ZEBRA TECHNOLOGIES CORP
Form 10-K
February 23, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS

PURSUANT TO SECTIONS 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

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

For the fiscal year ended December 31, 2011

OR

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

For the transition period from ____________________ to ____________________

COMMISSION FILE NUMBER 000-19406

Zebra Technologies Corporation

(Exact name of registrant as specified in its charter)

Delaware	36-2675536
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer 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 ____

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

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

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

Documents Incorporated by Reference

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

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ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES

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PART I

References in this document to Zebra, we, us, or our refer to Zebra Technologies Corporation and its subsidiaries, unless the context 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,
- The effect of natural disasters on our business, such as those occurring in Japan and Thailand,
- Foreign exchange rates due to the large percentage of our international sales and operations, and
- The outcome of litigation in which Zebra is involved, particularly litigation or claims related to infringement of third-party intellectual property rights.

When used in this document and documents referenced, the words anticipate, believe, estimate, will and expect and similar expressions as 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

The Company

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

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

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

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

Discontinued Operations

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

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

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

Continuing Operations

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

Zebra s printer operations

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

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

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

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

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

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

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

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

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

- Performance tabletop printers for applications requiring continuous operation in high output, mission-critical and industrial settings.
- Mid-range tabletop printers, which are designed for demanding commercial applications.
- Desktop printers to deliver value and performance in applications with lower volume or space restrictions.
- Mobile printers to meet the printing needs of mobile workers in a broad range of industries.
- Print engines, which are sold to manufacturers and integrators of high-speed automatic label applicator systems and are available with or without RFID smart label capabilities.
- Kiosk and ticket printers for use in kiosks and other unattended printing applications.
- Card printers, which print and encode national identity cards, driver s licenses, employee identification badges, gift cards, personalized cards and financial cards (credit, debit and ATM cards).
- RFID printer/encoders for passive high frequency and ultra-high frequency radio frequency identification in the retail supply chain, for defense logistics, and other applications. These units are used to print and encode smart labels in a single pass. Smart labels are printable labels embedded with an ultra-thin radio frequency transponder. Information encoded in these transponders can then be read and modified by a radio frequency reader.

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

Zebra s Location Solutions

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

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

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

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

Printer Supplies

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

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

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

Printer Related Software

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

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

Printer Maintenance and Services

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

Printer Warranties

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

Zebra s Technology

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

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

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

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

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

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

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

Printer Sales and Marketing

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

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

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

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

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

Printer Production and Manufacturing

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

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

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

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

Competition

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

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

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

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

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

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

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

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

Alternative Printing Technologies

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

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

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

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

Customers

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

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

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

Sales

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

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

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

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

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

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

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

Intellectual Property Rights

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

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

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

Employees

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

Contact Information

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

Additional Information

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

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Item 1A. Risk Factors

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

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

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

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

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

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

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

- Fluctuating foreign currency rates could restrict sales, or increase costs of purchasing, in foreign countries,
- Volatility in foreign credit markets may affect our customers and suppliers,
- Adverse changes in, or uncertainty of, local business laws or practices, including the following:
  - Foreign governments may impose burdensome tariffs, quotas, taxes, trade barriers or capital flow restrictions,
  - Restrictions on the export or import of technology may reduce or eliminate the ability to sell in or purchase from certain markets,
  - Political and economic instability may reduce demand for our products, or put our foreign assets at risk,
- Potentially limited intellectual property protection in certain countries may limit recourse against infringing products or cause Zebra to refrain from selling in certain geographic territories,
- Staffing and turnover at international operations may be unusually difficult,
- A government controlled exchange rate and limitations on the convertibility of the Chinese *yuan,* and
- Transportation delays that may affect production and distribution of Zebra s products,
- Inadequately managing and overseeing operations that are distant and remote from corporate headquarters.

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

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

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Zebra s industry is characterized by:

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

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

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

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

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

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

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

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

Acquisitions also may involve a number of risks:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Item 1B. Unresolved Staff Comments

Not applicable.

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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 Agoura Hills, California.

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

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

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

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Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Stock Information: Price Range and Common Stock

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

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

Source: The NASDAQ Stock Market

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

Dividend Policy

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

Treasury Shares

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

ISSUER PURCHASES OF EQUITY SECURITIES

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

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

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

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Item 6. Selected Financial Data

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) DATA

(In thousands, except per share amounts)

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

CONSOLIDATED BALANCE SHEET DATA

(In thousands)

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

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

(2) Includes exit and restructuring costs of $9,902,000.

(3) Includes asset impairment charges of $144,950,000 and exit and restructuring costs of $17,932,000.

(4) Calculated as current assets minus current liabilities.

(5) Long-term obligations include deferred compensation and unearned revenue. See Note 17 Deferred Compensation Plan in the Notes to the Consolidated Financial Statements included in this Form 10-K.

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

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

Consolidated Results of Operations

(Amounts in thousands, except percentages)

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

Consolidated Results of Operations Fourth quarter

Sales

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

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

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

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

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

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

Gross profit

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

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

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

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

Operating expenses

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

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

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

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

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Other income (expense)

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

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

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

Operating income

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

Income taxes

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

Income (loss) from discontinued operations

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

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Results of Operations: Year ended December 31, 2011 versus Year ended December 31, 2010

Consolidated Results of Operations

(Amounts in thousands, except percentages)

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

Consolidated Results of Operations Full Year

Sales

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

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

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

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

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

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

Gross profit

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

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

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

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

Operating expenses

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

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

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

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

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Selling and marketing expenses

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

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

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

Research and development costs

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

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

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

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

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General and administrative expenses

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

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

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

Amortization of intangible assets

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

Litigation settlement

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

Exit and restructuring costs

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

Operating income

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

Other income (expense)

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

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

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

Investment income declined overall from lower short-term interest rates in 2011 compared with 2010 even though cash and investment balances were higher in 2011 versus 2010.

