contractual Life**	**Weighted-Average Exercise Price**	**Number of Shares**	**Weighted-Average Exercise Price**
$ 1.29-$20.74	703,589	7.83 years	$ 18.87	215,355	$ 17.28
$ 20.75-$27.82	995,495	6.58 years	25.97	377,096	23.20
$ 27.83-$39.27	742,892	6.39 years	35.81	455,233	35.88
$ 39.28-$43.35	519,238	5.82 years	42.07	392,448	42.07
$ 43.36-$53.92	614,532	4.02 years	47.61	602,532	47.64
	3,575,746			2,042,664	

	Outstanding	**Exercisable**
Aggregate intrinsic value	$ 13,027,000	$ 5,733,000
Weighted-average remaining contractual term	6.2 years	4.7 years

Restricted stock award activity, granted under the 2006 Plan, for the years ended December 31, 2010, 2009 and 2008 was as follows:

	2010		**2009**		**2008**	
Restricted Stock Awards and Performance Share Awards	**Shares**	**Weighted-Average Grant Date Fair Value**	**Shares**	**Weighted-Average Grant Date Fair Value**	**Shares**	**Weighted-Average Grant Date Fair Value**
Outstanding at beginning of year	507,984	$ 23.94	283,567	$ 30.35	166,415	$ 31.05
Granted	375,279	27.84	298,703	20.02	179,060	31.42
Released	(22,325)	29.11	(35,904)	32.97	(50,114)	35.46
Forfeited	(16,252)	26.19	(38,382)	32.34	(11,794)	34.89
Outstanding at end of year	844,686	$ 25.47	507,984	$ 23.94	283,567	$ 30.35

As of December 31, 2010, there was $19,780,000 of unearned compensation cost related to awards granted under Zebra s equity-based compensation plans, which is expected to be recognized over a weighted-average period of 2.4 years.

The fair value of the purchase rights issued to Zebra employees under the stock purchase plan is estimated using the following weighted-average assumptions for purchase rights granted. Expected lives of three months to one year have been used along with these assumptions.

	2010	2009	2008
Fair market value	$ 27.95	$ 21.41	$ 20.26
Option price	$ 26.55	$ 19.66	$ 17.22
Expected dividend yield	0%	0%	0%
Expected volatility	25%	34%	46%
Risk free interest rate	0.14%	0.18%	1.87%

Table of Contents

Note 16 Deferred Compensation Plan

Zebra offers a deferred compensation plan that permits directors and executive management employees to defer portions of their compensation and to select a method of investing these funds. The salaries that have been deferred since the plan s inception have been accrued and the only expense, other than salaries, related to this plan is the gain or loss from the changes to the deferred compensation liability, which is charged to compensation expense. To fund this plan, Zebra purchases money market investments. Previously, Zebra purchased corporate-owned whole-life insurance contracts on the related employees, of which Zebra is the beneficiary. During 2007, the whole-life insurance policies were liquidated and money market investments were purchased.

The following table shows the income, asset and liability amounts related to this plan (in thousands):

	Year Ended December 31,		
	2010	2009	2008
Gain on cash surrender value of life insurance policies/money market interest included in investment income	$	$	$ 55

	December 31, 2010	December 31, 2009
Money market investments included in other assets	$ 3,427	$ 3,155
Deferred compensation liability included in other long-term liabilities	3,427	3,155

Note 17 Income Taxes

The geographical sources of income (loss) before income taxes were as follows (in thousands):

	Year Ended December 31,		
	2010	2009	2008
United States	$ 73,915	$49,514	$ (30,517)
Outside United States	71,020	21,009	18,604
Total	$ 144,935	$ 70,523	$ (11,913)

Zebra s intention is to permanently reinvest the undistributed earnings of all of our foreign subsidiaries in accordance with ASC740. Deferred income taxes are not provided on undistributed earnings of foreign subsidiaries, aggregating approximately $90,000,000 at December 31, 2010 and $38,000,000 at December 31, 2009. If the undistributed earnings were to be remitted to Zebra, foreign tax credits would be available to substantially offset any U.S. tax due upon repatriation.

