

ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

	December 31,	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 44	\$ 62
Accounts receivable, net of allowances for doubtful accounts of \$3 million as of December 31, 2018 and 2017, respectively	520	479
Inventories, net	520	458
Income tax receivable	24	40
Prepaid expenses and other current assets	54	24
Total Current assets	1,162	1,063
Property, plant and equipment, net	249	264
Goodwill	2,495	2,465
Other intangibles, net	232	299
Long-term deferred income taxes	114	119
Other long-term assets	87	65
Total Assets	\$ 4,339	\$ 4,275
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 157	\$ 51
Accounts payable	552	424
Accrued liabilities	322	296
Deferred revenue	210	186
Income taxes payable	60	43
Total Current liabilities	1,301	1,000
Long-term debt	1,434	2,176
Long-term deferred income taxes	8	—
Long-term deferred revenue	172	148
Other long-term liabilities	89	117
Total Liabilities	3,004	3,441
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	294	257
Treasury stock at cost, 18,280,673 and 18,915,762 shares at December 31, 2018 and December 31, 2017, respectively	(613)	(620)
Retained earnings	1,688	1,248
Accumulated other comprehensive income (loss)	(35)	(52)
Total Stockholders' Equity	1,335	834
Total Liabilities and Stockholders' Equity	\$ 4,339	\$ 4,275

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,		
	2018	2017	2016
Net sales			
Tangible products	\$ 3,685	\$ 3,223	\$ 3,056
Services and software	533	499	518
Total Net sales	4,218	3,722	3,574
Cost of sales:			
Tangible products	1,871	1,677	1,593
Services and software	366	335	339
Total Cost of sales	2,237	2,012	1,932
Gross profit	1,981	1,710	1,642
Operating expenses:			
Selling and marketing	483	448	444
Research and development	444	389	376
General and administrative	328	301	307
Amortization of intangible assets	97	184	229
Acquisition and integration costs	8	50	125
Impairment of goodwill and other intangibles	—	—	62
Exit and restructuring costs	11	16	19
Total Operating expenses	1,371	1,388	1,562
Operating income	610	322	80
Other (expenses) income:			
Foreign exchange loss	(5)	(1)	(5)
Interest expense, net	(91)	(227)	(193)
Other, net	10	(6)	(11)
Total Other expenses, net	(86)	(234)	(209)
Income (loss) before income tax	524	88	(129)
Income tax expense	103	71	8
Net income (loss)	\$ 421	\$ 17	\$ (137)
Basic earnings (loss) per share	\$ 7.86	\$ 0.33	\$ (2.65)
Diluted earnings (loss) per share	\$ 7.76	\$ 0.32	\$ (2.65)

See accompanying Notes to Consolidated Financial Statements.

ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Year Ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net income (loss)	\$ 421	\$ 17	\$ (137)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	175	263	304
Impairment of goodwill, intangibles and other assets	—	—	62
Investment (Gain)/Loss	(10)	1	7
Amortization of debt issuance costs and discounts	15	38	23
Share-based compensation	45	35	27
Debt extinguishment costs	1	65	—
Deferred income taxes	2	(9)	(44)
Unrealized gain on forward interest rate swaps	(8)	(2)	—
Other, net	4	4	3
Changes in operating assets and liabilities:			
Accounts receivable, net	(31)	161	34
Inventories, net	(43)	(110)	34
Other assets	(12)	16	7
Accounts payable	122	(49)	122
Accrued liabilities	35	13	(26)
Deferred revenue	51	17	7
Income taxes	24	26	(41)
Other operating activities	(6)	(8)	(2)
Net cash provided by operating activities	785	478	380
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	(72)	—	—
Purchases of property, plant and equipment	(64)	(50)	(77)
Proceeds from the sale of a business	—	—	39
Proceeds from the sale of long-term investments	2	—	—
Purchases of long-term investments	(3)	(1)	(1)
Net cash used in investing activities	(137)	(51)	(39)
Cash flows from financing activities:			
Payments of debt issuance costs and discounts	(2)	(5)	(5)
Proceeds from issuance of long-term debt	909	1,371	102
Payments of long term-debt	(1,566)	(1,825)	(484)
Payments of debt extinguishment costs	(1)	(65)	—
Proceeds from exercise of stock options and stock purchase plan purchases	10	12	11
Taxes paid related to net share settlement of equity awards	(11)	(5)	(8)
Net cash used in financing activities	(661)	(517)	(384)
Effect of exchange rate changes on cash	(5)	(4)	7
Net decrease in cash and cash equivalents	(18)	(94)	(36)
Cash and cash equivalents at beginning of year	62	156	192
Cash and cash equivalents at end of year	\$ 44	\$ 62	\$ 156
Supplemental disclosures of cash flow information:			
Income taxes paid	\$ 76	\$ 65	\$ 81
Interest paid	\$ 90	\$ 195	\$ 180

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