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Income taxes

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

Income (loss) discontinued operations

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

Comparison of Years Ended December 31, 2010 and 2009

Consolidated Results of Operations

(Amounts in thousands, except percentages)

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

Consolidated Results of Operations   Year to date

Sales

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

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

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

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

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

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

Gross profit

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

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

	Year Ended December 31, 2010	Year Ended 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. 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.

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

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

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

Selling and marketing expenses

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

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

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

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

Research and development costs

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

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

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

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

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

General and administrative expenses

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

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

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

Amortization of intangible assets

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

Litigation settlement

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

Exit and restructuring costs

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

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Other Income

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

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

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

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

Operating Income (Loss)

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

Income Taxes

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

Critical Accounting Policies and Estimates

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

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

Revenue Recognition

Product revenue is recognized once four criteria are met: (1) we have persuasive evidence that an arrangement 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

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

Growth Rebates

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

Price Protection

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

Software Revenue

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

- Our printers contain *embedded firmware,* which is part of the hardware purchase. We consider the sale of this firmware to be incidental to the sale of the printer and do not attribute any revenue to it.
- We sell a limited amount of *prepackaged,* or *off-the-shelf, software* for the creation of bar code labels using our printers. There is no customization required to use this software, and we have no post-shipment obligations on the software. Revenue is recognized at the time this prepackaged software is shipped.
- We sometimes provide *custom software* as part of a printer installation project. We bill custom software development services separate from the related hardware. Revenue related to custom software is recognized once the custom software development services have been completed and accepted by the customer.
- We recognize license revenue under ASC (Accounting Standards Codification) 985, when (1) a signed contract is obtained; (2) delivery of the product has occurred; (3) the license fee is fixed or determinable; and (4) collection is probable.

Maintenance and Support Agreements

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

Shipping and Handling

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

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

Investments and Marketable Securities

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

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

Corporate securities	27.6%

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

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

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

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

Accounts Receivable

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

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

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

Inventories

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

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

Valuation of Goodwill

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

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

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

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

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

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

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

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

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

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

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

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

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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.

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

Income Taxes

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

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

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

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

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

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

Year Ended

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

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

Contingencies

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

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

Equity-Based Compensation

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

Liquidity and Capital Resources

(Amounts in thousands, except percentages):

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

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

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

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

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

Zebra earns a significant amount of our operating income outside the U.S., which is deemed to be permanently reinvested in foreign jurisdictions. Zebra does not currently foresee a need to repatriate funds, however, should Zebra require more capital in the U.S. than is generated by our operations locally, Zebra could elect to repatriate funds held in foreign jurisdictions or raise capital in the U.S. through debt or equity issuances. These alternatives could result in higher effective tax rates or increased interest expense. Included in Zebra s cash, restricted cash, investments and marketable

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

Contractual Obligations

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

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

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

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

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

Recently Issued Accounting Pronouncements

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

In December 2010, the FASB issued update 2010-28, ASC 350, *Intangibles Goodwill and Other: When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* (a consensus of the FASB Emerging Issues Task Force). This updated guidance requires entities with reporting units with zero or negative carrying amounts to perform 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 June 2011, the FASB issued update 2011-05, ASC 220, *Comprehensive Income: Presentation of Comprehensive Income*.

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

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

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

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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 s objective is to achieve stable and predictable targeted rates of return, and to provide the liquidity necessary for the operation of the business.

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

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

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

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

Foreign Exchange Risk

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

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

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

Equity Price Risk

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

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

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Item 8. Financial Statements and Supplementary Data

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

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

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Management s Report on Internal Control over Financial Reporting

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

Changes in Internal Control over Financial Reporting

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

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

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

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Inherent Limitations on the Effectiveness of Controls

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

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

of Zebra Technologies Corporation:

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

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

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

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

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

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

/s/Ernst & Young LLP

Chicago, Illinois

February 23, 2012

Item 9B. Other Information

Not applicable.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

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

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

Item 11. Executive Compensation

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

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

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

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

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

Item 14. Principal Accounting Fees and Services

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

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PART IV

Item 15. Exhibits, Financial Statement Schedules

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

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SIGNATURES

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

ZEBRA TECHNOLOGIES CORPORATION
By: /s/ Anders Gustafsson
Anders Gustafsson
Chief Executive Officer

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

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

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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.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

of Zebra Technologies Corporation:

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

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

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

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

/s/Ernst & Young LLP

Chicago, Illinois

February 23, 2012

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ZEBRA TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

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

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

See accompanying notes to consolidated financial statements.

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ZEBRA TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS

(Amounts in thousands, except per share data)

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

Net income	$ 174,643	$ 101,778	$ 47,104
Basic earnings (loss) per share			
Income from continuing operations	$ 2.42	$ 1.83	$ 0.81
Income (loss) from discontinued operations	0.82	(0.05)	(0.02)
Net Income	$ 3.24	$ 1.78	$ 0.79
Diluted earnings (loss) per share			
Income from continuing operations	$ 2.40	$ 1.82	$ 0.81
Income (loss) from discontinued operations	0.82	(0.05)	(0.02)
Net Income	$ 3.22	$ 1.77	$ 0.79
Basic weighted average shares outstanding	53,854	57,143	59,306
Diluted weighted average and equivalent shares outstanding	54,191	57,428	59,425

See accompanying notes to consolidated financial statements.