The provision for income taxes consists of the following (in thousands):

Year Ended December 31,

	2010	2009	2008
Current:			
Federal	$ 24,340	$ 4,213	$ 38,149
State	2,890	861	5,213
Foreign	16,994	5,556	7,494
Total current	44,224	10,630	50,856
Deferred:			
Federal	(3,591)	10,504	(22,309)
State	2,524	509	(2,039)
Foreign		1,776	
Total deferred	(1,067)	12,789	(24,348)
Total	$ 43,157	$ 23,419	$ 26,508

Table of Contents

The provision for income taxes differs from the amount computed by applying the U.S. statutory Federal income tax rate of 35% to income before income taxes. The reconciliation of statutory and effective income taxes is presented below (in thousands):

	Year Ended December 31,		
	2010	**2009**	**2008**
Provision computed at statutory rate	$ 50,727	$ 24,683	$ (4,170)
State income tax, net of Federal tax benefit	1,666	566	1,127
Tax-exempt interest income	(554)	(1,047)	(1,997)
Acquisition related items	(315)		(2,450)
Asset impairment charges			35,360
Domestic manufacturing deduction	(70)	(700)	(1,715)
Research and experimental credit	(950)	(600)	(400)
Foreign rate differential	(7,799)	(1,263)	1,094
Other	452	1,780	(341)
Provision for income taxes	$ 43,157	$ 23,419	$ 26,508

Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. Based on management s assessment, it is more likely than not that the deferred tax assets will be realized through future taxable earnings.

Tax effects of temporary differences that give rise to deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2010	**2009**
Deferred tax assets:		
Deferred rent	$ 897	$ 1,462
Accrued vacation	2,072	1,227
Deferred compensation	1,459	1,525
Inventory items	4,962	4,131
Allowance for doubtful accounts and other receivables	494	410
Other accruals	12,165	3,488
Equity based compensation expense	16,463	16,132
Unrealized gain on securities	76	
Unrealized loss on other investments	570	5,552
Net operating loss carry-forwards	10,626	18,334
Valuation allowance	(267)	
Total deferred tax assets	49,517	52,261
Deferred tax liabilities:		
Unrealized loss on securities	(42)	(169)
Depreciation and amortization	(9,059)	(5,458)
Total deferred tax liabilities	(9,101)	(5,627)
Net deferred tax assets	$ 40,416	$ 46,634

On January 1, 2007, we adopted ASC 740 (formerly FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109*). 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. This benefit remained unchanged as of December 31, 2010 and we do not anticipate any significant changes to the liability in 2011.

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.

Table of Contents

Deferred tax asset valuation allowances included in the temporary differences above are as follows (in thousands):

	Year Ended December 31,		
Valuation allowance	**2010**	**2009**	**2008**
Balance at the beginning of the year	$ 0	$ 0	$ 0
Additions	267	0	0
Subtractions	0	0	0
Balance at the end of the period	$ 267	$ 0	$ 0

Zebra s deferred tax valuation allowance is the result of uncertainties regarding the future realization of recorded tax benefits on state income tax loss carry-forwards. The addition in 2010 is primarily related to state income tax law changes in 2011 for that year and tax years going forward.

Zebra has concluded all U.S. federal income tax audits for years through 2006. The tax years 2006 through 2009 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.

Zebra s continuing practice is to recognize interest and/or penalties related to income tax matters as part of income tax expense. For the years ended December 31, 2010, 2009 and 2008, we did not accrue any interest or penalties into income tax expense.

Note 18 Other Comprehensive Income (Loss)

Stockholders equity contains certain items classified as other comprehensive income (loss), including:

- **Foreign currency translation adjustments** related to our non-U.S. subsidiary companies that have designated a functional currency other than the dollar. We are required to translate the subsidiary functional currency financial statements to dollars using a combination of historical, month-end, and average foreign exchange rates. This combination of rates creates the foreign currency translation adjustments component of other comprehensive income (loss).
- **Unrealized holding gains (losses) on foreign currency hedging activities** relate to derivative instruments used to hedge the currency exchange rates for forecasted euro sales. These hedges are designated as cash flow hedges, and we have deferred income statement recognition of gains and losses until the hedged transaction occurs. See Note 10 for more details.
- **Unrealized gains (losses) on investments classified as available-for-sale** are deferred from income statement recognition. See Note 4 for more details.

