

ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

	December 31,	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 62	\$ 156
Accounts receivable, net	479	625
Inventories, net	458	345
Income tax receivable	40	32
Prepaid expenses and other current assets	24	64
Total Current assets	1,063	1,222
Property, plant and equipment, net	264	292
Goodwill	2,465	2,458
Other intangibles, net	299	480
Long-term deferred income taxes	119	113
Other long-term assets	65	67
Total Assets	\$ 4,275	\$ 4,632
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 51	\$ —
Accounts payable	383	413
Accrued liabilities	337	323
Deferred revenue	186	191
Income taxes payable	43	22
Total Current liabilities	1,000	949
Long-term debt	2,176	2,648
Long-term deferred income taxes	—	3
Long-term deferred revenue	148	124
Other long-term liabilities	117	116
Total Liabilities	3,441	3,840
Stockholders' Equity:		
Preferred stock, \$.01 par value; authorized 10,000,000 shares; none issued	—	—
Class A common stock, \$.01 par value; authorized 150,000,000 shares; issued 72,151,857 shares	1	1
Additional paid-in capital	257	210
Treasury stock at cost, 18,915,762 and 19,267,269 shares at December 31, 2017 and December 31, 2016, respectively	(620)	(614)
Retained earnings	1,248	1,240
Accumulated other comprehensive loss	(52)	(45)
Total Stockholders' Equity	834	792
Total Liabilities and Stockholders' Equity	\$ 4,275	\$ 4,632

See accompanying Notes to Consolidated Financial Statements.

ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except share data)

	Year Ended December 31,		
	2017	2016	2015
Net sales			
Net sales of tangible products	\$ 3,223	\$ 3,056	\$ 3,131
Revenue from services and software	499	518	519
Total Net sales	3,722	3,574	3,650
Cost of sales:			
Cost of sales of tangible products	1,677	1,593	1,629
Cost of services and software	335	339	377
Total Cost of sales	2,012	1,932	2,006
Gross profit	1,710	1,642	1,644
Operating expenses:			
Selling and marketing	448	444	494
Research and development	389	376	394
General and administrative	301	307	283
Amortization of intangible assets	184	229	251
Acquisition and integration costs	50	125	145
Impairment of goodwill and other intangibles	—	62	—
Exit and restructuring costs	16	19	40
Total Operating expenses	1,388	1,562	1,607
Operating income	322	80	37
Other expenses:			
Foreign exchange loss	(1)	(5)	(23)
Interest expense, net	(227)	(193)	(193)
Other, net	(6)	(11)	(1)
Total Other expenses	(234)	(209)	(217)
Income (loss) before income taxes	88	(129)	(180)
Income tax expense (benefit)	71	8	(22)
Net income (loss)	\$ 17	\$ (137)	\$ (158)
Basic earnings (loss) per share	\$ 0.33	\$ (2.65)	\$ (3.10)
Diluted earnings (loss) per share	\$ 0.32	\$ (2.65)	\$ (3.10)
Basic weighted average shares outstanding	53,021,761	51,579,112	50,996,297
Diluted weighted average and equivalent shares outstanding	53,688,832	51,579,112	50,996,297

See accompanying Notes to Consolidated Financial Statements.

ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income (loss)	\$ 17	\$ (137)	\$ (158)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	263	304	320
Impairment of goodwill, intangibles and other assets	1	69	—
Amortization of debt issuance costs and discounts	38	23	16
Share-based compensation	35	27	31
Debt extinguishment costs	65	—	—
Deferred income taxes	(9)	(44)	(142)
Unrealized gain on forward interest rate swaps	(2)	—	(4)
Other, net	4	3	14
Changes in operating assets and liabilities:			
Accounts receivable, net	161	34	2
Inventories, net	(110)	34	(13)
Other assets	16	7	(7)
Accounts payable	(40)	125	(21)
Accrued liabilities	4	(29)	(5)
Deferred revenue	17	7	16
Income taxes	26	(41)	47
Other operating activities	(8)	(2)	26
Net cash provided by operating activities	<u>478</u>	<u>380</u>	<u>122</u>
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	—	—	(52)
Purchases of property, plant and equipment	(50)	(77)	(122)
Proceeds from the sale of a business	—	39	—
Proceeds from the sale of long-term investments	—	—	3
Purchases of long-term investments	(1)	(1)	(1)
Purchases of investments and marketable securities	—	—	(1)
Proceeds from sales of investments and marketable securities	—	—	25
Net cash used in investing activities	<u>(51)</u>	<u>(39)</u>	<u>(148)</u>
Cash flows from financing activities:			
Payments of debt issuance costs and discounts	(5)	(5)	—
Proceeds from issuance of long-term debt	1,371	102	—
Payments of long term-debt	(1,825)	(484)	(165)
Payments of debt extinguishment costs	(65)	—	—
Proceeds from exercise of stock options and stock purchase plan purchases	12	11	17
Taxes paid related to net share settlement of equity awards	(5)	(8)	(13)
Net cash used in financing activities	<u>(517)</u>	<u>(384)</u>	<u>(161)</u>
Effect of exchange rate changes on cash	<u>(4)</u>	<u>7</u>	<u>(15)</u>
Net decrease in cash and cash equivalents	(94)	(36)	(202)
Cash and cash equivalents at beginning of year	156	192	394
Cash and cash equivalents at end of year	<u>\$ 62</u>	<u>\$ 156</u>	<u>\$ 192</u>
Supplemental disclosures of cash flow information:			
Income taxes paid	\$ 65	\$ 81	\$ 38
Interest paid	\$ 195	\$ 180	\$ 183

See accompanying Notes to Consolidated Financial Statements.