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ZEBRA TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

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

See accompanying notes to consolidated financial statements.

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

See accompanying notes to consolidated financial statements.

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ZEBRA TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

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

Cash and cash equivalents at end of period	$ 36,353	$ 46,175	$ 37,249
Supplemental disclosures of cash flow information:			
Income taxes paid	$ 65,364	$ 26,563	$ 10,742

See accompanying notes to consolidated financial statements.

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ZEBRA TECHNOLOGIES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Description of Business

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

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

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

Note 2 Summary of Significant Accounting Policies

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

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

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

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

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

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

Investments and Marketable Securities. Investments and marketable securities at December 31, 2011, consisted of U.S. government and agency securities, state and municipal bonds, corporate bonds, and other security interests. Zebra classifies its debt and marketable equity securities in one of three categories: trading, available-for-sale or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those debt securities that Zebra has the ability and intent to hold until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue Recognition. Revenue includes sales of hardware, supplies, software and services (including repair services, extended service contracts, and professional services). Product revenue is recognized once four criteria are met: (1) we have persuasive evidence that an arrangement 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Note 3 Fair Value Measurements

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

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. (i.e. U.S. Treasuries and money market funds)

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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

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

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

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

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

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

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

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

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

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

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

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

Total gains (losses) for the period included in earnings attributable to the change in unrealized losses relating to assets still held at end of period	$ 0	$ 0

As of December 31, 2011 and December 31, 2010, there were no other Level 3 unrealized losses that Zebra believes to be other-than-temporary. No realized gains or losses were recorded for the years ended December 31, 2010 and 2009.

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

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

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

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

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

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

Note 4 Investments and Marketable Securities

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

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

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

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

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

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

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

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

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

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

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

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

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

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Note 5 Accounts Receivable Reserves

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

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

Note 6 Inventories

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

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

Note 7 Property and Equipment

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

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

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

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

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

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Note 8 Goodwill and Other Intangible Asset Data

Intangible asset data are as follows (in thousands):

	As of December 31, 2011		
	Gross Amount	Accumulated Amortization	Net Amount
Amortized intangible assets			
Current technology	$ 12,718	$ (11,403)	$ 1,315
Patent and patent rights	23,392	(12,079)	11,313
Customer relationships	1,773	(1,734)	39
Total	$ 37,883	$ (25,216)	$ 12,667
Amortization expense for the year ended December 31, 2011		$ 3,320	

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

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

	As of December 31, 2010		
	Gross Amount	Accumulated Amortization	Net Amount
Amortized intangible assets			
Current technology	$ 12,718	$ (10,863)	$ 1,855
Patent and patent rights	17,160	(9,351)	7,809
Customer relationships	1,773	(1,682)	91
Total	$ 31,651	$ (21,896)	$ 9,755
Amortization expense for the year ended December 31, 2010		$ 3,211	

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

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

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

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

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

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

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

Note 9 Other Assets

Other assets consist of the following (in thousands):

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

Note 10 Costs Associated with Exit or Disposal Activities

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

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

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

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

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

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

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

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

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

Note 11 Derivative Instruments

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

Credit and market risk

Financial instruments, including derivatives, expose us to 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.

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.

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Hedging of Net Assets

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

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

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

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

Hedging of Anticipated Sales

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

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

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

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

As of

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

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

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

Note 12 Commitments and Contingencies

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

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

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

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

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

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

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

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

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

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

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

Note 13 Savings and Profit Sharing Plans

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

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

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

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

Note 14 Stockholders Equity

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

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

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

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

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

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

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

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

Note 15 Earnings (Loss) Per Share

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

	Year Ended December 31,		
	2011	2010	2009
Weighted average shares:			
Weighted average common shares outstanding	53,854	57,143	59,306
Effect of dilutive securities outstanding	337	285	119
Diluted weighted average shares outstanding	54,191	57,428	59,425
Earnings (loss):			
Income from continuing operations	$ 130,343	$ 104,614	$ 48,491
Income (loss) from discontinued operations	44,300	(2,836)	(1,387)
Net Income	$ 174,643	$ 101,778	$ 47,104
Basic per share amounts:			

Income from continuing operations	$	2.42	$	1.83	$	0.81
Income (loss) from discontinued operations		0.82		(0.05)		(0.02)
Net Income	$	3.24	$	1.78	$	0.79
Diluted per share amounts:						
Income from continuing operations	$	2.40	$	1.82	$	0.81
Income (loss) from discontinued operations		0.82		(0.05)		(0.02)
Net Income	$	3.22	$	1.77	$	0.79

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,		
	2011	**2010**	**2009**
Potentially dilutive shares	1,425,880	1,844,038	2,350,854

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Note 16 Equity-Based Compensation

As of December 31, 2011, Zebra had a general equity-based compensation plan and a stock purchase plan under which shares of our common stock were available for future grants and sales, and which are described below.

On May 19, 2011, Zebra s stockholders approved the 2011 Zebra Technologies Corporation Long Term Incentive Plan (the 2011 Plan), which included authorization for issuance of awards of 5,500,000 shares under the 2011 Plan. The 2011 Plan became effective immediately and superseded the 2006 Incentive Compensation Plan (the 2006 Plan), 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 awards granted under the prior plans until such awards have been exercised, forfeited, cancelled, expired or otherwise terminated in accordance with the terms of such grants. The types of awards available under the 2011 Plan are incentive stock options, nonqualified stock options, stock appreciation rights (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 2011 Plan. The Compensation Committee of the Board of Directors administers the plan. As of December 31, 2011, 5,455,022 shares were available for grant under the plan, and options for 32,341 shares were outstanding under the 2011 Plan.