The components of other comprehensive income (loss) included in the Consolidated Statements of Comprehensive Income (Loss) are as follows (in thousands):

	Year Ended December 31,		
	2010	**2009**	**2008**
Foreign currency translation adjustments	$ 67	$ 3,972	$ (22,991)
Changes in unrealized gains and (losses) on hedging transactions:			
Gross Income tax (benefit)	$ (1,522)	$ 31	$ 9,220
	(573)	12	3,470
Net	$ (949)	$ 19	$ 5,750

Changes in unrealized holding gains and (losses) on investments classified as available-for-sale:			
Gross	$ (652)	$ 1,182	$ (871)
Income tax (benefit)	(246)	445	(328)
Net	$ (406)	$ 737	$ (543)

Table of Contents

The components of accumulated other comprehensive income (loss) included in the Consolidated Balance Sheets are as follows (in thousands):

	As of December 31,	
	2010	2009
Foreign currency translation adjustments	$ (8,275)	$ (8,342)
Unrealized losses on foreign currency hedging activities:		
Gross	$ (1,523)	$ (1)
Income tax benefit	(573)	
Net	$ (950)	$ (1)
Unrealized gains and (losses) on investments classified as available-for-sale:		
Gross	$ (200)	$ 452
Income tax benefit	(76)	170
Net	$ (124)	$ 282

Note 19 Segment and Geographic Data

Zebra has two reportable segments: Specialty Printing Group (SPG) and Zebra Enterprise Solutions (ZES).

SPG includes direct thermal and thermal transfer label and receipt printers, passive radio frequency identification (RFID) printer/encoders and dye sublimation card printers. Also included in this group is 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.

ZES has evolved since the beginning of 2007 with the acquisitions of WhereNet Corp., proveo AG, Navis Holdings, LLC and Multispectral Solutions, Inc. The solutions provided by ZES are generally sold on a contract basis and are typically installed over several quarters. These contracts cover a range of services, including design, installation and ongoing maintenance services.

The accounting policies for reportable segments are the same as those described in the summary of significant accounting policies except that Zebra records its federal and state deferred tax assets and liabilities in corporate and other. Intersegment sales are not significant.

Segment information is as follows (in thousands):

	Years Ended		
	December 31, 2010	December 31, 2009	December 31, 2008
Net sales:			
SPG Tangible products	$ 834,392	$ 688,057	$ 851,562
SPG Service & software	36,644	34,499	30,897
SPG Net Sales	871,036	722,556	882,459

ZES Tangible products	20,877	12,987	20,025
ZES Service & software	64,935	68,042	74,216
ZES Net Sales	85,812	81,029	94,241
Total	$ 956,848	$ 803,585	$ 976,700
Operating income (loss):			
SPG	$ 229,898	$ 148,121	$ 206,188
ZES	(19,571)	(15,254)	(165,966)
Corporate and other	(66,475)	(64,065)	(55,568)
Total	$ 143,852	$ 68,802	$ (15,346)
Depreciation and amortization:			
SPG	$ 15,564	$ 15,565	$ 17,515
ZES	8,389	9,518	14,885
Corporate and other	7,256	7,830	6,181
Total	$ 31,209	$ 32,913	$ 38,581

Table of Contents

	December 31, 2010	December 31, 2009
Identifiable assets:		
SPG	$ 392,512	$ 336,428
ZES	179,109	185,495
Corporate and other	307,243	308,556
Total	$ 878,864	$ 830,479

Corporate and other includes corporate administration costs or assets that support both reporting segments.

Information regarding Zebra s operations by geographic area is contained in the following table. These amounts (in thousands) are reported in the geographic area of the destination of the final sale. We manage our business based on these regions rather than by individual countries.

	North America	Europe, Middle East & Africa	Latin America	Asia	Total
2010					
Net sales	$ 407,201	$ 338,573	$ 87,278	$ 123,796	$ 956,848
Long-lived assets	79,850	7,338	332	1,463	88,983
2009					
Net sales	$ 362,109	$ 294,296	$ 65,060	$ 82,120	$ 803,585
Long-lived assets	68,852	6,986	346	1,405	77,589
2008					
Net sales	$ 444,266	$ 353,273	$ 76,489	$ 102,672	$ 976,700
Long-lived assets	64,296	8,642	340	2,085	75,363

Net sales by major product category are as follows (in thousands):

	Hardware	Supplies	Service and Software	Shipping and Handling	Total
2010	$ 682,455	$ 167,633	$ 101,579	$ 5,181	$ 956,848
2009	539,934	155,847	102,541	5,263	803,585
2008	692,638	172,106	105,113	6,843	976,700

Note 20 Business Combinations

Multispectral Solutions Inc. On April 1, 2008, Zebra acquired all of the outstanding stock of Multispectral Solutions Inc. (MSSI) for $18,366,000, which is net of cash acquired and includes transaction costs. Headquartered in Germantown, Maryland, MSSI is a global provider of ultra wideband (UWB) real-time locating systems and other UWB-based wireless technology. Zebra acquired this company to further extend our range of solutions. The Consolidated Statements of Earnings (Loss) reflect the results of operations of MSSI since the effective date of the purchase. The pro forma impact of this acquisition was not significant.

