

ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	December 31,	
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 156	\$ 192
Accounts receivable, net	625	671
Inventories, net	345	397
Income tax receivable	32	4
Prepaid expenses and other current assets	64	70
Total Current assets	<u>1,222</u>	<u>1,334</u>
Property, plant and equipment, net	292	298
Goodwill	2,458	2,490
Other intangibles, net	480	757
Long-term deferred income taxes	113	70
Other long-term assets	67	91
Total Assets	<u>\$ 4,632</u>	<u>\$ 5,040</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 413	\$ 289
Accrued liabilities	323	367
Deferred revenue	191	197
Income taxes payable	22	42
Total Current liabilities	<u>949</u>	<u>895</u>
Long-term debt	2,648	3,012
Long-term deferred tax liability	3	1
Long-term deferred revenue	124	124
Other long-term liabilities	116	115
Total Liabilities	<u>3,840</u>	<u>4,147</u>
Stockholders' Equity:		
Preferred stock, \$0.01 par value; authorized 10,000,000 shares; none issued	—	—
Class A common stock, \$0.01 par value; authorized 150,000,000 shares; issued 72,151,857 shares	1	1
Additional paid-in capital	210	194
Treasury stock at cost, 19,267,269 and 19,990,006 shares at December 31, 2016 and December 31, 2015, respectively	(614)	(631)
Retained earnings	1,240	1,377
Accumulated other comprehensive loss	(45)	(48)
Total Stockholders' Equity	<u>792</u>	<u>893</u>
Total Liabilities and Stockholders' Equity	<u>\$ 4,632</u>	<u>\$ 5,040</u>

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,		
	2016	2015	2014
Net sales:			
Net sales of tangible products	\$ 3,056	\$ 3,131	\$ 1,499
Revenue from services and software	518	519	172
Total Net sales	3,574	3,650	1,671
Cost of sales:			
Cost of sales of tangible products	1,593	1,629	792
Cost of services and software	339	377	101
Total Cost of sales	1,932	2,006	893
Gross profit	1,642	1,644	778
Operating expenses:			
Selling and marketing	444	494	213
Research and development	376	394	151
General and administrative	307	283	138
Amortization of intangible assets	229	251	54
Acquisition and integration costs	125	145	127
Impairment of goodwill and other intangibles	62	—	—
Exit and restructuring costs	19	40	6
Total Operating expenses	1,562	1,607	689
Operating income	80	37	89
Other expenses:			
Foreign exchange loss	(5)	(23)	(9)
Interest expense, net	(193)	(193)	(62)
Other, net	(11)	(1)	(1)
Total Other expenses	(209)	(217)	(72)
(Loss) income before income taxes	(129)	(180)	17
Income tax expense (benefit)	8	(22)	(15)
Net (loss) income	\$ (137)	\$ (158)	\$ 32
Basic (loss) earnings per share	\$ (2.65)	\$ (3.10)	\$ 0.64
Diluted (loss) earnings per share	\$ (2.65)	\$ (3.10)	\$ 0.63
Basic weighted average shares outstanding	51,579,112	50,996,297	50,789,173
Diluted weighted average and equivalent shares outstanding	51,579,112	50,996,297	51,379,698

See accompanying Notes to Consolidated Financial Statements.

ZEBRA TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net (loss) income	\$ (137)	\$ (158)	\$ 32
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	304	320	81
Impairment of goodwill, intangibles and other assets	69	—	—
Amortization of debt issuance cost and discount	23	16	2
Share-based compensation	27	31	20
Excess tax benefit from share-based compensation	(3)	(12)	(6)
Deferred income taxes	(44)	(142)	(44)
Unrealized (gain) loss on forward interest rate swaps	—	(4)	5
Other	3	14	4
Changes in operating assets and liabilities:			
Accounts receivable, net	34	2	(70)
Inventories, net	34	(13)	(2)
Other assets	7	(7)	(13)
Accounts payable	125	(21)	62
Accrued liabilities	(29)	(5)	164
Deferred revenue	7	16	10
Income taxes	(41)	47	(5)
Other operating activities	(7)	26	8
Net cash provided by operating activities	<u>372</u>	<u>110</u>	<u>248</u>
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	—	(52)	(3,399)
Purchases of property, plant and equipment	(77)	(122)	(39)
Proceeds from the sale of a business	39	—	—
Proceeds from the sale of long-term investments	—	3	—
Purchases of long-term investments	(1)	(1)	(2)
Purchases of investments and marketable securities	—	(1)	(651)
Maturities of investments and marketable securities	—	—	336
Proceeds from sales of investments and marketable securities	—	25	644
Net cash used in investing activities	<u>(39)</u>	<u>(148)</u>	<u>(3,111)</u>
Cash flows from financing activities:			
Payment of debt issuance costs	—	—	(24)
Proceeds from issuance of long-term debt	102	—	3,189
Payment of long term-debt	(484)	(165)	—
Proceeds from exercise of stock options and stock purchase plan purchases	11	17	26
Taxes paid related to net share settlement of equity awards	(8)	(13)	(5)
Excess tax benefit from share-based compensation	3	12	6
Net cash (used in) provided by financing activities	<u>(376)</u>	<u>(149)</u>	<u>3,192</u>
Effect of exchange rate changes on cash	<u>7</u>	<u>(15)</u>	<u>2</u>
Net (decrease) increase in cash and cash equivalents	<u>(36)</u>	<u>(202)</u>	<u>331</u>
Cash and cash equivalents at beginning of year	<u>192</u>	<u>394</u>	<u>63</u>
Cash and cash equivalents at end of year	<u>\$ 156</u>	<u>\$ 192</u>	<u>\$ 394</u>
Supplemental disclosures of cash flow information:			
Income taxes paid	\$ 81	\$ 38	\$ 17
Interest paid	\$ 180	\$ 183	\$ —

See accompanying Notes to Consolidated Financial Statements.