The options and SARs granted under the 2011 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 2011 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
At grant	5,905
After three years of service	209,605

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 2011 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. Zebra s restricted stock awards are expensed over the vesting period of the related award, which is typically three to five years. However, some recent awards vested upon grant. Compensation cost is calculated as the market date fair value on grant date multiplied by the number of shares granted.

The 2006 Plan was superseded by the 2011 Plan. As of December 31, 2011, options and SARs for 2,040,232 shares were outstanding and exercisable under the 2006 Plan. These options and SARs 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.

The 1997 Plan was superseded by the 2006 Plan. As of December 31, 2011, options for 822,217 shares were outstanding and exercisable under the 1997 Plan. These options terms are the same as noted in the paragraph above in the 2006 Plan.

The 2002 Director Plan was superseded by the 2006 Plan. As of December 31, 2011, options for 80,000 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

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common stock. These new options have exercise prices and vesting dates based on their previous terms. The vesting dates extended 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, 2011, no outstanding Navis options were exercisable into shares of Zebra Class A Common Stock. As of December 31, 2011, outstanding WhereNet options were exercisable into 15,584 shares of Zebra Class A Common Stock.

On May 19, 2011 Zebra s stockholders adopted the 2011 Employee Stock Purchase Plan (which replaced 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, 2011 was $321,000. Stock purchase plan expense for the year ended December 31, 2010 was $315,000 and 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):

	2011	**2010**	**2009**
Expected dividend yield	0%	0%	0%
Forfeiture rate	11.50%	9.78%	9.92%
Volatility	35.33%	39.50%	43.08%
Risk free interest rate	2.01%	2.26%	2.23%
- Range of interest rates	0.01% - 3.18%	0.06% - 3.41%	0.15% - 3.29%
Expected weighted-average life	5.42 years	5.36 years	5.23 years
Fair value of options and SARs granted	$5,495,000	$6,527,000	$6,046,000
Weighted-average grant date fair value of options and SARs granted (per underlying share)	$14.29	$10.64	$8.06

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, 2011, 2010, and 2009, was as follows:

Options and SARs	**2011** Shares	**Weighted-Average Exercise Price**	**2010** Shares	**Weighted-Average Exercise Price**	**2009** Shares	**Weighted-Average Exercise Price**
Outstanding at beginning of year	3,575,746	$ 32.68	3,451,945	$ 32.81	3,139,174	$ 35.83
Granted	387,847	41.13	612,681	27.82	749,951	19.96

Exercised	(586,387)	25.91	(304,565)	23.03	(128,311)	17.53
Forfeited	(302,679)	26.39	(93,476)	30.44	(132,646)	37.28
Expired	(84,153)	40.69	(90,839)	38.02	(176,223)	39.88
Outstanding at end of year	2,990,374	$ 35.47	3,575,746	$ 32.68	3,451,945	$ 32.81
Exercisable at end of year	1,894,324	$ 38.00	2,042,664	$ 36.24	1,884,449	$ 35.23
Intrinsic value of exercised options and SARs	$ 8,100,000		$ 2,567,000		$ 738,000	

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There were no stock options granted in 2011, 2010 or 2009. The terms of the SARs are established under the applicable 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 2011 is as follows: 16,045 SARs vested upon grant and 371,802 SARs vest annually in four equal amounts on each of the first four anniversaries of the grant date. Vesting of SARs granted in 2010 is as follows: 18,000 SARs vested 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, 2011:

	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-$25.23	603,176	5.95 years	$ 20.31	347,741	$ 20.67
$ 25.24-$35.75	567,476	8.00 years	28.93	149,295	30.41
$ 35.76-$41.25	684,979	5.73 years	38.41	595,291	38.66
$ 41.26-$45.62	753,244	6.32 years	43.16	420,498	44.42
$ 45.63-$53.92	381,499	2.91 years	48.70	381,499	48.70
	2,990,374			1,894,324	

	Outstanding	Exercisable
Aggregate intrinsic value	$ 15,751,000	$ 7,272,000
Weighted-average remaining contractual term	6.0 years	4.7 years

Restricted stock award activity, granted under the 2006 Plan, for the years ended December 31, 2011, 2010 and 2009 was as follows:

	2011		2010		2009	
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	844,686	$ 25.47	507,984	$ 23.94	283,567	$ 30.35
Granted	215,510	41.25	375,279	27.84	298,703	20.02
Released	(204,681)	30.03	(22,325)	29.11	(35,904)	32.97
Forfeited	(19,374)	29.08	(16,252)	26.19	(38,382)	32.34
Outstanding at end of year	836,141	$ 28.34	844,686	$ 25.47	507,984	$ 23.94

As of December 31, 2011, there was $17,895,000 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.

	2011	2010	2009

Fair market value	$ 34.77	$ 27.95	$ 21.41
Option price	$ 33.03	$ 26.55	$ 19.66
Expected dividend yield	0%	0%	0%
Expected volatility	33%	25%	34%
Risk free interest rate	0.07%	0.14%	0.18%

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Note 17 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.