The following table (in thousands) summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition.

	At April 1, 2008
Current assets	$ 700
Property and equipment	70
Intangible assets	8,000
Goodwill	13,547
Total assets acquired	$ 22,317
Deferred tax liability	(3,011)
Current liabilities	(940)
Net assets acquired	$ 18,366

Table of Contents

The purchase price was allocated to identifiable tangible and intangible assets acquired and liabilities assumed based on their estimated fair values resulting in goodwill of $13,547,000. The intangible assets of $8,000,000 consist of the following (in thousands):

	Amount	Useful life
Customer relationships	$ 1,000	10 years
Developed technology	$ 7,000	8 years

The goodwill is not deductible for tax purposes.

As part of the acquisition closing, an escrow was established, which, as of December 31, 2009 held $2,000,000. On September 17, 2009, Zebra filed a demand against the former shareholders of MSSI seeking recovery for damages resulting from the selling Shareholders breach of several representations and warranties contained in the acquisition agreement. Representatives of the selling shareholders of MSSI disputed the allegations contained in Zebra s demand and after settlement discussions were unsuccessful, on October 28, 2009, filed a Declaratory Action in the Circuit Court of Cook County seeking to obtain a portion of the escrowed funds. On December 9, 2009, Zebra filed its Answer to the Declaratory Action and its Counterclaim against the former shareholders of MSSI and others (the Defendants), alleging that Zebra is entitled to indemnification from the Defendants as a result of, among other things, fraud and breaches of the representations and warranties in the acquisition agreement.

The dispute was settled and the complaint was dismissed in December of 2010. In accordance with the settlement agreement, Zebra received $1,000,000 of the escrowed funds, less 50% of the unpaid expenses of the Escrow Agent, and the balance of the escrow fund was distributed to the former shareholders and vested option holders of MSSI pursuant to the terms of the acquisition agreement.

Zebra agreed to make payments to its current employees that had been shareholders and vested option holders of MSSI to reimburse them for their pro rata portions of any share of the escrow fund that they did not receive due to Zebra s recoupment of amounts from the escrow fund. Accordingly, we recorded expense in the amount of $100,000 related to these payments. This expense was netted against the $1,000,000 received from the escrow settlement and is shown on the Consolidated Statements of Earnings (Loss) on a separate line titled litigation settlement.

WhereNet Corp. On January 24, 2008, Zebra filed an indemnification claim against the sellers of WhereNet for the entire escrow balance of $13,600,000, alleging that Zebra was entitled to indemnification from the former shareholders of WhereNet as a result of, among other things, breaches of the representations and warranties in the acquisition agreement and potential third party claims. Representatives of the shareholders disputed the allegations and filed a declaratory action to obtain the escrowed funds. The dispute was settled and the complaint was dismissed in September 2008. In accordance with the settlement agreement, Zebra received $7,000,000 of the escrowed funds, and the remainder was distributed to the former shareholders and vested option holders of WhereNet pursuant to the terms of the acquisition agreement.

Zebra agreed to make payments to its current employees that had been shareholders and vested option holders of WhereNet to reimburse them for their pro rata portions of any share of the escrow funds that they did not receive due to Zebra s recoupment of amounts from the escrow funds. Accordingly, we recorded expense in the amount of $1,698,000 related to these payments. This expense was netted against the $7,000,000 received from the escrow settlement and is shown on the Consolidated Statements of Earnings (Loss) on a separate line titled litigation settlement in 2008. In 2010, litigation settlement also includes $182,000 related to the WhereNet settlement that remained after distributing funds to its current employees.