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

	As of December 31,	
	2011	**2010**
Money market investments included in other assets	$ 3,199	$ 3,427
Deferred compensation liability included in other long-term liabilities	$ 3,199	$ 3,427

Note 18 Income Taxes

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

	Year Ended December 31,		
	2011	**2010**	**2009**
United States	$ 78,593	$72,298	$ 43,486
Outside United States	101,126	77,309	28,833
Total	$ 179,719	$149,607	$ 72,319

Zebra earns a significant amount of our operating income outside the U.S., which is deemed to be permanently reinvested in foreign jurisdictions. Zebra does not currently foresee a need to repatriate funds, however, should Zebra require more capital in the U.S. than is generated by our operations locally, Zebra could elect to repatriate funds held in foreign jurisdictions or raise capital in the U.S. through debt or equity issuances. These alternatives could result in higher effective tax rates or increased interest expense. Deferred income taxes are not provided on undistributed earnings of foreign subsidiaries, aggregating approximately $175,000,000 at December 31, 2011 and $90,000,000 at December 31, 2010.

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

	Year Ended December 31,		
	2011	**2010**	**2009**
Current:			
Federal	$ 7,250	$ 25,795	$ 3,404
State	1,191	3,108	1,569
Foreign	28,175	17,157	6,066
Total current	36,616	46,060	11,039
Deferred:			

Federal	12,477	(3,591)	10,504
State	405	2,524	509
Foreign	(122)	0	1,776
Total deferred	12,760	(1,067)	12,789
Total	$ 49,376	$ 44,993	$ 23,828

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,		
	2011	**2010**	**2009**
Provision computed at statutory rate	$ 62,905	$ 51,714	$ 25,017
State income tax, net of Federal tax benefit	1,432	1,884	1,275
Tax-exempt interest income	(334)	(554)	(1,048)
Acquisition related items	0	(315)	0
Domestic manufacturing deduction	(212)	(70)	(700)
Research and experimental credit	(508)	(713)	(445)
Foreign rate differential	(13,899)	(8,134)	(2,971)
Other	(8)	1,181	2,700
Provision for income taxes	$ 49,376	$ 44,993	$ 23,828

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In conjunction with the opening of Zebra s Singapore distribution center and the establishment of Singapore as a regional headquarter location in 2009, Zebra negotiated a 10% income tax rate with the Singapore Economic Development Board. The negotiated rate is a reduction from the then current statutory rate of 17%. The 10% rate expires at the end of 2014 unless Zebra meets agreed commitments for employees and business expenditures in Singapore. If these requirements are met, the 10% rate extends through 2018. This agreement reduced Zebra s consolidated income taxes by $2,030,000 in 2011, $1,247,000 in 2010, and $87,000 in 2009.

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):

	$00000000	$00000000
	As of December 31,	
	2011	**2010**
Deferred tax assets:		
Deferred rent	$ 623	$ 804
Accrued vacation	1,926	1,492
Accrued bonus	4,342	5,601
Deferred compensation	1,451	1,459
Inventory items	7,072	4,962
Allowance for doubtful accounts and other receivables	355	241
Other accruals	7,355	6,796
Equity based compensation expense	16,124	16,463
Unrealized gain on securities	288	76
Unrealized loss on other investments	0	570
Net operating loss carry-forwards	4,511	8,065
Valuation allowance	(267)	(267)
Total deferred tax assets	43,780	46,262
Deferred tax liabilities:		
Unrealized loss on other investments	(931)	0
Unrealized loss on securities	0	(42)
Depreciation and amortization	(17,052)	(9,296)
Total deferred tax liabilities	(17,983)	(9,338)
Net deferred tax assets	$ 25,797	$ 36,924

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.

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, 2011, we had approximately $8,436,000 of federal net operating loss carryforwards available to offset future taxable income which expire in 2022 through 2027. As of December 31, 2011, 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.

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

	$0000000000	$0000000000	$0000000000
		Year Ended December 31,	
Valuation allowance	**2011**	**2010**	**2009**
Balance at the beginning of the year	$ 267	$ 0	$ 0
Additions	0	267	0
Subtractions	0	0	0
Balance at the end of the period	$ 267	$ 267	$ 0

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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.

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

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, 2011, 2010 and 2009, we did not accrue any interest or penalties into income tax expense.

Note 19 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 11 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):

	$00000	$00000	$00000
	Year Ended December 31,		
	2011	**2010**	**2009**
Changes in unrealized gains and (losses) on hedging transactions:			
Gross	$ 8,878	$ (1,522)	$ 31
Income tax (benefit)	2,669	(573)	12
Net	$ 6,209	$ (949)	$ 19
Changes in unrealized holding gains and (losses) on investments classified as available-for-sale:			
Gross	$ (597)	$ (652)	$ 1,182
Income tax (benefit)	(212)	(246)	445
Net	$ (385)	$ (406)	$ 737
Foreign currency translation adjustments	$ (688)	$ 67	$ 3,972

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

	As of December 31,	
	2011	**2010**
Foreign currency translation adjustments	$ (8,963)	$ (8,275)

Unrealized gains and (losses) on hedging transactions:		
Gross	7,355	(1,523)
Income tax expense (benefit)	2,096	(573)
Net	5,259	(950)
Unrealized gains and (losses) on investments classified as available-for-sale:		
Gross	(797)	(200)
Income tax expense (benefit)	(288)	(76)
Net	(509)	(124)
Total accumulated other comprehensive income (loss)	$ (4,213)	$ (9,349)

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Note 20 Geographic Data

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
2011					
Net sales	$ 409,208	$ 342,578	$ 89,715	$ 141,987	$ 983,488
Long-lived assets	88,382	5,965	362	3,113	97,822
2010					
Net sales	$ 394,865	$ 305,659	$ 80,679	$ 113,156	$ 894,359
Long-lived assets	78,938	6,566	332	1,257	87,093
2009					
Net sales	$ 348,342	$ 256,939	$ 60,466	$ 72,735	$ 738,482
Long-lived assets	67,487	6,035	347	1,203	75,072