Note 21 Major Customers

ScanSource, Inc. is our most significant customer. Our net sales to ScanSource, Inc., an international distributor of Zebra SPG products related to automatic identification, telephony and security, as a percentage of total net sales, were as follows:

Year Ended December 31,		
2010	2009	2008

ScanSource	18.5%	16.1%	15.4%

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

Table of Contents

Note 22 Quarterly Results of Operations (unaudited)

(Amounts in thousands, except per share data)

2010	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$ 226,431	$ 235,735	$ 246,507	$ 248,175
Cost of sales	119,096	124,556	127,793	124,534
Gross profit	107,335	111,179	118,714	123,641
Selling and marketing	27,500	30,328	30,365	34,496
Research and engineering	23,072	25,371	26,746	26,741
General and administrative	20,869	19,558	19,791	19,492
Amortization of intangibles	2,358	2,345	2,444	2,426
Litigation settlement				(1,082)
Exit, restructuring and integration costs	1,816	736	511	1,134
Total operating expenses	75,615	78,338	79,857	83,207
Operating income	31,720	32,841	38,857	40,434
Investment income (loss)	842	634	635	570
Foreign exchange gain (loss)	199	361	(325)	(448)
Other, net	(349)	(487)	(216)	(333)
Total other income (loss)	692	508	94	(211)
Income before taxes	32,412	33,349	38,951	40,223
Income taxes	7,679	10,672	12,800	12,006
Net income	$ 24,733	$ 22,677	$ 26,151	$ 28,217
Basic earnings per share	$ 0.43	$ 0.39	$ 0.46	$ 0.50
Diluted earnings per share	$ 0.42	$ 0.39	$ 0.46	$ 0.50

2009	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$ 192,609	$ 187,676	$ 200,778	$ 222,522
Cost of sales	106,800	105,940	109,080	121,044
Gross profit	85,809	81,736	91,698	101,478
Selling and marketing	23,199	24,398	26,395	28,543
Research and engineering	22,149	20,949	21,454	21,838
General and administrative	21,357	18,077	22,447	19,514
Amortization of intangibles	2,634	2,575	2,649	2,608
Exit, restructuring and integration costs	2,296	3,643	3,515	2,737
Asset impairment charges (reversal)		(1,058)		
Total operating expenses	71,635	68,584	76,460	75,240
Operating income (loss)	14,174	13,152	15,238	26,238
Investment income (loss)	1,178	247	813	695
Foreign exchange gain (loss)	(1,284)	(131)	575	795
Other, net	(317)	(19)	(286)	(545)
Total other income (loss)	(423)	97	1,102	945
Income (loss) before taxes	13,751	13,249	16,340	27,183
Income taxes	4,399	4,238	5,229	9,553
Net income (loss)	$ 9,352	$ 9,011	$ 11,111	$ 17,630
Basic earnings (loss) per share	$ 0.16	$ 0.15	$ 0.19	$ 0.30
Diluted earnings (loss) per share	$ 0.16	$ 0.15	$ 0.19	$ 0.30

Note 23 Subsequent Events

On January 28, 2011, we entered into a Securities Purchase Agreement with Cargotec Corporation to sell all of our interest in the Navis business and WhereNet Marine Terminal Solution software product line for approximately $190 million in cash. We are retaining the real time location, tags and readers portion of the WhereNet business, along with the WhereNet applications that are sold into non-maritime industries. The sale is expected to close in the first quarter of 2011.

Beginning with the first quarter of 2011, Navis and other ZES assets will be reported as assets/liabilities held for sale and the operating results will be reported as discontinued operations. We do not treat the Navis business as discontinued operations in our financial statements for the three-year period ended December 31, 2010. Our financial statements for the three-year period ended December 31, 2010 reflect our Specialty Printing Group (SPG) and ZES segments, including the management discussion and analysis of financial condition and results of operations. After the divestiture, we will be consolidating the remaining location solutions businesses of ZES into Zebra and the separation of segments between SPG and ZES will no longer be required.

Table of Contents

ZEBRA TECHNOLOGIES CORPORATION

Schedule II

Valuation and Qualifying Accounts

(Amounts in thousands)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions / (Recoveries)	Balance at End of Period
Valuation account for accounts receivable:				
Year ended December 31, 2010	$ 2,186	$ 367	$ 392	$ 2,161
Year ended December 31, 2009	$ 2,734	$ 329	$ 877	$ 2,186
Year ended December 31, 2008	5,075	1,061	3,402	2,734
Valuation accounts for inventories:				
Year ended December 31, 2010	$ 9,054	$ 5,470	$ 4,687	$ 9,837
Year ended December 31, 2009	$ 9,664	$ 6,661	$ 7,271	$ 9,054
Year ended December 31, 2008	10,004	8,394	8,734	9,664

See accompanying report of independent registered public accounting firm.

Table of Contents

Index to Exhibits

2.1	(1)	Agreement and Plan of Merger between the Company, Waldo Acquisition Corp., WhereNet Corp. and Crosspoint Venture Partners 1996, LLP, dated as of January 11, 2007.
2.2	(2)	Agreement and Plan of Merger between the Company, Nero Acquisition LLC, Navis Holdings, LLC and Navis Corporation, dated October 15, 2007.
2.3		Securities Purchase Agreement, dated as of January 28, 2011 by and among Cargotec U.S. Manufacturing OY, Cargotec Corporation, Zebra Enterprise Solutions Holdings LLC and Zebra Technologies Corporation.
3.1(i)	(3)	Certificate of Incorporation of the Company, as amended.
3.1(ii)	(15)	Amended and Restated By-laws of Zebra Technologies Corporation.
4.0	(5)	Specimen stock certificate representing Class A Common Stock.
4.1	(6)	Rights Agreement between the Company and Mellon Investor Services, as Rights Agent.
10.1	(7)	1997 Stock Option Plan. +
10.2	(8)	First Amendment to 1997 Stock Option Plan. +
10.3	(8)	Second Amendment to 1997 Stock Option Plan. +
10.4	(9)	Third Amendment to 1997 Stock Option Plan. +
10.5	(10)	Amendment No. Four to 1997 Stock Option Plan. +
10.6	(7)	Directors 1997 Stock Option Plan. +
10.7	(5)	Lease between the Company and Unique Building Corporation for the Company s facility in Vernon Hills, Illinois.
10.8	(3)	Amendment to the lease between the Company and Unique Building Corporation for the Company s facility in Vernon Hills, Illinois, dated April 1, 1993.
10.9	(3)	Amendment to the lease between the Company and Unique Building Corporation for the Company s facility in Vernon Hills, Illinois, dated December 1, 1994.
10.10	(11)	Amendment to the lease between the Company and Unique Building Corporation for the Company s facility in Vernon Hills, Illinois, dated June 1, 1996.
10.11	(11)	Amendment to the lease between the Company and Unique Building Corporation for the Company s facility in Vernon Hills, Illinois, dated June 2, 1996.
10.12	(12)	Amendment to the lease between the Company and Unique Building Corporation for the Company s facility in Vernon Hills, Illinois, dated as of July 1, 1999.
10.13	(13)	2002 Non-Employee Director Stock Option Plan. +
10.14	(13)	Amendment No. 1 to 2002 Non-Employee Director Stock Option Plan. +
10.15	(16)	Employment Agreement between the Company and Anders Gustafsson dated August 23, 2007. +
10.16	(17)	First Amendment to Employment Agreement between the Company and Anders Gustafsson dated November 16, 2007. +
10.17	(14)	Second Amendment to Employment Agreement between the Company and Anders Gustafsson dated December 30, 2008. +
10.18	(16)	Non-Qualified Stock Option Agreement between the Company and Anders Gustafsson dated September 4, 2007. +
10.19	(16)	LTI Restricted Stock Agreement between the Company and Anders Gustafsson dated September 4, 2007. +
10.20	(16)	LTI Non-Qualified Stock Option Agreement between the Company and Anders Gustafsson dated September 4, 2007. +
10.21	(18)	Employment Agreement between the Company and Hugh Gagnier dated December 12, 2007. +
10.22	(14)	Amendment No. 1 to Employment Agreement between the Company and Hugh Gagnier dated December 30, 2008. +
10.23	(32)	Employment Agreement between the Company and Michael H. Terzich dated November 16, 2007. +
10.24	(32)	Employment Agreement between the Company and Todd Naughton dated November 16, 2007. +
10.25	(17)	Employment Agreement between the Company and Phil Gerskovich dated November 16, 2007. +
10.26	(27)	Employment Agreement between the Company and Joanne Townsend dated March 17, 2008. +
10.27	(28)	Employment Agreement between Michael C. Smiley and the Company dated May 1, 2008. +
10.28	(14)	Form of Amendment No. 1 to Employment Agreement by and between the Company and each executive officer other than Messrs. Gustafsson and Gagnier, each dated December 30, 2008. +
10.29	(8)	Form of Stock Option Agreement under the 1997 Stock Option Plan for awards granted prior to February 6, 2006. +
10.30	(13)	Form of Stock Option Agreement under the 2002 Non-Employee Director Stock Option Plan for awards granted prior to February 8, 2006. +
10.31	(31)	Form of Amendment to outstanding Stock Option Agreements under the 2002 Non-Employee Director Stock Option Plan. +
10.32	(19)	Form of Stock Option Agreement under the 1997 Stock Option Plan for awards granted on or after February 6, 2006. +