Net sales by country that are greater than 10% of total net sales are as follows (in thousands):

	United States	United Kingdom	Singapore	Other	Total
2011	$ 504,283	$ 339,027	$ 136,757	$ 3,421	$ 983,488
2010	$ 482,891	$ 303,604	$ 105,286	$ 2,578	$ 894,359
2009	$ 438,946	$ 253,548	$ 42,144	$ 3,844	$ 738,482

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

	Hardware	Supplies	Service and Software	Shipping and Handling	Total
2011	$ 743,308	$ 187,457	$ 47,206	$ 5,517	$ 983,488
2010	$ 676,738	$ 167,633	$ 44,829	$ 5,159	$ 894,359
2009	$ 534,993	$ 155,847	$ 42,379	$ 5,263	$ 738,482

Note 21 Major Customers

Our net sales to significant customers as a percentage of total net sales were as follows:

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

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

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Note 22 Quarterly Results of Operations (unaudited)

(Amounts in thousands, except per share data)

	2011			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Net Sales				
Net sales of tangible products	$ 226,120	$ 232,762	$ 241,686	$ 235,714
Revenue from services and software	11,181	12,779	11,652	11,594
Total net sales	237,301	245,541	253,338	247,308
Cost of Sales				
Cost of sales of tangible products	110,781	117,732	122,529	118,792
Cost of sales services and software	6,522	6,111	7,256	6,996
Cost of sales	117,303	123,843	129,785	125,788
Gross Profit	119,998	121,698	123,553	121,520
Operating expenses:				
Selling and marketing	28,528	30,950	31,942	36,377
Research and development	21,681	22,487	22,584	23,174
General and administrative	22,706	20,688	19,166	19,089
Amortization of intangible assets	835	836	843	806
Litigation settlement	0	0	0	0
Exit and restructuring	1,886	66	138	(49)
Total operating expenses	75,636	75,027	74,673	79,397
Operating income	44,362	46,671	48,880	42,123
Other income (loss)				
Investment income (loss)	560	656	134	594
Foreign exchange gain (loss)	(294)	(833)	(173)	(706)
Other, net	(254)	(243)	(859)	(899)
Total other income (loss)	12	(420)	(898)	(1,011)
Income from continuing operations before income taxes	44,374	46,251	47,982	41,112
Income taxes	14,246	13,082	13,795	8,253
Income from continuing operations	30,128	33,169	34,187	32,859
Income (loss) from discontinued operations, net of tax	31,506	(205)	10,814	2,185
Net income	$ 61,634	$ 32,964	$ 45,001	$ 35,044

Basic earnings per share:				
Income from continuing operations	$ 0.54	$ 0.60	$ 0.64	$ 0.63
Income from discontinued operations	0.57	0.00	0.20	0.04
Net Income	$ 1.11	$ 0.60	$ 0.84	$ 0.67
Diluted earnings per share:				
Income from continuing operations	$ 0.54	$ 0.60	$ 0.64	$ 0.63
Income from discontinued operations	0.56	0.00	0.20	0.04
Net Income	$ 1.10	$ 0.60	$ 0.84	$ 0.67
Basic weighted average shares outstanding	55,353	54,546	53,339	52,108
Diluted weighted average and equivalent shares outstanding	55,774	54,958	53,628	52,354

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	2010			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales				
Net sales of tangible products	$ 201,463	$ 207,748	$ 218,271	$ 222,048
Revenue from services and software	10,512	10,810	11,536	11,971
Total net sales	211,975	218,558	229,807	234,019
Cost of Sales				
Cost of sales of tangible products	109,075	114,081	114,924	112,550
Cost of sales services and software	5,137	5,068	5,636	7,113
Cost of sales	114,212	119,149	120,560	119,663
Gross Profit	97,763	99,409	109,247	114,356
Operating expenses:				
Selling and marketing	24,673	27,682	28,068	31,942
Research and development	18,324	20,653	21,862	21,736
General and administrative	19,318	17,955	18,147	17,809
Amortization of intangible assets	741	740	839	891
Litigation settlement	0	0	0	(1,082)
Exit and restructuring costs	1,766	466	0	30
Total operating expenses	64,822	67,496	68,916	71,326
Operating income	32,941	31,913	40,331	43,030
Other income (loss)				
Investment income (loss)	842	634	635	567
Foreign exchange gain (loss)	168	424	(148)	(613)
Other, net	(270)	(455)	(160)	(232)
Total other income (loss)	740	603	327	(278)
Income from continuing operations before income taxes	33,681	32,516	40,658	42,752
Income taxes	8,134	10,331	13,411	13,117
Income from continuing operations	25,547	22,185	27,247	29,635
Income (loss) from discontinued operations, net of tax	(814)	492	(1,096)	(1,418)
Net income	$ 24,733	$ 22,677	$ 26,151	$ 28,217
Basic earnings per share:				
Income from continuing operations	$ 0.44	$ 0.38	$ 0.48	$ 0.53
Income (loss) from discontinued operations	(0.01)	0.01	(0.02)	(0.03)
Net Income	$ 0.43	$ 0.39	$ 0.46	$ 0.50

Diluted earnings per share:				
Income from continuing operations	$ 0.44	$ 0.38	$ 0.48	$ 0.53
Income (loss) from discontinued operations	(0.02)	0.01	(0.02)	(0.03)
Net Income	$ 0.42	$ 0.39	$ 0.46	$ 0.50
Basic weighted average shares outstanding	58,016	57,489	56,739	56,332
Diluted weighted average and equivalent shares outstanding	58,265	57,737	56,998	56,692

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Note 23 Discontinued Operations

Sale of Navis, LLC - On March 18, 2011, we sold our Navis marine terminal solutions business and the related WhereNet marine terminal solutions product line of our Zebra Enterprise Solutions (ZES) business segment for approximately $188,588,000 in cash to Cargotec Corporation. Zebra has a short term receivable from the buyer in the amount of $27,580,000 which represents funds held in escrow that are subject to adjustment according to terms of the agreement.