10.33	(19)	Form of Stock Option Agreement under the 2002 Non-Employee Director Stock Option Plan for awards granted on or after February 6, 2006. +

10.34	(20)	Form of Stock Option Agreement under the 2006 Incentive Compensation Plan for awards granted prior to April 25, 2007. +
10.35	(21)	Form of Stock Option Agreement under the 2006 Incentive Compensation Plan for awards granted to executive officers on or after April 25, 2007 and prior to December 2, 2008. +
10.36	(20)	Form of Restricted Stock Agreement under the 2006 Incentive Compensation Plan for retention grants to executive officers granted prior to April 24, 2008. +
10.37	(26)	Form of Restricted Stock Agreement under the 2006 Incentive Compensation Plan for awards granted on or after April 24, 2008 and prior to December 2, 2008. +
10.38	(29)	Form of Director 1-Year Vesting Stock Option Agreement under the 2006 Incentive Compensation Plan for awards granted to directors on or after May 22, 2008 and prior to December 2, 2008. +
10.39	(29)	Form of Director 4-Year Vesting Stock Option Agreement under the 2006 Incentive Compensation Plan for awards granted to directors on or after May 22, 2008 and prior to December 2, 2008. +
10.40	(31)	Amendment to outstanding Stock Option Agreements under the 2006 Incentive Compensation Plan, dated December 2, 2008. +
10.41	(31)	Form of Stock Option Agreement under the 2006 Incentive Compensation Plan for awards granted to executive officers on or after December 2, 2008. +
10.42	(31)	Form of Director Stock Option Agreement (1-Year Vesting) under the 2006 Incentive Compensation Plan for awards granted to directors on or after December 2, 2008. +
10.43	(31)	Form of Director Stock Option Agreement (4-Year Vesting) under the 2006 Incentive Compensation Plan for awards granted to directors on or after December 2, 2008. +
10.44	(31)	Form of Restricted Stock Agreement (time-vesting) under the 2006 Incentive Compensation Plan for awards granted on or after December 2, 2008. +
10.45	(31)	Form of Restricted Stock Agreement (time-vesting) under the 2006 Incentive Compensation Plan for awards granted on or after December 2, 2008. +
10.46	(27)	Manufacturing Services Agreement between Jabil Circuit, Inc. and the Company dated May 30, 2007 (portions of this exhibit have been omitted and have been filed separately with the Commission pursuant to a request for confidential treatment.)
10.47	(30)	Credit Agreement between Zebra Technologies Corporation and Northern Trust Company, as Syndication Agent, Bank of America, N.A., as Documentation Agent, and JPMorgan Chase Bank, N.A., as Administrative Agent, dated as of August 14, 2008.
10.48	(4)	Amendment No. 1 and Waiver to Credit Agreement dated as of August 25, 2009 among the Company, Lenders, and JPMorgan Chase Bank.
10.50	(23)	2006 Incentive Compensation Plan. +
10.51	(31)	Amendment to the 2006 Incentive Compensation Plan dated December 2, 2008. +
10.52	(24)	WhereNet Corp. 1997 Stock Option Plan. +
10.53	(24)	First Amendment to the WhereNet Corp. 1997 Stock Option Plan. +
10.54	(25)	Amended and Restated Navis Holdings, LLC 2000 Option Plan. +
10.55	(15)	Zebra Incentive Plan for 2011. +
10.56	(27)	2005 Executive Deferred Compensation Plan, as amended. +
10.57	(15)	Zebra Enterprises Incentive Plan for 2011. +
10.58	(4)	Employment agreement between the Company and Jim Kaput dated August 31, 2009. +
10.59	(4)	Employment agreement between the Company and William Walsh dated January 5, 2009.
10.60	(33)	Form of indemnification agreement between Zebra Technologies Corporation and each director and executive officer. +
10.61	(33)	Form of 2010 time-vested stock appreciation rights agreement for employees. +
10.62	(33)	Form of 2010 time-vested restricted stock agreement for employees. +
10.63	(33)	Form of 2010 performance-based restricted stock agreement for executive officers other than the chief executive officer. +
10.64	(33)	Form of 2010 time-vested stock appreciation rights agreement for chief executive officer. +
10.65	(33)	Form of 2010 time-vested restricted stock agreement for chief executive officer. +
10.66	(33)	Form of 2010 performance-based restricted stock agreement for chief executive officer. +
10.67	(33)	Form of 2010 time-vested stock appreciation rights agreement for non-employee directors. +
10.68	(33)	Form of 2009 time-vested stock appreciation rights agreement for non-employee directors. +
10.69	(33)	Amended and Restated Employment Agreement between Zebra Technologies Corporation and Anders Gustafsson dated as of May 6, 2010. +
10.70	(33)	Letter Agreement between Zebra Technologies Corporation and Anders Gustafsson dated as of May 6, 2010. +
10.71	(22)	Form of Amendment to Employment Agreement between Zebra Technologies Corporation and executive officers. +
10.72		Amendment to Manufacturing Services Agreement between Jabil Circuit, Inc. and Zebra Technologies Corporation dated May 30, 2007