Sale of proveo AG - On August 3, 2011, we entered into a Share Purchase Agreement with F Two NV (a Belgium company) to sell all of our interest in Zebra Enterprise Solutions GmbH (formerly proveo AG) business. The loss recorded upon divestiture was $1,248,000. As part of the sale, Zebra agreed with the buyer to provide a loan of up to 1,000,000 which is due one year from the sale date and bears interest at 6.5%. Zebra realized tax benefits in the amount of $13,308,000 with the divestiture of proveo AG. These tax benefits are primarily related to the difference in book basis versus tax basis.

Beginning in the first quarter of 2011, Zebra reported the results of these businesses as discontinued operations. The amounts presented below for discontinued operations include Navis and proveo assets and liabilities, and the operating results of these businesses for the years ended December 31, 2011, 2010 and 2009. With the Navis sale, Zebra consolidated the former ZES Location Solutions product line.

The components of assets and liabilities of discontinued operations are as follows (in thousands):

	As of	
	December 31, 2011	**December 31, 2010**
Assets:		
Cash and cash equivalents	$ 0	$ 1,301
Accounts receivable, net	0	24,003
Inventories	0	772
Deferred income taxes	0	3,492
Prepaid expenses and other current assets	0	3,328
Property and equipment, net	0	1,890
Goodwill	0	72,230
Other intangibles, net	0	39,951
Other assets	0	1,202
Assets of discontinued operations	$ 0	$ 148,169
Liabilities:		
Accounts payable	$ 0	$ 726
Accrued liabilities	0	2,927
Deferred revenue	0	17,791
Deferred rent	0	199
Other long-term liabilities	0	184
Liabilities of discontinued operations	$ 0	$ 21,827

Summary results for discontinued operations in our consolidated statement of earnings are as follows (in thousands):

	Year Ended December 31		
	2011	**2010**	**2009**
Net sales	$ 13,945	$ 62,489	$ 65,103

Loss from discontinued operations	(13,971)	(4,673)	(1,796)
Income tax benefit	1,299	1,837	409
Gain on sale of discontinued operations	68,745	0	0
Income tax expense on sale	(11,773)	0	0
Income (loss) from discontinued operations	$ 44,300	$ (2,836)	$ (1,387)

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The components of cash flows of discontinued operations in our consolidated statement of cash flows are as follows (in thousands):

	Year Ended December 31		
	2011	**2010**	**2009**
Cash flows from discontinued operations:			
Net cash provided (used) by operating activities	$ (1,301)	$ (2,164)	$ (1,271)
Net cash provided (used) by investing activities	0	0	0
Net cash provided (used) by financing activities	0	0	0
Effect of exchange rate changes on cash	0	1,771	(475)
Net decrease in cash and cash equivalents	(1,301)	(393)	(1,746)
Cash and cash equivalents at beginning of period	1,301	1,694	3,440
Cash and cash equivalents at end of period	$ 0	$ 1,301	$ 1,694

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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, 2011	$ 1,459	$ 343	$ 242	$ 1,560
Year ended December 31, 2010	$ 1,406	$ 315	$ 262	$ 1,459
Year ended December 31, 2009	$ 1,950	$ 219	$ 763	$ 1,406
Valuation accounts for inventories:				
Year ended December 31, 2011	$ 9,837	$ 8,762	$ 3,889	$ 14,710
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

See accompanying report of independent registered public accounting firm.

Index to Exhibits

2.1	(1)	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)	(2)	Certificate of Incorporation of the Company, as amended.
3.1(ii)	(3)	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	(2)	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	(2)	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	(15)	Employment Agreement between the Company and Anders Gustafsson dated August 23, 2007. +
10.16	(16)	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	(15)	Non-Qualified Stock Option Agreement between the Company and Anders Gustafsson dated September 4, 2007. +
10.19	(15)	LTI Restricted Stock Agreement between the Company and Anders Gustafsson dated September 4, 2007. +
10.20	(15)	LTI Non-Qualified Stock Option Agreement between the Company and Anders Gustafsson dated September 4, 2007. +
10.21	(17)	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	(16)	Employment Agreement between the Company and Phil Gerskovich dated November 16, 2007. +
10.26	(28)	Employment Agreement between Michael C. Smiley and the Company dated May 1, 2008. +
10.27	(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.+
10.28	(8)	Form of Stock Option Agreement under the 1997 Stock Option Plan for awards granted prior to February 6, 2006. +
10.29	(13)	Form of Stock Option Agreement under the 2002 Non-Employee Director Stock Option Plan for awards granted prior to February 8, 2006. +
10.30	(31)	Form of Amendment to outstanding Stock Option Agreements under the 2002 Non-Employee Director Stock Option Plan. +
10.31	(18)	Form of Stock Option Agreement under the 1997 Stock Option Plan for awards granted on or after February 6, 2006. +
10.32	(18)	Form of Stock Option Agreement under the 2002 Non-Employee Director Stock Option Plan for awards granted on or after February 6, 2006. +
10.33	(20)	Form of Stock Option Agreement under the 2006 Incentive Compensation Plan for awards granted prior to April 25, 2007. +
10.34	(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. +