21.1	Subsidiaries of the Company.
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm.
31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a).
31.2	Certification pursuant to Rule 13a-14(a)/15d-14(a).
32.1	Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from Zebra Technologies Corporation Annual Report on Form 10-K, for the year ended December 31, 2010, filed with the SEC on February 24, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the consolidated balance sheets; (ii) the consolidated statements of earnings (loss); (iii) the consolidated statements of comprehensive income (loss); (iv) the consolidated statements of stockholders equity; (v) the consolidated statements of cash flows; and (vi) notes to consolidated financial statements.

(1) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.
(2) Incorporated by reference from Current Report on Form 8-K filed on December 17, 2007.
(3) Incorporated by reference from Form 10-K for fiscal year ended December 31. 2006.
(4) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended October 3, 2009.
(5) Incorporated by reference from Registration Statement on Form S-1, File No. 33-41576.
(6) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended March 30, 2002.
(7) Incorporated by reference from Form 10-K for the fiscal year ended December 31, 1997.
(8) Incorporated by reference from Registration Statement on Form S-8, File No. 333-63009.
(9) Incorporated by reference from Registration Statement on Form S-8, File No. 333-84512.
(10) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended September 28, 2002.
(11) Incorporated by reference from Form 10-K for the fiscal year ended December 31, 1996.
(12) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended April 1, 2000.
(13) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended June 29, 2002.
(14) Incorporated by reference from Current Report on Form 8-K filed on January 5, 2009.
(15) Incorporated by reference from Current Report on Form 8-K filed on February 16, 2011.
(16) Incorporated by reference from Current Report on Form 8-K filed on September 4, 2007.
(17) Incorporated by reference from Current Report on Form 8-K filed on November 21, 2007.
(18) Incorporated by reference from Current Report on Form 8-K filed on December 17, 2007.
(19) Incorporated by reference from Current Report on Form 8-K filed on February 10, 2006.
(20) Incorporated by reference from Current Report on Form 8-K filed on October 26, 2006.
(21) Incorporated by reference from Current Report on Form 8-K filed on May 1, 2007.
(22) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended October 2, 2010.
(23) Incorporated by reference from Current Report on Form 8-K filed on May 15, 2006.
(24) Incorporated by reference from Registration Statement on Form S-8 filed on January 25, 2007, File No. 333-140207.
(25) Incorporated by reference from Registration Statement on Form S-8 filed on December 19, 2007, File No. 333-148183.
(26) Incorporated by reference from Current Report on Form 8-K filed on April 30, 2008.
(27) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended March 29, 2008.
(28) Incorporated by reference from Current Report on Form 8-K filed on May 7, 2008.
(29) Incorporated by reference from Current Report on Form 8-K filed on May 29, 2008.
(30) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended September 27, 2008.
(31) Incorporated by reference from Current Report on Form 8-K filed on December 8, 2008.
(32) Incorporated by reference from Form 10-K for fiscal year ended December 31, 2008.
(33) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended April 3, 2010.

\+ Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K.