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10.35	(25)	Form of indemnification agreement between Zebra Technologies Corporation and each director and executive officer. +
10.36	(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. +
10.37	(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. +
10.38	(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. +
10.39	(31)	Amendment to outstanding Stock Option Agreements under the 2006 Incentive Compensation Plan, dated December 2, 2008. +
10.40	(31)	Form of Stock Option Agreement under the 2006 Incentive Compensation Plan for awards granted to executive officers on or after December 2, 2008. +
10.41	(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. +
10.42	(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. +
10.43	(31)	Form of Restricted Stock Agreement (time-vesting) under the 2006 Incentive Compensation Plan for awards granted on or after December 2, 2008. +
10.44	(31)	Form of Restricted Stock Agreement (performance-vesting) under the 2006 Incentive Compensation Plan for awards granted on or after December 2, 2008. +
10.45	(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.)
10.46	(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.
10.47	(4)	Amendment No. 1 and Waiver to Credit Agreement dated as of August 25, 2009 among the Company, Lenders, and JPMorgan Chase Bank.
10.48	(23)	2006 Incentive Compensation Plan. +
10.49	(31)	Amendment to the 2006 Incentive Compensation Plan dated December 2, 2008. +
10.50	(24)	2011 Long-Term Incentive Plan. +
10.51	(24)	2011 Short-Term Incentive Plan. +
10.52	(1)	Amendment to Manufacturing Services Agreement between Jabil Circuit, Inc. and Zebra Technologies Corporation dated May 30, 2007.
10.53	(27)	2005 Executive Deferred Compensation Plan, as amended. +
10.54	(22)	Form of Amendment to Employment Agreement between Zebra Technologies Corporation and executive officers. +
10.55	(25)	Amended and Restated Employment Agreement between Zebra Technologies Corporation and Anders Gustafsson dated as of May 6, 2010. +
10.56	(25)	Letter Agreement between Zebra Technologies Corporation and Anders Gustafsson dated as of May 6, 2010. +
10.57	(25)	Form of 2010 and 2011 time-vested stock appreciation rights agreement for employees. +
10.58	(25)	Form of 2010 and 2011 time-vested restricted stock agreement for employees. +
10.59	(25)	Form of 2010 and 2011 performance-based restricted stock agreement for executive officers other than the chief executive officer. +
10.60	(25)	Form of 2010 time-vested stock appreciation rights agreement for chief executive officer. +
10.61	(25)	Form of 2010 time-vested restricted stock agreement for chief executive officer. +
10.62	(25)	Form of 2010 performance-based restricted stock agreement for chief executive officer. +
10.63	(25)	Form of 2010 time-vested stock appreciation rights agreement for non-employee directors. +
10.64	(25)	Form of 2009 and 2010 time-vested stock appreciation rights agreement for non-employee directors. +
10.65	(33)	Form of 2011 time-vested stock appreciation rights agreement for chief executive officer. +
10.66	(33)	Form of 2011 time-vested restricted stock agreement for chief executive officer. +
10.67	(33)	Form of 2011 performance-based restricted stock agreement for chief executive officer. +
10.68	(3)	Form of 2011 time-vested stock appreciation rights agreement for non-employee directors. +
10.69	(34)	WhereNet Corp. 1997 Stock Option Plan. +
10.70	(34)	First Amendment to the WhereNet Corp. 1997 Option Plan. +
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, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the consolidated balance sheets; (ii) the consolidated statements of earnings; (iii) the consolidated statements of comprehensive income; (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 Annual Report on Form 10-K for the year ended December 31, 2010.
(2) Incorporated by reference from Form 10-K for fiscal year ended December 31, 2006.
(3) Incorporated by reference from Current Report on Form 8-K dated May 19, 2011.
(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 dated January 5, 2009.
(15) Incorporated by reference from Current Report on Form 8-K dated on September 4, 2007.
(16) Incorporated by reference from Current Report on Form 8-K filed on November 21, 2007.
(17) Incorporated by reference from Current Report on Form 8-K filed on December 17, 2007.
(18) Incorporated by reference from Current Report on Form 8-K filed on February 10, 2006.
(19) Incorporated by reference from Current Report on Form 8-K filed on October 26, 2006.
(20) Incorporated by reference from Current Report on Form 8-K filed on May 1, 2007.
(21) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended October 2, 2010.
(22) Incorporated by reference from Current Report on Form 8-K filed on May 15, 2006.
(23) Incorporated by reference from Proxy Statement dated April 15, 2011 for the 2011 Annual Meeting of Stockholders.
(24) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended April 3, 2010.
(25) Incorporated by reference from Current Report on Form 8-K filed on April 30, 2008.
(26) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended March 29, 2008.
(27) Incorporated by reference from Current Report on Form 8-K filed on May 7, 2008.
(28) Incorporated by reference from Current Report on Form 8-K filed on May 29, 2008.
(29) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended September 27, 2008.
(30) Incorporated by reference from Current Report on Form 8-K filed on December 8, 2008.
(31) Incorporated by reference from Form 10-K for fiscal year ended December 31, 2008.
(32) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended April 2, 2011.
(33) Incorporated by reference from Registration Statement on Form S-8 filed on January 25, 2007, File No., 333-140207.
(34) Incorporated by reference from Registration Statement on Form S-1, File No. 33-41576.

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